

Southam - Effert - Aug 15/91

Original
CT-90/1



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:

THE DIRECTOR OF INVESTIGATION AND RESEARCH,

- and -

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

COMMISSION TRIBUNAL TRIBUNAL DE LA CONCURRENCE		P R O D U I T
FILED	AUG 16 1991 AB	
REGISTRAR REGISTREUR		
STAYA, ONT.		# 154

Respondents.

AFFIDAVIT

I, JOYA DICKSON, of the City of White Rock, in the Province of British Columbia, MAKE OATH AND SAY:

I. INTRODUCTION

1. I am a media consultant. My career in the Canadian advertising industry has spanned 28 years. During my career within the advertising industry I have specialized in developing media plans for major corporate and consumer advertisers, working with national and regional agencies both

[REDACTED]

in Toronto and Vancouver. In 1974 I was co-founder of Canadian Media Counsellors, Western Canada's first Media Buying Service. There I specialized in media planning and execution for small and large retail operations in the Vancouver market. At the present time I am a freelance consultant for some of Vancouver's largest advertising agencies. A detailed description of my career is attached to this Affidavit as Exhibit "A".

2. I have been retained by Southam Inc. to advise them on the media options available in the Lower Mainland of British Columbia, the general approach to developing a media plan and the amount of retail advertising expenditures in the Vancouver Metropolitan Area (the "VMA").

3. In preparing my advice, I have relied on my business experience as an advertising agent, media buyer and research consultant, my knowledge of the advertising industry and my research into media expenditures in the Lower Mainland. I have also relied on documents supplied to me by counsel to Southam which set out advertising expenditures in the daily and weekly newspapers in which they have an interest.

II. OVERVIEW OF MEDIA PLANNING PROCESS

4. Retail advertising is simply communicating a message about a retailer's products or services using one or a number of media. Many retailers, particularly small ones, determine what they want to say and how they are going to say it by themselves. Many other retailers look to professionals for help.

5. What a retailer wants to say in a media campaign depends in large measure on what the retailer wants the

campaign to achieve. Thus, the first step in formulating a media plan is to precisely identify the retailer's business objectives.

6. Every retailer wants to keep its existing customers and attract new customers. A retailer may want to say something to improve its reputation or the reputation of its products. This is known as image advertising. Alternatively, the retailer may wish to convey specific information about the prices or unique characteristics of particular products to promote consumer response in respect of those products. We call this price-product advertising. In reality, virtually all retail advertisements represent a blend of image and price-product advertising.

7. Business objectives, therefore, may be focussed on a number of areas. They may, for example, be directed towards solidifying the retailer's existing client base. This would suggest point of purchase promotions, preferred customer programs, and so on. They may be directed towards increasing the retailer's local presence by drawing new customers from the immediate vicinity of the store. They may involve attempting to attract customers from a broader geographic region than the retailer currently serves, or from a particular socio-economic group. The list may be expanded almost indefinitely. Each business objective naturally lends itself to a particular subset of media vehicles from which a media planner can choose.

8. All retailers are ultimately concerned with the bottom line. If the media plan does not increase store traffic, and eventually make the cash register ring, it is not successful. Retailers may differ, however, in the relevant time horizons over which tangible results must be measured. In general terms, a small local retailer wants immediate results. This

leads to an emphasis on price-product advertising. A larger retailer may expand its time horizons, and invest in comparatively more image advertising, which hopefully will yield long-term returns.

9. Multi-outlet retailers, unlike single outlet retailers, may have business objectives that operate on a number of levels. Single outlet retailers are interested in moving the goods and services from their stores, and no others. Their media focus, therefore, tends to be quite targetted. Multi-outlet retailers, on the other hand, may want to sell goods or services from any of their stores. Depending on their store locations, these retailers would tend to select among mass advertising vehicles like television, newspapers and the daily newspapers (See Part IV. A below). At other times, multi-outlet retailers may desire to increase traffic at one particular location. In these cases, the multi-outlet retailer becomes much like a single outlet retailer, and selects from the targetted advertising vehicles (See Part IV. B below).

10. The media planner and the client together may establish one or more measurable marketing goals which they wish to achieve by the end of an advertising campaign. These marketing goals may be expressed in terms of dollar value of sales, number of units sold or share of market gained.

11. The second crucial step in creating a media plan is to determine the retailer's customer mix. This inquiry has two dimensions. First, one must identify the geographic area from which most customers come. This area is known as the retail trading zone (or retail trading area). Second, one must identify the type of people who consume the retailer's products or services. Not all products appeal to all people. For example, advertising dollars would probably be wasted promoting

bungee cord jumping in retirement magazines. This leads, then, to a study of socio-demographics, to determine the socio-demographic profile of the retailer's customers.

12. The third crucial step in determining a media plan is to determine the amount of money that a retailer is able to spend on advertising. This step may eliminate certain advertising vehicles from the outset. For example, a retailer who operates a single location (or even a few small locations) and generates modest sales volumes is restricted to targetted media such as community newspaper, locally distributed magazines, Yellow Pages and direct mail. Mass media (radio, television, daily newspapers) are not affordable to this type of retailer; they also extend far beyond the retailer's trading zone and therefore incorporate significant wastage. Consequently, mass media are too expensive in both absolute and relative terms.

13. Advertising budgets tend to be relatively fixed over the short term. Consequently, when a new media is developed, or when the retailer is sold on a different media, the advertising dollars which are diverted into the other media are taken from money which otherwise would have gone into the retailer's existing media mix.

14. A media planner evaluates the media options available in light of the information generated through the process described above. Consequently, each advertising vehicle will be examined along the following lines:

- ° How well does the media provide broad coverage against the retail trading zone?
- ° How well does the media's demographic profile match the retailer's demographic profile?

- ° How well does the media deliver the retailer's message to its target audience in a cost-efficient manner?
- ° How well does the media provide the right environment for communicating the retailer's desired message?
- ° How affordable is the media in light of the retailer's advertising budget and its annual advertising needs?

15. These questions will typically narrow the available media options down to a manageable number for further analysis. The media planner will then ask a number of questions concerning the retailer's intended message to determine whether creative considerations will further narrow the possible media alternatives. These questions include:

- ° Does the message require detailed copy?
- ° Must the message be repeated frequently to be effective?
- ° Does the message require sight and/or sound and/or motion?
- ° Is the message newsworthy?
- ° Should the message be intrusive?

16. One factor which a media planner generally evaluates is the media habits of the retailer's principal competitors. If a competitor is successful, it may be both necessary and prudent to adopt a similar media mix; on the other hand, if a competitor is unsuccessful in a particular campaign, that experience may also be instructive.

17. A final important consideration is the best timing for advertising. Some products' sales are seasonally skewed, and require a seasonally weighted advertising program. For example, ice cream and bathing suits are normally advertised in the summer, while skis and snowmobiles are pushed in the winter. Other products require a uniform advertising presence throughout the year. For example, basic household goods are required all year round.

18. As media planners we do not recommend simply moving from one media to another in the event of changes either in the advertising budget decreases or in advertising rates. To address the specific changes the advertising objectives are re-evaluated to meet the revised guidelines. Media selected for one set of objectives may not be appropriate when those objectives change.

III. DESCRIPTION OF ALTERNATIVE ADVERTISING VEHICLES IN THE VMA

A. Mass Advertising Vehicles

19. Mass advertising vehicles provide coverage over a large geographical area and reach a large percentage of population groups. Those media that fall into this category are:

Television

20. Television is the most powerful media vehicle available, since it offers the viewer sight, sound and action. The major advantage of television is its reach; almost everyone watches television. 99% of all Canadians have a T.V. set in their home. In Vancouver 45% have two or more T.V. sets and

92% are cable equipped. There are total of four television stations in the VMA: CHAN-TV, CBUT-TV, CKVU-TV and KVOS-TV.

21. Cable television provides viewers with a large selection of programming; however, this results in audience fragmentation or smaller audiences. To partially overcome fragmentation Canadian television stations air the same television program simultaneously with a U.S. station and substitute Canadian commercials. The advertised retail message is viewed on the Canadian and U.S. station, allowing the advertiser to reach viewers on each channel.

22. Viewer attention can be diluted due to the number of commercial messages aired within a program, therefore commercials must be entertaining to maintain viewer attention.

23. Goals for television plans are measured by reach and frequency. Reach refers to getting the message before as many people as possible and frequency refers to getting the message before the people as often as possible. Frequency builds awareness or reminds the viewer of the product over and over again.

24. An advertiser can buy television exposure in several different ways. Program sponsorships are available or alternatively selective spots can be purchased on several different stations in the market.

25. Program sponsorship allows an advertiser to purchase all or part of the commercial time available within a specified program; the advertiser will be identified at the start or conclusion as a sponsor of the program.

26. Selective spot buying enables an advertiser to buy spots in a variety of programming that has the ability to reach all socioeconomic groups, whether the consumer has light or heavy viewing habits.

27. Sports and new programming has strong male appeal, daytime programming or soap operas appeal to young mothers or seniors, cartoons are aired to reach young children and early evening sitcoms appeal to young and old whether they fall into the male or female category.

28. Television research is made available to advertisers so that audiences can be measured against specific programmes.

Radio

29. Radio is a personal medium; for example, many people feel a close rapport with a radio personality to whom they listen to faithfully. Radio also brings to bear a wide range of sound effects to involve the listener's imagination in the script. There are 22 radio stations in the VMA. Each station seeks to acquire a loyal following by virtue of its programming, its announcers, music format, sports or news coverage or its talk show hosts.

30. Radio is everywhere; in the home, in the car, in the office, in stores. People listen to radio while jogging, farmers listen while plowing the fields, and so on. Radio is appealing because it is both a form of entertainment and a source of information.

31. Radio offers a wide range of programming to reach all target audiences; however, unlike television some radio stations focus on specific audience groups. For example, some stations appeal to all adults over 18; others appeal to teens.

32. Because there are so many radio stations in the VMA, the radio audience is highly fragmented. Therefore, a number of stations may have to be purchased to reach the desired target audience objectives.

33. Advertisers can buy sponsorships adjacent to news, weather, sports and specific programming to be aired at the same time each day; they can purchase specific day parts such as, morning drive 6-10am, daytime 10-3pm afternoon drive 3-7pm and evening 7pm- midnight; or they can buy a rotating schedule where announcements will rotate from 6am- 7pm daily or 6am- 12 midnight daily. Some advertisers wanting to reach shift workers may buy time from midnight to 5am.

34. Radio research is available, measuring audience listening habits by quarter-hour segments and provides averages covering the different day parts 6-10am, 10am-3pm, 3pm to midnight and midnight to 5 or 6 am.

Daily Newspapers

35. Daily newspapers are a newsworthy medium that generates quick customer response. They generally appeal to broad socioeconomic groups within their circulation area, rather than to specific target groups.

36. Daily newspaper provide different editorial sections that appeal to different audiences, allowing an advertiser to select an environment to tie in with their product or service.

37. Newspapers offer the advertiser the ability to include a coupon within the advertisement that can be coded to measure the effectiveness of the response to a particular paper. As well newspapers are able to deliver inserts to the householder subscribing to the paper.

38. An advertiser can get an ad in a newspaper quickly; the normal deadline is 48 hours, but depending on space availability the dailies will allow a 24-hour deadline.

39. All daily newspapers, whether they are broadsheet or tabloid size, have standardized formats which allows the advertiser to create one or two different pieces of material for widespread use. Broadsheets are 6 columns wide and 300 lines deep, and tabloids are 5 columns wide and 200 lines deep.

40. Newspaper have a short life span, generally lasting for one or two days in the home. Further, they are not suitable for advertisers wanting to reach a very specific target audience because of their wide geographic distribution they lack some excitement of the electronic media; and readership by people under 20 is generally low.

41. The Newspaper Marketing Bureau in Canada provides very comprehensive readership research for all daily newspapers. Readership by demographic groups or sectional readership data is also available.

National Magazines

42. National magazines may be published to reach very specific or general consumers; they are purchased on a national, regional or city-wide basis; and they offer a wide variety of editorial environments. Some magazines are available by subscription, while others are distributed on a non-paid basis (free distribution). The free distribution magazines are delivered to specific geographical areas, some of those targeting high income households and others covering middle income areas. Newsweeklies (Time & MacLeans) are available on a subscription basis, and generally reach a strong

male audience. Women's magazines skew a strong female audience. There are also magazines targeting travel, general interest, sports, gardening home decorating, fitness, food, and many other categories that offer editorial environment to appeal to a particular advertised product. Magazines offer high quality colour reproduction but it can become a costly process to reach a geographically limited audience.

43. Most magazines have closing dates long before the publication is issued, so it does not provide for copy change or news announcements.

44. The Print Measurement Bureau in Canada provides the most comprehensive research for advertisers. Its research covers a wide range of demographic groups and their buying habits against a wide range of products and services.

B. GEOGRAPHICALLY TARGETTED ADVERTISING VEHICLES

45. There are several choices of media in the VMA that offer specific coverage available to the retail advertiser.

Community Newspapers

46. Community newspapers are distributed within a specific circulation area and serve the readers with local news that pertains to their community. The community newspapers serve an important role to the local retail advertisers who have limited advertising funds to promote their products or services. Community newspapers rely heavily on local retail and government advertising sales and direct their sales efforts primarily to those advertisers. Community newspapers do get some support from major retailers, depending on the current objectives those retailers have established. However, major

retailers can swing quickly from one medium to another in response to relative price changes. Community newspapers do not provide the advertiser with readership research and its readership can only be measured by the success the local advertiser. Community newspapers have benefited over the past few years by the number of new retailers that have opened in various communities in the VMA with the construction of new major shopping centres and strip malls. Community newspapers have also benefitted from the tremendous growth in flyers, since advertisers can insert their flyers in the community newspapers and have them distributed to all single dwelling households or a partial household drop within specific communities or the areas surrounding the retailers location.

Outdoor Advertising

47. Billboard advertising comes in the form of posters placed in strategic locations where heavy vehicle or pedestrian traffic patterns occur. Outdoor advertising attracts the attention of all consumers and target groups. Because cars pass outdoor signs quickly, copy is limited to a message that can be expressed in a few words. Not all messages are suited to outdoor display, and to tell a story in a picture is the greatest challenge for outdoor advertisers.

48. The sale of outdoor space is based on a count of automobile traffic passing a location every day. Although the traffic count ignores the possibility of duplication (people who pass a sign twice a day), it does provide a yardstick for comparing locations. The source of this information is the Canadian Outdoor Measurement Bureau.

49. The outdoor poster medium introduced greater flexibility in the use of the product by offering daily copy

changes to an existing poster by printing decals and adding these decals to the poster. A good example is the B.C. lotteries, who need to promote prizes on a daily basis.

50. Transit advertising is another form of outdoor advertising which appear either on the interior or exterior of buses, and also in the interior of Sky Train and the Sea Buses in the VMA. An advertiser can select individual bus routes to target particular geographic areas.

51. Bus shelter posters are designed to reach automotive and foot traffic and can be purchased selectively, either within a small or large trading area, or just one location. The medium is appropriate for major and small retail advertisers. Like outdoor signs, the copy headline must be short and the creative approach eye-catching.

Mall Posters

52. Mall posters are positioned within shopping malls and are used by major and small retailers who are generally located within the mall. Major retailers use the posters for image advertising or to direct consumers to their location. The colour reproduction is of high quality and the creative content must be strong to catch the attention of consumers as malls tend to be busy, offering consumers many attractions for their shopping attention.

53. Mall posters have created a new dimension to their product by including a digital readout, the visual message remains constant however the digital message can be changed daily, another way of attracting consumers to a particular location within the mall.

Pillar Posters

54. These posters are the same size as mall and bus shelter posters and fall into the outdoor category. They are located close to the downtown core and offer an alternative for outdoor advertising. Both major and local retailers utilize this outdoor vehicle. Again copy content must be short and the creative message must be attention getting as they are viewed by vehicle and foot traffic.

Local Magazines

55. There are a number of magazines that are distributed to specific communities. These magazines generally are published on newsprint and have a glossy paper wrap-around. They are distributed free of charge and are a viable alternative media for certain small advertisers. They are suitable for advertisers who cannot afford or do not wish to use four colour material, since the only available sections for colour in these magazines is the generally the cover positions or spot colour within the magazine.

56. Although MacLeans magazine involves a national or regional buy, it offers advertisers the opportunity to supplement their regional advertisement with a free standing insert in the same issue. The advertisement would appear in the B.C. region; however the free standing insert could be included in Lower Mainland circulation where the advertisers wants to create greater impact of the advertising message, or where most prospects are located.

Direct Mail and Free Standing Flyers

57. Direct mail is available in many forms, ranging from envelopes which contain a group of advertisements, to addressed

mail from Ed McMahon. Flyers are often identical to newspaper inserts; at other times they are simply photocopied messages run off at the local library and delivered door-to-door in a few block radius of the store. Altogether, direct mail is the fastest growing media type, compounding at 30% per annum in British Columbia.

IV. DESCRIPTION OF THE ADVERTISING INDUSTRY IN THE VMA

58. There are over 150 advertising agencies and counsellors in the VMA. These entities can be categorized into 3 different groups - The Full Service Advertising Agency, Media Buying Services and Specialized Media Buying Shops. Each of these groups will be briefly described.

A. Full Service Advertising Agencies

59. Full service advertising agencies must be fully recognized by all media, the criteria for recognition being that agencies must have business to place (*i.e.*, a list of clients); show competence to handle advertising; and be financially sound.

60. Full service agencies are equipped to handle all aspects of an advertising campaign. A client using a full service advertising agency has only to provide the agency with its marketing goals and the agency will take care of all their needs. However, most agencies do not deal with flyers to any significant extent.

B. Media Buying Services

61. These companies employ media specialists, who provide media planning and execution services only. The creative and

production aspects of an advertising campaign are handled either by the clients or by independent services. While media specialists have particular expertise in developing media strategies for carrying out defined business objectives, they also gain some knowledge of the creative and production components of an advertising plan due to their close association with the individuals responsible for those components.

C. Specialized Media Buying Shops

62. This type of agency that is headed up by a former media sales representative whose knowledge of media lies primarily within one category. Rather than media mix, clients use these agents to buy the media that they know best.

V. ADVERTISING TRENDS IN THE VMA

63. Changes in the nature of advertisers in the VMA have produced similar changes in the nature of advertising. The area's population has increased dramatically. This prompted tremendous retail growth from at least three sources: the development of new major shopping malls, the expansion of existing shopping malls, and the proliferation of smaller strip malls. In each case, this growth has produced a large number of small retail outlets. Many of these outlets are franchises; many are not.

64. In either case, the small retailers normally use locationally-selective media for all or part of their advertising needs. Consequently, the revenues (and market share) of these media have risen substantially. For example, Yellow Pages experienced a 20% increase in advertising revenues between 1989 and 1990. Similarly, community newspapers'



revenues have increased. These increases, however, did not necessarily come at the expense of daily newspapers, or indeed of any of the mass media, since those media do not appeal to the needs of small local retailers. Rather, the increases can be attributed to a structural change in the retail environment.

SWORN BEFORE ME at the City)
of *Vancouver*, British Columbia,)
this *15th* day of August, 1991)
Andrew P. Jackson)
A Commissioner for Taking)
Affidavits for British Columbia)

J. Dickson

JOYA DICKSON

ANDREW P. JACKSON
BARRISTER & SOLICITOR
1700 - 1030 W. Georgia
Vancouver, B.C. V6E 2Y3



EXHIBIT "A"

This is Exhibit "A" referred to in the affidavit of John Dickson sworn before me this 15th day of Aug 1996
Andrew P. Jackson
A Commissioner for taking Affidavits for British Columbia

**ANDREW P. JACKSON
BARRISTER & SOLICITOR
1700 - 1030 W. Georgia
Vancouver, B.C. V6E 2Y3**

Career History

1988 - 1991

THE GLOBE & MAIL
WESTERN SALES MANAGER

I was responsible for advertising sales covering The Globe & Mail newspaper, Report on Business Magazine, Destinations, Domino and Broadcast Week.

Each of the four magazines had separate editorial skews and required different selling philosophies. In 1990 I accepted the challenge of including The Wall Street Journal to the list of properties.

My territory covered Saskatchewan, Alberta, The Yukon, N.W.T. and British Columbia.

In addition to my sales territory I was responsible for hiring and supervising a staff of 6 sales representatives, four of these sales staff were telemarketers selling Career and classified lineage in Western Canada.



1985 - 1988

**MCKIM ADVERTISING
MEDIA GROUP SUPERVISOR**

I was responsible for all media planning and execution covering national and regional accounts, my primary responsibility was to maintain and service all media for Canadian Airlines International.

Accounts

Canadian Airlines International
Tourism British Columbia
B.C.T.V.
Lonsdale Quay Market
Intrawest Properties (Blackcomb Mountain)
Young Drivers of Canada

1974 - 1985

**CANADIAN MEDIA COUNSELORS
V.P. MEDIA COUNSELOR**

I was co-founder of Western Canada's first Media Buying Service, within a five year period the company's billings exceeded \$5 million. I was involved in acquiring new business for the company as well as media planning and execution, staff supervision and accounting responsibilities.

Account Responsibility

Dairyland Foods
MJB Coffee
Kits Camera (Now Blacks)
Canfor Forest Products
Weldwood Of Canada
Vancouver City Savings
B.C. Credit Union
Segal Furniture

Young Drivers Of Canada
Wear Else Clothing
Armegie (Mens and Ladies Clothing)
Kings Head Pub
Blarney Stone (Restaurant)

1967 - 1974

ROBERTS FENTON MCCONNELL
MEDIA MANAGER

A western based advertising agency that achieved national recognition for their creativity and successful launch of the Datsun Automobile, now know as Nissan.

I was responsible for Media planning and execution for the following accounts:

Datsun
Finning Tractor
Midas Muffler
Pacific Western Airlines
Seaspan International
Flecto Coatings
Workers Compensation Board of British Columbia

1962 - 1966

YOUNG & RUBICAM - TORONTO
MEDIA SUPERVISOR

My account responsibility covered

Proctor & Gamble Cheer
 Spic and Span
 Safeguard Deodorant Soap

Robin Hood Flour
Whitehall Laboratories
General Foods - Post Cereals

EDUCATION

Graduate of Methodist Ladies College
Sydney, Australia
Senior Metriculation

I was awarded a 5 year scholarship to study at the Sydney Conservatorium of Music, where I majored in Opera. While attending the conservatorium I sang with the Sydney Operatic Society, and was subsequently recommended for Audition with LaScala in Rome.

Ryerson College -- Toronto
Graduate of Advertising and Television Production