

BAUER/4 LOCAL RADIO ACQUISITIONS – PHASE 2 MERGER INQUIRY

Summary of Hearing with Global Radio on 23 October 2019

Global's superior power index and its history

1. Global said that it was able to generate [✂] national revenue per listener [✂] because it offers a large scale and wide reach, and its business is structured to deliver national advertising propositions. Global has created a portfolio of national brands which are designed to compete more effectively with other forms of national media (ie national newspapers, national TV networks, etc).
2. Global was the first company to offer a national advertising proposition targeted at a mainstream radio audience under a single brand. Before this, the only national propositions were targeted at specific audiences (ie TalkSport, Classic, etc). Thus, national advertisers would only have been able to reach a national mainstream audience by advertising on multiple independent stations. Consequently, companies seeking to do this would not have had a clear idea of the environment in which their products and services would be advertised, or on the composition of the audience. Additionally, they would have had to deal with multiple parties and contracts, which is time consuming and inconvenient. Global considers that customers prefer advertising on a single brand.
3. Global made radio more attractive for national advertisers as it made it easy for them to buy advertising across the UK under a single brand and with a known audience. For example, Heart is known as upbeat, family focused and targeted at females. Advertisers would know the environment through which their products and services are reaching their audience.
4. Global has had past experience of selling dissimilar stations under one grouping, but had found while this offered an efficient way of buying, it was not as powerful as selling unified brands but rather a half way house - as brands, content and presenters are different there is not a consistent environment for the advertisers. For example, GCap many years ago had a large number of stations which were grouped into the One Network. While advertisers could reach a wide audience by advertising on it and it presented

an efficient way of buying inventory, it was not a clean and clear-cut proposition in the way that Kiss or Heart are. Similarly, Global had sold Real Radio (then owned by GMG) inventory for national campaigns alongside Heart prior to buying GMG in 2012. Real Radio covered Wales Scotland and North of England, while Heart covered London, the South and Midlands. They were complementary and the package worked to a degree but the differences between them meant it was not as powerful as a single brand. That was why Global ultimately decided to buy GMG and rebrand its stations as Heart.

Global's negotiations with media buying agencies

5. Global negotiates prices with media buying agencies [X]. Global has trading agreements [X]. These agreements will incorporate [X], and so on. Global [X]. Global does, however, [X]. Under these agreements, media buying agencies [X].
6. No media buying agency [X]. This is to give them some leeway to respond to their customers' needs and allow them flexibility to advertise on other stations (including through FRS). Bauer, like Global, will [X].

Global's view on the effect of Bauer's acquisitions

7. Overall, [X]. Collectively they will increase Bauer's share of commercial listening by 5%.
8. Bauer's proposition to media buying agencies would [X]. The expanded network would not necessarily be a consistent one. For example, the stations play different types and mixes of music.

Global's views on FRS, including the impact of its hypothetical foreclosure

9. Global never pitches its offering against that of FRS. Instead, it pitches its offering against that of ITV, national newspapers, etc.
10. FRS may be an attractive proposition to customers whose key objective is simply reach as it is cheaper.
11. If FRS ceased to exist, Global thought [X].

Global's views on third party sales representation

12. Global has only ever represented stations which are part of one of its networks (with the exception of Orion and GMG prior to its acquisition by Global). Global's business and sales team is geared to selling national brands. Global is happy to consider representing third party stations, so long

as they are part of a national brand. [REDACTED]. Global has never competed directly with FRS to represent third party stations.

13. When Global represented Orion, [REDACTED].

Global's views on competition at the local level

14. Global does not have [REDACTED], and it is not aware of one. Each advertiser will have a different view on potential alternatives. There are some businesses whose catchment area is limited to the town in which they are located. Other businesses may have a larger catchment area.
15. Global discussed the areas that the CMA had found of potential concern from the Acquisitions. In the West Midlands, there is no other radio group other than Bauer and Wireless offering broadcasting to only Shropshire or Wolverhampton (Global's stations cover the whole West Midlands). In Yorkshire there are few media owners present other than Lincs and Bauer, [REDACTED].
16. Global was surprised the CMA had not also focused on East Anglia, where the only radio media owners present are Bauer, Global and Celador.
17. Global did not know the extent of constraints from non-radio advertising in the three areas identified by the CMA. Global said it had consistently argued that radio media owners compete with other forms of media, and it has not seen anything to suggest that this would apply to a lesser degree in the three areas where the CMA found a realistic prospect of an SLC in Phase I.

Global's views on the future of radio advertising

18. Global foresees for the future a continuation of the general trends from the past 20 years or so in the competitive landscape for radio advertising. It does not foresee any seismic changes in the next five years.