

Southam Expert  
Aug. 16/91

THE COMPETITION TRIBUNAL

IN THE MATTER of an application by the Director of Investigation and Research for orders pursuant to section 92 of the Competition Act, R.S.C. 1985, c.C-34, as amended;

AND IN THE MATTER of the direct and indirect acquisitions by Southam Inc. of equity interests in the businesses of publishing The Vancouver Courier, the North Shore News and the Real Estate Weekly.

B E T W E E N:

I hereby certify this to be a true copy of the original document.  
Je certifie par la présente que ceci est une copie conforme au document original.

THE DIRECTOR OF INVESTIGATION AND RESEARCH

Dated this / Fait ce ..... day of /  
jour de ..... 19 .....

- and -

For Registrar, Competition Tribunal /  
Pour le registraire, Tribunal de la concurrence

**SOUTHAM INC., LOWER MAINLAND PUBLISHING LTD.,  
RTM PUBLISHING INC., YELLOW CEDAR PROPERTIES LTD.,  
NORTH SHORE FREE PRESS LTD., SPECIALTY  
PUBLISHER INC., ELTY PUBLICATIONS LTD.**

Respondents

A F F I D A V I T

I, CAROL A. KIRKWOOD, of the City of Vancouver, in the Province of British Columbia, MAKE OATH AND SAY:

A. BIOGRAPHICAL INFORMATION

1. I am the Media Director for McKim's Vancouver office. McKim is a large, national advertising agency with five offices in Canada.

2. The Vancouver branch of McKim handles retail advertising for retailers including:

COMPETITION TRIBUNAL  
TRIBUNAL DE LA CONCURRENCE

File No. CT-90/1  
No. du dossier

Director v Southam  
et R-36; 10:08

Exhibit No. Oct. 22, 1991  
No. de la pièce

Filed on Oct. 22, 1991  
Déposé le

Registrar G. Bellemare  
Greffier

FILED  
AUG 16 1991  
REGISTRAR - REGISTRAIRE  
OTTAWA, ONT. #158  
PRODUIT

The Keg Restaurants Ltd.  
Pharmasave Drugs Limited  
Eye Masters Optical  
Chevron Canada Ltd.

3. I have worked in the Vancouver office for seven and one half years - the last three years in my current position as Media Director. My experience as a media practitioner spans 13 years in Vancouver.

4. I have been retained by Southam Inc. to advise on retail advertising in the Vancouver area and, more particularly, to explain how retail advertisers choose appropriate media for their advertising needs. In providing this advice I rely on my knowledge of advertising in the Vancouver area which I have gained from my experience serving clients and observing advertising by others.

**B. MEDIA SELECTION CRITERIA**

5. The first step in setting up an advertising campaign for a retailer is to determine its objectives. All objectives for all advertisers centre around two key elements:

- ° What does the advertiser want to say?
- ° To whom does it want to say it?

6. Once a retailer's objectives have been defined, appropriate media can be selected. I base my selection of appropriate media on many criteria including:

- (a) distribution area of each medium;
- (b) reach potential of each medium;

- (c) frequency requirements;
- (d) editorial environment of each medium;
- (e) creative requirements (i.e., type of message); and
- (f) price in terms of production costs, Cost per Thousand ("CPM") and effective CPM.

7. I believe that there really are no "must" buys - including the Sun, Province, CKNW or BCTV. These media all compete with each other; so, daily newspapers compete with radio stations, television, community newspapers, outdoor and direct mail.

8. Most of McKim's customers do not dictate what advertising vehicles we should use. In fact, I can think of only one of our retail clients that dictates to us a medium of choice: Eye Masters Optical has told us to use TV whenever possible because it works. This client only buys daily newspaper ROP ads when appropriate TV spots aren't available.

(a) Geographical Distribution

9. The area of distribution is a very important consideration to me when I look at media selection for a client. What I do is compare the retail trading zone of the client with the distribution of each medium, whether print or broadcast. For example, with the retail accounts at McKim, when considering newspaper, we consider the daily newspapers when a client has several outlets spread throughout the Lower Mainland (i.e., a large retail trading zone). Community newspapers are considered when a client has only one or two outlets serving specific areas (i.e., a small retail trading zone).

10. If we were advertising for a restaurant chain, for example, we would tailor both our advertising vehicle and our message to the trading zone that we are targetting. If we were targetting a particular location for a restaurant, we would probably use the community newspapers or an outdoor ad and our advertisement would mention the particular location in a prominent place. If, on the other hand, we were attempting to promote the entire chain throughout the Lower Mainland, we would probably use the daily newspapers, radio, outdoor advertising or television, and would not likely single out any particular location.

(b) Reach

11. Another factor I look at in determining appropriate media is how many readers or viewers will actually see the message being delivered. For example, I am concerned that a newspaper is not only delivered, but that it is also read. The only value associated with a newspaper ad comes from it being read and acted upon. This is as important a factor for some retailers as price.

12. To measure reach in print media, I look at readership data. Readership data on the dailies is superior to that produced with respect to the community papers. Many large retailers rely on the NADbank readership data to verify that consumers actually read a daily newspaper. Analogous independently- verified audience data is available for radio and T.V.

13. The community papers, on the other hand, have no such research that I am aware of, and are, therefore, much less attractive to me and my clients. We simply do not accept the self-serving readership surveys which are commissioned by the

community newspapers and are sometimes presented to us in support of the level of readership in certain community newspapers. In order to be credible in our eyes, readership data must be presented by an independent group.

14. In my opinion, readership also has an impact on the selection of a flyer delivery system. Delivery and readership are two different things. If a community newspaper is not widely read, a retailer cannot be sure that any flyers which are inserted into the newspaper would be read before the entire unit is thrown into the garbage.

15. I believe that free standing flyers have the best opportunity to be read, superior even to inserts in daily newspapers or community newspapers. A newspaper is subscribed to for the news rather than for the flyers which it contains. Anything that falls out of a newspaper could be treated like garbage and thrown out. If something is delivered in the mail, generally it is believed to have more value than something that is stuck in the middle of the paper.

(c) Frequency

16. The frequency of an advertisement (i.e., how often an advertisement is received by a consumer) is also important to me. The more often a message is received, the more likely it is that a consumer will react to it. Frequency is usually measured as the average number of times that the average person will be exposed to an ad. A minimum frequency of 3 is often specified for an ad.

17. The time I have available to achieve the minimum frequency will influence my media choice. Radio and TV can

achieve frequency goals relatively quickly; with weeklies and magazines it typically takes much longer to reach the desired frequency level.

18. One benefit of an ad in print media is that the same advertisement may be viewed by a person more than once. This is especially true for magazines. As the Director indicates, broadcast messages are highly perishable; each one is consumed only once. However, by repeating a message on broadcast media, the desired frequency can be obtained. In this way, high frequency, low reach broadcast media can be used to achieve the same results as low frequency, high reach daily newspapers, especially where socio-demographic targetting is possible.

19. While a single radio station provides only fragmented coverage, in that it will not appeal to an entire socio-demographic group, equivalent coverage to a daily newspaper can be obtained for that group through a group buy of radio stations. I have had a client that switched from newspaper advertising to radio and television advertising to meet frequency objectives. Subsequently, the client returned a portion of its business to daily newspaper ROP ads in select circumstances to support the bulk of its advertising program on the radio and television.

(d) Editorial Environment

20. Advertisers want the image of a medium to be compatible with their messages. The image of a medium is set by its editorial content. The image of Fortune magazine is much different than that of the National Enquirer. Similarly, the Globe & Mail (upscale and business), the Province (tabloid and racy) and the Vancouver Sun (middle-of-the-road) are

different and each attracts a different audience. In my view, none of the Vancouver area community newspapers projects a quality image.

21. One of the attractions of dailies and broadcast media is that each provides a variety of environments: broadcast media provide a variety of programs that appeal to different audiences, while dailies print distinct sections which attract different readers.

(e) Creative Requirements

22. The primary concern of the creative department is whether a visual representation is required. If it is, radio is not competitive; however, television, outdoor boards and other print media are.

23. The complexity of the message is usually not a major concern. Our creative department is very inventive in changing a message to fit the medium selected while still meeting a clients objectives. The only complex message I can think of that can't be reduced to a simple message or a mix of simple messages is contest rules. Contest rules comprise a miniscule proportion of our clients' advertising.

24. In my experience, the Director's claim that only newspapers are able to do price and item advertising is false. Many of my clients use radio advertisements to do price and item advertising. For example, Pharmasave Drugs uses radio for price and item. A true copy of the script of a recent Pharmasave Drugs commercial is attached as Exhibit A to my affidavit. Other of my clients do price and item advertising on the television. Eye Masters Optical, for example, uses television for price and item advertising. A true copy of a recent Eye Masters Optical commercial is attached as Exhibit B to my affidavit.

25. Conversely, while the Director may be correct that broadcast media is well suited to image advertising, many of my clients use the dailies to promote their image.

(f) Price

26. Price considerations begin with the CPM. The most important price that I look at, however, is the effective CPM. This is a measure of the cost to get a message to a thousand people within the target audience.

27. I cannot think of any reason why a typical small single outlet retailer or a single branch of a multi-outlet retailer would ever use broad-based media (ie., the dailies, radio and television) for its normal advertising. That is because the wastage would be high, making the effective CPM prohibitive.

28. These retailers may use broad-based media in exceptional circumstances such as fire sales, bankruptcies or some other significant event. On the other hand, a small number of retailers would want to use broad-based media because of the uniqueness of their products. This, however, is simply another way of saying that their trading area is much larger than a typical single outlet retailer, and more closely approximates the coverage area of some of the broad-based media.

29. We do not use dailies and community papers for the same purpose. When one of our clients opened a restaurant on the North Shore, for example, we ran an advertisement in the North Shore News. We did not consider the dailies or radio or television, because their reach is far too broad, and their use would involve significant wastage. In other words, the effective CPM was too high.



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C. COMPARISON OF DAILIES AND GROUP OF COMMUNITIES

30. In my view, a group of community newspapers does not deliver the same product as do the daily newspapers. First, the dailies distribute to a much larger area than either of the groups of community newspapers currently operating in Vancouver even if all of them were taken together. A significant part of the circulation of each of the dailies goes outside the Lower Mainland. Many large retailers benefit from this "spill-over" because they have outlets outside the Lower Mainland, because it attracts additional customers, or because it paves the way of future expansion into outlying areas.

31. Many of the other characteristics I look at in evaluating media options are significantly different. There is the important issue of readership. We know that people read the Sun and the Province, because they pay for them and because of independent research verification. We do not know, however, who, if anybody, reads some community papers because of the lack of publically-available independent readership verification.

32. Even if I were able to replicate the geographic coverage of the dailies with a group of community papers at a roughly comparable price, I would still always use the dailies because of the difference in the quality of readership. I am fairly confident of the readership of dailies because it is independently verified, and believe that advertisements which I place in the dailies will be read. I cannot be sure that community newspapers, on the other hand, will even be opened. That is why we do not compare dailies and weeklies.

33. Further, the one-order-one-bill aspect of the groups of community newspapers is convenient for us, but it does not significantly influence our purchasing decisions because of

other concerns. A group of community papers cannot match the frequency that can be obtained by use of the dailies. The editorial content of weeklies varies widely within a group making them less attractive and their total cost and effective CPM are high. In all, a mere comparison of geographic distribution is superficial and is not meaningful because it fails to take into account all of the other criteria planners use when selecting among media.

34. In my opinion, if a retailer is to advertise throughout the Lower Mainland, it is not economically feasible to purchase community newspapers as an alternative to daily newspapers. For example, the cost of purchasing an advertisement in the Vancouver Courier and The West Ender would amount to approximately 40% of the price of purchasing an advertisement in the Sun and the Province, and would only cover one relatively small geographic area. To cover the entire Lower Mainland, I believe that the cost of using community newspapers would be significantly higher than the dailies in terms of total cost, CPM and effective CPM; in fact, this price difference in my view is prohibitive.

#### D. EXAMPLES OF MEDIA PLANS

##### (a) Example #1

35. Several years ago, one of McKim's clients was unhappy with the quality of the reproduction provided in the daily newspapers. The first alternative considered was the community newspapers. We found that the distribution of the weeklies was not adequate for our needs and would cost considerably more.

36. The distribution of weeklies was not adequate for our needs because the weeklies did not go where we wanted them to

go. Further, the distribution of the community newspapers did not put as many newspapers into the areas which we wanted to reach as the dailies did (coverage outside of VMA is important to this client). I required a much broader coverage than any group of VMA community newspapers could offer.

37. Direct mail was considered and rejected for cost reasons. We shifted our clients' ad dollars into the broadcast media. Gradually over several years newspaper's share of the budget declined steadily until it was utilized only in the few cases when copy detail (i.e., legally required written notices, such as contest details) was essential.

(b) Example #2

38. We developed an advertising campaign for a client that was opening a new outlet in the Lower Mainland outside of the Vancouver Metropolitan Area. The decision to use the local weekly was quickly revised once cost and frequency were evaluated. Ads in one or both of the daily newspaper were considered and rejected due to the cost for frequency. We went with radio. The campaign was so successful that the client decided to adopt radio as a standard practise for opening or re-opening a location in B.C.

39. This client had outlets located through the Lower Mainland including the North Shore and in Burnaby; however, the trading areas of these stores did not comprise the whole of either area. The trading areas of each of these outlets would have had a radius of approximately five miles. Radio was selected because it was able to deliver frequency. The problem with community newspapers in this context was that I simply could not get them out to potential customers often enough (i.e., they would not provide the required frequency).

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40. In a "remote" broadcast, a radio station sets up a unit to broadcast from the outlet itself; for example, the radio is on location on a given Saturday and the retailer normally has things like hot dogs and other promotional items. We buy this service as a package deal; i.e., during the week leading up to the event (i.e., the week before), the radio gives the retailer a number of spots to promote the upcoming event. The key to success in an event like this is to make people aware of it; this can best be done by repeating the message a number of times. Our options, therefore, were to either run one or two advertisements in the community newspaper which was published on the Wednesday of the week before the event, or to buy a radio remote on a comparatively small radio station which covers a broadcast far beyond the target trading area, but also broadcast to the area and to people travelling through the area. When we did the analysis, radio was slightly more expensive than the weekly ROP, but its greater frequency meant that it would better satisfy the client's objective of creating awareness of the event.

41. In the dailies I could have booked an ROP advertisement for every day during the seven days prior to the event, since the dailies are published every day. By the time I added up what it cost for seven ROP advertisements in the dailies, however, I could have purchased three radio remotes. Since I never considered the option of buying three or four radio stations, I similarly rejected the idea of buying the daily newspapers. I concluded that the effect CPM was best in the radio as compared to the other media.

42. This client opens or upgrades or remodels a number of stores annually, and therefore uses this promotional technique often. The same client also uses 52 weeks a year radio promotion of image advertising supported also by occasional television.

43. The point of these examples is to illustrate that the newspapers do not merely compete with each other but with all other media choices in the Vancouver CMA. A good media buyer can find ways to reformulate any media plan to protect the advertiser from exorbitant pricing practices of one or more media.

E. RESPONSE TO PRICE CHANGES

44. If the Vancouver area newspapers (dailies, weeklies or both) were to raise their prices significantly over the cost of living (that is, in this year, anything over 10% absolutely and 5% relative to other media), would reevaluate my entire media strategy for all my clients and alter their media plans away from newspaper to alternative sources. I would keep the objectives the same and just rethink the appropriate mix more often than net I would make a gradual shift away from the offending medium.

45. If the price of daily newspapers advertising alone went up, with all other forms of advertising staying at the same price, we would never simply shift our advertising to community newspapers. For daily newspapers to have been selected in the first place, there must have been a specific reach-frequency objective which the retailer wished to meet. We could not automatically assume that the weeklies could satisfy these same objectives. Consequently, we would step back and take a look at the entire picture and then decide where the retailer's advertising dollars could best be spent to satisfy its particular objectives.

46. Although, we have less exposure to the use of flyers, the same concept would apply to the use of direct mail, ad mail or flyers. If the existing delivery prices increased, I think



advertisers would move to other advertising vehicles or distribution systems, inserts and free-standing flyers as equivalent.

47. In my view, the Directors' Amended Application shows little understanding of the advertising industry in Vancouver and misconstrues the media options available to retailers in Vancouver.

SWORN BEFORE ME at the City )  
of Vancouver, British Columbia, )  
this 16<sup>th</sup> day of August, 1991 )  
\_\_\_\_\_  
*Bayle Hunter* )  
A Commissioner for Taking )  
Affidavits for British Columbia )

*Carol A. Kirkwood*  
\_\_\_\_\_  
CAROL A. KIRKWOOD

# McKim

d:\a\phar\1991\bc\p16a

This is Exhibit 7  
affidavit of CAROL A. KIRKWOOD  
sworn before me this 16<sup>th</sup> day of AUGUST, 1991.

# script radio

*Wayne Hunter*  
A Commissioner for taking Affidavits  
for British Columbia

client	PHARMASAVE	DOCKET #R10172	A
prod./div.	SALE DONUT	<del>PHBC 203-30R</del>	SH
identification	B.C. P16 OXFORD	length/longueur	9/10G. 7/91

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SINGER: NOW FOLKS - I WAS LOST - COULDN'T FIND MY WAY  
THAT'S WHEN I SAID NO TO GIANT STORES  
AND YES TO PHARMASAVE

MOTHER: Back to school time already. My kids are very particular, only this kind of scribbler and that kind of pencil will do. I'm glad I went to Pharmasave. I found everything I needed at great prices in just one stop.

(INSERT - TOTAL ANNCR INSERT 11 SECONDS - 3 1/2 LINES)

ANNCR:

LIVE READ

COPY: Oxford 1" Vinyl Binder just 99 cents. Oxford Looseleaf Refills, 200's ruled just 79 cents. And Laurentian Colouring Pencils, 24's just \$3.69 or \$3.39 with coupon.

MOTHER: I WAS PHARMASAVED ALL RIGHT!

SINGER: I WAS PHARMASAVED ALL RIGHT!



**CLIENT  
APPROVED**

This is Exhibit " B " referred to in the  
affidavit of CAROL A. KIRKWOOD  
sworn before me this 16<sup>th</sup> day of AUGUST 1991

Wayne Hunter  
A Commissioner for taking Affidavits  
for British Columbia

Eye Masters Video cassette attached

