

Summary

1. On 2 November 2009, the Office of Fair Trading (OFT), in exercise of its duty under section 33(1) of the Enterprise Act (the Act), referred to the Competition Commission (CC) for investigation and report the anticipated acquisition by Brightsolid Group Limited (Brightsolid) of Friends Reunited Holdings Limited (Friends) (the parties). The sale and purchase agreement was signed on 5 August 2009.
2. Brightsolid is a wholly-owned subsidiary of DC Thomson & Co Ltd. Among its activities, its subsidiary Find My Past Limited (FMP) operates as a leader of projects to digitize, transcribe and index historical records, and as an online retailer of data relevant to family history. Friends is a wholly-owned subsidiary of ITV plc (ITV). Its subsidiary, Genes Reunited Ltd (Genes), operates a social networking online family history website, which also provides its users with access to a number of historical records. There is no evidence to suggest that either company would exit from the market in the absence of the merger.
3. Both companies operate as providers of online family history data and other services, to which we refer as online genealogy services. There is no one measure of the share of supply of such services; but the share of supply test specified in the Act would be satisfied on reasonable and comprehensive measures of market share we have examined. We have therefore concluded that arrangements are in progress or contemplation which, if carried into effect, would result in the creation of a relevant merger situation. We have therefore to examine whether the creation of that merger situation may be expected to result in a substantial lessening of competition (SLC).
4. The UK online genealogy market has grown very rapidly over the last ten years, with a considerable pace of change in the number of suppliers and the range of their product offerings. The Internet is now the publishing medium of choice for all large

genealogical data projects, whether official, commercial or volunteer-run, and there is growing popularity for amateur genealogy in the UK. It is estimated that 2 million people access genealogy websites per month; a survey we commissioned of the users of the two parties' websites showed that the average user made use of four sites over the previous year.

5. The supply chain consists of:
 - (a) original data holders (ODHs), often public bodies which offer access to their records via partnerships with private companies that can digitize the data;
 - (b) the digitizers, which typically scan and transcribe the records in return for a short period of practical exclusivity in use of the data;
 - (c) the retailers, which market and sell the data and/or related services to end-users, and of whom the parties listed over 30 suppliers in the UK, including a number of free sites. Retailers are differentiated by the data and services they provide and by the extent to which particular data or services can be accessed free of charge. Some retailers are also themselves involved in digitizing or sublicensing—in effect wholesaling—the data; and
 - (d) end-users, who obtain information by either purchasing it, accessing publicly available information or by sharing information with other end-users (referred to as social networking in this context). The interests of end-users vary widely, from occasional users who only wish to develop a basic family tree to customers who wish to use specialised datasets.

6. The evidence suggests that there are broadly three distinct aspects to online genealogy services—core data, non-core data and social networking—of which FMP provides core and non-core data and Genes core data and social networking; the parties therefore only overlap on the provision of core data. For the purpose of our inquiry, we believed it appropriate to adopt a broad relevant market comprising all

online genealogy services, rather than three narrow market definitions. However, in considering the competitive effects of the merger within this broad market we take into account the differentiation between different providers' product offerings.

7. We examined a range of evidence in order to assess the unilateral effects of the merger, ie whether any loss of competition between the parties would be such as to allow the merged company profitably to raise prices, at least in the short term. Data on market shares showed that the largest supplier, Ancestry.co.uk (Ancestry), would continue to be so by some margin after the merger. Our review of the parties' internal documents suggests that competitors' prices are taken into account in the pricing decision; but there was nothing to suggest that the parties represent a closer constraint on each other than Ancestry, or indeed other providers. A comparison of subscriptions offered and of price levels suggests that Ancestry's products overlap those of Genes and FMP individually more than their offerings overlap each other. We also commissioned a survey of about 4,000 users of the two parties' websites, the results of which were consistent with the view that FMP and Genes are to a large extent complementary with a different focus on supply of data and social networking respectively, that Ancestry represents a significant constraint in the market, and that free sites may also constrain prices in the market.
8. We found that the unilateral effects of the merger would be unlikely to result in an SLC, due to the extent of differentiation and limited overlap between the parties and the other constraints on prices remaining after the merger, or create the incentive or ability for the merged firm profitably to increase prices. There is also the potential for the merger to have pro-competitive effects on prices, given, among other things, the complementary nature of at least part of the parties' offer, although we have not based our assessment on any expectation that prices would necessarily be reduced as a result of the merger. We saw no evidence that, in the absence of the merger,

current or planned investment by either Genes or FMP would lead to the parties becoming significantly closer in product offering and hence closer competitors on prices in the period relevant to our assessment of the merger. We found that the merger (and corresponding larger customer base) may increase the scope of investment and innovation by reducing the risk associated with upfront investment costs, as a result of the merged firm offering a product more comparable to that of Ancestry, increasing competition in innovation and improvements in product quality.

9. We do not consider that the merger would be likely to give rise to any coordinated effects, ie any risk of coordination or tacit collusion between the suppliers. There is a lack of reliable measures of prices and volumes, which suggests to us that the market is much less transparent than we might have originally expected. The market seems also still to be very unstable in terms of size, having experienced periods of growth and periods of stability and subject to sharp fluctuations. The merged entity would be much smaller than Ancestry and hence the firms that could in principle coordinate would be significantly asymmetric in size. These factors, together with the number of free sites in the market, are likely to undermine any ability to coordinate behaviour.

10. We found that the merger is unlikely to affect competition in the supply of digitization services, or to result in any market foreclosure by affecting the availability of data to retailers of online genealogy services. Genes cannot itself be regarded as an actual or potential digitizer of data in the period over which we are considering the effects of the merger; although the merger could still have an indirect effect given that it is a significant purchaser of digitized data, there are other sources of potential competition for the digitization of genealogy data and for the wholesaling of most core datasets to retailers. The ODHs, such as The National Archives (TNA), are in a strong position to encourage new entrants to the digitization of data and otherwise

prevent any restriction in the availability of data to retailers. We also noted the significant amount of entry into what has been a rapidly growing and volatile market and consider that there is scope for further new entry into the supply of online genealogy services.

11. We have therefore provisionally concluded that the merger may be expected not to result in an SLC.