



Communication Agencies Association

**Submission to**

**The Commerce Commission on the Proposed Merger of  
NZME and Fairfax**

**From the  
Communication Agencies Association of  
New Zealand (CAANZ)**

**NOVEMBER 2016**

## 1. INTRODUCTION

1.1 This submission is from the Communications Agency of New Zealand (CAANZ), 60 Parnell Road, Auckland ([www.caanz.co.nz](http://www.caanz.co.nz)). The contact person is Paul Head, Chief Executive: email [paul@caanz.co.nz](mailto:paul@caanz.co.nz) - phone (021) 574 062.

1.2 This submission is in response to the Commerce Commission's Draft Determination dated 8 November 2016, and should be read as a follow-up to CAANZ's submission to the Commission in September 2016.

## 2. ABOUT THE COMMUNICATIONS AGENCIES ASSOCIATION OF NEW ZEALAND

2.1 CAANZ is an incorporated body representing the interests of members on issues affecting the advertising industry and agencies. There are 90 member agencies, which collectively represent 95 percent of agency billings in New Zealand, with a combined turnover well in excess of \$2 billion.

2.2 The CAANZ mandate is to:

- Lobby on behalf of members
- Future-proof agencies via training and professional development
- Recognise and promote industry and agency achievements

2.3 CAANZ is an expert in the field of advertising and it is an advocate for the important role advertising plays in any modern consumer society. We acknowledge the influence of advertising as a change agent in society and the need for ethical behaviour to govern the execution of that influence.

2.4 Approximately 2,600 people are employed in New Zealand advertising agencies. Advertising activity contributes to the employment of approximately 10,000 people in the publishing, radio and television industries.

2.5 Advertising plays an important role in the New Zealand economy. Advertising informs consumers about the range of goods and services available in the market place. Without such information, it would be difficult to discern between products or decide when to buy and what is available at a particular price point. We believe that strong local media are critical to deliver the economic benefits that advertising provides consumers, businesses and the broader economy and society.

2.6 See more at: [www.caanz.co.nz](http://www.caanz.co.nz).

### 3. SUBMISSION

3.1 CAANZ has read the Commission's Draft Determination and, as the industry body that represents the interests of members on issues affecting the advertising industry and agencies, wishes to emphasise that it does not share the Commission's concerns that the proposed merger could lessen competition in print newspaper or digital advertising.

3.2 In 2016:

- (a) in a media environment that is increasingly digital and global,
- (b) where agencies/advertisers increasingly have numerous media channels competing to deliver their total audience objective, and
- (c) print newspapers are struggling,

the suggestion that a merged NZME/Fairfax could somehow have advertising market power, in either print or digital, does not match the day-to-day realities of the advertising marketplace. Perhaps in 2006, but not in 2016.

3.3 The advertising and media world has evolved significantly in the last few years and will continue to do so, and print newspapers in New Zealand are struggling for survival as print advertising revenue declines rapidly. That is not a function of competition between NZME and Fairfax - it is happening right across New Zealand (and the world) irrespective of whether NZME or Fairfax have print publications in the same area.

3.4 In this market environment, CAANZ has no concerns on behalf of its members that a merged NZME/Fairfax could increase print advertising prices to the detriment of agencies or advertisers. To the contrary, CAANZ sees the proposed merger as a benefit to advertisers as the enhanced ability of the merged entity to manage its legacy print media may mean that the channel is retained for advertisers as an alternative option for a longer period than it might otherwise be.

3.5 In relation to digital advertising, the digital advertising environment is increasingly dominated by global heavyweights such as Google and Facebook. Those organisations have pervasive reach, powerful analytics, and own and control the technology behind the digital advertising delivery/distribution/purchase value chain. Those are the dynamics that shape pricing of, and innovation in, digital advertising, not any competition between particular New Zealand-owned media that together make up a fraction of the overall digital advertising pool.

3.6 In addition, advertising agencies add value to their clients' campaigns by sourcing across, or within, media suppliers' offerings to most efficiently and effectively achieve the total audience objective - that can be achieved via TV, radio, print, outdoor (digital and static), online, social media, user-generated content, etc. In this environment, a New Zealand-owned media company that sought to price its digital advertising inventory at uncompetitive levels would simply see those agencies redistribute expenditure across other channels to most efficiently achieve audience objectives. That is the reality of the digital advertising environment. Thinking in terms of control of "front cover of the newspaper advertising" in the digital world is outdated, and does not reflect the experience of advertising in the marketplace of 2016 or how consumers use and consume media.

3.7 CAANZ appreciates that the advertising marketplace has changed, and changed rapidly. But it is important that those changed dynamics are reflected in the Commission's decision-making. In the current environment, we believe the Commerce Commission should be focusing on creating a sustainable media market in New Zealand. Our very real fear is that the draft determination undermines the medium term sustainability of a large

part of the local industry, opening the New Zealand industry up to further domination by offshore based entities and reducing choice for advertisers, agencies and consumers.

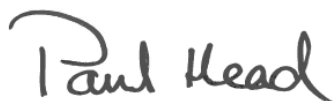
3.8 CAANZ made a similar point in its September 2016 submission to the Commission. That submission, from the industry body that represents the interests of members on issues affecting the advertising industry and agencies, was not referred to in the Commission's Draft Determination. To summarise again CAANZ's views:

- (a) In a media environment that is increasingly global, where consumers can access media platforms from around the world, it is important that New Zealand maintains strong, viable media organizations that have the scale to survive in the face of threats from off-shore organizations.
- (b) CAANZ's view is that the merger will be positive for advertisers and agencies through the creation of a New Zealand-focused media entity that can offer a compelling, high-quality, data rich, and brand-safe environment for advertisers on a sustainable footing. Advertisers and agencies want and depend on quality content and we believe that the outcome of not approving the merger will be systematic decline in both content standards and journalistic standards. The clear risk is that this will exacerbate the already considerable business pressures and mean New Zealand ends up with lost views and lost plurality regardless.
- (c) In particular, in a market environment where print newspapers are struggling and digital advertising takes place in a global marketplace, CAANZ sees the creation of an entity that can sustainably offer print products and compelling digital advertising alternatives as an attractive media partner for advertisers and agencies to reach their audiences as effectively as possible.

3.9 CAANZ asks that the Commission carefully consider the industry dynamics of 2016 including by ensuring it has spoken to the right people with the day-to-day experience of designing advertising campaigns and sourcing advertising in today's environment.

I would be happy to answer any questions the Commission may have, in particular questions relating to the rapid pace of change in this industry and advertising agencies' expertise in dealing with, and adapting to, those changes on a day-to-day basis.

Regards,



Paul Head  
Chief Executive  
**CAANZ**