

Chapter Six – Analysis and Conclusion

This study is underpinned by the following aims, to critically examine *ThisDay's* strategies in their attempt to break into the South African market and examine certain aspects of the political economy of the South African media, in particular the dynamics of advertising as a key source of revenue; to examine how they could have played a contributory role in the collapse of *ThisDay* newspaper. It seeks to the specific strategies used by *ThisDay's* management to attract advertising as a key source of revenue; and how the failure or lack of such strategies could have played a contributory role in the collapse of *ThisDay* newspaper.

The further consolidation of ownership in the competing media companies during the emergence of *ThisDay*, the intricacies and complex relationships that existed between the South African media, its owners and advertisers have been examined, to determine whether the actions of the competition contributed to *ThisDay's* failure. The importance of the press to the sustainability of a participatory democracy is an underlying theme in this study. Why would a quality paper like *ThisDay* newspaper fail? What does this failure portend for the South African media industry? Empirical evidence gives credence to media theory which argue that a newspaper will find it hard to survive without adequately being subsidised by advertising revenue, but does that ensure a newspaper's success, what paradigms are we to use to measure a successful paper? This leads us to an important enquiry; what significance did advertising or the lack of it, have on the rise and fall of *ThisDay* newspaper. This chapter attempts an analysis of the findings in the preceding chapters in an attempt to pull together media theory and findings.

6.1 Media concentration in South Africa

Perspectives from Habermas (1964), Curran (2000), Duncan and Seleoeane (1998) embody the role of the media in the sustaining the vibrant debate that facilitates a sustainable democracy - a role significantly played by the alternative press in apartheid South Africa. In South Africa's nascent democracy, the press has the additional responsibility of bridging the intellectual, political and economic gap created by

apartheid. Murdock (2002) argues that in a society, citizens require comprehensive political information to exercise their full rights as citizens of a democracy. They are entitled to see their own experiences, opinions and aspirations given representation in the media as well as having the right to participate in debates.

It also argued that the diversity of media encourages diversity of views, therefore affording the people the choice of information to form their political opinions. Herman and McChesney (1997), Bagdikian (1997), critique claims from proponents of media concentration that deregulation of the media and the free market ideology will aid competition, increase the choice and quality of media products. They also disagree with claims that old-fashioned anxieties about media monopoly will be made redundant as deregulation encourages competition, investment and a growing diversity of products. A major critique from Murdock (1994), though acknowledging the ‘more choice’ argument as ‘highly plausible and seductive’, argues for a distinction between plurality and diversity. Empirical studies that support these critiques have shown that the concentration of ownership in the press yields diminished editorial voice, the decline of journalistic values, diminution of the press’ watchdog function, reduction in the diversity of ideas, and consequently thwarts democratic deliberation. In South Africa, plurality seems to be the order of the day, its easier to have the press saying the same thing in various ways, than offer a fresh insight into an issue; this is a direct result of media concentration. *ThisDay* was the first main stream newspaper to be launched in two decades. It brought diversity and a breath of fresh air to the print media, but that in the end did not guarantee its success; with its demise the South African print media has returned to the status quo.

In chapter two, literature review identified regulatory forces as a major barrier to a new media outfit. Picard (2002) argues that regulatory forces represent the legal, political and self-regulatory forces that constrain and direct operations of the media. Most governments have strong regulatory legislation to restrict the formation of media entities; circumventing these regulations would result in the application of legal sanctions to the defaulter. Self-regulatory measures are often taken by the media in order to stay relevant to advertisers who supply a major part of media revenue. Nevertheless in South Africa

government seems to favour the creation of more media outlets. In practise however it seems they would prefer a tighter control on the media, this seems apparent from instances of criticism the media receives whenever its focus on misdeeds by government officials unearth a major scandal. An example is the recent coverage of undelivered promises by the ANC led government in the local government level, this culminated in strikes at municipalities nationwide. The media was quickly accused by government of allowing themselves to be manipulated by anti democratic agents.

The media in its watchdog role in South Africa effectively provides a check on the excesses of government. Curran (2000) notes that government control of the media is a clear sign of the failure of democratic institutions as most media theoreticians who champion liberal pluralistic ideals generally view any government attempt at intervention in or regulation of the media with deep suspicion. A liberal and unfettered media in its critical surveillance of government activities is fundamental to the functioning of a democracy. The media however faces a much bigger threat that seems to effectively regulate its operations; this phenomenon has occasioned a growing synthesis in the relationship between the media and big business. The Marxist approach to political economy, which critiques the liberal pluralistic theory of the media, argues that this threat to the media comes not only from arbitrary government intervention, but also by the subjugation of the communication industry to unrestricted market forces. This undermines the public sphere because the principle underlying the free market economy is profit making and this often leads to the concentration of ownership. (Shoemaker and Reese, 1991: 145) South Africa in post apartheid, with its re-entry into the market place is faced with the realities of a global media environment. The media has been confronted by economic factors (a global phenomenon; McChesney and Nichols (2002)) that have resulted in the consolidation of media and related industries in the stable of a few conglomerates. These economic imperatives have further strengthened the drive for profit over journalistic pursuit. (Murdock and Golding, (1973); Bogart (1994) and Herman and Chomsky (1988).

The implications for the media industry and democracy are enormous. As media capital becomes concentrated, so does the interest that shape media content. The real goal of capitalism's purported "free market" organisation of the media it seems is aimed at creating centralised and concentrated media conglomerates with narrower and narrower interests. This has resulted in six corporations owning the production of media related products globally (see Bagdikian, 1997). For example much is said about Rupert Murdoch and the amount of power he exerts due to his ownership a large percentage of the worlds' media; speculations are also rife on his manipulation of public opinion to suit his business purposes. Murdoch is an example of the modern media tycoon, one of the largest media owners in the world. He has often been heavily criticized for providing self-serving information, self-promotion, playing favourites and disguising political advocacy as news. Democracy as a whole could be threatened as the diversity of information available to the consumer could be limited.

While *ThisDay*'s entry into the market had its political and economic implications, its entry provided the diversity of information that was becoming increasingly limited. However its entry was a potential economic threat to the conglomerates that controlled the majority of media opinion in South Africa. Would *ThisDay* have survived if it were not in the stable of these groups? The economics of media demand a solid financial backing for any media house willing to brave an environment largely controlled by these conglomerates, this is because of the enormous resources at the disposal of these conglomerates which gives them a competitive edge of cross subsidizing any product; this is a strategic advantage of consolidation and media concentration which enables major groups to keep ahead of competition. "Global competition is fierce competition, and firms need to be fast on the uptake...if they are to survive" (Lipsey and Chrystal, 1995: 258).

A widely favoured second option is for that media to belong in the stable of one of the groups. Basic media theory posits that it would have benefited from the economies of scale and scope that add to the advantage of these major groups, "Firms with economies of scale can thus sell products and services at a lower price or retain greater profits than

firms with lower economies of scale or diseconomies of scale” (Picard, 2002: 73). These perspective are mirrored in Hoskins, McFadyen and Finn arguments, they note that “Economies of scope enjoyed by multiple product firms may deter entry; this sometimes involves vertical integration, with the same company involved in production, distribution and retailing of these products” (2004: 149). While these advantages of being part of a conglomerate are acknowledged, *ThisDay*’s survival in the market would not have depended entirely on these.

Picard’s (2002) argument that regardless of cultural, political and social roles and expectations of the media, media must cover their cost and create returns, just as any other business or they would wither and disappear rings true. Picard (2002) states that “the economics and financing of media companies are the foundation upon which all media activities take place” (2000: xi). If its owners had understood the implications of running *ThisDay* newspaper as a business, and been able to recover cost on a monthly basis, *ThisDay* would have stood a chance inspite of the fierce competition for advertising revenue. The findings of this study reveal that the market was certainly big enough to support another newspaper, and also needed an alternative product, which *ThisDay*’s general quality news had provided. Paradoxically, the market was also closed to *ThisDay*, due to what Lee notes as “the existing problems of incomplete emancipation, resource inequity and cultural distortions resulting from the economic dynamics of advanced capitalism” (2001:5). *ThisDay*’s success as a newspaper should be measured as having provided quality news. A quality newspaper does not always have a mega circulation. It normally targets the elite who inspite of their access to limitless financial resources are just a tiny representation of the entire population. Quality papers are often perceived to be too serious and hard to read; due to the grammatical expressions and the style of presentation that often focuses on issue driven journalism, a sharp contrast to tabloids which are mainly events driven. Rabe (2005) argues that success should be measured according to various aspects of the target market, even with a small circulation.

6.2 The role of *ThisDay* management's strategies

Setting up a new business is risky, the responsibility that fall on the managers of media organizations, include leadership, motivation, planning, marketing, and strategic management. As most media owners expect to show some level of profit no matter their idealistic leanings, applying the right strategies is the only defence against certain doom. This amplifies perspectives from Picard (2002); Doyle (2002); Hoskins, McFadyen and Finn (2004), who all agree that media firms are constantly having to grapple with the risk of managerial decisions taken on current and future activities. In positioning any business, a major factor is the strategies that are evolved by the managers to promote or enhance the competitive nature of that product. In chapter two, this study discussed perspectives from Picard (2002) that emphasised the importance of acknowledging the various factors that would ensure that a media entity succeeds or fails. These include market forces, cost forces, regulatory forces, barriers to entry and mobility⁵⁷. A proper management of these factors would entail evolving adequate strategies to handle these challenges.

The role of the management strategies in the demise of *ThisDay* should not be understated, findings from this study show that *ThisDay*'s management had no grasp of the economic reality of the South African media environment. Curran and Gurevitch (1996), Bagdikian, (2000), Murdock and Golding, (1973) argue that media companies are first and foremost commercial organizations which produce and distribute commodities, and were encouraged to behave like real businesses if they are to survive. However, to become a serious quality newspaper - the model that *ThisDay* sought to be and succeeded editorially, business acumen must be mixed with liberal pluralist idealism; this means the paper must be seen as seriously pursuing liberal pluralist ideals inspite of its drive to make profit. This seems a heady mixture for the South African market as anecdotal analysis has shown that serious newspapers never make money or for a long time struggle to do so. The *Mail and Guardian*, a quality weekly newspaper had to struggle financially for a long time.

⁵⁷ See chapter two

ThisDay's management strategy seemed to have been focused first in breaking the monopoly that existed in the South African media- major barriers of vertical and horizontal integration. In the findings in chapters four and five, a major mistake was already made when management's poor planning resulted in a reckless spending spree even before a newspaper was birthed. Its major strategy of becoming a national paper seemed too ambitious, without an adequate economic base which Murdock and Golding, (1973) argue is the starting point of economic and industrial organization of any media. Maybe *ThisDay* was doomed from the first day.

The next obvious challenge was management culture of the newspaper; there was no sense of cohesion in the paper, and with no corporate governance and the constant meddling of the owner - cum editor in chief, Obaigbena, the cost implications of running a paper of *ThisDay*'s magnitude became humongous. The clash of management cultures which was Obaigbena's personal style and the style of the professional managers contributed to widening the rift that had existed in management, it is proper to say that this study identifies this as a major reason for the lack of cohesion which was visible throughout the paper's existence. Lack of clear leadership and oversight can become a major disadvantage to any organisation, even when a clearly thought out business plan is available the changing business environment demands a focused approach which could require an alteration in strategy to accommodate unforeseen challenges.

The only strategy that happened to have worked to an extent was the excellent editorial content of *ThisDay*, its issue driven approach to journalism earned it some recognition as a top quality newspaper. This however did not seem successful enough because the size of readership needed to embolden the paper's image was never actualised, fierce competition and negative media blitzes became the newspaper's Achilles heel. So *ThisDay*'s attempt at breaking *The Star*'s 'product differentiation' of which is the ability to create consumer loyalties and identification with existing products that makes it difficult for new firms to overcome was only marginally successful.

Picard (2002), identifies the limitations to access to distribution channels as a barrier to entry; *ThisDay*'s inability to establish an effective channel of distribution affected its circulation. Although major media companies normally enter into exclusivity contracts or joint distribution networks which they could keep closed to a new competitor, in theory South Africa's anti competition legislation prevents major companies from doing so. In the final analysis of findings *ThisDay*'s lack of control over its printing and distribution adversely affected its circulation. A common perception is that it is almost impossible for new entrants to overcome these barriers except if they exist as part of a conglomerate, *ThisDay* could have reduced these barriers if it had evolved adequate strategies - introducing new techniques and methods of operation that avoid traditional cost structures. These would have meant avoiding the unnecessary spending of money on capital costs, trimming down on the staff strength and evolving a staff remuneration system that would have reduced the huge salary bill it incurred every month. Introducing innovative ways of marketing and distribution would have been an added bonus (see Picard, 2002 in chapter two).

6.2.1 Marketing Strategies

A successful marketing campaign of a product will result in generating the right kind of publicity that would reel in customers; a proper business plan must make adequate provisions for this aspect. A strong marketing drive, coupled with the right amount of funds to support it would have had the right kind of effect on the South African market. A theme that resonates throughout this study is the obvious lack of or inability to access funding for *ThisDay*'s marketing drive, as a result, the paper was a relatively unknown entity even in its immediate target market- Johannesburg. *ThisDay*'s management strategies failed to harness or control its market forces, thereby rendering the newspaper ineffective in a highly competitive market. An effective management would have taken into cognisance the capital requirements needed to operate and sustain *ThisDay* newspaper until the event of it becoming profitable. *ThisDay*'s overhead or operational costs outweighed the amount of income generated by the newspaper. A proper analysis of these failed strategies amplifies perspectives from Doyle (2002) and Picard (2002) who argue that advertising or marketing media products become a necessity if the products

exist in a competitive market; so *ThisDay*'s management failed in its inability to market the newspaper as a product.

6.2.2 *ThisDay* and its pricing element

In recent times, newspapers do not have to depend on the cost of copy to survive and declare profit, the high cost of production and the low cost of copy underlie the increasing dependence on advertising to bolster their finances. Proponents of advertising argue the higher the circulation a print publication achieves, the higher its revenues from both cover-price and advertising. A higher circulation would have allowed *ThisDay* to increase its advertising rates. *ThisDay*'s broadsheet format should have tallied with the general rule - a broadsheet will derive 60% of its revenue from advertising and 40% from cover-price, a tabloid will derive 60% from cover-price and 40% from advertising. Advertisers are willing to pay more to advertise in a broadsheet because its readers tend to have greater purchasing power.

In a competitive market, the price of copy could go along way at positioning a newspaper in the advertiser's scale of preference; if a quality newspaper is priced too low, it will send the wrong signals to advertisers and yet if its priced too upmarket, its circulation figures might drop. Pricing a newspaper in a competitive market is a risky exercise; it could in a disaster if it does not trigger a circulation windfall. Yet it can be assumed that *ThisDay*'s target market had enough money to afford a quality newspaper at an average price. A newspaper in a competitive environment must consider the pricing structure of its rivals before setting its own price, this is to attract advertisers because as Picard (2002) noted, demand is especially sensitive to price changes when there is another competing daily paper and its audience demographics are similar, and the disparity in circulation between the two papers is not great. So *ThisDay* could have pegged its price at R4.50, this would have given the impression that its management considered its content and structure superior to *The Star*, its main rival. Its failure to do so gave the impression that *ThisDay*'s cover price was an attempt to undercut *The Star*'s R3.20 copy price⁵⁸.

⁵⁸ See ABC figures in Appendix A

Advertising space is not a homogeneous commodity, but something whose value depends on the characteristics of a newspaper's readership (as discussed in chapter two). Messages are worth transmitting only if their value exceeds the next best use of the required resources. Advertisers' first preference is that the content of the media's product generate as large an audience as possible but they also want to sell their products to those with the most amount of disposable income. It is suggested, in particular, that the proportion of readers belonging to the more affluent social categories will exert a strong positive influence on advertising. Just as businesses must cater to consumer preferences in producing goods and services, advertisers need to cater to audience preferences to gain exposure for their advertisements. *ThisDay*'s copy price left advertisers confused as to who its target market really was, its promise to deliver the most exclusive market was seemingly undermined by the three rand which placed it target market at LSM 4-6.

6.2.3

Advertising in *ThisDay*

Although *ThisDay* had no marketing strategy or drive, it succeeded in getting some level of advertising from the first day it launched, its track record is better than *The Daily Sun* newspaper which had a large circulation and yet initially had almost no advertising; *ThisDay*'s huge overheads and its non-existent financial management culture drove it to the point where management was desperate for advertising and that resulted in the MTN yellow paper; was this a good move? No matter which side argues for or against, this was perceived in the industry as a classical example of desperation, the kind that critics of the market driven journalism culture would cite as threatening journalistic professionalism by conflicting with the historical role of newspapers in a democracy. While Hoskins, McFadyen, and Finn (2004), note that reliance on advertising whether as partial or total revenue source could affect its content, first as the advertisement being a substantial part of the content could affect its value and secondly as content is often aligned to promote or create a suitable environment for the advertiser. The question stands, did the MTN paper compromise *ThisDay*'s editorial? No, but a continued practise would have affected it in the long run because the media's dependence on advertising could result in their

pandering to the demands of advertisers. Proponents of the corporate bias argument⁵⁹ (Herman and Chomsky 1988) claim that the media serve the interests of advertisers over those of the audience (Cited in Sutter 2002).

6.3 The Significance of Advertising to *ThisDay*'s demise

6.3.1 Advertisers Apathy

The delayed launch of *ThisDay* and the resultant negative coverage it generated from the competition went a long way to destroy its credibility; while its initial advertisers were enthusiastic about the product; the majority of advertisers still treated *ThisDay* with a healthy level of scepticism. This problem as noted in chapter four was a result of the caution displayed by media planners and buyers who have to see some measure of success before committing funds to a newspaper, *ThisDay* other problems and the increasing negative exposure it received- the culmination of which became its circulation woes, eventually drove away advertisers and when this last bastion of hope was removed the paper had to fold. Media theorists agree that advertisers are less likely at place any advertisement on a controversial newspaper be it political controversy or otherwise, this is because of the perception that the controversy will rub off on the product advertised. Therefore the traditional wait and see attitude of advertisers did hurt *ThisDay*, its management assumed prematurely that *ThisDay* would bring in the amount of advertising that would have sustained it.

There is a common perception that no newspaper can survive without revenue from advertisers, the transmission of messages is costly, and the modern mass media rely mostly on advertising to cover these costs (Sutter 2002). *ThisDay*'s failure only supported that theory; while this to some extent is plausible and critics are increasingly clamouring for new ways to boost newspaper revenues in ways that will lessen its reliance on advertising. If *ThisDay* had been in the major stables and had a capable management, with the cross subsidisation that titles in these groups enjoy, it could have survived for at

⁵⁹ This argument notes the increasing bias of the media favouring the advertisers; they rely on the obvious self-interest of corporations, they offer numerous examples of the pro-business content of the media. They also offer examples of stories purportedly killed due to pressure from or fear of offending advertisers.

least two years without any need for substantial advertising, however the bottom line is to generate profit on the long run.

What significance did advertising play in *ThisDay*'s demise? Bagdikian (1983) notes that the success or failure of the media depends on its success or failure to attract advertising revenue. Advertising also has the ability to influence newspapers' size, selection of stories, organization and personnel, and the lack of advertising results in vulnerability to the economy. The role that advertising played in the demise of *ThisDay* contrary to popular perception was minimal; *ThisDay*'s collapse came as a result of a combination of factors, the poor execution of a bad business plan being the most prominent of these factors. De Wet (2005) notes that *ThisDay*'s business model was never going to be an attractive vehicle for key South African advertisers this resulted in its inability to attract the top three South African advertisers retailers Shoprite/Checkers, Pick 'n Pay and Spar.

If the business plan had been adequate and the management strategies properly formulated and executed, then *ThisDay* would have gotten all the advertising support they needed and more. A contemporary example is *The Daily Sun* newspaper which initially was starved of advertising, recently because of the huge success it has become,⁶⁰ it can no longer be ignored; advertisers now clamour for space in the newspaper. However let us assume that Bagdikian's perspectives are infallible and *ThisDay* had gotten all the advertising support it needed at its launch, it would have succeeded in paying for more journalists, improved its equipment, funded its distribution and printing more effectively and maybe broken even financially a lot earlier. However the combination of its management's track record of misguided priorities, poor management, the bad business plan as well as all the other factors that this study has identified would have led to a withdrawal of advertising support in the end.

⁶⁰ The Sun has the largest circulation figures in Southern Africa.

6.4 Conclusion

The concept of *ThisDay* newspaper and the role it was expected to play in the South African media held a lot of promise, although it was to be launched in a difficult market with a concentration of media ownership and its monopoly on the distribution and supply of the print media, the amount of confidence shown can first be noted by the caliber of talent that left the competition to be part of the project. However the content of a newspaper alone does not guarantee the success of a newspaper, its management must take into cognizance the dynamics of media economics or face the consequences which will result in failure.

Why did *ThisDay* fail?

This is a complex question that requires a multiple level of answers; one of them is a clash of the Obaigbena's business culture⁶¹ with good business management in the South African market. The two markets are completely different in terms of the financial sophistication and such, the kind of risk Obaigbena would take there is infinitely more difficult to do in the South African media which is a much harder market to succeed in. In Nigeria, success depends largely on how your product resonates, but in South Africa, a newspaper's distribution is probably more important, the concentration of media ownership has resulted in an entrenched industry that has developed a lot of power over many years and its power is in printing and distribution. However, the major players were willing to cut a deal with Obaigbena if he would agree to the usual cross ownership arrangement that is rife in the South African print media, but his independence was very important to him. The failure to agree to a local partnership with the added value of a South African business culture was a major mistake. Matisonn (2005) is of the opinion that at the end Obaigbena decided to close the paper rather than take a partner.

While other factors could also be listed, *ThisDay*'s biggest problem was undercapitalisation and poor financial management. This in turn triggered a lot of other problems, the multiplier effect being its closure and loss of credibility. Even if *ThisDay*'s management were to attempt to reenter the market as they promised, its reputation has

⁶¹ This is however not representative of the business culture of all Nigerian entrepreneurs.

already been ruined and therefore it would not succeed. *ThisDay* management's failure is a classical example of how not to run a newspaper. The demise of *ThisDay* newspaper is a loss to South African journalism, in two aspects, the industry lost a quality newspaper which greatly improved tremendously the level of South African journalism (the quality of which many now say is in a decline) and secondly its failure will serve as a deterrent to any aspiring entrepreneur who would like to put together a quality product, the perception will be that quality newspapers are not profitable.