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Our ref: IM-71278
Contact officer: Sophia Liu / Will Sommers
Contact phone: (03) 9290 1437 / (03) 9910 9444

24 June 2021

Dear interested party,

Request for submissions: Are Media Pty Limited's proposed acquisition of Ovato Retail Distribution Pty Ltd

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of Ovato Retail Distribution Pty Ltd (**ORD**) by Are Media Pty Limited (**Are Media**) (**proposed acquisition**).

Are Media is the largest magazine publisher in Australia and ORD operates the largest retail distribution network for print magazines in Australia. Further details regarding the acquisition can be found at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- The presence of alternative retail distribution networks for print magazines, and the ability for customers to switch between alternative retail distribution networks.
- The likelihood of a price increase for retail distribution of magazines if the proposed acquisition proceeds.
- The ability and incentive for a combined Are Media/ORD to foreclose or discriminate against competing magazine publishers seeking retail distribution services.
- The extent that the magazine industry is in economic decline and if so, whether the industry is likely to recover in the next three years.
- The potential expansion of existing distribution networks (for example, newspaper distribution) into the retail distribution of magazines.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **5pm on 8 July 2021**. Responses may be emailed to mergers@accc.gov.au with the title: *Submission re: Are Media/ORD - attention Sophia Liu / Will Sommers*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Sophia Liu on (03) 9290 1437 or Will Sommers on (03) 9910 9444.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Daniel McCracken-Hewson
General Manager
Merger Investigations Branch

Attachment A

The proposed transaction

Are Media proposes to acquire 100% of the issued share capital in ORD.

Are Media

Are Media is an Australian and New Zealand premium content and experiences company, with a range of print and digital publications. Are Media was formerly known as Bauer Media and its portfolio of print and digital publications includes those it acquired in 2020 through its acquisition of Pacific Magazines.

Are Media has an extensive portfolio of brands across the entertainment and lifestyle, fashion and beauty, home and garden, food, parenting, and auto categories. Titles published by Are Media include *The Australian Women's Weekly*, *New Idea*, *Better Homes & Gardens* and *Marie Claire*.

ORD

ORD is a wholly-owned subsidiary and business unit of Ovato Limited (**Ovato**). Are Media currently holds a 16.4% shareholding in Ovato. The proposed transaction does not include Ovato's Residential Distribution business which provides delivery of addressed and unaddressed mass and targeted catalogues, product samples and newspapers directly to letter boxes.

ORD operates the largest retail distribution network for print magazines in Australia. ORD provides magazine publishers with a national delivery service twice per week to newsagents, supermarkets and other retailers. ORD was formerly known as Gordon & Gotch.

The main assets of ORD are leased facilities in Sydney for warehousing, machinery for the pick-pack and dispatch of magazines, IT software and systems for the management of magazine allocations and support operations providing management services, allocations, billing and account management.

ORD also operates "TheMarketHub", a newsagent e-commerce hub that enhances the product range available to newsagents. TheMarketHub provides newsagents with access to more than 3,000 products from over 60 suppliers, including gifts, toys, games, puzzles, candles, stationery, books, and general merchandise (**other products**).

Attachment B

1. Provide a brief description of your business or organisation, including any commercial relationship/s you have with either of Are Media or ORD.

Retail Distribution Services

Questions for all

2. Comment on the extent that the magazine industry is in economic decline and if so, whether the industry is likely to recover in the next three years.
3. Outline your views on barriers to entry and expansion and the likelihood of any new entry or expansion in the supply of retail distribution services for magazines. In your response, comment on:
 - a. Any examples of recent new entry or expansion.
 - b. What a new entrant would require to set up a retail distribution network like ORD's and be able to deliver time sensitive magazines on a national scale.
 - c. What an existing supplier of retail distribution services would need (e.g. personnel, funding, other) to expand their services and be able to deliver time sensitive magazines on a national scale.
 - d. How quickly such new entry or expansion could occur.
4. Comment on whether other types of distributors (such as newspaper distributors or logistics companies) could supply retail distribution services for magazines. In your response, comment on (if applicable):
 - a. Whether these alternative types of distributors would be able to deliver your magazines nationally and within your required timeframes.
 - b. Whether these alternative types of distributors offer similar prices and service to ORD's retail distribution network.

Questions for customers of ORD

5. Provide a list of any alternative providers of retail distribution services for magazine publishers.
6. Comment on the ability for magazine publishers to switch between competing retail distribution service providers.
7. Comment on the likelihood of a price increase for retail distribution services if the proposed acquisition proceeds.
8. Comment on the ability and incentive of a combined Are Media/ORD to foreclose or discriminate against competing magazine publishers seeking retail distribution services.

Questions for competitors of Are Media

9. Do you consider that your magazine titles compete (e.g. on price and/or content) with those of Are Media? If possible, provide switching data to support your views.
10. Describe how your business would respond if ORD's prices for retail

distribution services of magazines increased post-merger (between 5% to 10%).

Questions for operators of distribution networks and potential competitors to ORD

11. Comment on the ability of your business to provide distribution services for time sensitive magazine titles on a national scale.
12. Describe how your business would respond if ORD's prices for retail distribution services of magazines increased post-merger (between 5% to 10%).

Questions for retail outlets

13. Comment on how you would respond to a price rise for the acquisition of magazines and other products (e.g. puzzles, games, toys, stationery) purchased from "TheMarketHub", if the proposed acquisition proceeds.
14. Comment on whether the merged entity could practically tie or bundle its goods or services together (e.g. its magazine products, other products, and retail distribution services) when supplying to you.

Any additional information

15. Provide any additional information or comments relevant to the ACCC's consideration of the proposed acquisition.