



Statement of Issues

19 December 2019

Bauer Media – proposed acquisition of the business assets of Pacific Magazines

Purpose

1. Bauer Media Pty Limited (**Bauer**) proposes to acquire the business assets of Pacific Magazines Pty Ltd (**Pacific Magazines**).
2. This Statement of Issues:
 - gives the preliminary views of the Australian Competition and Consumer Commission (**ACCC**) on competition issues arising from the proposed acquisition;
 - identifies areas of further inquiry; and
 - invites interested parties to submit comments and information to assist our assessment of the issues.
3. Statements of Issues do not refer to confidential information provided by the parties or other market participants and therefore may not necessarily represent a full articulation of the ACCC's preliminary position.

Overview of ACCC's preliminary views

4. The legal test which the ACCC applies in considering the proposed acquisition is set out in section 50 of the *Competition and Consumer Act 2010*. In general terms, section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.
5. The ACCC divides its preliminary views into three categories, 'issues of concern', 'issues that may raise concerns' and 'issues unlikely to raise concerns'. In this Statement of Issues there are two issues of concern and one issue that may raise concerns.

Issues of concern

6. The ACCC's preliminary view is that the proposed acquisition is likely to substantially lessen competition by reducing the number of major print magazine publishers in key magazine categories from two to one. The focus of the ACCC's concerns is in relation to the loss of competition in the supply of content to readers/consumers between *Woman's Day* (owned by Bauer) and *New Idea* (owned by Pacific Magazines) and the loss of competition between *Take 5* (owned by Bauer) and *That's Life!* (owned by Pacific Magazines).

Issues that may raise concerns

7. The ACCC's preliminary view is that the proposed acquisition may substantially lessen competition by removing the competitive tension for the acquisition of content from third party providers. In particular, the ACCC is focussed on the loss of competition for the acquisition of rights to exclusive photos.

Issues unlikely to raise concerns

8. The ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in relation to the supply of content to readers/consumers in the following categories in which the parties overlap:
 - Home & garden;
 - Celebrity;
 - Fashion & lifestyle;
 - Health & fitness;
 - Puzzles;
 - Food; and
 - Parenting.
9. The ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in relation to:
 - the supply of advertising services to advertisers;
 - the acquisition of distribution services; and
 - the acquisition of printing services.

Making a submission

10. The ACCC is seeking submissions from interested parties, particularly on the following key issues:
 - the extent to which consumers consider alternative media channels, including online and social media, to be effective substitutes to the parties' titles, particularly *Woman's Day*, *New Idea*, *Take 5* and *That's Life!*;

- the value that consumers place on the curation, collation and mix of content in those magazines;
 - the price sensitivity of readers, and the extent to which magazine sales would fall if cover prices increased more than they have historically, or if the frequency or quality of promotions and gifts with purchase reduced;
 - the extent of rivalry between the parties with respect to sourcing or developing content;
 - the proportion of content that is supplied by third parties to magazines on an exclusive basis;
 - the extent to which content (such as exclusive photographs) that is supplied by third parties to magazines is also suitable for other media channels like newspapers and online websites;
 - the potential for an alternate purchaser to acquire Pacific Magazines as a whole, or individual titles in its portfolio; and
 - the likelihood of *New Idea* and *That's Life* closing if the transaction does not proceed.
11. Detailed discussion of these and other issues, along with specific questions, is contained in this Statement of Issues.
12. Interested parties should provide submissions by no later than 5pm on 14 February 2020. Responses may be emailed to mergers@acc.gov.au with the title: Submission re: Bauer Media/Pacific Magazines - attention Jonathan Koay/Sophie Musker. If you would like to discuss the matter with ACCC officers over the telephone or in person, or have any questions about this Statement of Issues, please contact Jonathan Koay on 03 9658 6436 or Sophie Musker on 03 9658 6408.
13. The ACCC anticipates making a final decision on 2 April 2020, however, this timeline can change. To keep abreast of possible changes in relation to timing and to find relevant documents, interested parties should visit the Mergers Register on the ACCC's website at www.accc.gov.au/publicregisters/mergers-registers/public-informal-merger-reviews.

Confidentiality of submissions

14. 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.

About ACCC ‘Statements of Issues’

15. A Statement of Issues published by the ACCC is not a final decision about a proposed acquisition, but provides the ACCC’s preliminary views, drawing attention to particular issues of varying degrees of competition concern, as well as identifying the lines of further inquiry that the ACCC wishes to undertake.
16. A Statement of Issues provides an opportunity for all interested parties (including customers, competitors, shareholders and other stakeholders) to ascertain and consider the primary issues identified by the ACCC. It is also intended to provide the merger parties and other interested parties with the basis for making further submissions should they consider it necessary.

Timeline

Date	Event
23 October 2019	ACCC commenced review of the proposed acquisition
19 December 2019	ACCC publication of Statement of Issues
14 February 2020	Deadline for submissions from interested parties in response to this Statement of Issues
2 April 2020	Anticipated date for ACCC final decision

The parties

Bauer Media

17. Bauer is a publisher of content in magazines (print and digital versions) and on digital platforms.
18. Bauer is part of the Bauer Media Group, which is based in Hamburg, Germany. Bauer Media Group is a privately owned international media company publishing over 600 magazine titles globally.
19. Bauer’s titles in categories that overlap with Pacific Magazines are set out in **Table 1** below.

Pacific Magazines

20. Pacific Magazines is a publisher of content in magazines (print and digital versions) and on digital platforms.
21. Pacific Magazines is a wholly-owned subsidiary of ASX-listed Seven West Media Limited (**SWM**). SWM is a national media provider across television, magazine and newspaper publishing and online platforms.

22. ASX-listed Seven Group Holdings Limited (**SGH**) has a 41 per cent shareholding in SWM. SGH is an Australian diversified operating and investment group with businesses and investments across industrial services, oil and gas and media.
23. Pacific Magazines' titles in categories that overlap with Bauer are set out in **Table 1** below.

Overlap between the parties

Table 1 – Bauer and Pacific Magazines titles by overlap category

Bauer	Pacific Magazines
Category referred to as “Women’s interest” in industry documents	
Australian Women’s Weekly	New Idea
Woman’s Day	New Idea Royals
It’s Your Day	
Real life category	
Take 5	That’s Life!
Take 5 Monthly	That’s Life! Monthly
Home & Garden category	
Belle	Better Homes & Gardens
Country Style	Home Beautiful
Australian House & Garden	
Inside Out	
Real Living	
Celebrity category	
NW	Who
OK!	
Fashion & Lifestyle category	
Elle	InStyle
Harper’s Bazaar	Marie Claire
Health & fitness category	
Good Health	Women’s Health
	Men’s Health
Puzzles category	
Take 5 Pocket Puzzler	Better Homes & Gardens Puzzle Book
Take 5 Mega Puzzler	Better Homes & Gardens Code Cracker
Woman’s Day Super Puzzler	Better Homes & Gardens Sudoku Book
Australian Women’s Weekly Puzzle Book	New Idea Jumbo Puzzler

NW Trivia & Puzzles	New Idea Mr Wisdom’s Whopper
	Family Circle Puzzle Book
	That’s Life! Bumper Puzzle Book
	That’s Life! Puzzler on the Go
	That’s Life! Crack the Code
	That’s Life! Wordsearch
	Mr Wisdom Presents Australia’s Own Sudoku
Food category	
Australian Gourmet Traveller	Family Circle
Australian Women’s Weekly Food	
Parenting category	
The Bounty Pregnancy Booklet	Practical Parenting website
The Bounty Baby Care Booklet	

Changes in media markets

24. Consistent with the forward looking nature of section 50, the ACCC is considering the dynamic characteristics of the relevant markets and the potential for change in the foreseeable future.
25. The trends in the media sector were considered closely in the ACCC’s [Digital Platform Inquiry final report](#) published in July 2019. The supply of content to readers/consumers, and the supply of advertising opportunities to advertisers, has been subject to significant change over the last decade. This is reflected in the changing ways in which consumers access content, and the media channels used by advertisers to target potential customers. Print magazines are facing increasing challenges from other media channels, in particular from online sources.
26. The ACCC has conducted this review with reference to recent industry analysis that the Australian magazine publishing industry has been in decline and is likely to continue to decline, both in terms of magazine circulation and revenue, and advertising revenue.
27. In contrast, digital media has been growing, with many consumers increasing their consumption of content via digital media. Advertisers too, are increasing their advertising spend on digital media over time and moving away from traditional media channels such as magazines.

Future with and without the acquisition

28. Section 50 of the Act prohibits mergers or acquisitions that would have the effect or be likely to have the effect of substantially lessening competition in a market. In assessing a proposed acquisition pursuant to section 50 of the Act, the ACCC considers the effects of the acquisition by comparing the likely future state of

competition if the acquisition proceeds (the “with” position) to the likely future state of competition if the acquisition does not proceed (the “without” position) to determine whether the proposed acquisition is likely to substantially lessen competition in any relevant market.

29. The ACCC has not come to a concluded view on the likely future without the proposed acquisition but, in the context of falling demand for print magazines and the shift to online content suppliers, is considering the likelihood that Bauer and Pacific Magazines would:
 - discontinue magazine titles, reduce the investment made in producing content or reduce the frequency or value of gifts/promotions with purchases;
 - raise magazine cover prices; or
 - combine with another buyer.
30. The ACCC’s preliminary view is that absent the acquisition, both parties will continue to produce and supply *Woman’s Day*, *New Idea*, *Take 5* and *That’s Life* at least in the medium term.
31. The ACCC invites comments from industry participants on what will occur in the future without the acquisition.

Relevant markets

32. Media markets can be characterised by their interdependent two-sided nature. Suppliers of media platforms acquire or develop content to attract consumers, which in turn attracts advertisers. Each of Bauer and Pacific Magazines produce print and online magazines, websites and social media channels that supply content to readers, and supply advertising opportunities to advertisers who wish to reach those readers.
33. Because print and digital magazines are two-sided in nature it is necessary to consider the inter-related nature of demand. For example, a decrease in demand by readers for a particular magazine will be likely to lead to a decrease in demand from advertisers for advertising in the same magazine.

From a reader/consumer perspective

34. Bauer and Pacific Magazines supply content on a variety of subjects to readers/consumers by way of print and digital magazines and online websites.
35. The ACCC’s preliminary view is that there are separate markets for each of the subject categories listed in Table 1 above. The categories that are of particular interest to the ACCC are the category in which *Woman’s Day* and *New Idea* compete, and the category in which *Take 5* and *That’s Life!* compete.
36. The ACCC’s preliminary view is that digital media channels such as websites are not close substitutes for the magazines published by Bauer and Pacific Magazines.

37. As detailed above, the ACCC understands that the media and entertainment landscape has changed considerably, with magazine sales having declined significantly over the past 5 to 10 years, while the number of consumers/readers accessing content online via websites, social media and digital platforms such as Google and Facebook has increased.
38. However, the decline in magazine demand is not necessarily indicative of the degree of substitutability between print and online. Many customers still view magazines as a highly differentiated product and that online content is not substitutable because of the physical format of magazines, the packaging together of stories, puzzles, prizes and other content, and the style of the articles produced by magazines. They are willing to pay \$3.60 or \$4.80 for the relevant magazines, when similar information is available for free online. Notably, the cover stories for *New Idea* are available for free on its website online, yet significant numbers of customers still purchase the magazine.
39. Issues around the degree of constraint that online and other media channels exert on print magazines are discussed below for the categories that are of particular interest to the ACCC.

From an advertiser perspective

40. There are a variety of channels available to advertisers. The choice of advertising channel is influenced by a range of factors including cost, the product, the demographic of customers that advertisers are seeking to target, and whether or not the advertisement is time sensitive.
41. Some advertisers view magazines as an important marketing channel for their business. They value the ability to run full-page or multi-page adverts on high quality glossy stock to emphasise the appearance and quality of their products, the higher engagement level of readers, and the reasonably well known demographics of each magazine title.
42. Most advertisers indicated that they have a range of media channels through which they can advertise, that magazine advertising is in decline, and that magazine advertising does not offer anything unique when compared to other media channels. When magazine advertising is used, it is rarely the lead channel and is regarded as a non-essential secondary or tertiary channel.
43. The ACCC's preliminary view therefore is that there is unlikely to be a market for advertising in magazines specifically.

Issue of concern – loss of competition between *Woman's Day* and *New Idea*

44. The ACCC considers there is a category of magazines which include a mix of entertainment, fashion, beauty, food, and health and fitness content. They usually include several stories on Australian celebrities or events. International stories are written by Australian journalists for an Australian audience.
45. In this category, Bauer publishes the following titles:
 - *Australian Women's Weekly*;

- *Woman's Day*; and
 - *It's Your Day*.
46. Pacific Magazines' publishes the following titles:
- *New Idea*; and
 - *New Idea Royals*.
47. The ACCC's main concern in this category is in relation to the loss of competition between *New Idea* and *Woman's Day*, which have the strongest sales, compete head-to-head and are very similar in terms of content, cover price history, promotional activity, target demographics and distribution channels. The ACCC's view is that *New Idea* provides a strong competitive constraint on *Woman's Day*, and vice-versa.

Competition from other print magazines titles and new entry

48. The ACCC considers that Bauer and Pacific Magazines are the only two Australian magazine publishers in this category.
49. Magazines in other categories can overlap with *Woman's Day* and *New Idea* to a degree. For example, magazines in each of the celebrity, fashion and health & fitness categories all contain some of the same type of content. What differentiates *Woman's Day* and *New Idea* from titles in related categories and makes them attractive to consumers appears to be the curation of the mix of content into one magazine. Despite the overlap in some content, the circulation volumes for *Woman's Day* and *New Idea* are many times higher than the magazines in the related categories.
50. In addition, the magazine titles in related categories (for example, celebrity and royals content in *Who*, *NW* and *OK* or health & fitness content in *Good Health* or *Women's Health*) are almost all owned by Bauer and Pacific Magazines.
51. Due to the declining nature of the magazine industry, the ACCC's preliminary view is that it is unlikely that there would be a new entrant into this category.
52. On this basis, the ACCC's preliminary view is that third party magazine titles are unlikely to provide a significant constraint on Bauer post-acquisition.

Competition from online and social media

53. The ACCC is considering whether online sources of similar information would act as a close competitive constraint on Bauer post-acquisition.
54. As mentioned above, the relevant magazines include a range of entertainment, fashion, beauty, food and health and fitness content. Information for each of these sub-categories can be found readily online, either via specific websites or social media sites, or via digital platforms such as Google and Facebook.
55. However, there appears to be only a few websites that offer the same or similar combination of content, including Australian content, as the parties' magazines. Websites that offer such content include *Mamamia* and *With Her In Mind* (whimn.com.au). General news or media websites, such as news.com.au, also

contain similar content. Overseas websites and content suppliers do not tend to cover Australian content, and are not written specifically for Australian audiences (eg, referring to overseas television shows or pop culture, using US spelling, referring to overseas currency or brands, etc). The ACCC's preliminary view is that most of these sites exert a low degree of constraint on *Woman's Day* and *New Idea*, compared to the constraint that those titles impose on each other.

Weighing up these other constraints

56. The critical issue for the ACCC is the extent to which the existing competitive tension between Bauer's and Pacific Magazines' titles is an important factor in constraining price rises and driving investment in producing content, or whether this primarily comes from other constraints (such as customers switching to other sources for this information/entertainment).
57. In other words, the ACCC is considering the extent to which, post-acquisition, Bauer would be constrained from profitably increasing magazine prices (or be constrained from reducing the effort put into content production and the range of content) due to the threat of losing readership, as doing so could lead to:
 - a reduction in revenue from sales;
 - a reduction in advertising rates and revenue; and
 - the potential loss of shelf space at supermarkets or newsagents.
58. The ACCC understands that advertising revenue makes up a relatively small proportion of revenue for the titles, and so is of the preliminary view that further loss of advertising revenue is unlikely to act as a very significant constraint on a combined Bauer-Pacific Magazines.
59. Based upon its inquiries to date, the ACCC's preliminary view is the competition between Bauer's and Pacific Magazines' titles is important in maintaining lower prices and ensuring investment in compelling content production. The ACCC accepts that there are other constraints in the magazines industry, and that if prices go too high or investment in content goes too low, many readers will reduce or cease buying the magazines. However, our preliminary view is that the competition between Bauer's and Pacific Magazines' titles acts as a significantly stronger competitive constraint than these other constraints.
60. The ACCC therefore considers that the proposed acquisition is likely to substantially lessen competition in relation to the supply of content to consumers/readers of *Woman's Day* and *New Idea*. The proposed acquisition is likely to:
 - reduce the frequency or value of gifts or promotions with magazine purchases;
 - reduce the investment made in producing content; and/or
 - increase magazine cover prices for consumers.

The ACCC invites comments from market participants on the following:

- The extent to which consumers consider online content suppliers and social media as a substitute for the parties' print magazine titles, and the proportion of readers for whom online content is not a substitute.
- The extent to which consumers consider other alternative magazines or online content that only covers some of the topics covered by the relevant magazines as substitutes for the parties' titles.
- The importance to consumers of Australian content.
- The extent to which readers consider online sources or magazine titles in other categories which only contain part of the content in magazines such as *Woman's Day* or *New Idea* as substitutes for the parties' titles.
- Would an alternative publisher be interested in purchasing *Woman's Day* or *New Idea*?

Issue of concern – loss of competition between *Take 5* and *That's Life*

61. The ACCC considers there is a "real life" category of magazines which include often sensationalist stories featuring everyday people, about love, infidelity, crime, illness and overcoming adversity. These magazines also include substantial puzzle sections (with prizes), as well as recipe and horoscopes sections.
62. In this category, Bauer publishes the following titles:
- *Take 5; and*
 - *Take 5 Monthly.*
63. Pacific Magazines publishes the following titles:
- *That's Life; and*
 - *That's Life Monthly.*
64. The two sets of magazines compete head-to-head, and they are very similar in terms of content, cover price history, promotional activity, target demographics and distribution channels. The ACCC's view is that Pacific Magazine's titles provide a strong competitive constraint on Bauer, and vice-versa.

Competition from other magazine titles

65. The ACCC considers that Bauer and Pacific Magazines are the only two Australian magazine publishers in this category.
66. There does not appear to be alternative magazine titles that include similar real life content to the parties' titles.

67. There are numerous magazines that contain just puzzles, including puzzles with prizes. However they do not contain any real life stories, and generally do not contain any other content such as recipes or horoscopes.
68. On this basis, the ACCC's view is that alternative magazines are unlikely to provide a significant constraint on Bauer's titles in the real life category.

Competition from online and social media

69. The ACCC is considering whether online sources of real life content would act as a close competitive constraint on Bauer.
70. Real life stories are available on several websites, including:
 - *news.com.au*;
 - *The Daily Mail Australia*;
 - *Mirror*;
 - *The New Daily*;
 - *Buzz Feed*; and
 - *Mamamia*.
71. Real life stories are also available on TV programs, including *A Current Affair*, *Today Tonight*, *Sunrise* and *Today*.
72. These alternate sources have real life stories, with varying degrees of sensationalism. They do not have the same package of content as the parties' titles as they generally do not include comparable puzzle, recipe or horoscopes sections, and none have prizes with puzzles. However, puzzles, recipes and horoscopes are separately available from a wide variety of third-party magazine and online sources.
73. In weighing up these other constraints, the ACCC has regard to similar considerations as those detailed in the previous section.

The ACCC invites comments from market participants on the following:

- The extent to which readers consider online, social media and television as a substitute for Bauer's print magazine titles, and the proportion of readers for whom online suppliers and television are not a substitute.
- The importance to consumers of having Australian content in these magazines.
- The extent to which readers consider online sources or magazine titles in other categories which only contain part of the content in real life magazines as substitutes for the parties' titles (in particular, puzzles magazines).
- Would an alternative publisher be interested in purchasing *Take 5* or *That's Life*?

Issues that may raise concerns – acquisition of content from third party content suppliers

74. Third party content suppliers provide photography and related content on both an exclusive and non-exclusive basis to the merger parties.
75. Based upon its inquiries to date, the ACCC's preliminary view is that the proposed acquisition may substantially lessen competition in relation to the acquisition of photography and related content from third party content suppliers, reducing prices for photography and related content, in particular Australian content.
76. The ACCC considers that Bauer and Pacific Magazines are the only two major Australian magazine content acquirers and are each other's closest competitors in this market.
77. The critical issue for the ACCC is the extent to which the existing competitive tension between Bauer and Pacific Magazines in acquiring third party content is the primary factor in maintaining competitive prices, or whether other factors, such as the 'must have' nature of some content for these magazines, or ability for content providers to supply other media platforms, are significant and sufficient constraints.

Competition between Bauer and Pacific Magazines

78. For many photography agencies and other third party content suppliers, magazines appear to comprise a material proportion or in some cases the majority of their business, particularly for exclusive and/or Australian content.
79. The ACCC understands that Bauer and Pacific Magazines, as the only two major Australian magazine content acquirers, routinely compete on price to acquire exclusive images and related content, albeit the volume of such content appears relatively limited. As such, the ACCC's preliminary view is that Pacific Magazines provides a strong competitive constraint on Bauer when acquiring third party content.

Competition from other magazine publishers

80. There appears to be no alternative magazine publishers who compete for the types of photos and content that are acquired for general celebrity and entertainment magazines like Woman's Day, New Idea, Take 5, That's Life, Who, OK! and NW. As such, the ACCC's preliminary view is that alternative magazine publishers are unlikely to provide a significant constraint on Bauer when acquiring relevant content.

Competition from alternative media channels, including online

81. The ACCC is considering whether other media channels, such as online publications and newspapers, are close competitors of Bauer for the acquisition of relevant content.
82. The ACCC understands that third party content suppliers experience greater difficulty in protecting copyright on online media channels compared to physical media, while prices paid by online publishers for content can be significantly less

than magazine publishers. As such, the ACCC's preliminary view is that alternative media channels are unlikely to act as a significant constraint on Bauer.

The ACCC invites comments from market participants on the following:

- The extent to which alternative media channels, such as online publications, can provide an alternative platform to magazines in acquiring photography and related content
- The extent to which Australian content can be supplied to overseas magazines or media publishers
- The importance of exclusive photography and related content for media publishers.

Issue unlikely to raise concerns – reduction in the number of major print magazine publishers for home and garden content from three to two

83. Based upon its inquiries to date, on balance, the ACCC's preliminary view is that the proposed acquisition is unlikely to substantially lessen competition in relation to the supply of home and garden content to consumers/readers.
84. The parties are close competitors in this area. However, there are also numerous alternative magazine titles in the market that are likely to constrain Bauer post-acquisition. These include NewsLifeMedia's *Vogue Living*, Next Media's *Gardening Australia*, Universal Media's *Home Design* and *Bunnings* magazine.
85. The ACCC's preliminary view is that Bauer is also likely to be constrained by free, online sources of home and garden content. These include websites such as *Est Living*, *The Design Files*, *Houzz Australia*, *Remodelista*, and *The Local Project*.

Issue unlikely to raise concerns – supply of content in the celebrity, health & fitness, fashion, puzzles, food and parenting categories

86. The ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in the supply of content in the following categories for the reasons set out below:

- **Celebrity** – Given reader demographics and recent readership trends, and the availability of content online, celebrity magazine readers appear likely to switch to online sources if Bauer increases cover prices or reduces the investment in producing content.
- **Health & fitness** – There is no overlap between Bauer and Pacific Magazines in men’s fitness content. For women’s fitness content, Bauer and Pacific Magazines are not each other’s closest competitors and Bauer will continue to have close competitors for the two women’s fitness titles (*Women’s Health* and *Good Health*) post-acquisition.
- **Fashion & lifestyle** – Given reader demographics and recent readership trends, and the availability of content online, fashion readers appear highly likely to switch to online sources if Bauer increases cover prices or reduces the investment in producing content. *Vogue* (published by NewsLifeMedia) remains a strong alternative magazine in this category and is likely to constrain Bauer.
- **Puzzles** – Lovatts remains a strong competitor in this category. Books, newspapers and online apps will also provide some constraint on Bauer. Barriers to entry are low due to likely low brand loyalty and low content creation costs.
- **Food** – *Taste* (published by NewsLifeMedia) remains a strong competitor in this category. Coles’ and Woolworths’ free magazines also have wide distributions. Bauer’s and Pacific Magazines’ titles are not close competitors, and numerous online alternatives are also available for consumers.
- **Parenting** – Bauer and Pacific Magazines only have nominal and non-direct overlap in this category.

Issue unlikely to raise concerns – supply of advertising services

87. Some advertisers direct a substantial portion of their total advertising spend on magazines, and they view it as an important marketing channel for their business. They value the ability to run full-page or multi-page adverts on high quality glossy stock to emphasise the appearance and quality of their products, the higher engagement level of readers, the reasonably well known demographics of each magazine title and cost-effectiveness when compared against TV and radio advertising. For them, magazines are especially valuable for reaching older demographics and higher income demographics.
88. However, the ACCC’s preliminary view is that the proposed acquisition is unlikely to raise competition concerns in the supply of advertising services because it appears a large majority of advertisers consider alternative media channels to be suitable substitutes for magazines, and are likely to shift their advertising spend to alternative channels should Bauer seek to significantly increase advertising prices post-acquisition.

Issue unlikely to raise concerns – acquisition of other services

89. The ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in the acquisition of distribution services because Bauer is likely to continue to be constrained by its distributor's bargaining power.
90. Further, the ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in the acquisition of printing services, as the parties compete with a range of users of printing services from other industries to acquire the relevant printing services.

ACCC's future steps

91. As noted above, the ACCC now seeks submissions from market participants on each of the issues identified in this Statement of Issues and on any other issue that may be relevant to the ACCC's assessment of this matter. Submissions are to be received by the ACCC no later than 14 February 2020 and should be emailed to mergers@acc.gov.au.
92. The ACCC will finalise its view on this matter after it considers submissions invited by this Statement of Issues.
93. The ACCC intends to publicly announce its final view by 2 April 2020. However the anticipated timeline may change in line with the *Informal Merger Review Process Guidelines*. A Public Competition Assessment for the purpose of explaining the ACCC's final view may be published following the ACCC's public announcement to explain its final view.