

# Anticipated acquisition by Future plc of Miura (Holdings) Limited

## Decision on relevant merger situation and substantial lessening of competition

**ME/6624/16**

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 7 October 2016. Full text of the decision published on 14 November 2016.

**Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.**

### CONTENTS

	<i>Page</i>
SUMMARY .....	2
ASSESSMENT .....	4
Parties .....	4
Transaction .....	4
Jurisdiction .....	4
Counterfactual .....	5
Overlap between the Parties .....	6
Background .....	7
Magazines – two-sided market .....	7
Bookazines .....	8
Decline in the supply of magazines in the areas of overlap .....	8
Frame of reference .....	10
Product scope .....	10
Geographic scope .....	24
Conclusion on frame of reference .....	24
Competitive assessment .....	24
Horizontal unilateral effects .....	24
Barriers to entry and expansion .....	56
Third party views .....	57
Conclusion on substantial lessening of competition .....	57

Decision .....	58
Annex 1: Comments on the survey evidence .....	59
The Readers Survey .....	59
Future Leavers Survey.....	60
Imagine Leavers Survey .....	61
Annex 2: Table with summary of Readers Survey .....	63

## SUMMARY

1. Future plc (Future) has agreed to acquire Miura (Holdings) Limited (Miura), the ultimate parent company of Imagine Publishing Limited (Imagine) (the Merger). Future and Miura are together referred to as the Parties.
2. The Competition and Markets Authority (CMA) believes that it is or may be the case that the Parties will cease to be distinct as a result of the Merger, that the share of supply test is met and that accordingly arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties overlap in the supply of special interest magazines and bookazines and websites in a range of interests including Creative & Design, Gadget, Gaming, Linux, Mac, Photography and Science Fiction (Sci-fi).
4. The CMA assessed the impact of the Merger on the basis of frames of reference for the supply of magazines<sup>1</sup> and bookazines in the United Kingdom (UK) in the following categories:
  - (a) Creative & Design
  - (b) Gadget
  - (c) Gaming
  - (d) Linux
  - (e) Mac
  - (f) Photography
  - (g) Sci-fi

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<sup>1</sup> Including both print and associated digital versions. Throughout this document, the term 'magazines' applies to both the print and digital versions of the magazine unless one of the two types is specified.

5. The supply of magazines is a two-sided market with readers and advertisers. The Parties earn the majority of their revenues from sales to readers through subscriptions and newsstand. The Parties' magazines have suffered a decline in revenues from advertisers and readers at least in the past five years and some titles have closed. The CMA has assessed the merger against this backdrop. While the CMA found that there has been an evident migration of readers and advertisers online, this does not necessarily and on its own indicate that there is strong demand-side substitution between magazines and online content. The CMA has therefore sought to identify for each magazine category whether the Parties can worsen their competitive offer through a price rise or reduction in quality.
6. For all categories of magazines, the constraint exerted by online content has been taken into account in the competitive assessment. For Creative & Design and Gaming specifically, the strength of the online constraint is such that the CMA has included it in the frame of reference for this type of content, so that it includes both magazines and websites offering content of a similar nature to the content of those magazines. For other subject areas, online content is not included in the relevant frames of reference due to insufficient degree of evidence supporting demand-side or supply-side substitution between magazines and online content.
7. The CMA considers that the appropriate geographic frame of reference for the supply of magazines is the UK.
8. The CMA considered whether the Merger would lead to subscription or cover rises or degradation of the quality of magazines as a result of the loss of competition between magazine titles in the frames of reference mentioned above. The CMA assessed a range of evidence including shares of supply, results of the CMA's Readers Survey and the Parties' own surveys, closeness of competition between the magazines, and advertisers' views. It found, on the basis of this evidence that the Merger would not result in a realistic prospect of an SLC in the following product frames of reference: Creative & Design, Gadget, Gaming, Linux, Mac, and Photography.
9. In relation to Sci-fi magazines, Future publishes SFX and Comic Heroes, and Imagine publishes Sci-Fi Now, and the Parties have a combined share of supply in excess of [75–85]%. The CMA found that the Parties were close competitors and would face competition post-merger from only one other magazine title. There was no robust evidence of constraint from film magazines. All of the survey evidence from the CMA and the Parties did not support a sufficiently strong online constraint to counter the effects of this loss of competition from the Merger. The CMA believes that the Merger gives rise to a realistic prospect of an SLC in relation to Sci-fi magazines.

10. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (the Act). The Parties have until 14 October 2016 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Act.

## **ASSESSMENT**

### **Parties**

11. Future plc is a media group and publishing company that produces print and digital publications, applications, websites and events. Future is listed on the London Stock Exchange. It is headquartered in Bath, UK, and has operations in the UK, USA and Australia. The turnover of Future in the calendar year 2015 was around £60 million worldwide and around [X] in the UK.
12. Miura (Holdings) Limited is the ultimate parent company of Imagine Publishing Limited, the trading company of the Miura group. Imagine is a publishing company with a portfolio including print and digital magazines, bookazines, as well as digital only specials, applications and websites. Imagine is headquartered in Bournemouth, UK, and operates in the UK and overseas. The turnover of Miura in financial year April 2014 – March 2015 was around £16 million worldwide and around [X] in the UK.

### **Transaction**

13. The anticipated transaction involves the acquisition by Future of the entire share capital of Miura. The share purchase agreement was signed and the acquisitions announced on 23 June 2016. Completion of the Merger is conditional on the CMA deciding not to refer the acquisition for a Phase 2 investigation and a number of other financial and listing conditions relevant to the transaction structure.
14. The Parties informed the CMA that the Merger will not be notified for merger control clearance in any other jurisdiction.

### **Jurisdiction**

15. As a result of the Merger, the enterprises of Future and Miura will cease to be distinct.
16. The Parties overlap in the supply of magazines across a range of sub-sectors. In some of these sub-sectors, including the supply of Sci-fi, Creative &

Design, Linux and Mac magazines, the Parties together publish more than 25% of all magazines on a volume or value basis. Therefore, the share of supply test in section 23 of the Act is met.

17. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
18. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 12 August 2016 and the statutory 40 working day deadline for a decision is therefore 7 October 2016.

## Counterfactual

19. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive as between the Parties than these conditions.<sup>2</sup>
20. Future submitted that magazines are facing a continual structural decline and that this should be considered in the relevant counterfactual. Future stated that those trends mitigate any adverse competition effect the Merger may have.
21. Future has not submitted, however, that the structural decline falls within one of the scenarios in which the CMA will adopt an alternative counterfactual to the prevailing conditions of competition, for example: the exiting firm scenario; the loss of potential entrant scenario; and where there are competing bids and parallel transactions.<sup>3</sup>
22. Future did not assert that Imagine or any of its individual titles would exit the supply of magazines.

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<sup>2</sup> [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

<sup>3</sup> [Merger Assessment Guidelines](#), paragraph 4.37.

23. The CMA recognises the challenges facing the magazine industry and has considered this in its competitive assessment.
24. On the basis of the available evidence, the CMA found the prevailing conditions of competition to be the relevant counterfactual for assessment of the Merger.

### **Overlap between the Parties**

25. The Parties overlap in the supply of magazines, bookazines and online content<sup>4</sup> in the UK in the following categories:
  - (a) Creative & Design
  - (b) Gadget
  - (c) Gaming
  - (d) Linux
  - (e) Mac
  - (f) Photography
  - (g) Sci-fi
26. The full list of magazines in these overlap categories is set out in Table 1 below. Titles marked with an asterisk are currently available only in digital format.

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<sup>4</sup> The Parties also overlap in the licensing of content, but all the Parties' revenues derived from this activity are generated outside the UK.

**Table 1: Parties' magazine titles in overlap categories**

Creative & Design	Gaming	Linux	Mac	Gadget	Photography	Sci-fi
<b>FUTURE TITLES</b>						
3D World	Edge	Linux Format	MacFormat	T3	Digital Camera	Comic Heroes
Computer Arts	GamesMaster		iPad User (*)		N-Photo	SFX
Imagine FX	Official PlayStation		MacLife		Photography Week (*)	
net	Official Xbox				Photo Plus	
	PC Gamer				Practical Photoshop (*)	
					Professional Photography	
<b>IMAGINE TITLES</b>						
3D Artist	GamesTM	Linux User & Developer	iCreate	Gadget	Digital Photographer	Sci-Fi Now
Web Designer	Retro Gamer				Advanced Photoshop (*)	
	Play (*)				Photoshop Creative	

Source: The Parties.

## Background

### ***Magazines – two-sided market***

27. Magazine publishers derive revenues from readers and advertisers. This section briefly summarises the conditions of competition in these two sides of the Parties' business.
28. On the readers' side, publishers sell their printed titles either directly to consumers through subscriptions or through retailers.<sup>5</sup> Subscriptions are generally purchased online with the magazine being sent to the subscriber through the post. Many publishers also sell digital versions of their titles, which reproduce in digital format the content of a title and are purchased online.<sup>6</sup>
29. The cover price and the editorial content of a title are determined by publishers. The distribution of magazines to retailers in the UK is typically managed by distributors acting on behalf of publishers. Distributors negotiate terms and conditions with retailers, covering financial terms (for example, the margin and the fixed term required by retailers) and non-financial terms (for example, the stores that will sell the titles and any associated promotions).

<sup>5</sup> Such as WH Smith, grocery stores and newsagents.

<sup>6</sup> Through both subscription and one off purchases, using, for instance, Google Play and Apple's App Store.

30. On the advertisers' side, publishers compete against each other to attract advertisers. Some advertisers are attracted by the demographics of a particular title; these advertisers are more likely to consider titles that reach similar demographics (but which may be quite different in content) as substitutes. Other advertisers seek to target customers who share a specific interest.

### ***Bookazines***

31. The content and layout of a bookazine is more similar to a magazine's format than a traditional book, but a bookazine generally is longer than a typical magazine. Some bookazines are published in a short series, or in periodically updated versions, whilst others are one offs. For instance, Future's bookazine '*How it works*' is a series of junior science bookazines published regularly, whilst The Digital Art Book was a 'one off' bookazine published by Imagine. They are typically sold at a higher cover price than magazines. Bookazines typically carry little or no advertising.
32. Future and Imagine both offer bookazines in print and in digital formats. Both sell them to UK newsstands, in independent retail shops, organisations and clubs, and export to newsstands in other countries. Bookazines can also be ordered online via the Parties' magazine websites. Bookazines are not sold by subscription.
33. The bookazine supply chain is very similar to that of magazines except in relation to [✂] where bookazines are sold direct rather than through a distributor or wholesaler.

### ***Decline in the supply of magazines in the areas of overlap***

34. As set out above, the Parties submitted that the sale of magazines is in structural decline.<sup>7</sup> The Parties stated that the observed decline in print sales is strongly influenced by the migration of readers away from print publications towards online sources. Furthermore, they stated that the decline in magazines and the switch to digital media in the titles where their publications overlap has been particularly pronounced, reflecting the fact that readers of computing and photography focused titles are typically also heavy users of technology.<sup>8</sup> In support of their submission, the Parties cited several pieces of analysis, which is discussed below.

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<sup>7</sup> Annex 1 of the Merger Notice, paragraph 6.1.

<sup>8</sup> Annex 1 of the Merger Notice, paragraph 6.



### *Sales data and internal documents*

35. Using UK [X], the Parties submitted that between 2011 and 2015 average monthly sales of print magazine singles declined by [X] for [X] titles, [X] for [X] magazines, [X] for [X] titles and [X] for [X] magazines.<sup>9</sup> The Parties' expectation is that [X],<sup>10</sup> as also indicated by Future's internal documents.<sup>11</sup>
36. The Parties also emphasised that fewer consumers purchasing magazines has led to a reduction in revenue from magazines sales and, in turn, a reduction in advertising revenues.<sup>12</sup> Future explained that it has closed [X] titles since [X] and the [X].<sup>13</sup>
37. This data indicates that sales of computing titles, as well as sales in the gaming, men's interest and sci-fi categories have declined more rapidly than most other genres, for example children's magazines, leisure interests or sports.<sup>14</sup>

### *Third party views*

38. Third parties also expressed the view that the magazine industry has experienced a significant decline over a prolonged period. A number linked the decline in sales to the increase of internet usage alongside the specific technology focused content of some of the Parties' magazines. On the other hand, two third parties, stated that the rate of decline in sales is now slowing down, at least for some categories of magazines.

### *CMA assessment*

39. The CMA considers that in order to conclude that the online content is a strong constraint to the Parties' magazine offer, it would need to consider that readers found online content to be directly substitutable for magazines. This evidence may be found in a mix of product/content characteristics, customer preferences shown in views, survey evidence, internal documents or research; econometric analysis and third party views.
40. In this context, the evidence on structural decline in demand for the Parties' magazines clearly demonstrates that that there has been an overall decline in advertising revenues and subscription and newsstand revenues for all titles.

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<sup>9</sup> Response to Issues Letter, paragraph 2.3.

<sup>10</sup> Response to Issues Letter, paragraph 2.6.

<sup>11</sup> See, for example, Annex 19.3 of the Merger Notice, pp18 and 21. See also evidence submitted at the Issues Meeting.

<sup>12</sup> Annex 1 of the Merger Notice, paragraph 6.1.

<sup>13</sup> Response to Issues Letter, paragraph 2.4.

<sup>14</sup> Issues Meeting slides.

And while this the CMA has found this to be a backdrop to the assessment of the merger, it does not demonstrate, alone, that online content is a strong constraint to the Parties' current magazine offer. In other words, the CMA has still an obligation to assess whether or not the merged entity will, post-Merger, have the ability to worsen their competitive offer by increasing prices or reducing quality.

41. The CMA now turns to the frame of reference for an assessment of the merger.

### **Frame of reference**

42. The CMA considers that market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merger parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.<sup>15</sup>

### **Product scope**

43. In line with the CMA's approach in previous mergers in the magazine sector, the Parties proposed to use the Audited Bureau of Circulation (ABC)<sup>16</sup> sub-segmentation of magazines as a starting point to define the product frames of reference for the assessment of the Merger, but adapted by the Parties based on their understanding of readers' interests. The Parties therefore proposed as a starting point the following categories:
  - (a) Computer design
  - (b) Internet
  - (c) Linux
  - (d) Mac
  - (e) Men's life style (including Gadgets)

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<sup>15</sup> [Merger Assessment Guidelines](#), paragraph 5.2.2.

<sup>16</sup> The ABC identifies various consumer magazine segments and sub-segments based, principally, on editorial content and target audience of a particular magazine.

- (f) Multi-format gaming
  - (g) Sony (PlayStation)
  - (h) Sci-fi
  - (i) Photography
44. The CMA considered whether to expand or further segment these candidate product frames of reference on a case by case basis, in particular, by reference to distribution channel for similar content: (i) digital and (ii) online.
45. In the sections below, the CMA discusses the frames of reference relating to magazines and bookazines, taking into account the demands of both readers and advertisers.
46. In its assessment, the CMA had regard to demand side factors (the behaviour of customers and its effects) and supply-side factors (the capabilities and reactions of supplier in the short term).
47. The CMA can aggregate several markets into a broader one based on supply-side factors, if the following two conditions are satisfied:
- (a) production assets can be used by firms to supply a range of different products that are not demand-side substitutes, and the firms have the ability and incentive quickly (generally within a year) to shift capacity between these different products depending on demand for each; and
  - (b) the same firms compete to supply these different products and the conditions of competition between the firms are the same for each product.<sup>17</sup>

### *Digital magazines*

48. The CMA considered whether to expand the frame of reference to include digital magazines.<sup>18</sup> In line with previous decisions,<sup>19</sup> the CMA considers print and digital magazines to be in the same product frame of reference due to supply side considerations, that is, it is straightforward to publish a digital version of a print magazine and the set of competitors is the same.

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<sup>17</sup> [Merger Assessment Guidelines](#), 5.2.17.

<sup>18</sup> A digital magazine contains the same content and advertising as its print magazine and it is delivered in electronic form (eg pdf).

<sup>19</sup> See CMA ME/6540/14, Completed acquisition by Immediate Media Company Bristol Limited of certain assets of Future Publishing Limited, 23 October 2014, paragraph 52.

### *Constraint from online content*

49. The CMA assessed the extent to which the customers of the Parties' magazines regard content available online as a direct substitute to the Parties' magazines in each category.
50. For the reasons set out above in paragraphs 34 to 40, the decline in the sales of magazines does not enable the CMA to draw any strong inferences about the degree of substitutability between magazines and online content.
51. For the online constraint to be significant, the CMA must be confident that a sufficient share of readers would respond to a small but significant and non-transitory increase in price (SSNIP) or to an equivalent reduction in quality by switching to online content providers.<sup>20</sup>
52. In order to conclude that the online content significantly constrain magazines, the CMA requires evidence of substitution to online content in each magazines category, including customer surveys, internal documents, econometric analysis and third party views.

### *Parties' submission*

53. The Parties submitted that competition from online content is particularly strong in relation to their magazines given the emphasis of their magazines on technology, gaming and photography. According to the Parties, online content includes websites (eg IGN in gaming) but also a combination of other online platforms such as Twitch.tv and YouTube.
54. As mentioned above in paragraph 35, sales data submitted by the Parties shows that the circulation of print titles has been declining in recent years. The same view emerges from the Parties' internal documents.<sup>21</sup>
55. The Parties also submitted market analysis reports in consumer magazines suggesting that online content (and in particular content delivered through mobile devices) is responsible for the decline of the magazine market.<sup>22</sup>

### *Previous decisions*

56. The Office of Fair Trading (**OFT**) and the CMA have examined whether online content competes with magazines in a number of cases, but has not in the

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<sup>20</sup> [Merger Assessment Guidelines](#), paragraph 5.2.11.

<sup>21</sup> See, for example, Third RFI (Request for Information) Annex 10 of the Merger Notice.

<sup>22</sup> See, for example, the Enders market report submitted by the Parties as RFI Annex 19.2 of the Merger Notice:

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past found that online content is a sufficiently close substitute for magazines to include it in the same frame of reference. For example, in the assessment of the *Key / Kelsey* merger,<sup>23</sup> the CMA considered that there was insufficient evidence that a large number of readers and advertisers of aviation titles considered online resources a good substitute to the Parties' magazines. In addition, the CMA considered that no website was comparable in its content to the parties' military vehicle titles.<sup>24</sup>

### *Internal documents*

57. Future's internal documents show that the Parties do consider their magazines and online business portfolios separately even in the same genre.<sup>25</sup> Future operates separate business segments for magazines and websites, and has adopted differentiated business strategies:
- (a) When assessing the performance of their magazines, [REDACTED].<sup>26</sup>
  - (b) One of Future's internal documents sets out different strategic priorities for its magazines business (eg [REDACTED]) and for its online business (eg [REDACTED]).<sup>27</sup>
  - (c) On the other hand, Future's internal documents indicate that it is part of its strategy to expand its online business and that it has been devoting much effort to grow its online business, which is, to a certain extent, consistent with its submission that readers are increasingly using online content.
58. The evidence from internal document is mixed and does not indicate a strong constraint from online content across all Futures' magazines.

### *Third party submissions*

59. The CMA tested the proposition that there is significant substitution between magazines and online content with third parties. It is a widespread perception amongst third parties that the availability of free content online has led to a decline in magazines sales. While three third parties noted that the migration

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<sup>23</sup> CMA ME/6492-14, *Completed acquisition by Key Publishing Limited of certain assets of Kelsey Publishing Limited*, 2 March 2015, paragraphs 65, 79 and 86.

<sup>24</sup> On its assessment of the *Immediate Media / Future Publishing* merger; the CMA also concluded that, although there was clearly some substitution between magazines and the internet, there was insufficient evidence of websites posing a sufficient constraint on the parties' craft and genealogy titles (see CMA ME/6540/14, *Completed acquisition by Immediate Media Company Bristol Limited of certain assets of Future Publishing Limited*, 23 October 2014, paragraphs 57, 63 and 99).

<sup>25</sup> See for instance Future's half year results FY16 press release, RFI Annex 19.1 of the Merger Notice: '*In November 2015 the Group was reorganised into two new divisions, Media and Magazine, to enable a more efficient operating model to be employed in each division, reflecting their different market dynamics*'.

<sup>26</sup> See, for example, Annexes 10.20; 10.17, slide 5 of 10.15; slides 27-36, 47-48, 51-52, 55-56, 58-59; and Annex 10.10, slide 45; Annex 10.15, slides 31, 33 and 35 of the Merger Notice of the Merger Notice.

<sup>27</sup> Annex 10.17 of the Merger Notice.

might slow down in relation to magazines in the areas covered by the Parties, the majority of them, including all the competitors contacted did not observe any recent change in the trend.

60. Some third parties also observed that magazines in the computing, gaming and photography categories had experienced some of the sharpest declines.
61. Several competitors across various magazine categories told the CMA that readers were migrating to online content. On the other hand, three competitors, referring in particular to the Photography and Sci-fi categories, explained that some readers do not consider websites to be a suitable alternative to magazines and that there is a lucrative group of readers who will remain loyal to magazines.

#### *Survey evidence*

62. Survey evidence can be useful in ascertaining the stated preferences of readers. In this case, there are three pieces of survey evidence on which the CMA has placed some weight depending on the results of the survey. These are as follows:
  - (a) a survey of Future subscribers who did not renew their subscription (the **Future Leavers Survey**); and
  - (b) a survey of Imagine subscribers who cancelled their subscription (the **Imagine Leavers Survey**).
  - (c) a survey of subscribers of Imagine's and Future's titles in the subject categories in which the Parties overlap (the **Readers Survey**).

These Surveys are described in more detail in Annex 1.

63. The Readers Survey involved subscribers to the print editions of the Parties' magazines and was aimed at understanding which sources of content subscribers would divert to if the magazine to which they currently subscribe ceased publication. While taking into account that the survey only captures the preferences of subscribers and not of the rest of the Parties' readership, eg newsstand or shop purchases, the CMA believes that the survey provides a good source of evidence on customer diversion and has placed appropriate reliance on it in the competitive assessment.
64. The Parties' Leavers Surveys involved former subscribers to the Parties' titles who had decided not to renew their subscription. The CMA has reservations concerning the methodology of these surveys, which are presented in the

Annex. Consequently, the CMA has given less weight to this evidence than to the Readers Survey.

65. In line with its standard practice, the CMA gave less evidential weight to consumer research which achieved a low sample size (ie less than 100 respondents).<sup>28</sup>

- *General observations on survey evidence and online constraint*

66. The CMA conducted the Readers Survey to seek to establish the extent to which readers would substitute magazines for online content. Overall, the Readers Survey does indicate there is some degree of substitution between magazine print titles and online content but that the degree of substitution varies significantly from title to title. The CMA has not been able, based on the Readers Survey and the limitations found with the Parties' Leavers Survey to conclude that all of the magazine titles are constrained by online content. This is because, for some categories, the sample is not large enough to allow the CMA to draw a robust conclusion from the Readers Survey.<sup>29</sup> As a result, the reliance that the CMA can place on the Readers Survey varies from category to category and no general conclusion can be drawn from the Readers Survey which would apply to all categories. See table with summary of the Readers Survey in Annex 2.

67. The Imagine Leavers Survey also indicate that in a significant number of cases the subscribers' decision to cancel their subscription was influenced by the availability of content online. This, however, does not necessarily mean that the availability of free content was the only or main reason behind the cancellation. The CMA has placed some weight on this evidence where it is generally supported by a wide range of other evidence.

68. The result of the Readers Survey on the diversion of each of the Parties' magazines to online content has been taken into account in the competitive assessment of each category of magazines.

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<sup>28</sup> When reporting the survey results in cases with fewer than 100 respondents, the number of reported respondents excludes those who answered 'don't know' to the main diversion question (see Annex 1), but includes those who would divert to another of the magazines published by the same Party or who would divert to a magazine but do not know which one.

<sup>29</sup> It was not possible to exclude diversion to Future's own websites (eg Techradar.com, Creativebloq.com, etc) from the results of the Readers Survey. As a result diversion to online is inflated with readers who would switch to the Parties' online content rather than switching to competitors' online content if their magazines ceased to be published.

### *Conclusion on the constraint of online content on magazines*

69. For the reasons explained above, the evidence submitted by the Parties (including the survey evidence) and third parties is indicative of a material level of migration from magazines to online content over time, which appears to have had some impact on the Parties' strategies with regard to product development for both their magazines and websites.
70. However, most of the evidence does not directly address the question of whether magazine customers would switch to online content in case of a SSNIP, or equivalent reduction in quality.
71. Third party evidence and survey evidence from the Readers Survey indicates that the diversion from the Parties' magazines to online content varies significantly from title to title.
72. Therefore, the CMA considers that the evidence does not indicate a sufficient degree of demand side substitution between magazines and online content to support including online content in the frame of reference in relation to magazines in general, without regard to the type of content or subject matter that is covered by the magazines.
73. The CMA therefore conducted an analysis of the extent of the online constraint for each magazine category in its competitive assessment.

### *Frame of reference by genre*

#### *Creative & Design*

74. Magazines in the Creative & Design category are targeted to readers using computer technologies for creative purposes, including illustration, 3D modelling, animation and web design. This categorisation is based on Future's internal documents<sup>30</sup> and on the classification used by [X].
75. The CMA considered whether to define two separate segments within the category, for 3D modelling (in which the Parties overlap with Future's 3D World and Imagine's 3D Artist) and for web design (where the Parties are both active with Future's net and Imagine's Web Designer).
76. The CMA considered that, on the basis of supply side substitutability, it may be appropriate to assess the effects of the Merger by reference to the broader Creative & Design category. However, the CMA did not have to conclude on

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<sup>30</sup> See [X] (Annex 10.15 of the Merger Notice).



whether to segment this category further, as the Merger does not give rise to competition concerns if a narrower frame of reference is adopted.

77. In relation to the Creative & Design category, the evidence shows that readers of these magazines typically have access to similar content across a wide range of media including specialist websites, some of which were specifically mentioned by some of the respondents to the Readers Survey.
78. In addition, as explained in the competitive assessment in more detail, the results of the Readers Survey, particularly in the web design segment, are consistent with the other evidence indicating online content is a substitute for readers of Creative & Design magazines. The CMA considers the degree of the constraint imposed by online content on Creative & Design magazines in more detail in the competitive assessment.
79. Therefore, the CMA will assess the effects of the Merger by reference to the supply of magazines in the Creative & Design category, including similar online content websites.

#### *Gadget*

80. Gadget magazines focus on technology and gadgets, such as gaming consoles, audio gadgets, television and computers, and are targeted towards men.
81. The Parties argued that the category should be expanded to include all men's lifestyle' magazines, including as this reflects the ABC segmentation and retailers understanding of the business.<sup>31</sup>
82. The CMA considers that some evidence on demand-side substitutability does not strongly support widening the frame of reference to include all men's lifestyle magazines.<sup>32</sup> The CMA, however, did not have to reach a conclusion on whether to expand the Gadget category, as the Merger would not give rise to competition concerns even under a narrow frame of reference.
83. The CMA also did not need to reach a conclusion on whether the frame of reference could be expanded to include online content, as the Merger would not give rise to competition concerns on the narrowest frame of reference.

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<sup>31</sup> Annex 1 of the Merger Notice, p81, paragraph 15.1.

<sup>32</sup> When assessing the competitive environment for Gadget magazines, the Parties [§<] (see for instance Annex 10.23, p13, and Annex 10.15, slides 28 and 32, of the Merger Notice). In addition, most third parties' responses indicate that non-gadget lifestyle magazines are not perceived as close substitutes to T3 and Gadget.

## *Gaming*

84. Magazines in the Gaming category are devoted to content related to video and computer gaming. There are magazines focusing exclusively on a specific format or console (eg PlayStation magazines focus on content relevant to users of Sony PlayStation) whilst other magazines cover gaming content of multiple formats.<sup>33</sup>
85. The CMA considered multi-format and format-specific gaming magazines together, given the significant percentage of newsstand purchasers (around [§]%) and because readers may have a general interest in Gaming. A category including all Gaming magazines is also supported by the categorisation used in some of the Parties' internal documents<sup>34</sup> and by the categories used by Future's distributor.
86. In relation to the Gaming category, the evidence consistently shows that online content competes closely with magazines. In particular, for this category, the results of the Readers Survey were robust (based on the requirements in paragraph 65 above) and implied a diversion of around 30–50% (depending on the title) from the Parties' magazines to online content. The CMA also reviewed other evidence in relation to the constraint imposed by online content on gaming magazines, which is set out in the competitive assessment at paragraph 172.
87. As a result, and for the reasons discussed in the competition assessment, the CMA considers that, for Gaming specifically, the strength of the online constraint is such that it is appropriate to include the relevant online content is within the frame of reference for Gaming content.
88. Therefore, the CMA will assess the effects of the Merger by reference to the supply of magazines in the Gaming category, including websites with similar online content.

## *Linux*

89. Magazines in the Linux category focus on content relevant to users of the Linux operating system.<sup>35</sup> The CMA did not need to reach a conclusion on whether the frame of reference should be expanded to include other technology magazines or similar online content, as the merger would not give rise to competition concerns under the narrowest frame of reference.

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<sup>33</sup> The ABC classifies magazines in different categories according to the console format covered.

<sup>34</sup> See, for example, [§] Annex 10.15, p30, to the Merger Notice.

<sup>35</sup> The category is narrower than that adopted by ABC.

### *Mac*

90. Magazines in the Mac category focus on content relevant to users of Mac computers and other Apple devices.<sup>36</sup> The CMA did not need to reach a conclusion on whether the frame of reference should be expanded to include other technology magazines or similar online content, as the Merger would not give rise to competition concerns even under the narrowest frame of reference.

### *Photography*

91. Magazines in the Photography category focus on content relevant to consumers interested in taking photographs and in photograph editing.<sup>37</sup>
92. The CMA considered whether it would be appropriate to define Photoshop-focused magazines as a separate frame of reference from other photography magazines. Whilst Photoshop magazines are specialised, Future has submitted evidence showing that some general photography magazines include a significant proportion of Photoshop content. The CMA, however, did not need to conclude whether the Photography category should be segmented further, as the Merger would not give rise to competition concerns under separate frames of reference for Photoshop magazines and general photography magazines.
93. Finally, the CMA did not need to reach a conclusion on whether the frame of reference could be expanded to include online content with similar content, as the Merger would not give rise to competition concerns under the narrowest frame of reference.

### *Sci-fi*

94. The magazines in this category focus on science fiction content, covering related movies, TV shows, comic books, novels, games and merchandise.<sup>38</sup>
95. Future argued that sci-fi magazines compete within a larger category of film magazines. Future explained that the purchase of magazines at the newsstand is an impulse purchase for many readers.<sup>39</sup> It further observed that sci-fi magazines are often displayed on the newsstand together with film

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<sup>36</sup> The category corresponds to that adopted by ABC.

<sup>37</sup> The category is larger than the ABC's 'photography' category, which does not include titles focused on photo editing (Photoshop).

<sup>38</sup> The category mirrors the ABC's 'sci-fi' category.

<sup>39</sup> Future submitted a presentation by [redacted]. The slides indicate that [redacted] of magazine purchases are impulse purchases compared with [redacted] of confectionery purchases (see Annex F of Future's supplementary response to the Issues Letter).

magazines, so that impulse buyers will typically choose between sci-fi and film magazines based on the attractiveness of the cover.

96. The CMA has carefully assessed the evidence on the frame of reference for sci-fi magazines and notes that the Parties typically only monitor the performance of other sci-fi magazines against their titles.<sup>40</sup> Third parties' comments do not generally support the view that film magazines compete with sci-fi magazines.<sup>41</sup> There is no direct evidence provided to support the view that impulse buyers might view sci-fi and film magazines as substitutes. Moreover, the evidence that is available from the Readers Survey indicates very minimal diversion to film magazines for subscribers. Therefore, the CMA considers that it is not appropriate to include film magazines within the frame of reference.
97. In assessing whether the frame of reference should include similar online content, the CMA considers that the results of the Readers Survey show a lower diversion to online content from the Parties' sci-fi titles than from most other categories of magazines. The survey evidence, together with other evidence assessed in more detail below, indicates that online content imposes a limited constraint on the Parties' sci-fi magazines. Other evidence is assessed in more detail in the competitive assessment.
98. The CMA, therefore, considers that it is not appropriate to include online content within the same frame of reference as sci-fi magazines.

### *Advertising*

99. The Parties generate [X]: across all the overlapping magazine segments, Future generates [X] of its revenues through advertising. The CMA would therefore expect the Parties' incentives to be mainly driven by competitive conditions on the readers' side.
100. As a starting point, the CMA considered that, on the advertisers' side, the narrowest plausible frames of reference would be the supply of advertising space in magazines in the same categories as on the readers' side (ie those categories identified in paragraph 43 below).
101. The CMA considered whether these narrow frames of reference should be broadened to include other categories of magazines and online content.

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<sup>40</sup> All Future's internal documents, except one (Annex 10.15, p30) mention sci-fi magazines in a set of magazines comprising sci-fi titles only (see, for example, Annex 10.23, p12, and Annex 10.12, p79, of the Merger Notice).

<sup>41</sup>Two publishers told the CMA that film magazines would not be a substitute to sci-fi magazines.

### *Broadening the frames of reference in relation to advertising*

102. The CMA asked third parties whether advertising in other categories of magazines and/or advertising online represent valid alternatives to advertising in the Parties' magazines. Third parties' responses were mixed. A number of advertisers considered that their choice was limited to a particular genre or to the Parties' magazines whilst other advertisers told the CMA that their choice was broader and would include for instance other categories of magazines and/or online content.
103. The CMA has received views from a range of advertisers who advertise in the Parties' main titles. This evidence indicates that
- (a) There is a group of advertisers who only consider other magazines in the same category as potential substitutes, whereas the set of magazines seen as substitutes may be wider for the other advertisers.
  - (b) Whilst a number of advertisers submitted that online content is a good alternative to magazines, some advertisers told the CMA that their choice is limited to the Parties' magazines and that they do not advertise online or that they do not see online content as an alternative to magazines.

### *Conclusion on advertising*

104. For the reasons set out above, the CMA considers that some advertisers will, at worst, face the same alternatives as readers to meet their needs. Therefore, on a cautious basis: (i) the CMA defines separate narrow frames of reference on the advertisers' side, which mirror the frames of reference adopted on the Readers side; and (ii) focuses the economic assessment of the impact of this Merger on the readers' side.

### *Bookazines*

105. As a starting point, the CMA considered that the narrowest plausible frames of reference would be the supply of bookazines in each of the categories identified for magazines (see paragraph 116 below).
106. The CMA considered whether it is appropriate for the product frames of reference considered for magazines to be expanded to include the supply of bookazines.

### *Demand-side substitution*

107. The CMA received mixed evidence on the extent of demand side substitution between magazines and bookazines from a reader's perspective. Future

explained that bookazines differ from magazines in terms of periodicity of publication, price and number of pages.<sup>42</sup> Some third parties stated that bookazines are a close alternative to magazines and that from a consumer perspective the two formats are not easily distinguishable. Several third parties, however, observed that bookazines are considered to be a comprehensive knowledge source on a specific topic and tend to be kept by consumers for a long period of time as a reference guide.

### *Supply-side substitution*

108. The evidence available to the CMA indicates that there is significant supply side substitutability between bookazines and magazines because, as Future observes,<sup>43</sup> bookazines are often (although not always) produced by the same editorial teams or contain some of the same material. Bookazines typically reuse or expand on content published in magazines
109. Most publishers publish both magazines and bookazines, with a limited number of publishers of bookazines, such as Black Dog Media, specialising only in bookazines.
110. Based on these supply-side considerations, the CMA considers that the constraints faced by the Parties in the supply of magazines and bookazines are similar, given that publishers of magazines can easily use their content to publish bookazines and online content appears to constrain magazines and bookazines to a similar same extent. The CMA also notes that Black Dog Media has not published in the past any bookazines in the Sci-fi category, in which the CMA found that the Merger raises competition concerns.
111. Therefore, the CMA considered appropriate to assess the effects of the Merger in product frames of reference that include both bookazines and magazines in each of the categories mentioned below in paragraph 116. Bookazines are therefore considered within the same frame of reference as magazines with similar content and only referred to specifically where appropriate.
112. As the competition effects of the Merger on bookazines mirror the competition effects of the Merger on magazines, the economic assessment of the impact of this Merger focuses on magazines.

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<sup>42</sup> Future submitted that: '*Bookazines are normally sold on newsstands for impulse buying, outside the normal publication schedule. They are traditionally seen as not suitable for libraries, bulk sales or controlled distribution. The pattern of bookazine publication by each party is not standard one year to the next. Some bookazines are published in a short series whilst others are strictly one offs. The parties sell bookazines in both print and digital format. Their bookazines can also be ordered online.*' (Annex of the Merger Notice, paragraph 36.1).

<sup>43</sup> Annex 1 of the Merger notice, paragraph 36.6.

### *Supply of online content by the Parties*

113. The Parties are also present in the supply of online content; in particular, Future operates some websites with significant readership (for instance, Techradar.com or Creativebloq.com). However, Imagine's online content is closely related to its magazines (for example, websites share the same name as the magazines) and its websites appear to contain limited original content and to have a very small number of visitors per month.<sup>44</sup>
114. Even if Future's online content may currently constrain Imagine's online content, the evidence indicates that the Parties are constrained by a wide range and number of other suppliers of online content in the different categories in which they overlap (examples of which are discussed within the competitive effects assessment below). No third parties have raised concerns regarding the effects of the Merger in the supply of online content. Therefore, the CMA considers that there is no realistic prospect that Imagine's online content impose a significant competitive constraint on Future's online content.
115. As a result, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC in the supply of online content. The impact of the Merger on the supply of online content will not be assessed further.

### *Conclusion on product scope*

116. For the reasons set out above, the CMA has analysed the effect of the Merger on the basis of frames of reference for the supply of magazines (including bookazines), in the following categories:
- (a) Creative & Design (including similar online content websites)
  - (b) Gadget
  - (c) Gaming (including similar online content websites)
  - (d) Linux
  - (e) Mac
  - (f) Photography
  - (g) Sci-fi

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<sup>44</sup> [RFI Annex 8.1 Imagine's unique visitor numbers](#), and [Annex 1](#), paragraphs 4.1-2 of the Merger Notice.

117. Although it is appropriate to distinguish between the readers' and advertiser's sides for each of the above frames of reference, the CMA, for the purpose of the present Merger, will focus its competitive assessment on the impact of the Merger on readers.

### ***Geographic scope***

118. Previous CMA print magazine merger decisions<sup>45</sup> have considered that competition takes place at a UK level, reflecting the fact that magazines are retailed primarily through UK wide retail chains. Neither the Parties nor third parties submitted any evidence suggesting that the geographic frame of reference should be anything other than UK wide.

119. For the reasons set out above, the CMA has considered the impact of the Merger in the UK.

### ***Conclusion on frame of reference***

120. For the reasons set out above, the CMA has considered the impact of the Merger by reference to the supply of magazines (including bookazines) in each of the categories mentioned above, in paragraph 116, in the UK.

121. Although it is appropriate to distinguish between the reader's and advertiser's sides for each of the above frames of reference, the CMA, for the purpose of the present Merger, will focus its competitive assessment on the impact of the Merger on readers.

## **Competitive assessment**

### ***Horizontal unilateral effects***

#### *Introduction*

122. Unilateral effects can arise in a horizontal merger when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices (or reduce quality) on its own and without needing to coordinate with its rivals.

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<sup>45</sup> See for instance, the CMA's decisions on CMA ME/6492-14, *Completed acquisition by Key Publishing Limited of certain assets of Kelsey Publishing Limited*, 2 March 2015, and CMA ME/6540/14, *Completed acquisition by Immediate Media Company Bristol Limited of certain assets of Future Publishing Limited*, 23 October 2014, and the OFT's decision on ME/4971/11, *Anticipated acquisition by Hearst Corporation of the international magazine publishing business (outside France) of Lagardère*, 10 August 2011. See also the decision of the European Commission on COMP/M.2147 VNU / Hearst /Stratosfera, 25 September 2000.



123. In relation to the supply of magazines and bookazines, unilateral effects could take the form of price increases such as increases in the cover price or subscription prices paid by readers or of advertising prices for advertisers.<sup>46</sup> As for quality reduction, this could involve a reduction in the quality or quantity of content and/or in a reduction in the quality of the design of each issue.

*The CMA's approach to the analysis*

124. The CMA sets out below the approach to the analysis of unilateral effects for this Merger. For each frame of reference, the CMA has assessed the closeness of competition between each of the Parties' magazines and the remaining competitive constraints, both within and outside the relevant frame of reference, taking into account the following factors:

- (a) Shares of supply (noting that shares of sales or revenues may provide limited information about strength of competitive constraints in a differentiated product environment)
- (b) Similarity of titles within the category in terms of content and target audience
- (c) Internal documents
- (d) Third party responses
- (e) Survey evidence, including diversion ratios resulting from the Readers Survey

*Magazines*

*Creative & Design*

- *Shares of supply*

125. The Parties are the only publishers of magazines devoted to Creative & Design for users of computer technologies in the UK.
126. The Parties submitted that Web User, published by Dennis Publishing Limited (Dennis), should be included in the same category as it competes with Future's title net and Imagine's title Web designer.

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<sup>46</sup> [ ] (Annex 1, paragraphs 18.15-18.16).

127. Based on third parties submissions and the CMA’s review of the magazines content, Web User focuses on practical advice to everyday users of the internet and does not have creative and design content. This is corroborated by the fact that [X] classifies Web User in a different category (Internet rather than Creative & Design) and minimal diversion to Web User in the Readers Survey. The CMA has therefore considered that Web User is not part of the Creative & Design category.

**Table 2: Shares of supply in the Creative & Design category in 2015**

Magazine Title	Total Volume	Market Share (Volume)	Sales revenues (£)	Advertising revenues (£)
3D World (Future)	[X]	[5–10]%	[X]	[X]
Computer Arts (Future)	[X]	[20–30]%	[X]	[X]
Imagine FX (Future)	[X]	[20–30]%	[X]	[X]
Net (Future)	[X]	[20–30]%	[X]	[X]
3D Artist (Imagine)	[X]	[5–10]%	[X]	[X]
Web Designer (Imagine)	[X]	[10–20]%	[X]	[X]
<b>Total</b>	<b>[250,000–270,000]</b>	<b>100%</b>	[X]	[X]

Source: CMA calculations on Parties’ data.

- *Readers Survey*

128. For all the Parties’ titles in this category, the number of respondents to the Readers Survey was low, and therefore the CMA places limited weight upon the results. The lower the response, the less weight can be placed.<sup>47</sup>

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<sup>47</sup> The number of respondents excludes those who responded ‘don’t know’ to the first question in the Readers’ Survey.

**Table 3: Survey results for the Creative & Design category**

Parties' magazines	Diversion to other party	Diversion to third party	Diversion to online	Diversion to 'doing nothing'
Future				
3D World	3/18	1/18	8/18	4/18
Computer Arts	3/25	2/25	11/25	5/25
Imagine FX	2/45	0/45	17/45	20/45
net	7/51	2/51	20/51	13/51
Imagine				
3D Artist	17/37	0/37	14/37	6/37
Web Designer	17/62	4/62	14/62	18/62

Source: CMA.

- *Closeness of competition*
  - *Similarity of titles in terms of content*

129. Future publishes 3D World, Computer Arts, Imagine FX and net whilst Imagine publishes 3D Artist and Web Designer. These titles are about using computer technologies for creative purposes, including illustration, 3D modelling, animation and web design.
130. Future stated that Future's and Imagine's titles are differentiated, with 3D World and net aimed more at a professional reader than 3D Artist and Web Designer.<sup>48</sup>
131. An analysis of the content of these publications shows that the Parties overlap in relation to 3D modelling and web designer editions:
- (a) 3D Artist and 3D World both cover 3D computer modelling<sup>49</sup> and target those working or with an interest in the computer generated imagery (CGI) industry. The titles are differentiated to a degree with one aimed at a beginner and another at experienced professionals.
  - (b) Net and Web Designer are also relatively similar in terms of content, with both titles providing tutorials and news on various technologies used by web designers.<sup>50</sup>

<sup>48</sup> RFI 1, Q20(d), paragraphs 20.38, 20.39.

<sup>49</sup> RFI 1, Q20(b), paragraph 20.9.

<sup>50</sup> RFI 1, Q20(b), paragraph 20.9.

- (c) Imagine FX is highly differentiated from the above titles. Whilst Imagine FX (Future) is aimed at digital artists, who use Photoshop and other programmes on top of drawing and painting. There is limited overlap in content with any of Imagine's titles.
- (d) Computer Arts (Future) is also highly differentiated from any of the above titles. It is aimed at graphic designers and illustrators. There is limited overlap in content with any of Imagine's titles.
132. All publications in this category have a cover price of £6 (or £5.99), sell a digital version for £4.99, are typically around 100 pages long and have 13 issues per year.
- *Internal documents*
133. Internal documents acknowledge that the Parties titles compete. Future's internal document, in describing the competitors to net and 3D World magazines, states, [redacted],<sup>51</sup> [redacted]<sup>52</sup> [redacted].
134. Future benchmarks and compares advertising revenue, compares number of advertisement pages, advertising rate and number of print copies of [redacted].<sup>53</sup>
- *Third party responses*
135. Third Parties identified 3D World and 3D Artist as each other's best alternatives in the same narrow sub-segment as well as net and Web Designer in the web design narrow sub-segment. However one retailer noted that 3D Artist is more suitable for beginners whereas 3D World is more advanced. Furthermore third parties' comments do not support a view that Imagine FX and/or Computer Arts are particularly close competitors to Imagine's titles.
- *Survey evidence*
136. Despite the low number of responses for some of the titles in this category, the Readers Survey suggests a strong diversion from Imagine's Web Designer to net and from Imagine's 3D Artist to 3D World. However, limited diversion from 3D World to 3D Artist, which is consistent with the differentiation noted in the Parties' internal documents and third party views.

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<sup>51</sup> Future: Strategy day deck January 2015, 59 (Annex 10.15).

<sup>52</sup> Future: Strategy day deck January 2015, slide 15.

<sup>53</sup> Future: Strategy day deck January 2015, slide 28, 29, and Annex 5.2, RFI 1.

137. In the round, the evidence -including internal documents and third party comments indicates that the Parties' titles do compete (3D Artist with 3D World) and Web Designer with net. However, Imagine's (3D Artist and Web Designer) titles appear to be differentiated with Future's titles (3D World and net, respectively) targeting a more professional and/or advanced audience than Imagine's titles.

- *Competitive constraints*

138. The Parties submitted that sales of their Creative & Design titles have declined at a very fast pace and more than other categories (see above at paragraph 35).<sup>54</sup> The Parties explained that their magazines are constrained by specialised websites and YouTube channels offering content in this space. Many of these are free and others offer paid-for e-learning content such as [www.lynda.com](http://www.lynda.com).

139. The CMA considered the evidence relating to the competitive constraint imposed by online content against the backdrop of a sharp decline in the sales of Creative & Design magazines, as described in paragraph 34 to 40 above:

(a) The content of Creative & Design magazines published by the Parties are intrinsically related to the use of computing, the Internet and digital tools. These magazines are targeted towards professionals or keen readership using computers for their design activities. In these categories of magazines, there is a natural shift towards multiple means of accessing relevant content.

(b) Readers in this category are from a generation that is particularly versed in computing. Largely, the CMA considers that these users will be able to consume content across a wide range of media to satisfy their needs for this specialised content.

(c) The CMA has identified several websites not owned by the Parties that focus on providing content in the areas of the magazines. These websites include [www.3dtotal.com](http://www.3dtotal.com), [www.digitaltutors.com](http://www.digitaltutors.com), [www.cgsociety.org](http://www.cgsociety.org), [www.cgchannel.com](http://www.cgchannel.com), [www.artstation.com](http://www.artstation.com), for 3D modelling, and [www.smashingmagazine.com](http://www.smashingmagazine.com), [www.sitepoint.com](http://www.sitepoint.com) and [www.lynda.com](http://www.lynda.com), for web design. All the websites cover web design and/or 3D and/or graphic art and were mentioned by respondents to the Readers Survey. Other websites quoted by the Parties include [www.itsnicethat.com](http://www.itsnicethat.com),

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<sup>54</sup> See response to the Issues Letter, p2.

[www.hongkiat.com](http://www.hongkiat.com) and [www.creativereview.com](http://www.creativereview.com). Finally some respondents to the Readers Survey highlighted that they find alternative content on Youtube and blogs in the Creative & Design category.

(d) To the extent that the CMA can place weight on the Readers Survey given small sample sizes, it is consistent with the above evidence on readers stated preferences in the survey that a large number of the readers who did respond to the Survey would consider online content as an alternative to magazines in this category.<sup>55</sup>

- *Conclusion*

140. Based on the evidence set out above, the CMA found that: (i) although some of the Parties' titles are likely to be the closest print competitors to each other, there is a degree of differentiation between the Parties' titles which suggests that overlap in their readership may be limited and that they are not close substitutes, (ii) online content is available which is highly similar to each of the Parties' titles, and imposes a strong constraint on the Parties' titles for the reasons outlined at paragraph 139 above. In addition the Readers Survey is consistent with the view that online content constrains the Parties' titles in this category.

141. Accordingly, the CMA considers that the Merger does not give rise to a realistic prospect of an SLC in relation to the supply of magazines in the Creative & Design category (including websites with similar content) in the UK.

## *Gadget*

### *Shares of supply*

142. The combined share of the Parties is [20–30]% in the supply of Gadget magazines. The Merged entity will face strong competition from the leading supplier of Gadget magazines, Stuff, published by Haymarket Media Group Limited (**Haymarket**), who is the clear market leader with [40–50]% share of supply.

143. The Merger will result in an increment of only [0–5]% to Future's share of supply ([10–20]%). Future's magazine Gadget was launched recently in

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<sup>55</sup> The CMA places less weight on the Survey in relation to 3D World and 3D Artist given the very low number of responses they received (18 and 37), but notes in any case that they do not provide any suggestion of low diversion to online.

November 2015. Therefore, the CMA interprets the shares of supply in the table below with caution.

**Table 4: Shares of supply in the gadget category in 2015**

Magazine Title	Total Volume	Market Share (Volume)	Sales revenues (£)	Advertising revenues (£)
T3 (Future)	[ <del>ⓧ</del> ]	[10–20]%	[ <del>ⓧ</del> ]	[ <del>ⓧ</del> ]
Gadget ( <b>Imagine</b> ) (launched Nov-15)	[ <del>ⓧ</del> ]	[0–5]%	[ <del>ⓧ</del> ]	[ <del>ⓧ</del> ]
<b>Future + Imagine</b>	[ <del>ⓧ</del> ]	<b>[20–30]%</b>	[ <del>ⓧ</del> ]	[ <del>ⓧ</del> ]
Stuff (Haymarket)	[ <del>ⓧ</del> ]	[40–50]%		
Wired (Conde Nast)	[ <del>ⓧ</del> ]	[30–40]%		
Total	[1,000,000–1,200,000]	100%		

Source: CMA calculations on Parties' data.

### *Survey evidence*

144. The number of responses to the Readers Survey was slightly below 100 in the case of subscribers to T3, whilst the number of responses from subscribers to Gadget was 111.
145. The data from the Readers Surveys implies a low level of diversion between the Parties. For both magazines, there is more diversion to third parties than between the Parties' magazines. Stuff was the magazine most commonly mentioned by T3 readers (33/82 diversion from T3) and a similar number of Gadget readers identified Stuff and T3 as the magazine they would switch to (12% diversion to Stuff and 15% to T3).

**Table 5: Survey results for the gadget category**

Parties' magazines	Diversion to other party	Diversion to third party	Diversion to online	Diversion to 'doing nothing'
Future				
T3	2/82	36/82	13/82	23/82
Imagine				
Gadget	15%	23%	20%	42%

Source: CMA.

### *Closeness of competition*

146. The descriptions provided by Future<sup>56</sup> and comments from third parties indicate that T3 and Gadget are not significantly differentiated.<sup>57</sup> Both magazines are identically priced with a cover price of £4.99 and a digital price of £2.99; they have a similar number of pages.
147. Although Gadget appears to compete closely with T3, it is a new entrant with a small share of supply. In addition, sales data since the launch of Gadget does not show any evident impact of the launch on the sales of T3<sup>58</sup> and the Parties submitted that Gadget did not meet the targets set at its launch.

### *Competitive constraints*

148. The editorial content of Stuff magazine is similar to that of T3 and Gadget, suggesting it is likely to compete relatively closely. It is also priced at £4.99 and has a similar number of pages. Wired appears to be a less close competitor, but with some overlapping content.
149. The following evidence also indicates that Stuff and, to some extent, Wired are close competitors to T3 and Gadget:
- (a) For internal purposes, when assessing the competitive environment for T3, Future compares its title with [redacted].<sup>59</sup> Imagine benchmarks its advertising sales against [redacted].<sup>60</sup>
  - (b) Third parties consistently stated that Stuff is the leader in the Gadget category and identified Stuff as the closest alternative for T3 and Gadget magazines.
  - (c) The results of the Readers Survey show a diversion of more than 20% from the Parties' titles to third party magazines (see Table 5 above).

### *Conclusion*

150. On the evidence set out above, the CMA considers that the Parties' share of supply is low and that the Parties will face an ongoing competitive constraint from Stuff and to a lesser extent from Wired. Furthermore, the limited circulation of Gadget magazine and the apparent lack of awareness of the title

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<sup>56</sup> The Parties described T3 magazine as covering gadgets and 'must-have' gadget items for the home. They described Gadget magazine as focusing on technology and gadgets, such as gaming consoles, audio gadgets, televisions and computers and as targeted towards men.

<sup>57</sup> One third party stated that Gadget was launched to compete with Stuff

<sup>58</sup> Annex 3 to the Response to Issues Letter

<sup>59</sup> Annex 10.15, strategy day deck, slides 28.29.

<sup>60</sup> RFI Annex 5.2.



amongst subscribers of T3 suggests that pre-merger constraint provided by Gadget is limited.

151. Therefore, on the basis of the evidence available, the CMA considers that the Merger does not give rise to a realistic prospect of an SLC in relation to the supply of magazines in the Gadget category in the UK.

## Gaming

### Shares of supply

152. The Parties are the only publishers of gaming magazines in the UK. The tables below present the shares of supply of the Parties in the supply of gaming magazines (Table 6) and the average monthly UK unique visitors to selected gaming websites (Table 7).

**Table 6: Circulation of the Parties' magazines in gaming in 2015**

Magazine Title	Total Volume	Market Share (Volume)	Sales revenues (£)	Advertising revenues (£)
Edge (Future)	[redacted]	[5–10]%	[redacted]	[redacted]
GamesMaster (Future)	[redacted]	[10–20]%	[redacted]	[redacted]
Official PlayStation (Future)	[redacted]	[20–30]%	[redacted]	[redacted]
Official Xbox (Future)	[redacted]	[20–30]%	[redacted]	[redacted]
PC Gamer (Future)	[redacted]	[10–20]%	[redacted]	[redacted]
GamesTM (Imagine)	[redacted]	[5–10]%	[redacted]	[redacted]
Retro Gamer (Imagine)	[redacted]	[5–10]%	[redacted]	[redacted]
Play (Imagine)	[redacted]	[0–5]%	[redacted]	[redacted]
<b>Future + Imagine</b>	[1,200,000–1,400,000]	<b>100.00%</b>	[redacted]	[redacted]

Source: CMA calculations on Parties' data.

**Table 7: Average monthly UK unique visitors to selected gaming websites between December 2015 and May 2016**

Website	Visitors
<a href="http://www.IGN.com">www.IGN.com</a>	[✂]
<a href="http://www.Eurogamer.net">www.Eurogamer.net</a>	[✂]
<a href="http://www.Gamespot.com">www.Gamespot.com</a>	[✂]
<a href="http://www.vg247.com">www.vg247.com</a>	[✂]
<a href="http://www.gamesradar.com">www.gamesradar.com</a> (Future)	[✂]

Source: CMA calculations on Parties' data.

### *Readers Survey*

153. For Edge, GamesTM, Official PlayStation and Retro Gamer, the number of respondents to the Survey was high and therefore the results are considered to be robust. In the case of GamesMaster, the number of respondents was low (59) so limited weight can be placed upon the diversion results from GamesMaster.
154. For all titles in the gaming category, diversion to online content is strong, between 30 and 51%.<sup>61</sup> This level of diversion to online content is higher than in any other category in which the results of the Readers Survey is based on a robust sample. These results strongly indicate that many readers see online content as a valid alternative to gaming magazines.

**Table 8: Survey results for the gaming category**

Parties' magazines	Diversion to other party	Diversion to third party	Diversion to online	Diversion to 'doing nothing'
Future				
Edge	13%	3%	51%	33%
GamesMaster	8/48	0/48	15/48	18/48
Official PlayStation	24%	5%	30%	42%
Imagine				
GamesTM	36%	2%	34%	28%
Retro Gamer	6%	3%	28%	64%
Play	-	-	-	-

Source: CMA.

<sup>61</sup> The diversion from Retro Gamer to online content is slightly lower, but still 28%.

### *Closeness of competition*

155. Future and Imagine publish all the titles within the gaming category. Future publishes Edge, GamesMaster and Official PlayStation whilst Imagine publishes Games TM, RetroGamer and Play. The CMA has assessed the level of closeness between the Parties' gaming titles.
156. The CMA has focused its analysis on the above titles which are most likely to closely overlap (ie multi-format gaming and PlayStation gaming) and has considered Official Xbox and PC Gamer only to the extent that they may compete with multi-format gaming magazines, and the evidence does not indicate that these titles compete with multi-format gaming magazines to a significant extent.
- *Overlaps in PlayStation magazines*
157. The Parties overlap in relation to PlayStation magazines. Future publishes the Official PlayStation magazine (with content licensed from Sony) whilst Imagine publishes a non-official Play magazine. Play was turned into a digital-only magazine in April 2016 and its sales have significantly declined from 2015 levels. Between May and July 2016, Play sold a very low number of copies (on average 267 copies per month), including subscriptions. Moreover, as Play is now a digital-only magazine, it does not compete for impulse buyers who may be attracted to a print magazine on a newsstand (newsstand sales make up approximately [X] of the sales of Official PlayStation).
158. As a result, the CMA considers that Play does not impose a significant competitive constraint on Official PlayStation.
159. The small diversion (7%) from Official PlayStation to GamesTM also indicates limited competitive constraint on Official PlayStation from GamesTM.
- *Overlap in multi-format gaming magazines*
160. The Parties' magazines overlap in relation to multi-format gaming magazines:<sup>62</sup>
- (a) GamesMaster is targeted at those readers who are enthusiastic gamers, in both PC and console format. It contains reviews and previews of new

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<sup>62</sup> Retro Gamer is considered a very different product from the Parties' other magazines as it only covers older games, ie those released between the 1970s and 2000 and is aimed at a totally different audience. The proposition that Imagine's Retro Gamer targets a different audience and does not closely compete with any of the Parties' other magazines is confirmed by the results of the Readers Survey. As a result, Retro Gamer will not be discussed further in this Decision.

games and gaming equipment, as well as the latest gaming news. Each print edition is usually 100 pages and has a cover price of £4.99 (£2.99 for the digital edition) and is published 13 times a year.

(b) GamesTM also targets enthusiastic gamers, in both PC and console format. It covers multiple gaming platforms and offers insights into the industry. Each print edition has a cover price of £5 (£3.99 for the digital edition) and is approximately 132 pages long and is published 13 times a year.

161. Edge's content appears to be more differentiated. Edge positions itself as the authority on videogame art, design and play. It targets game industry professionals and aspiring game makers. Each print edition has a cover price of £5.50 (£3.00 for the digital edition) and is usually 132 pages long. There are 13 editions of Edge per year. Therefore Edge is 10% more expensive than GamesMaster and GamesTM.

162. Future acknowledged that there is some overlap between Future's GamesMaster and Imagine's GamesTM, in that they are both targeted at enthusiastic console gamers. However, it noted that GamesTM contains editorial content that is similar in tone to the editorial content in GamesMaster, but has an appearance more in line with Edge. The Parties view Edge as a more refined proposition, targeting game industry professionals and aspiring game makers. As such, Future argued that Edge does not compete closely with the Parties' other titles.

- *Target audience*

163. The evidence suggests that GamesMaster targets a younger audience compared to GamesTM (Imagine) and Edge. Whilst GamesMaster's readers are on average younger, with almost 25% of them being under 25 years old; Imagine's demographic profiles indicate that GamesTM's typical readers are middle-aged men.<sup>63</sup> This analysis is indicative of GamesTM being differentiated from GamesMaster; however Edge appears to target a similar audience (in terms of age) to GamesTM.

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<sup>63</sup> RFIU Annex 7.2.

- *Internal documents*

164. In Future's internal documents, GamesTM is seen as a competitor to [redacted]<sup>64,65</sup>. However, Future views [redacted].<sup>66</sup>

- *Third parties*

165. Third parties generally view GamesTM as a good substitute to Future's magazines, in particular to Edge. However some third parties' comments support Future's submission that titles are differentiated. Two third parties explained that Edge is targeted at a population between professionals and discerning consumers; whilst GamesMaster targets a less sophisticated audience. These two third parties explained that Imagine 's Games TM title sits in the middle (between Edge and GamesMaster) in terms of content, as it is less orientated towards professionals, while its content is more challenging than that of GamesMaster.

- *Readers Survey*

166. The results of the Readers Survey suggest that some of the Parties' titles are relatively close substitutes, as suggested by the moderate diversion from GamesMaster to GamesTM and the strong diversion from GamesTM to Edge.

- *Conclusion on closeness of competition*

167. The weight of evidence, including the Readers Survey results, internal documents and third party comments, indicates that Imagine's GamesTM competes to some extent with Future's magazines and vice versa; however titles are differentiated with Edge targeting more sophisticated readers, GamesMaster having a broader reach and GamesTM sitting in the middle.

### *Competitive constraints*

168. Neither the Parties nor third parties identified any other magazine competing strongly with the Parties' titles.

169. The Parties submitted that sales of their gaming titles have declined at a very fast pace (see above at paragraph 35). The Parties explained that their magazines are constrained by online content. The Parties noted that games, by their very nature, are played on consoles and/or PCs, and emphasised the

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<sup>64</sup> Annex 10.15, p28.

<sup>65</sup> Annex 10.20, p23.

<sup>66</sup> Annex 10.20, p22.

increasing strong online and interactive nature of modern gaming. The Parties noted that websites offer similar types of content such as reviews, free demos, trailers and news.

170. This is supported by a Future internal document that states: [redacted] generally causing print decline to be greater than market which impacts [redacted].<sup>67</sup>
171. The Parties noted that in recent years gaming fans have been turning to YouTube and Twitch.tv, which, although different in terms of editorial style and format, compete for the same audience. Twitch.tv is a social video platform specifically targeted at gamers, which attracts [2–3] million unique visitors per month and has a similar demographic to the Parties target audience (male aged 18-34). Likewise, YouTube has a dedicated gaming channel (with [70–80] million subscribers), which delivers video reviews, previews, interviews tips and game play-throughs and which all the major gaming news brands have a channel.
172. The CMA considered the evidence relating to the competitive constraint imposed by online content against the backdrop of a sharp decline in the sales of gaming magazines, as described in paragraph 35 above:
- (a) There is robust evidence of diversion from the Parties' gaming magazines to online content. The Readers Survey shows strong diversion from the Parties' gaming titles to online content and the number of responses allows the CMA to draw robust conclusions from the Survey.<sup>68</sup> This is outlined below:
- (i) For GamesTM, the Readers Survey shows a strong diversion to online content at 34%. The large number of respondents to the Survey (284 respondents) allows the CMA to place significant weight on the results.
- (ii) For Edge, the Readers Survey shows a strong diversion to online content at 51%. The number large of respondents to the Survey (125) allows the CMA to place significant weight on the result.<sup>69</sup>
- (b) Imagine's Leavers Survey supports the CMA's findings of a strong diversion to online content that it drew from the Readers Survey. A high percentage of respondents (39%) to Imagine's Leavers Survey for

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<sup>67</sup> Annex 19.3 of the Merger Notice, p15.

<sup>68</sup> With the exception of Imagine's Retro Gamer, which is a niche magazine focusing on older games.

<sup>69</sup> For GamesMaster, the Survey has a small sample size but is consistent with strong diversion to online content with 15 respondents out of 48 stating that they would switch to online content if their magazine ceased to be published.

GamesTM stated that online content influenced their decision not to renew magazine subscription.

- (c) The CMA has identified many established websites not owned by the Parties that focus on computer gaming; they include [www.ign.com](http://www.ign.com), [www.eurogamer.net](http://www.eurogamer.net), [www.gamespot.com](http://www.gamespot.com), [www.vg247.com](http://www.vg247.com), and [www.polygon.com](http://www.polygon.com), all of which were mentioned by respondents to the Readers Survey. These websites have a large audience, as indicated in the table 7 above.
- (d) The CMA considers that there are grounds to believe that customer preferences may be changing and that the needs of customers that have been served by gaming magazines in the past are likely to be better served online, through a multitude of content types:
  - (i) The operators of two of the main gaming websites noted that the short-lived nature of the content (especially news and reviews) means that most gaming content is out of date (or at least provides limited extra utility) by the time it is published in a magazine.
  - (ii) The same third parties also observed that video content has become increasingly important for reviews, previews, interviews, tips and game play-throughs; only online content can benefit from this trend.
  - (iii) The nature of computer game playing means that reviews and news are readily accessible in parallel with gaming. Console dashboards and PCs offer consumers a wealth of content that is similar and free and include direct links to YouTube and some of the bigger gaming websites.<sup>70</sup>
  - (iv) Third parties consistently view the gaming genre as one in which the transition from magazines to online sources has been particularly pronounced. For instance, one retailer explained that gaming (as well as photography and computing) may be particularly susceptible to readers sourcing information from websites/online instead of print due to the interests of the reader. One third party explained that the gaming sector lends itself to using online to access content about gaming. Data on magazine circulation confirms these views, showing an acceleration in the rate of decline for gaming magazines.<sup>71</sup>

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<sup>70</sup> See calls with two gaming website operators.

<sup>71</sup> See Figure 5 in Annex 1 to the Merger Notice.

- (v) Consistently with the above observations, the operator of one of the major gaming websites told the CMA that it does no longer consider magazines as particularly important competitors.

173. On the basis of the above, the CMA considers that the evidence, in relation to this specific category only, relating to the constraint imposed by online content is particularly robust and that it demonstrates that online content imposes a strong competitive constraint on magazines in the gaming sector, which is likely to make readers particularly sensitive to changes in price or quality of those magazines.

#### *Conclusion*

174. Based on the evidence set out above, the CMA found that (i) there is some degree of differentiation between the parties' titles, and that (ii) online content imposes a strong constraint on the Parties' titles. In addition the Readers Survey shows strong diversion to online content, more than in any other category in which the results of the Readers Survey is based on a robust sample.

175. Therefore, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC in relation to the supply of gaming magazines in the UK, including websites with similar content.

#### *Linux*

##### *Shares of supply*

176. The Parties have a combined share of supply of [70–80]%. Linux Format, published by Future, is the leader in the category, while sales volumes for Imagine's Linux User & Developer are similar to those of the two competing magazines, Linux Magazine and Linux Voice.



**Table 9: Market shares in the Linux category in 2015<sup>72</sup>**

Magazine Title	Total Volume	Market Share (Volume)	Sales revenues (£)	Advertising revenues (£)
Linux Format (Future)	[X]	[50–60]%	[X]	[X]
Linux User & Developer (Imagine)	[X]	[10–20]%	[X]	[X]
<b>Future + Imagine</b>	[X]	<b>[70–80] %</b>	[X]	[X]
Linux Magazine (Linux Pro)	[X]	[10–20]%		
Linux Voice (independent)	[X]	[10–20]%		
<b>Total Other</b>	[X]	<b>[30–40]%</b>		
Total	[200,000–220,000]	100%		

Source: CMA calculations on Parties' data.

### *Readers Survey*

177. While the CMA has received a large number of responses from subscribers to Linux Format, responses were few for Linux User & Developer and accordingly the CMA has treated these results with caution.
178. The Readers Survey results indicate low diversion between the Parties, in particular from Linux Format to Linux User & Developer. Even diversion from Linux User & Developer to Linux Format, although not particularly low, is lower than could be expected from Linux Format's share of supply. Diversion from Linux Format to third party magazines is particularly high, with Linux Magazine being the most commonly mentioned choice (24% diversion), followed by Linux Voice (12%). This indicates that the Parties' titles are not close competitors.

**Table 10: Survey results for the Linux category**

Parties' magazines	Diversion to other party	Diversion to third party	Diversion to online	Diversion to 'doing nothing'
Future				
Linux Format	12%	41%	21%	26%
Imagine				
Linux User and Developer	11/45	10/45	10/45	9/45

Source: CMA.

<sup>72</sup> The table does not include some more specialist magazines, such as Ubuntu User and Raspberry Pi Geek.

### *Closeness of competition*

179. Both magazines are usually 100 pages in length. The cover price is £5.99 for Linux User and Developer and £6.49 for Linux Format. The Parties monitor [redacted]. Future benchmarks Linux Format (Future) against [redacted] in relation to number of ad pages, advertising rate and number of print copies.<sup>73</sup> Imagine, however, monitors [redacted]; it benchmarks its advertising revenues in Linux User and Developer against [redacted].<sup>74</sup>
180. Future told the CMA that Linux User and Developer is primarily targeted at IT professionals, having high proportion of content aimed at developers who use Linux in a workplace context. By contrast, Linux Format is focused primarily on enthusiastic users of Linux and focuses on using Linux in a home computing environment.
181. The difference in the audience of the Parties' two magazines is confirmed by the Readers Survey. The subscriber base of Linux Format is dominated by hobbyists while Linux User and Developer has a higher proportion of subscribers that view the magazine content as relevant to their work.<sup>75</sup>
182. The limited diversion between the two titles (see paragraph 178) is also evidence that these magazines only compete to a limited extent.

### *Competitive constraints*

183. The CMA has reviewed several pieces of evidence suggesting that third party Linux magazines impose a significant competitive constraint on the Parties' titles, especially on Linux Format.
- (a) The Readers Survey shows a very high diversion from Future's Linux Format to third-party Linux Magazine and Linux Voice (see paragraph 178).
- (b) Future's internal documents acknowledge the competitive character of the Linux market. In its [redacted].<sup>76</sup>

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<sup>73</sup> Annex 10.15, slide 28.

<sup>74</sup> RFI Annex 5.2 of the Merger Notice.

<sup>75</sup> Of the 61 subscribers to Linux User and Developer which gave a reason for subscribing, 19 [31%] stated it was for work, 1 for their studies and 39 [63%] relevant to their hobbies; of the 207 subscribers to Linux Format which gave a reason for subscribing, only 12% (25) stated it was for work, 0 for their studies and 81% (168) relevant to their hobbies.

<sup>76</sup> Annex 10.20, slide 34. The CMA notes that these titles have not been included by the Parties within the Linux category. However, Ubuntu User was mentioned by some respondents to the CMA questionnaire (3% diversion from Linux Format).

(c) Several third parties considered Linux Magazine and Linux Voice as a close alternative to the Parties' titles.

184. The Readers Survey also suggests that online content may impose some degree of constraint on the Parties' titles, although it has not been necessary to assess the strength of that constraint.

#### *Conclusion*

185. The Parties have a high share of supply in the Linux category. On the other hand, the Readers Survey clearly shows that their titles do not compete closely and that their readership is partly different.

186. Given the significant level of differentiation between the Parties' magazines, the evidence of limited direct competition between them and the presence of two other effective competitors, as well as the likelihood of some constraint from online content, the CMA believes that the merger does not give rise to a realistic prospect of an SLC in relation to the supply of magazines in the Linux category in the UK.

#### *Mac*

##### *Shares of supply*

187. The Parties' combined share of supply in the Mac category is very high. There is only one other competing magazine, Macworld, which in 2015 had a share of [10–20]%. Macworld, however, ceased print publications in [X]. Its print copies accounted for approximately [X] % of overall sales in the year ending September 2015 and [X]. The Parties' current shares of supply may therefore be higher than in 2015.

**Table 11: Shares of supply in the Mac category in 2015**

Magazine Title	Total Volume	Market Share (Volume)	Sales revenues (£)	Advertising revenues (£)
MacFormat (Future)	[X]	[60–70]%	[X]	[X]
MacLife (Future)	[X]	[5–10]%	[X]	-
iPad User (Future)	[X]	[0–5]%	[X]	-
iCreate (Imagine)	[X]	[10–20]%	[X]	[X]
<b>Future + Imagine</b>	[X]	<b>[80–90]%</b>	[X]	[X]
Mac User (now closed)	[X]	[0–5]%		
Macworld (IDG) (now digital only)	[X]	[10–15]%		
<b>Total Other</b>	[X]	<b>[10–20]%</b>		
Total	259,744	100%		

Source: CMA calculations on Parties' data.

### *Readers Survey*

188. The survey included only Future's MacFormat and Imagine's iCreate, as iPad User is a digital-only magazine, while MacLife is published in the US and almost all of its UK subscribers receive the digital edition.
189. The number of responses to the Readers Survey was high in relation to MacFormat, but low for iCreate. The CMA has therefore treated the results of the Readers Survey with regard to iCreate with caution.
190. Diversion from MacFormat to iCreate is below 3%, showing that iCreate does not impose a significant constraint on MacFormat. On the other hand, Macworld is by far the title receiving the highest diversion from MacFormat, at approximately 43%. While a significant number of respondents would divert from iCreate to MacFormat, given the small survey sample the CMA has put limited weight on this evidence.
191. Finally, there is moderate diversion to online sources, not higher than in other categories, but significant relative to diversion between the Parties' titles.

**Table 12: Survey results for the Mac category**

Parties' magazines	Diversion to other party	Diversion to third party	Diversion to online	Diversion to 'doing nothing'
Future				
MacFormat	3%	46%	26%	26%
iPad User	-	-	-	-
Imagine				
iCreate	14/63	1/63	14/63	27/63

Source: CMA

### *Closeness of competition*

192. The Parties told the CMA that MacFormat is designed for the more casual user interested in Apple products and aims to help everyday computer users to get to grips with an Apple computer and carry out everyday tasks such as word processing and networking. MacLife is similar in content to MacFormat. iCreate, on the other hand, is designed to appeal to users who use Apple products to be more creative, for example for editing photos, shooting movies and making music. Finally, iPad User is aimed at those using Apple iPads, rather than the whole suite of Apple products, and its content has little obvious overlap with that of the other magazines.
193. The differentiation between the Parties' main titles, MacFormat and iCreate, is reflected in the very low diversion from MacFormat to iCreate (3%), which suggests that iCreate is not a significant constraint on MacFormat. Although Mac Format was identified as the closest alternative magazine to iCreate in the survey, a larger number of readers stated that they would 'do nothing' in the event that iCreate closed. This is again consistent with the two magazines being somewhat differentiated.
194. The fact that Future does not benchmark [X] also supports the view that iCreate is not seen as a close competitor. Future used to benchmark MacFormat against [X]<sup>77</sup> [X], Future started using [X] as a benchmark.<sup>78</sup>

### *Competitive constraints*

195. The fact that Future benchmarks [X] indicates that it sees [X] as the closest competitor. This view is shared by a relevant third party.

<sup>77</sup> Annex 10.15, pp29–30.

<sup>78</sup> RFI Annex 20.11 of the Merger Notice.

196. A third party also told the CMA that the Mac category has experienced a strong migration of readers and advertisers towards online content. One of the main online competitors is IDG's Macworld.co.uk, which has free and, according to the third party, more updated content than magazines. Advertisers, however, expressed mixed views on whether online content is a good alternative to magazines for advertising.<sup>79</sup>

### *Conclusion*

197. One competitor expressed concerns about the reduction of competition on both the readers' and the advertisers' side of the market. However, taking into account: (i) the apparent differentiation in editorial content between iCreate and MacFormat and the limited evidence of competition between the titles; (ii) the fact that there remains a small but, in terms of content, closer competitor to MacFormat in Macworld; and iii) the evidence of some diversion to online content, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC in relation to the supply of magazines in the Mac category in the UK.

### *Photography*

#### *Shares of supply*

198. As evident from the table below, there is a large number of competing titles (and publishers) in the Photography category and the Parties' combined share of supply is [30–40]%.

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<sup>79</sup> One advertiser explained that the Merger might reduce the advertiser's ability to play off publications depending on target market audience. However the CMA is of the view that the Merger will not result in a lessening of competition for the reasons summarised at paragraph 242.

**Table 13: Shares of supply in the photography category in 2015**

Magazine Title	Total Volume	Market Share (Volume)	Sales revenues (£)	Advertising revenues (£)
Digital Camera (Future)	[X]	[10–20]%	[X]	[X]
N–Photo (Future)	[X]	[5–10]%	[X]	[X]
Photo Plus (Future)	[X]	[5–10]%	[X]	[X]
Photography Week (Future)	[X]	[0–5]%	[X]	[X]
Practical Photoshop (Future)	[X]	[0–5]%	[X]	-
Professional Photography (Future)	[X]	[0–5]%	[X]	-
Advanced Photoshop (Imagine)	[X]	[0–5]%	[X]	[X]
Digital Photographer (Imagine)	[X]	[0–5]%	[X]	
Photoshop Creative (Imagine)	[X]	[0–5]%	[X]	
<b>Future + Imagine</b>	[X]	<b>[20–30]%</b>	[X]	[X]
Advanced Photographer (now closed)	[X]	[0–5]%		
Amateur Photographer (Time Inc)	[X]	[30–40]%		
American Photo (now closed)	[X]	[0–5]%		
Black & White Photography (GMC)	[X]	[0–5]%		
Black and White	[X]	[0–5]%		
British Journal of Photography (Aptitude Media)	[X]	[0–5]%		
Digital Photo (Bauer)	[X]	[5–10]%		
Digital SLR Photography (Dennis)	[X]	[0–5]%		
F2 Freelance Photographer	[X]	[0–5]%		
Herring and Herring	[X]	[0–5]%		
Outdoor Photography (GMC)	[X]	[5–10]%		
Professional Photo (Bright)	[X]	[0–5]%		
Popular Photography	[X]	[0–5]%		
Practical Photography (Bauer)	[X]	[5–10]%		
Pro Moviemaker	[X]	[0–5]%		
Source Magazine	[X]	[0–5]%		
Wylde Magazine (now closed)	[X]	[0–5]%		
What Digital Camera? (Time Inc)	[X]	[0–5]%		
<b>Total Other</b>	[X]	<b>[70–80]%</b>		
<b>Total</b>	<b>2,754,472</b>	<b>100.0%</b>		

Source: CMA's calculation on Future's data.

## Readers Survey

199. The number of respondents was high for all the Parties' titles, except for Professional Photography and the Photoshop titles.<sup>80</sup>
200. In relation to photography, diversion between the Parties is consistently low across all titles, the highest being 16% among subscribers to Digital Photographer and 11 out of 64 among subscribers of Photoshop Creative. This is a strong indication that the Parties are not close competitors, or that there are a large number of other competing titles.

**Table 14: Survey results for the general photography category**

Parties' magazines	Diversion to other party	Diversion to third party	Diversion to online	Diversion to 'doing nothing'
Future				
Digital Camera	7%	45%	14%	34%
N-Photo	3%	31%	19%	47%
PhotoPlus	5%	34%	12%	49%
Practical Photoshop	-	-	-	-
Professional Photography	2/71	17/71	8/71	30/71
Photography Week	-	-	-	-
Imagine				
Advanced Photoshop	-	-	-	-
Digital Photographer	16%	39%	15%	31%
Photoshop Creative	11/64	3/64	12/64	20/64

Source: CMA.

### *Closeness of competition*

201. Imagine publishes three titles in photography: Digital Photographer, Advanced Photoshop and Photoshop Creative.

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<sup>80</sup> As Photography Weekly, Practical Photoshop and Advanced Photoshop are digital-only magazines, it has not been possible to include them in the survey.



- *Digital Photographer*

202. Digital Photographer is aimed at professional photographers. Within Future's publications, only Professional Photography targets a similar audience to Digital Photographer.<sup>81</sup>
203. Whilst Professional Photography might overlap with Digital Photographer, the CMA notes that the diversion ratio to the other party is low for both titles. In addition, Professional Photography's circulation is [redacted] ([redacted] copies in 2015) so there is no realistic prospect that it imposes a significant constraint on Imagine's title.
204. In Future's internal documents, [redacted] in the photography category. One Future's document observes that [redacted].<sup>82</sup> Third parties mentioned Imagine's Digital Photographer as only one of the many alternatives to Future's titles in photography.

- *Photoshop Creative and Advanced Photoshop*

205. Imagine's Photoshop Creative is a printed title and targets those who wish to get to grips with Photoshop. Advanced Photoshop is digital-only and is aimed at existing and future creative professionals. Practical Photoshop is Future's only Photoshop title. It is digital-only and is aimed at regular users of Photoshop.
206. Third parties view the Parties' titles as close competitors. However, the circulation of Future's Practical Photoshop is low. Moreover, as the magazine is digital-only, it does not compete for impulse buyers who may be attracted to a print magazine on a newsstand (newsstand sales make up approximately [redacted]% of Photoshop Creative's sales).

### *Competitive constraints*

207. The evidence shows that Future competes against a variety of titles in this category, with Bauer as the market leader.

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<sup>81</sup> Digital Camera is aimed at a mass audience, targeting amateur or intermediate level photographers. Professional Photography, on the other hand, is aimed at professional photographers. N-Photo focuses solely on Nikon cameras, while PhotoPlus focuses only on Canon cameras. Photography Week is a digital-only title. It is published weekly, while the other titles in the category (with the notable exception of Amateur Photographer) are usually published on a monthly basis.

<sup>82</sup> Annex 10.15, slide 56.

- (a) In internal documents, Future assesses its titles in a competitive environment comprising publications from [redacted].<sup>83</sup>
- (b) Third parties' views confirm that Future faces competition from many publishers in the photography segment. A number of third parties noted that Bauer and other publishers such as Apptitude, Time Inc, GMC Publications compete closely with the Parties' titles.
- (c) In relation to Photoshop titles, an analysis of photography magazines shows that in some of them the proportion of content related to Photoshop is very significant, and is given prominence on the magazines' cover. Such magazines are therefore likely to impose some competitive constraint on the Parties' Photoshop titles.

### *Conclusion*

- 208. Although the Parties own three of the six largest photography magazines, there are many titles and many different publishers that compete in the photography category.<sup>84</sup> Moreover, the evidence reviewed by the CMA, including third parties' responses and the Readers Survey, indicates that the Parties are not particularly close competitors in this category.
- 209. Whilst the Parties overlap in terms of Photoshop magazines, the circulation of Future's Practical Photoshop is [redacted]. Moreover, as the magazine is digital-only, it does not compete for impulse buyers. Finally, the significant proportion of Photoshop content in some general photography magazines suggests that they might impose a competitive constraint on the Parties Photoshop titles.
- 210. Therefore, on the basis of the evidence above, the CMA considers that the Merger does not give rise to a realistic prospect of an SLC in relation to the supply of magazines in the photography category in the UK.

### *Sci-fi*

#### *Shares of supply*

- 211. The table below shows the Parties' shares of supply in a widely defined Sci-fi category. The Parties publish the two leading magazines in the category, SFX and Sci-Fi Now.

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<sup>83</sup> Annex 10.15, slides 28-29.

<sup>84</sup> Several competitors expressed concerns about the Parties' post-merger share of supply and large portfolio of photography magazines. The CMA believes that the share of supply is not so high to give rise to concerns. In relation to the Parties' portfolio, see paragraphs 242.

**Table 15: Shares of supply in the Sci-fi category in 2015**

Magazine Title	Total Volume	Market Share (Volume)	Sales revenues (£)	Advertising revenues (£)
SFX (Future)	[ <del>£</del> ]	[50–60]%	[ <del>£</del> ]	[ <del>£</del> ]
Comic Heroes (Future)	[ <del>£</del> ]	[0–5]%	[ <del>£</del> ]	[ <del>£</del> ]
Sci-Fi Now (Imagine)	[ <del>£</del> ]	[20–30]%	[ <del>£</del> ]	[ <del>£</del> ]
<b>Future + Imagine</b>	[ <del>£</del> ]	<b>[75–85]%</b>	[ <del>£</del> ]	[ <del>£</del> ]
Analog (Penny)	[ <del>£</del> ]	[0–5]%		
Geeky Monkey (Uncooked Media)	[ <del>£</del> ]	[0–5]%		
MYM Magazine (MCM Expo)	[ <del>£</del> ]	[0–5]%		
Interzone	[ <del>£</del> ]	[0–5]%		
Rue Morgue	[ <del>£</del> ]	[0–5]%		
Star Trek (Titan)	[ <del>£</del> ]	[0–5]%		
Starburst (Intermedia)	[ <del>£</del> ]	[5–10]%		
<b>Total Other</b>	[ <del>£</del> ]	<b>[15–25]%</b>		
Total	[400,000–420,000]	100%		

Source: CMA calculations on Parties' data;<sup>85</sup> Geeky Monkey's volume estimated by the CMA based on revenue figures provided by the publisher.

### *Readers Survey*

212. The number of responses was high for SFX (327) and Sci-Fi Now (158), but very low for Comic Heroes (35).
213. Diversion to online content is lower than for other categories at 24% (for SFX) and 15% (for Sci-Fi Now),<sup>86</sup> and significantly lower than for diversion to other magazines, indicating that for many subscribers online content is not a close alternative to sci-fi magazines.

<sup>85</sup> The Parties included The Dark Side and Fortean Times as competitors. However, the CMA has received strong evidence that those two titles do not directly compete with the Parties. The table does not include Doctor Who Magazine, which was mentioned by one third party but not suggested as a competitor by the Parties. It had a circulation of [~~£~~] in the period January to June 2016 (per Audit Bureau of Circulations).

<sup>86</sup> For instance, this compares with 30% to 51% in gaming.

**Table 16: Survey results for the Sci-fi category**

Parties' magazines	Diversion to other party	Diversion to third party	Diversion to online	Diversion to 'doing nothing'
Future				
SFX	30%	11%	24%	36%
Comic Heroes	1/27	1/27	1/27	17/27
Imagine				
Sci-Fi Now	36%	12%	15%	36%

Source: CMA.

### *Closeness of competition*

- *Similarity of titles in terms of content*

214. Future publishes SFX and Comic Heroes<sup>87</sup> within the Sci-fi category; Imagine publishes Sci-Fi Now. An analysis of the content of the publication shows that Future and Imagine compete very closely in relation to Sci-Fi Now and SFX.

(a) SFX is targeted towards the knowledgeable sci-fi reader. SFX covers sci-fi, fantasy and horror across a range of different formats: TV, films, comic books, books, games and merchandise. It contains news, features, reader commentary, opinion pieces, reviews and interviews. SFX is usually 132 pages in length and has a cover price of £4.99 (the digital edition costs £2.99). It is published 13 times per year.

(b) Sci-Fi Now also covers news in the sci-fi industry across a range of different formats. The magazine has very similar content and number of pages and identical cover price to SFX.

- *Target audience*

215. SFX and Sci-Fi Now have a similar target audience. Imagine's demographic profiles indicate that Sci-Fi Now's typical readers are middle-aged men. SFX readers are also mostly men and more than 70% of them are in the 35-54 age range.

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<sup>87</sup> Comic Heroes is significantly differentiated from the other sci-fi magazines in terms of content, number of issues, pagination and cover price. This magazine focuses on comic superheroes, is published quarterly instead of monthly, has higher pagination and cover price. The difference between Comic Heroes and the other sci-fi magazines was confirmed by third parties and is reflected in the results of the Readers Survey: there is very low diversion to any other magazine or to online content for the readers of Comic Heroes. As a result Comic Heroes will not be discussed further in this decision.

- *Internal documents*

216. In its internal documents, Future measures the performance of SFX against [redacted].<sup>88</sup> In addition, for internal purposes, Imagine compares advertising revenue earned by Sci-Fi Now [redacted].<sup>89</sup> These internal documents indicate that the Parties see themselves as competing in the Sci-fi category.

- *Third parties*

217. Most third parties viewed SFX as the best alternative to Sci-Fi Now, and vice versa. According to a third party, Sci-Fi Now was launched as a direct rival to SFX. This third party explained that these titles are direct competitors and fight for the same exclusives, set visits and cover stories.

- *Readers Survey*

218. The survey results show strong diversion between SFX and Sci-Fi Now in both directions (30% and 36%). By contrast, diversion to third party magazines<sup>90</sup> is low and mostly directed towards Starburst (8% diversion from SFX and 7% from Sci-Fi Now), and Geeky Monkey (1% diversion from SFX and 4% from Sci-Fi Now). The Survey is strongly indicative that SFX and Sci-Fi Now are each other's closest competitors.

- *Conclusion on closeness of competition Readers Survey*

219. The weight of evidence, including internal documents and third party comments, as well as the results of the Readers Survey indicate that Imagine's title Sci-Fi Now competes closely with Future's SFX publication. There is little evidence of differentiation between these titles.

### *Competitive constraints*

- *Constraints from other sci-fi magazines and similar online content*

220. The Parties, distributors and wholesalers listed many sci-fi titles as competing with SFX and Sci-Fi Now. This view, however, was not shared by retailers and is not reflected in the results of the Readers Survey for SFX and Sci-Fi Now,

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<sup>88</sup> See RFI Annex 20.9 and annex 10.20 of the merger notice. For instance on slide 79 of Annex 10.20, Future measures the performance of SFX within a 'sci-fi' category. The slide states that SFX has a strong share over Sci-Fi Now.

<sup>89</sup> See RFI Annex 5.2.

<sup>90</sup> The survey offered readers a choice of all titles proposed by the Parties as competitors in this category, as well as the option to write in further titles.

as the only competing sci-fi titles with non-negligible diversion were Starburst and Geeky Monkey. Diversion to third party magazines is low overall.

221. Moreover, third parties submitted that the publishers of two of the highest circulation magazines that the Parties indicated as competitors, Fortean Times and The Dark Side, do not focus on sci-fi and do not compete for the same niche readers.
222. Moreover, one competitor expressed the concern that the Merger would increase the Parties' ability to negotiate exclusive access to content and would therefore discourage new entry into the Sci-fi category.
223. The Readers Survey shows at most moderate diversion to online content relative to the Parties' own magazines. Moreover, none of the internal documents submitted by the Parties discusses the constraint from online content on sci-fi magazines. The CMA received contrasting views from third parties on the strength of the online constraint. While one competitor believes that *'most content is sourced online'*, another noted that *'there's a lucrative niche of readers who stay loyal, and will remain loyal, to printed products'*. According to the same third party, *'suppliers of sci-fi content (e.g. a PR company working with filmmakers etc) will typically view websites and magazines as separate channels, splitting their promotional coverage across web and magazines in order to maximise coverage and secure the greatest impact.'*
224. Furthermore, based on the demographics (middle-aged men) and interests of the target audience, online content may not be considered a strong substitute to Sci-fi magazines.
  - *Constraints from magazines outside the Sci-fi category*
225. The Parties submitted that sci-fi magazines face competition from film magazines; [REDACTED]. In one Future internal document, [REDACTED] is mentioned by Future as a competitor to SFX (in addition to [REDACTED]).<sup>91</sup>
226. The CMA acknowledges that the issues of Empire published in the last 12 months contain content which may also feature in a sci-fi magazine. For example, the covers followed the latest feature films, which in most cases were sci-fi themed (eg the current trend for superhero films). As such, it is therefore possible that some impulse buyers with a general interest in sci-fi films and TV may see the two types of magazines as good substitutes. However, this similarity is likely to vary over time according to trends in films.

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<sup>91</sup> Annex 10.15, slide 30.

Film tastes may change over time and the cover and content of film magazines may no longer be sci-fi related, and sci-fi magazines may concentrate less on films.

227. The CMA has considered whether, if it accepted that impulse purchasers considered sci-fi and film magazines as close substitutes, this would mitigate the loss of competition between the Parties' magazines. The CMA remains concerned for the following reasons:
- (a) Impulse buyers constitute only a share of buyers of magazines. A significant proportion of buyers of magazines are not impulse buyers, especially since these magazines have a large number of subscribers.
  - (b) Future publishes one of the main magazines in the film category, Total Film, which could benefit from the diversion of any impulse purchasers from sci-fi magazines to film magazines as the result of a price rise.
  - (c) Subscribers to sci-fi magazines, who tend to have a particular interest in the genre, may not see film magazines as good substitutes, as indicated by the results of the Readers Survey (see paragraph 218). The CMA also notes that SFX has the lowest subscriber churn among Future's magazines.<sup>92</sup> As the price paid by subscribers is not directly linked to the magazines' cover prices,<sup>93</sup> the possible competitive constraint imposed by film titles on the newsstand may not protect subscribers from price increases.
228. For both of these reasons, even in the event that the CMA accepted that some impulse purchasers view sci-fi and film magazines as close substitutes, the Merger would still give rise to plausible competition concerns.

### *Conclusions*

229. Given the Parties' high shares of supply, the closeness of competition between Future's SFX and Imagine's Sci-Fi Now and the limited evidence on constraints imposed by film magazines or online content, the CMA believes that there is a realistic prospect of an SLC in relation to the supply of magazines in the Sci-fi category in the UK.

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<sup>92</sup> Supplementary response to the Issues Letter.

<sup>93</sup> Future currently offers an 11% discount for subscribers to SFX opting for Direct Debit and 9% discount for payments with credit or debit card. Imagine offers subscribers to Sci-Fi Now 30% discount, if they choose Direct Debit and 20% if they pay by card. Moreover, the Parties use a range of promotional and introductory offers for new subscribers (Response to follow up questions received on 22 September 2016, questions 1 and 2).

### *Conclusion on horizontal unilateral effects*

230. For the reasons set out above, the CMA believes that:
231. The Merger does not give rise to a realistic prospect of a substantial lessening of competition in the supply of magazines in the following categories in the UK:
- (a) Creative & Design ((including similar online content websites)
  - (b) Gadget
  - (c) Linux
  - (d) Mac
  - (e) Photography
  - (f) Gaming ((including similar online content websites)
232. The Merger raises significant competition concerns as a result of horizontal unilateral effects, which cannot be excluded, in relation to the supply of Sci-fi magazines in the UK.

### ***Barriers to entry and expansion***

233. Entry, or expansion of existing firms, can mitigate the initial effect of an acquisition on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent a substantial lessening of competition, the CMA considers whether such entry or expansion would be timely, likely and sufficient. In terms of timeliness, the CMA's guidelines indicate that the CMA will look for entry to occur within two years.
234. The Parties submitted that there are relatively low barriers to market entry, as is evidenced by the regular opening and closing of magazine titles. Barriers to expansion are particularly low for existing magazine publishers that wish to diversify into a different sub-sector of the market.
235. The CMA recognises that publishers frequently launch (and withdraw) titles. However, for new entry to be an effective constraint, there needs to be clear evidence that new entrants can not only launch new titles, but also rapidly attract a broad readership, and that this is a credible possibility in the particular segments where there is a risk of an SLC.



236. Data submitted by the Parties<sup>94</sup> shows that there is only an example of successful 'entry' in the Sci-fi category (Starburst),<sup>95</sup> However, Starburst was not a new magazine, but a relaunch of a long-running and well-established brand which had continued as an online version since ceasing print publication three years earlier.
237. Sales in all the magazine sectors in which the parties overlap show a clear declining trend, which would tend to make entry unattractive for prospective competitors.
238. Finally, only one of the competitors that responded to our questionnaire, told us that it intends to launch a new magazine in one of the categories analysed in this Decision.
239. The CMA therefore believes that the evidence available is insufficient to show that entry or expansion would be timely, likely or sufficient to mitigate the SLC arising from the Merger in supply of Sci-fi magazines in the UK.

### **Third party views**

240. The CMA contacted retailers, distributors, wholesalers and competitors of the Parties.
241. Of the 47 third parties that responded,<sup>96</sup> 13 expressed concerns with the merger. To the extent relevant, these responses have been taken into account in the analysis above.
242. Some third parties raised concerns related to portfolio effects and to the Parties' strong position in the overall bookazine sector. The CMA has not pursued this theory of harm, because evidence available to the CMA indicates that the range of magazines and bookazines held by a publisher would generally not be a factor in retailer decision-making, as they will consider sales at individual SKU level.

### **Conclusion on substantial lessening of competition**

243. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in a substantial lessening

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<sup>94</sup> See Ancillary Annex 07 to the Merger Notice.

<sup>95</sup> The Parties presented evidence of multiple new entries in sci-fi. However, the CMA believes that most of these magazines cannot be classified as sci-fi titles.

<sup>96</sup> [X] did not respond to the questionnaire, but sent the CMA a long email.

of competition as a result of horizontal unilateral effects in relation to the supply of Sci-fi magazines in the UK.

## **Decision**

244. Consequently, the CMA believes that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.
245. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised<sup>97</sup> whilst the CMA is considering whether to accept undertakings<sup>98</sup> instead of making such a reference. The Parties have until 14 October 2016<sup>99</sup> to offer an undertaking to the CMA.<sup>100</sup> The CMA will refer the Merger for a phase 2 investigation<sup>101</sup> if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides<sup>102</sup> by 21 October 2016 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

**Sheldon Mills**  
**Senior Director**  
**Competition and Markets Authority**  
**7 October 2016**

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<sup>97</sup> Section 33(3)(b) of the Act.

<sup>98</sup> Section 73 of the Act.

<sup>99</sup> Section 73A(1) of the Act.

<sup>100</sup> Section 73(2) of the Act.

<sup>101</sup> Sections 33(1) and 34ZA(2) of the Act.

<sup>102</sup> Section 73A(2) of the Act.

## Annex 1: Comments on the survey evidence

### The Readers Survey

1. The CMA conducted an online survey of subscribers to the print editions of the Parties' magazines. Respondents were asked what they would have done if the magazine to which they currently subscribe had ceased publication. The options were:
  - (a) I would have bought, or taken out a paid subscription to, another magazine
  - (b) I would have used an online source of similar content
  - (c) I would have done something else instead
  - (d) I would not have done anything else instead
  - (e) Don't know
2. Depending on the answer to this question, respondents were then asked which other magazine they would have purchased, which online source they would have used, or what other action they would have chosen. In the case of alternative magazines, some titles were listed as possible options, but respondents were free to indicate any other titles. The choice of listed titles was based on the Parties' submission and the CMA's initial understanding of competition in each genre.
3. Questionnaires were sent to subscribers to the print editions of 16 Future magazines and 10 Imagine magazines.<sup>103</sup> As the Parties did not have access to the email address of any subscriber to the digital version of their magazines, the survey did not cover digital-only titles. For 7 Future titles and 5 Imagine titles, the CMA received more than 100 responses. In the other cases, responses ranged between 19 and 93.
4. In analysing the responses and computing diversion ratios, the CMA excluded respondents answering 'don't know' to the question at paragraph 1 above, but included all respondents who would have chosen an online source or that would have not done anything else.

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<sup>103</sup> Emails were sent to all subscribers whose email address was known to the Parties.

- (a) Including diversion to online sources ensures that the constraint imposed by online sources is taken into account, even if these are not considered part of the same market.
- (b) The CMA considered that the proportion of respondents saying they would not have done anything else could provide an insight into the closeness of competition between a magazine and the other titles in the same genre, ie that for these respondents there was no close substitute.
5. Respondents were also asked for the reason for subscribing to the magazine. The options included '*The magazine's content is relevant to my work*', '*The magazine's content is relevant to my studies*' and '*The magazine's content is relevant to my hobbies/leisure activities/personal interests*'. Answers to these questions allowed the CMA to test whether different magazines were aimed at different types of readership.
6. As with any customer survey, this survey has some limitations. In particular, the sample population only included subscribers, which constitute between [20–30]% and [80–90]% of the Parties' magazine readership and between [5–10]% and [80–90]% of the corresponding sales revenues. However, the CMA believes that the survey provides a good source of evidence on customer diversion and has used it in the competitive assessment, in combination with internal documents and third party evidence.
7. The CMA has also taken into account that subscribers' diversion preferences may be different from those of customers purchasing magazines at newsstands. Therefore, in the case of magazines for which newsstand sales account for a significant proportion of sales revenues, the estimated diversion should be considered with care when drawing conclusions on the Parties' post-merger incentives.

## **Future Leavers Survey**

8. The Parties submitted data from a survey of readers terminating their subscriptions collected by Future, covering the period April 2015 to April 2016.<sup>104</sup> Respondents could indicate any of several reasons for not renewing their subscription, including 'I get other magazines instead', 'Information is available on the internet', 'Not enough time to read' and 'Other'.

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<sup>104</sup> Ancillary Annex 08.

9. The CMA has placed limited weight on this data as evidence of customers' diversion preferences. In fact, the CMA believes that the data provides a weaker evidence base than the Readers Survey, for the following reasons:<sup>105</sup>
- (a) Future's survey targeted customers who have not renewed their subscription and that, as a result, are likely to be no longer Future's customers. Some responses indicated that the subscriber was no longer, or had never been, particularly interested in the subject matter of the magazine. Such a sample may not be representative of the population of current Future's customers and their preferences may not reflect those of current customers.
  - (b) Across the different categories of magazines, the majority of respondents did not indicate any of either 'I get other magazines instead', 'Information is available on the internet', or 'Not enough time to read' as a reason to leave. It is therefore unclear to which alternative the majority of leavers diverted.
  - (c) The decision of the respondents not to renew their subscription cannot directly be attributed to a change of the Parties' offer.
  - (d) Only photography titles and MacFormat had a sample size above 100.

### **Imagine Leavers Survey**

10. On 8 September 2016 Imagine ran a leavers survey, sending an email to 30,418 former UK subscribers. The survey asked two questions:
- (a) Whether, when stopping subscribing to the magazine, the customer had started regularly purchasing or subscribing to another magazine that covered similar subject matter; a competing Future title was provided as an example.
  - (b) Whether the availability of online content covering similar subject matter had influenced the customer's decision to stop subscribing.
11. Of the nine magazines included in the survey, a sample size of 100 was achieved in five cases (Digital Photographer, GamesTM, iCreate, Photoshop Creative and Sci-Fi Now).
12. Across all the magazines included in the survey, between 24 and 52% of respondents indicated that the availability of online content influenced their

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<sup>105</sup> As with the Readers survey, Future's Leavers Survey only covers subscribers and may not reflect the preferences of customers purchasing magazines at newsstands.

decision to stop subscribing. It is important to note that the question was not framed in terms of diversion to online content. In particular, the questions on customer's decision to stop subscribing was 'influenced' by the availability of similar online content is vague and does not allow any inferences on the degree of competitive constraint provided by online content. On average 88% of respondents did not regularly purchase a similar magazine after the cessation of their subscription

13. The CMA also notes that, as a leavers survey, Imagine's survey suffer from the same weakness discussed in paragraph 9(a) above in relation to Future's survey – in particular, that they may not be representative of current purchasers. Moreover, for most magazines many respondents had stopped subscribing more than a year ago and a significant fraction of respondents had stopped subscribing more than three years ago. As a result, on the one hand, their decisions may have been influenced by competitive conditions that are no longer relevant; on the other hand, given the time passed since the events took place, some responses may not accurately reflect the customers' behaviour at the time. For all these reasons, in its assessment the CMA has placed limited weight on this survey.
14. However, subject to caveats on the number of respondents, the results of the Imagine Leavers Survey has been taken into account in the competitive assessment as additional evidence.

## Annex 2: Table with summary of Readers Survey

	Title	Respondent Number	Diversion Ratio to Imagine titles	Diversion Ratio To Third Party	Diversion Ratio to Online	Diversion Ratio to 'Doing Nothing'
<b>Computer Design</b>						
Future	3D World	19	21.43%	7.14%	47.62%	23.81%
	Computer Arts	30	21.60%	14.40%	44.00%	20.00%
	ImagineFX	59	12.60%	0.00%	40.16%	47.24%
Imagine	3D Artist	43	45.95%	0.00%	37.84%	16.22%
<b>Gadget</b>						
Future	T3	93	2.95%	53.15%	15.85%	28.05%
Imagine	Gadget	111	15.02%	23.36%	19.77%	41.86%
<b>Web Design</b>						
Future	net	63	24.00%	6.86%	41.90%	27.24%
Imagine	Web Designer	73	39.17%	9.22%	22.58%	29.03%
<b>Mac</b>						
Future	iPad User	3	-	-	-	-
	MacFormat	430	2.90%	45.97%	25.57%	25.57%
Imagine	iCreate	80	32.59%	2.33%	22.22%	42.86%
<b>Multi-format gaming</b>						
Future	Edge	125	12.75%	2.55%	51.22%	33.49%
	GamesMaster	59	26.67%	0.00%	33.33%	40.00%
Imagine	Games TM	284	35.94%	2.18%	34.28%	27.59%
	Retro Gamer	404	5.56%	3.33%	27.53%	63.58%
<b>Photoshop</b>						
Future	Practical Photoshop	7	-	-	-	-
Imagine	Advanced Photoshop	0	-	-	-	-
	Photoshop Creative	85	28.21%	7.69%	24.04%	40.06%
<b>PlayStation gaming</b>						
Future	Playstation Official	230	24.00%	4.57%	29.92%	41.52%
Imagine	Play	0	-	-	-	-
<b>Sci-Fi</b>						
Future	SFX	327	29.78%	10.68%	23.58%	35.96%
	Comic Heroes	35	8.33%	8.33%	4.63%	78.70%
Imagine	Sci-Fi Now	158	36.05%	12.33%	15.32%	36.29%
<b>Linux</b>						
Future	Linux Format	212	12.41%	40.77%	20.81%	26.01%
Imagine	Linux User & Developer	63	30.26%	27.51%	22.22%	20.00%
<b>General Photography</b>						
Future	Digital Camera	358	6.57%	45.45%	13.71%	34.27%
	N-Photo	395	3.11%	30.53%	19.32%	47.04%
	Photography Week	2	-	-	-	-
	PhotoPlus	353	5.49%	33.52%	12.03%	48.96%
	Professional Photography	88	4.09%	34.74%	12.88%	48.30%
Imagine	Digital Photographer	117	15.72%	39.29%	14.59%	30.40%

Source: CMA analysis.