WOULD A HYPOTHETICAL MERGER BETWEEN PERU'S TWO LARGEST NEWSPAPER CONGLOMERATES HAVE BEEN CLEARED? A TWO-SIDED MULTI-MEDIA ANALYSIS

Documento de Discusión CIUP

DD1802

Marzo, 2018

Enzo Defilippi
Profesor e investigador del CIUP
e.defilippi@up.edu.pe

Carlos E. Paredes
Profesor e investigador del CIUP
ce.paredesl@up.edu.pe

UNIVERSIDAD DEL PACÍFICO
CENTRO DE INVESTIGACIÓN

Would a hypothetical merger between Peru's two largest newspaper conglomerates have been cleared? A two-sided multi-media analysis

Enzo Defilippi[±], Carlos E. Paredes

Universidad del Pacífico, Escuela de Posgrado, Jr. Sánchez Cerro 2098, 15072, Lima, Peru.

ABSTRACT

This study uses an original data set on the Peruvian media sectors to analyze the effect that the association between the two largest newspaper conglomerates would have on the content and advertising markets. This case is particularly relevant given the particularities of Peru's competition framework and media markets. Using survey data, we conclude that Peruvian newspapers face effective competition from other media sectors in both the content and advertising markets. Our analysis shows that both markets are "unconcentrated" according to the U.S. Horizontal Merger Guidelines and thus, the operation would be cleared. However, if concentration is analyzed taking into account only news-providing media and programs, the market would be categorized as "moderately concentrated" and a full merger between these conglomerates would warrant further scrutiny.

KEYWORDS:

Media mergers, Newspaper mergers, Media economics, Newspaper economics, Media markets, Newspaper market

[±] Corresponding author. Tel.: +511 219 0158, ext. 2159. E-mail addresses: e.defilippi@up.edu.pe (Enzo Defilippi) and ce.paredesl@up.edu.pe (Carlos E. Paredes).

We have benefited from comments and suggestions received from José Luis Bonifaz, Julio Aguirre, Joanna Kamiche, Andrés Calderón and Felipe Portocarrero on an earlier version. Any errors that remain are our sole responsibility.

We also want to disclose that we were hired by El Comercio group to provide expert opinion on the case analyzed in this paper. Our views, however, are not influenced by the interests of the hiring party and do not compromise Universidad del Pacífico in any form.

1. INTRODUCTION

Using an original data set on the Peruvian media markets, this paper analyzes the effects on the content and advertising markets of an association between the two largest conglomerates in the Peruvian newspaper market: El Comercio and EPENSA. In 2012 they represented 47.1% and 27% of average daily sales, respectively. This association takes the form of a Joint Operating Agreement (JOA), an arrangement considered in the US Newspaper Preservation Act of 1970 under which newspapers combine their advertising and subscription operations while maintaining independent editorial lines and news divisions (Romeo, Pittman and Familant. 2003).

The El Comercio/EPENSA association was surrounded by controversy, among other reasons, because La República group, the third largest player in the market, was on the verge of closing a deal to purchase 54% of EPENSA's shares. This deal, however, was rejected when EPENSA's minority shareholders exercised their right of first refusal and bought the stake that La República was about to acquire. They immediately separated the editorial and commercial areas into independent companies and sold 54% of the latter to El Comercio Group.

Right after the deal was completed, La República launched a massive campaign to oppose it, which sparked a public debate about media concentration that has not settled yet. The La República's director and main shareholder and a group of independent journalists tried to block the deal in the Judiciary arguing that it was unconstitutional as the Peruvian Constitution forbids the monopolization of media. The court has not yet decided on the matter, which prompted the demandants to elevate the case to the Inter-American Court of Human Rights.

This case is particularly relevant given the particularities of Peru's competition framework and media markets. Even though the country has a strong antitrust authority empowered to prosecute cartels and deal with abuse of dominance cases, mergers need not secure previous approval. Moreover, there is empirical evidence that newspapers and other media sectors are substitutes for both content consumers and advertisers, and that television and radio are much more important than newspapers for information consumers (newspapers' main readers). Furthermore, El Comercio and La República groups, fierce ideological rivals in the newspaper market, are partners in a television station with the largest audience in the country. This suggests that the analysis of this operation cannot be restricted to the newspaper market.

The following section presents an overview of the relevant literature on media mergers. The third explains the particularities of Peru's media regulatory framework and markets, while the fourth analyzes the consequences of El Comercio/EPENSA's association on both the content and advertising markets. The fifth section presents the conclusions of the paper.

2. LITERATURE REVIEW

Media mergers have been widely discussed in academic literature. Unlike those in other sectors, these have repercussions not only in the efficiency of the markets involved but also in vital aspects of the democratic debate such as freedom of speech and information, pluralism of points of view, and citizenship (OECD, 2003).

In contrast with monopolies, where there is consensus regarding the need for ad-hoc regulation and price-setting mechanisms by independent supervisory bodies, there is no consensus in the economic literature concerning whether and how media firms should be regulated. Should they be subject to more restrictive regulation than just regular antitrust laws? Should media mergers be blocked if they reduce the number of independent voices in the market even when they make economic sense? Are media markets in countries with a more restrictive regulation more plural than those in countries characterized by a more light-handed approach? Evidence does not provide concluding answers to these questions either, and it is no surprise to find a significant diversity of regulatory frameworks among countries.

Two relatively recent events add a layer of complexity to the analysis of media mergers. First, the decline of the most traditional media industry of all, newspapers, mainly due to fierce competition from online competitors (Cho, Smith and Zentner, 2016). It is extremely difficult to argue that firms with an increasing amount of revenues lost to competitors have the market power to harm consumers. Second, the understanding of two-sided markets, an aspect that has been brought to the forefront of the analysis after the publication of Parker and Van Alstyne's seminal paper (Parker and Van Alstyne, 2000). Media companies are the textbook example of two-sided platforms since they operate in two different industries, content and advertising, and obtain revenues from both (Anderson and Gabszewicz, 2006). Earlier works, such as those of Furhoff (1973), Gustafsson (1978), explain the printed press' trend towards concentration as a result of the 'circulation spiral': the fact that wider coverage leads to higher advertising rates. This dynamics is better understood now as those of a two-sided market.

Chandra and Kaiser (2015) review several studies that analyze newspapers mergers from different points of view. George (2007), for example, examines the effect of ownership concentration on product position, product variety and circulation in the US daily newspaper market. Counterintuitively, her results show that both differentiation and variety increase with ownership concentration. Chandra and Collard-Wexler (2009) study the effects of mergers in the newspaper industry using data from a wave of mergers occurred in the newspaper industry of Canada in the 1990s. They find that greater concentration did not lead to higher prices for either newspaper subscribers or advertisers.

Fan (2013) develops a structural model of newspaper markets to analyze the effects of ownership consolidation, taking into account not only firms' price adjustments but also the changes in newspaper characteristics. She finds that taking into account adjustments of product characteristics, such as newspaper quality, lead to substantial differences in the estimated effects of mergers. Filistrucchi, Klein and Michielsen (2012) compare different methods to assess unilateral merger effects in a two-sided market by applying them to a hypothetical merger in the Dutch newspaper industry. They find that a higher readership is associated with a higher demand for advertising, but also that a higher level of advertising leads to a small rise in readership. They also find that the welfare effects of the hypothetical merger are small.

According to Foros, Kind and Sørgard (2015), antitrust authorities have traditionally used a one-sided market approach to analyze media mergers. This claim is backed by Durand (2008) and Wotton (2007) in their analysis of the approach taken by UK competition authorities in the Carlton Communications/Granada and Archant/Independent News and Media cases of 2002 and 2004, respectively. However, this is changing. Both Evans and Noel (2008) and Camesasca et al. (2009) provide examples of recent cases where the two-sidedness of media has been discussed or taken into account by authorities in the U.S. (Google's acquisition of DoubleClick) and Europe (the acquisition of one of the Dutch yellow pages' publishers by the only other competitor). Filistrucchi et al (2014) also provide more recent examples.

There is no consensus regarding the welfare effects of JOAs. Romeo, Pittman and Familant (2003) estimate models of advertising rates for newspapers in 30 large US cities and find evidence that JOAs cannot act as unconstrained monopolists while setting advertising rates. Gentzkow, Shapiro and Sinkinson (2014) argue that JOAs lead to a higher economic surplus and diversity since they allow publishers to reduce circulation prices in order to increase readership, while Antonielli and Filistrucchi (2012) claim that the logic of JOAs is self-defeating, since editorial lines converge much more than in the case when newspapers cooperate on their editorial lines.

3. MEDIA MARKETS AND REGULATION IN PERU

3.1 Media regulatory framework

As mentioned before, Peru has a strong antitrust authority to deal with cartel and abuse of dominance practices but not a merger control regime. This is not casual. In 1991, when the first antitrust law was enacted, the country was only starting to recover from its most prolonged and devastating economic crisis of the previous 100 years. The country had been seriously mismanaged in the previous two decades by populist governments that run money-losing state-owned enterprises in almost every sector (there were even state-owned cinemas), incurred in large fiscal deficits financed by money creation, while at the same time it imposed price controls, high import tariffs and export taxes. In 1990, the economy was in shambles (hyperinflation surpassed 7,000% that year), subversive groups controlled large parts of the territory and Peru was on the verge of becoming a failed state. The situation only improved when a new government enacted a series of pro-market and fiscally-responsible reforms that curbed inflation, gave the Central Bank autonomy and fostered private investment (Paredes and Sachs, 1991). In that context, creating a regulatory framework that could be perceived as one in which the government was interfering with business decisions was unthinkable.

The economic chapter of the current Constitution, enacted in 1993, was inspired by the same pro-market principles. The government's direct intervention in the economy is limited and no public institution has the competence to set prices or block mergers, with the exception of regulators in four sectors where natural monopolies and high-entry barriers prevail: telecommunications, energy, transport infrastructure, and water and sanitation. The only sector where a merger control regime exists is electricity, since horizontal and vertical mergers could distort prices in a market where generation, transmission and distribution activities have been segmented. Since 2000, several bills aimed at creating a general merger control regime have been presented to Congress, but none has passed.

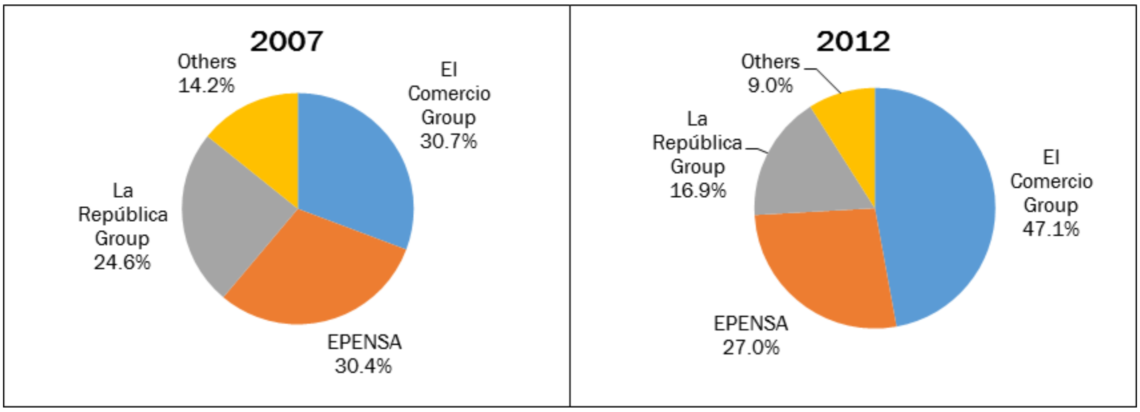
In the media sector, regulatory constraints to concentration only exist in over-the-air radio and television. In radio, no firm can be assigned more than 20% of the available frequencies within the same band and location. In over-the-air television, the limit is 30%. This is explained by the fact that the width of the signal spectrum is limited, and a large concentration of frequencies could constitute an unsurmountable barrier to entry. However, even in this sector, there is no limit for cross ownership of media outlets.

3.2 The Peruvian media market in 2012

With 180 years of existence, El Comercio is the most traditional daily newspaper in Peru. The group publishes four more newspapers and has diversified interests in television, education, entertainment and printing businesses. EPENSA publishes four newspapers ('Correo' is the flagship) while La República group prints three. Both Correo and La República are published under regional editions with high levels of readership outside the capital, Lima (where 30% of the population resides). Four other companies publish nine national editions and another eight print eleven regional newspapers.

Newspaper sales in Peru reached two million copies in 2012, an annual average growth of 8% since 2007. During this period, El Comercio Group's share grew more than 50% due to the success of 'El Trome', a paper written in informal language aimed at the base of the pyramid (see Figure 1). 'El Trome' is the best-selling newspaper in the Spanish-speaking world, even outselling others in more populated countries such as Spain and Argentina. This newspaper represents two-thirds of its parent group's average daily sales.

Figure 1: Newspaper average daily sales in 2007 and 2012



Source: KPMG (2013)

In 2012, 60 newspapers circulated in Peru. During the previous 15 years, more than 30 printed newspapers entered the Lima market, evidence that barriers to entry were low. Several digital-only newspapers have also entered the market. The fact that average daily sales of printed newspapers grew by 47% between 2007 and 2012 and the high growth perspectives of the Peruvian economy probably encouraged entry.

In 2012, newspaper revenues from advertising totaled US$197 million, 23% of all media sectors.[1] In terms of revenues, the most important medium in the advertising market is over-the-air television, which represents almost half of the total (see Table 1). It is worth noting that sectors subject to concentration limits (over-the-air television and radio) jointly represent almost two-thirds of the total.

Table 1: Advertising revenues in Peruvian media sectors, 2012

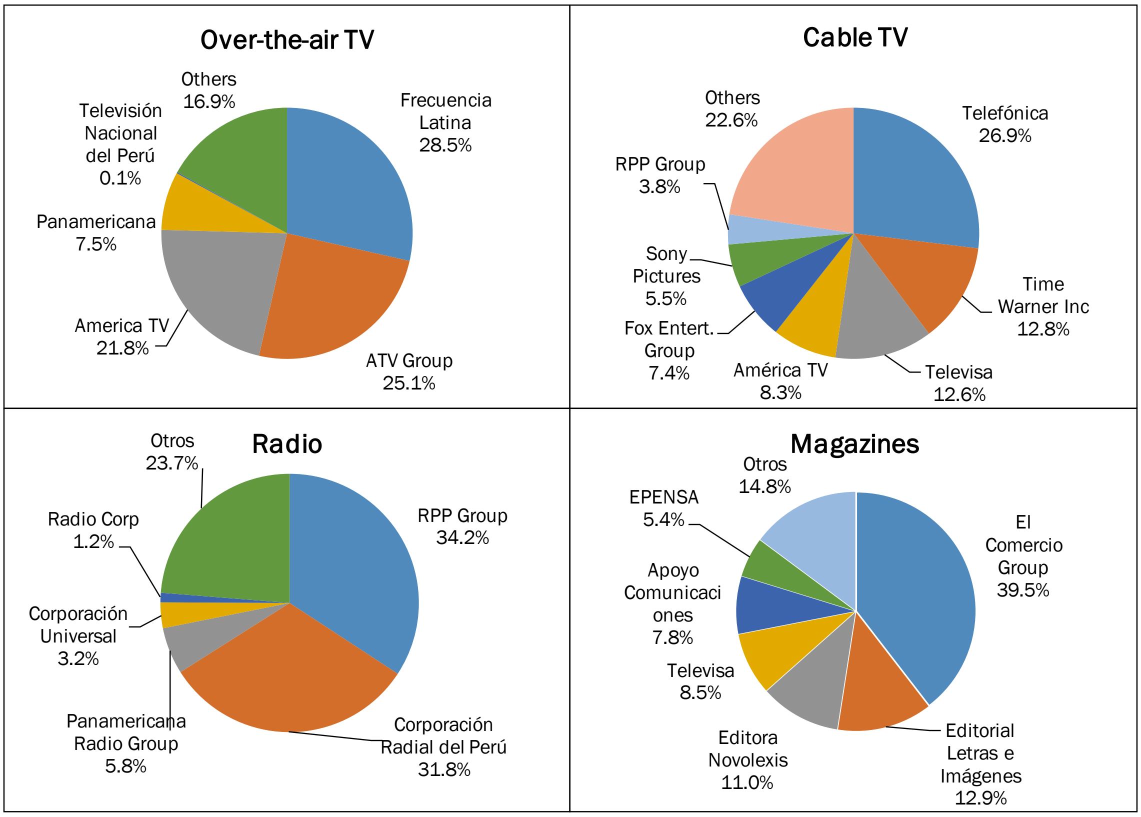
Medium	US$ million	Percentage	Limits to concentration
Over-the-air television	417.85	48.8%	Yes
Newspapers	196.98	23.0%	No
Radio	120.13	14.0%	Yes
Cable television	52.15	6.1%	No
Internet[2]	37.20	4.3%	No
Magazines	32.38	3.8%	No
Total	**856.70**	**100.0%**	

Source: IBOPE Time Peru (2012). Own estimations.

[1] Own estimations based on data from IBOPE Time Peru. Gross revenues from printed newspaper sales (mostly through kiosks) reached approximately US$180 million in 2012.
[2] Estimation made with the aid of the Peruvian media agencies' association (AAM).

Figure 2 shows market shares (in terms of revenues) within each media sector in 2012. It is worth noting that El Comercio and La República groups also participate in both over-the-air and cable television through America TV, a station 70% owned by the former and 30% by the latter. EPENSA and El Comercio Group also participate in the magazine business.

Figure 2: Market shares per conglomerate within media sectors, 2012 (revenues)



Source: IBOPE Time Peru (2012)

4. ESTIMATION AND ANALYSIS

4.1 Methodology

Media firms participate in both content and advertising markets. To determine if El Comercio/EPENSA's association is detrimental to consumers or advertisers, it is necessary to define both markets and analyze the degree of substitution between media sectors in each. However, if market definition in two-sided markets is troublesome (Filistrucchi et al., op. cit.), it is especially so in media sectors, due to rapid technological change, market multiplicity and data scarcity (OECD, op. cit).

In this study, we have used survey data to determine the degree of substitutability between newspapers and other media, a methodological approach consistent with those used by competition authorities to analyze substitution between merging firms' products (Foros, Kind and Sørgard, 2015). We have used this approach not only because of the impossibility to use the traditional SSNIP (i.e. small but significant non-transitory increase in price) test in situations where consumers face no price (over-the-air television and radio, free websites), but also because, in our judgement, asking directly to consumers –survey data– provides more reliable evidence than estimations based on subjective assumptions and 'creative' methodologies. The discussion of whether a minute spent consuming news via newspapers, television, radio, and the Internet weighs the same, sparked by the methodology used by the UK's media regulator in 2010 to analyze a merger proposal with cross-media implications, illustrates this point (Doyle, 2014).[3]

Moreover, even though the association between the El Comercio and EPENSA groups is limited to the commercialization side of EPENSA's newspapers and does not include their editorial lines nor their news divisions, we have assumed, for the sake of the analysis, that a full merger has taken place. This is to fully grasp the complexities of operations involving media conglomerates and also to analyze what would the consequences be if such hypothetical merger eventually occurs.

Data have been gathered from several sources: newspaper sales from KPMG (an international auditing firm); advertising expenditure in newspapers, television, radio and magazines as well as television audience from IBOPE Time Peru; and radio audience from CPI (a market research firm based in Lima). Discounts (the difference between advertising value provided by IBOPE and what advertisers actually pay) was estimated with the aid of El Comercio Group's marketing staff. Information regarding expenditure on Internet, billboards and "Below The Line" advertising[4] has been estimated with the aid of the Peruvian media agencies' association (AAM).

4.2 Substitution analysis in the content market

To determine if other media sector are reasonable substitutes for newspapers' content from the consumers' point of view, we resort to two surveys made by Kantar Media Research (2013) and Ipsos Peru (2014), whose results are presented in figures 3 and 4. Even though they differ in coverage and the period of consultation,[5] both indicate that newspaper readers also consume other media in order to obtain information .

Figure 3 indicates that information is the main reason to read a newspaper, but also to watch television. The second reason to read newspapers is entertainment. For other media sectors, information-seekers are important although they do not represent their main market.

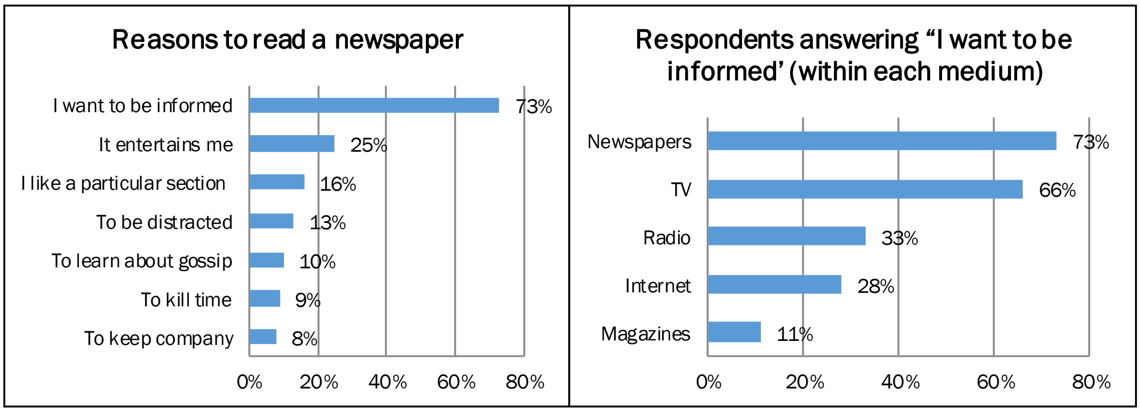
---

[3] According to Doyle (2014), some would argue that because television has more immediacy and impact, it deserves a heavier weighting.

[4] Sponsorships, events, tastings and sampling.

[5] The first is representative of Lima and the largest six provincial cities (43% of the country's population and was conducted in 2012 and 2013 while the second is representative of the entire country and was conducted in January 2014 (Kantar Media Research, 2013; and Ipsos Peru, 2014).

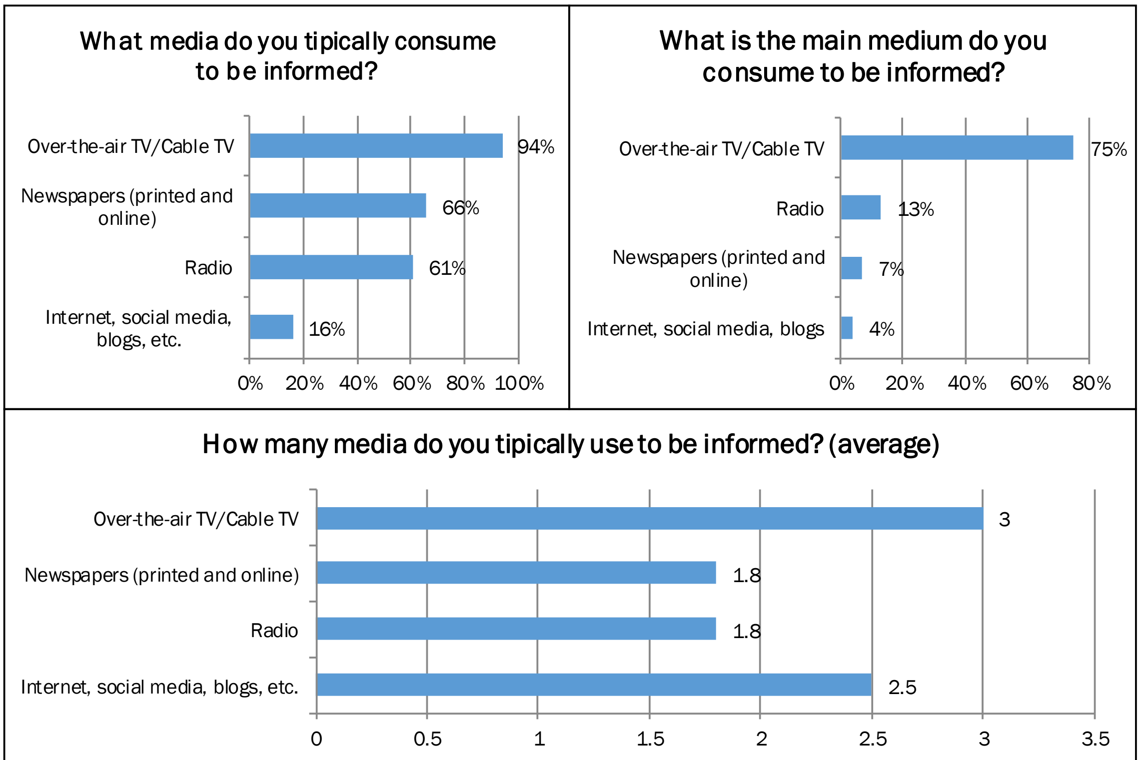
Figure 3: Answers to Survey 1 (Lima and six largest provincial cities)



Source: Kantar Media Research (2013)

Figure 4 is more enlightening, since it indicates that this category of consumers not only use other media but that they actually resort to television and radio rather than newspapers in order to obtain information (only 7% indicate newspapers as their main medium to be informed). It also shows that the typical Peruvian news consumer hops among television and radio stations, newspapers and Internet sites, consuming content from more than one outlet of the same medium.

Figure 4: Answers to Survey 2 (National-wide)



* Base: Total respondents that use the medium to be informed

Source: Ipsos Peru (2014)

It is interesting to note that according to this survey, the Internet seems to be the main source of information for only 4% of respondents, what contrast with the findings of Cho, Smith and Zentner (2016), whose results indicate that online competitors are driving newspapers out of business. This suggests that the dynamics of the Peruvian newspaper market is somewhat different to those of the ninety-country sample they use.

4.3 Substitution analysis in the advertising market

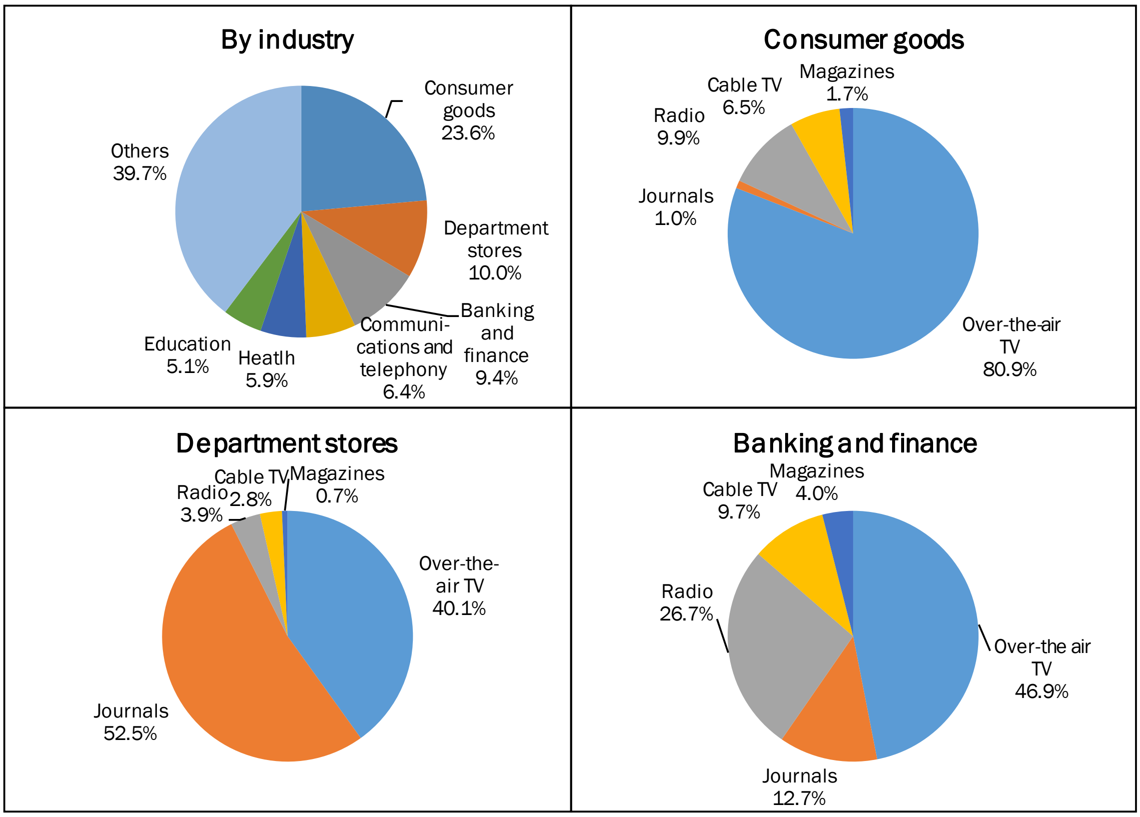
Advertising expenditure in Peru amounted to approximately US$1.1 billion in 2012,[6] almost a 90% increase since 2007.

The assumption that different media sectors are substitutes for advertisers is less controversial among academics. In fact, Seldona, Jewell and O'Brien (2000) have already proved it using U.S. beer firm data for three media categories. They find evidence of strong substitution possibilities from television advertising into both print and radio, from radio into both print and television, and from print into radio.

Data from the Peruvian market is consistent with their findings. As shown in the upper-left panel of Figure 5, three sectors –consumer goods, department stores and banking and finance industries– accounted for more than 40% of total advertising expenditures in 2012 (the survey covers 22 sectors). The remaining three panels show that companies within these three sectors distribute their advertising expenditures among all media sectors, a trend replicated in the remaining 19 sectors. The relative importance of each media sector depends on the industry. 80% of real estate advertising, for example, is made through newspapers, but this sector captures less than 1% of beauty products' advertising.

[6] Traditional advertising (newspapers, TV, radio, magazines and the Internet) accounts for approximately US$900 million (after discounts). "Below The Line" advertising was estimated in around 20%-30% of this amount.

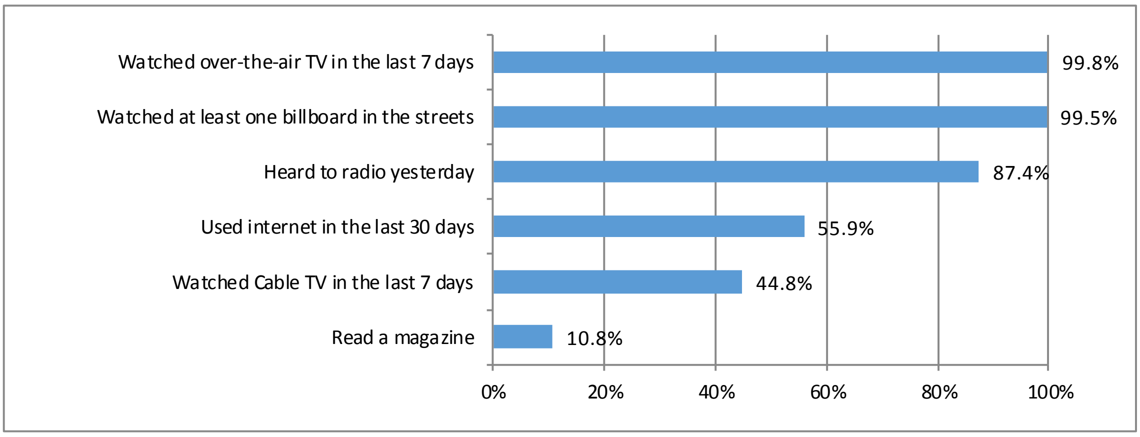
Figure 5: Distribution of total advertising expenditure in newspapers, television, radio, and magazines, and by the three largest industries, 2012



Source: IBOPE Time Peru (2012)

Figure 6 shows that practically all newspaper readers are also exposed to advertising from television and billboards. Also, that 87% listen to radio, more than half uses the Internet, 45% watches cable television and 10% read a magazine.

Figure 6: Newspaper readers exposed to advertising from other media, 2012



Source: IBOPE Time Peru (2012)

4.4 Market definition and estimation

From the previous section, it can be concluded that:

1. Newspapers are mainly read for information purposes.
2. Information seekers not only use media other that newspapers but in fact they prefer television and radio over newspapers (only 7% indicate that the latter is their main medium to obtain information).
3. Advertisers distribute their expenditures among newspapers and other media.
4. Newspaper readers are exposed to effective advertising from other media.

Therefore, it can be concluded that Peruvian newspapers face competition from other media sectors in both the content and advertising markets. Excluding them from an analysis of the consequences of a merger between newspapers is unwarranted as it would distort the analysis of the competitive dynamics of these markets and would lead to biased conclusions.

A further reason to take into account all media sectors when analyzing media concentration operations is that El Comercio and La República groups are partners in America TV, the television station with the largest audience in the country and the third in terms of revenues.

Since the newspapers published by El Comercio, EPENSA and La República groups are distributed nationally, the geographical market encompasses the whole country.

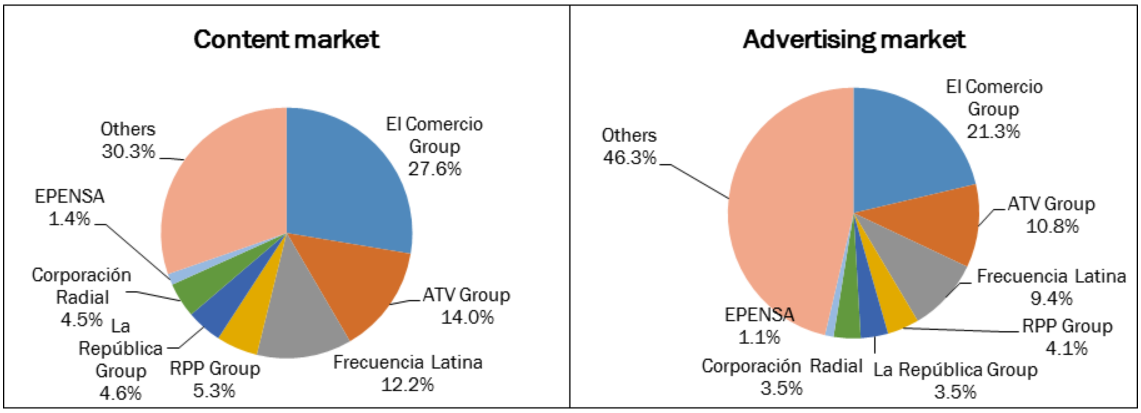
Media markets can be estimated in terms of audience or revenues. Doing it in terms of audiences implies methodological complications difficult to overcome, since different media sectors measure their audiences differently. Differences are demographical (consumers older than 11 years or between 12 and 64), of geographical reach (urban national or Lima and the six largest provincial cities), of frequency (daily or weekly surveys) and of period (continuous: between March 2012 and April 2013 or punctual: May 2013).

Due to these problems, we opted to estimate market shares based on revenues. Since some media sectors, such as over-the-air television and radio, are free for consumers, it is not possible to estimate the size of the market taking into account only revenues obtained from the content market. On the other hand, all media firms in Peru obtain revenues from the advertising market. Moreover, these revenues are proportional to the reach of each firm, therefore a reasonable indicator of the relative importance of each firm.

Figure 7 shows market shares by media conglomerate in both the content and the advertising markets. It can be seen that is the country's most important in both markets is El Comercio Group, with revenues of approximately US$300 million in

2012. La República group and EPENSA had approximate revenues of US$57million and US$36 million, respectively.

Figure 7: Market shares per media conglomerate (revenues), 2012



Source: IBOPE Time Peru (2012). Own estimations.

4.5 Results and discussion

According to the "Horizontal Merger Guidelines" of the U.S. Department of Justice and the Federal Trade Commission, a market with a Herfindahl-Hirschman Index (HHI) below 1,500 is considered "unconcentrated". According to these agencies, mergers in these markets involving an increase in the HHI of less than 100 points are unlikely to have adverse competitive effects and ordinarily would be cleared with no further analysis (U.S. Department of Justice and the Federal Trade Commission, 2010).

Table 2 shows the HHI of Peru's content and advertising markets before and after El Comercio/EPENSA's association.[7] It can be seen that both would be considered "unconcentrated" according to the abovementioned guidelines, and that El Comercio/EPENSA's association would increase HHI in less than 100 points, for which it would be cleared with no further analysis.

Table 2: Herfindahl-Hirschman Index before and after El Comercio/EPENSA's association

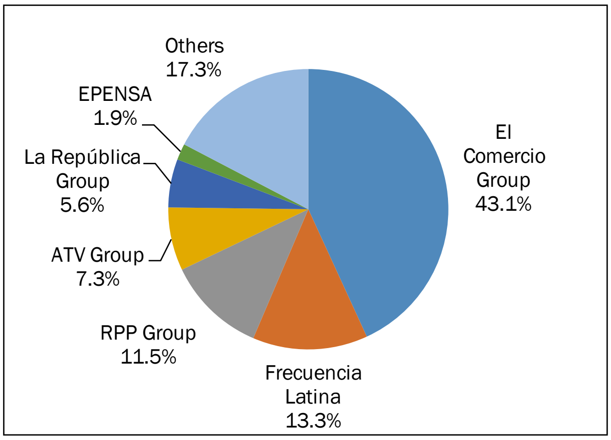
	Before	After	Increase
Content market	1,290	1,370	80
Advertising market	1,083	1,130	47

However, we went farther and estimated market shares in the content market taking into account only news-providing media and programs. In this case, only advertising revenue from the following categories and programs are considered: newspapers: all excluding "popular" and "sport" categories; television and radio: news, journalistic and political programs; magazines: only "informative", and

[7] Assuming a full merger between El Comercio and EPENSA

Internet: news providing websites (estimated). In this case, HHI is 2,319. Results are shown in Figure 8.

Figure 8: Market shares per media conglomerate considering news-providing media and programs only (revenues), 2012



Source: IBOPE Time Peru (2012)

Markets with a HHI between 1,500 and 2,500 are considered to be moderately concentrated by U.S. competition authorities. In these, mergers that involve an increase in the HHI of more than 100 points would warrant scrutiny because of potentially significant competitive concerns. A hypothetical merger of El Comercio and EPENSA editorial lines would increase the HHI by 162, from 2,319 to 2,481, therefore warranting scrutiny according to the Horizontal Merger Guidelines.

Would such merger be cleared? It is hard to say. It would depend on other factors subjectively considered by antitrust authorities, such as error-prone projections of how competition and prices will develop in the future (Kwoka, 2015) or vaguely-defined non-economic interests of consumers (Van der Burg and Van den Bulck, 2015); a problem only worsened by the influence media have over public opinion and politicians (Doyle, 2014). Moreover, market regulators usually hold discretionary powers that facilitate their selection of methodologies that would justify a decision in either direction (Defilippi, 2015). The weak institutional environment that characterizes emerging economies like Peru makes this decision even harder to predict. In any case, it is obvious that it will largely depend on the market definition.

What if we take pluralism into account? If the aim of media merger evaluation criteria is to promote pluralism then no concentration operation should be cleared since all of them would entail reducing the number of independent voices reporting the news. From our point of view, this corollary is unrealistic and shows that merger control is hardly the most efficient way to protect pluralism.

Indeed, the main policy instrument available to foster pluralism is to increase access to private and public funding, not prohibiting concentration. The challenge resides in how to finance independent voices when they are not profitable enough to stay in the market. Blocking media mergers for pluralism's sake implies that funding has to come from the inefficiency of maintaining separate cost structures when it is more reasonable putting them together. Arguably, subsidies or space in state-owned media for independent news organizations would be much more transparent and efficient ways to achieve the same goal.

On the other hand, there is evidence that media outlets do not choose consumers but that consumers choose news providers better aligned with their view of the world (Mullainathan and Shleifer, 2005). Concentration is then the consequence of large segments of consumers identifying themselves with a small number of news providers, a situation that will not change by governments maintaining in the market providers of information that consumers show little interest for. From our point of view, it is very difficult to argue that this is in the best interest of the public when the public, with their behavior, is revealing no interest in funding them. We acknowledge, however, that this discussion belongs more to the political than to the economic realm.

6. CONCLUSIONS

This study uses an original data set on Peruvian media to analyze the effect an association between the two largest conglomerates in the newspaper market would have on the content and advertising markets. This case is particularly relevant given the particularities of Peru's competition framework and media markets.

We use two surveys to determine substitutability between newspapers and other media. From them, it can be concluded that: (i) newspapers are mostly read for information purposes (entertainment is the second reason); (ii) information seekers not only use other media sectors but they prefer television and radio over newspapers: (iii) advertisers distribute their expenditures among newspapers and other media; and, (iv) newspaper readers are exposed to effective advertising from other media. Therefore, it can be drawn the conclusion that Peruvian newspapers face competition from other media in both the content and advertising markets.

Our quantitative analysis shows that both markets can be classified as "unconcentrated" according to the U.S. Horizontal Merger Guidelines and that El Comercio/EPENSA's association would increase the HHI in less than 100 points. This implies that this operation would be cleared without further analysis by antitrust authorities using similar guidelines.

We went farther and estimated market shares in the content market taking into account only news-providing media and programs. In this case, the estimated HHI is 2,319 and a hypothetical merger of El Comercio and EPENSA editorial lines would increase HHI by 162 to 2,481, therefore warranting scrutiny according to the Horizontal Merger Guidelines. In that case, it is difficult to assess whether such merger would be cleared, since it would depend on other factors subjectively considered by antitrust authorities.

REFERENCES

Anderson, Simon P., and Jean J. Gabszewicz, 2006. The media and advertising: a tale of two-sided markets. In Handbook of the Economics of Art and Culture, Volume 1. Elsevier B.V., Amsterdam.

Antonielli, Marco and Lapo Filistrucchi, 2012. Collusion and the Political Differentiation of Newspapers. TILEC Discussion Paper No. 2012-014, Tilburg University.

Camesasca, P.D., Meulenbelt, M., Chellingsworth, T., Daems, I., Vandenbussche, J., 2009. The Dutch yellow pages merger case -2-1 will go!. European Competition Law Review. 30 (4).

Chandra, Ambarish and Allan Collard-Wexler, 2009. Mergers in Two-Sided Markets: An Application to the Canadian Newspaper Industry. Journal of Economics & Management Strategy, 18: 1045–1070.

Chandra, Ambarish and Ulrich Kaiser, 2015. Newspapers and Magazines, in Handbook of Media Economics, Volume 1A. Elsevier B.V., Amsterdam.

Cho, Daegon, Michael D. Smith , Alejandro Zentner , 2016. Internet Adoption and the Survival of Print Newspapers: A Country-Level Examination, Information Economics and Policy Vol. 37: 13-19.

Defilippi, Enzo, 2015. X-factor regulation in a developing country: The case of Lima's airport. Transport Policy 41 (2015) 16–22

Doyle, Gillian, 2014. Media Ownership: Diversity Versus Efficiency in a Changing Technological Environment, in Handbook of the Economics of Art and Culture, Volume 2. Elsevier B.V. Amsterdam.

Durand, Benoît, 2008. Two-sided markets: Yin and Yang—a review of recent UK mergers. Concurrences 2.

Evans, David S. and Michael D. Noel, 2008. The analysis of mergers that involve multisided platform businesses. Journal of Competition Law & Economics (2008) 4 (3): 663-695.

Fan, Ying. 2013. Ownership Consolidation and Product Characteristics: A Study of the US Daily Newspaper Market. American Economic Review, 103(5): 1598-1628.

Filistrucchi, Lapo, Damien Geradin, Eric van Damme and Pauline Affeld, 2014. Market Definition in Two-Sided Markets: Theory and Practice, Journal of Competition Law and Economics, Volume 10 (2): 293-339.

Filistrucchi, Lapo, Tobias Klein and Thomas Michielsen, 2012. Assessing Unilateral Merger Effects in a Two-Sided Market: An Application to the Dutch Daily

Newspaper Market. Journal of Competition Law and Economics, Volume 8, Issue 2, June: 297-329.

Foros, Øystein, Hans Jarle Kind and Lars Sørgard, 2015. Merger Policy and Regulation in Media Industries, in Handbook of Media Economics, Volume 1A. Elsevier B.V., Amsterdam.

Furhoff, Lars, 1973. Some reflections on newspaper concentration. Scandinavian Economic History Review 1: 1–27.

Gentzkow, Matthew, Jesse M. Shapiro, and Michael Sinkinson, 2014. Competition and Ideological Diversity: Historical Evidence from US Newspapers. American Economic Review, Vol. 104, No. 10: 3073-3114.

George, Lisa, 2007. What's fit to print: The effect of ownership concentration on product variety in daily newspaper markets. Information Economics and Policy 19: 285–303.

Gustafsson, Karl Erik, 1978. The circulation spiral and the principle of household coverage. Scandinavian Economic History Review 26 (1): 1–14.

IBOPE Time Peru (2012): Monitor publicitario 2012.

Ipsos Peru (2014): Encuesta nacional Urbana Ipsos Peru, Lima. Enero.

Kantar Media Research (2013): TGI 2012-II/2013-I/CHIC 2012 Lima + 6 ciudades, Lima.

KPMG (2013): Atestación de circulación 2007-2012. Lima

Kwoka, John, 2015. Mergers, Merger Control, and Remedies: A Retrospective Analysis of U.S. Policy. MIT Press. Boston.

Mullainathan, Sendhil and Andrei Shleifer, 2005. The Market for News. American Economic Review 95 (1): 1031-1053.

OECD, 2003. Media Mergers. Directorate for Financial, Fiscal and Enterprise Affairs. Competition Committee. DAFFE/COMP(2003)16. Organization for Economic Co-operation and Development, Paris.

Paredes, Carlos E. and Jeffrey D. Sachs, 1991. Peru's Path to Recovery: A Plan for Economic Stabilization and Growth. Brookings Institution Press, Washington DC.

Parker, Geoffrey G. and Marshall W. Van Alstyne, 2000. Internetwork Externalities and Free Information Goods, in Proceedings of the 2nd ACM Conference on Electronic Commerce, New York: Association for Computing Machinery, 107-116.

Romeo, Charles, Russell Pittman and Norman Familant. 2003. Do newspaper JOAs charge monopoly advertising rates? Review of Industrial Organization. March 2003, Volume 22, Issue 2: 121–138

Seldona, Barry, R. Todd Jewell and Daniel M. O'Brien, 2000. Media substitution and economies of scale in advertising. International Journal of Industrial Organization, 18 (2000): 1153–1180.

U.S. Department of Justice and the Federal Trade Commission (2010): Horizontal Merger Guidelines. Washington DC.

Van der Burg, Miriam and Hilde Van den Bulck, 2015. Economic, political and socio-cultural welfare in media merger control: An analysis of the Belgian and Dutch competition authorities' reviews of media mergers. Information Economics and Policy, vol. 32: 2-15

Wotton, John, 2007. Are Media Markets Analyzed as Two-Sided Markets? Competition Policy International, Vol. 3, No. 1, Spring: 237-247.