Chapter Four - Issues around Media concentration in South Africa

4.1 The South African Media – An overview

In this chapter, the study will focus on findings about the South African media, and how it fares in the global context. Globalisation has had far reaching results and its effects have been felt in South Africa,

> Capitalism's "free market" organisation of the media has resulted at centralised and concentrated media conglomerates with narrower and narrower interests. As media capital becomes concentrated, so does the interest that shape media content. As the media industries have become more profitable, non-media firms have started to buy up media properties (Williams, 2003: 80).

Williams notes that cross-media ownership has developed at a rapid pace in recent years. This chapter will give an insight into issues of ownership and concentration in the South African media, and examine the barriers that could have been encountered by *ThisDay* newspaper. It will also discuss issues around the advertising industry in South Africa including an examination of the role of media planners and their methods of evaluating the media to understand how this affects the advertising placed in the press. However, to better understand the South African media today, a brief insight into its historical context will be illuminating.

4.1.1 The history of the South African Press

The history of the South African press can be traced to the first newspaper published in the Cape in August 16th, 1800. Pedro Diederichs noted that this small bilingual newspaper, *The Cape Town Gazette and African Advertiser / Kaapsche Stads Courant en Afrikaansche Berigter* has spawned an industry which has grown to become the largest in Africa with 5000+ registered publications[33].

The history of the South African press can be better narrated through the evolution of the three distinct press groupings, the English press, the Afrikaans press and the Black press. The English press was linked to the mining industry. Mining tycoons established or acquired newspapers, which added to their influence and boosted the growth of their

[33] Cited in De Beer (1993: 71, 73)

business empire. The English press when compared with the Afrikaans press was known to be fairly liberal, a legacy that was inherited through the ties that existed with Britain. Jackson (1993: 17), however notes that although the English press saw Britain as their source of spiritual and professional roots, they still maintained their independence in what became a unique South African blend. The Independent Newspapers group can trace its roots back to 1889 when Francis Dormer established the Argus Printing company which had close links with Cecil Rhodes (www.southafrica.info). The English press dominated the country during the British rule of South Africa that lasted from 1910 – 1948, when the National Party took over.

The Afrikaans press originated as a reaction to the hegemony of the English press, championing the cause of Afrikaner nationalism and resisting British liberal views. The press was seen as a cultural and political weapon for the promotion of Afrikaans language and political independence, as well as drumming up support against the threat of perceived Black Nationalism (www.southafrica.info). As no newspaper is a passive reflection of their society the Afrikaans press contributed immensely to the victory of Afrikaner politics which reaffirm their position as stalwarts of the National Party. Jackson (1993: 18) states that "after the victory of the National Party, the Afrikaans press became the official voice of the apartheid ideology; switching from an oppositional role to that of serving the government". The National Party saw a lot of opposition from the English press which only served to heighten already strained government-press relations; the press consequently drawing flak from the government.

According to Hachten and Giffard (1984: viii) the government had essentially sought to tame the press through different forms of control, "coercive and manipulative."

> Coercion included legislation that determines who may publish and what may be published as well as less direct measures, such as intimidating the press into self censorship, while the manipulation included the extensive state machinery used both to suppress unfavourable information and to promote a positive image of official policies at home and abroad.

While the English press regarded itself as unofficial “opposition”, radical critics, including some blacks, argued that the English press was itself a part of the white power structure and by its token opposition actually legitimised the apartheid structure. (Ibid)

The history of the South African press will not be complete without a brief analysis of the non-White Press[34] (or for the purposes of this study the Black Press in general terms). The origins of the Black Press can be mainly attributed to the work of the missionaries with the indigenous people. The literary skills the black people acquired from the missionaries formed the bedrock for the skills and resources necessary for publishing. The first black newspaper *Umshumayeli Wendaba* which literally means ‘publisher of news’ was printed by the Wesleyan Mission society in Grahamstown from 1837 to 1841[35]. Tomaselli, etal; (1987) notes that while other newspapers that targeted the black population then followed, one important mention is the *Imvo Zabantsundu* which means ‘the African Opinion’ started by John Tengo Jabavu in 1884. This was the first newspaper written for, owned and controlled by black people. Another worthy mention is the newspaper *Indian Opinion*, established by Mahatma Ghandi, to champion Indian affairs.

All however fell prey to the economic restraints/ and or political suppression. The lack of capital, equipment, skilled workers and a reliable distribution network saw the entry of white capital into the ownership and control of black business[36]. Although the establishment of the black press was linked to issues of political realisations of the black people, the new owners entered into the Black Press solely for commercial reasons. Bertram Paver in 1932 established the Bantu press to reap potential profits from the largely untapped black readership. The *Bantu World* is credited with the pioneering of the national black press.

[34] The term black was generally used to describe anyone who wasn’t a white Caucasian; Africans or blacks, Asians, Coloureds.
[35] www.southafrica.info
[36] Tomaselli, etal 1987; www.southafrica.info

Hachten (1984:145) notes that the black press has evolved over four phases in its history: the missionary period; the independent period; the white owned period and currently the multiracial period (which is still evolving). The South African press is born from conflict and the furtherance of interest a fact widely accepted, but Jackson (1993:31) acknowledges that,

> It is more accurate to see the divisions in the press as corresponding to the three main newspaper markets; English, Afrikaans and Black. The existence of these readerships, rather than apartheid per se, is the determining factor underlying the division of the South African Press.

4.2 The South African Press (1994- 2005)

The South African press today is pluralistic in nature. Although it is not as sophisticated in terms of manpower and economic viability as the press in Europe and the United States, in Africa it is arguably the most technologically advanced. It also has the highest circulation figures of newspapers and magazines titles. The South African press enjoys a level of emancipation in the post apartheid era, although the new Constitution safeguards freedom of the media, freedom to receive or impart information or ideas, the fight for press freedom is ongoing. Reporters Without Borders however ranks South Africa's press as the 26th freest in the world. This ranking places it ahead of the United Kingdom, ranked 28th, Greece (33rd), Italy and Spain (tied at 39th) and Australia (41st). The South African press is the freest in Africa, and freer than the press in South America, Asia, the Middle East and Australasia (www.southafrica.info). The struggle for press freedom started with Ordinance No 60 of 8th May 1829[37] a fight spearheaded by Thomas Pringle and John Fairbairn in which the press then emerged victorious. Yet, press freedom has been under threat from various governments, the strongest being the Nationalist rule which lasted for four decades.

South Africa’s turbulent political history has been a major contributory factor to the evolution of its journalism, but the ownership structures have always been about profit. Historically, ownership of the South African press has been in the hands of a white minority. While government initiative, which resulted in the Black Economic

[37] This stated that government could act against publications only in proven cases of libel.

Empowerment (BEE) ‘an ongoing process’, had witnessed a major unbundling of media interests to black empowerment groups like National Empowerment Consortium (NEC), the South African media is still perceived to be dominated by white or foreign interest groups. However, following the 1994 elections, its has been argued that the mainstream press adopted a commercial business orientation ignoring the socio-political realities of apartheid which now co-exist in post-apartheid democracy namely; racial tension, poverty and unrealised human capacity (Tomaselli and Louw, 1991; Switzer and Adikhari, 2000). Globalisation with the resultant deregulation and convergence of media ownership has caught up with the South African press.

While perspectives from media theorists (see Doyle 2002) argue that conglomeration will ultimately produce diversity of media products, thereby increasing pluralism, other like McChesney (1998) and Bagdikian (1992), disagree and note that the convergence of ownership impacts negatively on the diversity of media content. A plurality of titles does not necessarily mean a diversity of opinions. This is because as media ownership gradually converges, it is increasingly making economic sense for owners to pool resources in terms of manpower and editorial content. This results in the downsizing of newsrooms in an effective cost cutting manoeuvre as well as a reduction in funding of investigative journalism. The only stories or ideas that will appeal to ‘market driven’ entrepreneurs will be those that are highly sensational and easy to cover. Ultimately we might have a plurality of titles but every one is chasing down the same angles for news stories.

The South African Advertising Research Foundation (SAARF) has a listing of 18 daily and 30 weekly newspapers, most of them in English. Community newspapers, according to the official gateway website (www.southafrica.info) have a circulation of 5 million weekly. The major press groups are Independent Newspapers (Pty) Ltd, Nasionale Media (Naspers), CTP/Caxton Publishers and Printers Ltd and Johnnic Publishing Ltd. Other important media players include, Primedia, NAIL (New Africa Investments Limited) and Kagiso Media. NAIL is an investment holding company dedicated to ensuring black economic empowerment in the South African economy. Its controlling shareholder is Corporate Africa Ltd (54.5%). In August 2004, it sold its shares in New Africa Publications (NAP) which owns *the Sowetan* and 50% of *the Sowetan Sunday World* to Johnnic Publishing Ltd.

Naspers

Nasionale Media, commonly referred to as Naspers, is a multinational media group with its principal operations in print media - newspapers, magazines, printing, book publishing and private education - and electronic media such as pay television and internet service provision. Formed in 1915, Naspers' first newspaper, *Die Burger*, was the official mouthpiece of the National Party in the Cape. Its print media component comprises two segments: Media24, and book publishing and private education. Media24 is the largest publisher of magazines, one of the largest publishers of newspapers and the largest printer and distributor of magazines and related products in Africa. (www.southafrica.info, www.media24.com). It also publishes the *Beeld*, *Volksblad*, *the Natal Witness*, and *the Daily Sun*, which has the highest circulation figures in South Africa. It also published the *Nova* which closed down in February 2006 just months after its launch.

Independent Newspapers:

Independent News and Media, owned by Irish magnate Tony O'Reilly, first acquired a stake in local newspapers in 1995 when it took control of Argus Newspapers in the 1990s and renamed it Independent Newspapers. Argus, then owned by Johannesburg Consolidated Investments through Anglo American, was South Africa's major newspaper group. By 1990, it was selling more than 50% of all daily newspapers in the country (www.iol.co.za). Independent Newspapers is a wholly owned subsidiary of Independent News and Media (South Africa) Limited. It publishes 14 daily and weekly newspapers in the country's three major metropolitan areas.

<u>Table 1</u>

<u>Independent Newspapers</u>

Name	**Type of Publication**	**City/Region**
The Star	Daily	Johannesburg - Gauteng
Cape Argus	Daily	Cape Town – Western Cape
Isolezwe	Daily	Durban – KwaZulu-Natal
Daily News	Daily	Durban- KwaZulu-Natal
Cape times	Daily	Cape Town – Western Province
The Mercury	Daily	Durban – KwaZulu-Natal
Pretoria News	Daily	Pretoria - Gauteng
Diamond field Advertiser	Daily	Kimberly – Northern Cape
Business Report	Daily (Inserts in four daily papers)	Durban, Johannesburg, Cape Town
The Post	Bi-weekly	Durban - KwaZulu-Natal
Sunday Tribune	Weekend	Durban – KwaZulu-Natal
Independent on Saturday	Weekend	Durban-KwaZulu-Natal
Sunday Independent	Weekend	Johannesburg- Gauteng
The Voice	Daily	Cape Town – Western Cape

Courtesy of *Independent Newspapers* (www.iol.co.za)

The Star is the group's flagship daily newspaper. The group enjoys aggregate weekly sales of 2.8-million copies, reaches about 63% of English newspaper readers, and receives about 48% of total advertising spend in the paid newspaper market (www.southafrica.info). Independent's broadsheet dailies carry various supplements and substantial advertising. This allows it to support other titles that do not make profit as well as secure favourable deals for advertisers. The company also publishes 13 free weekly community newspapers in Cape Town and holds a number of profitable commercial printing and distribution contracts in all areas. This effectively shuts out the competition from competing on equal footing with the group; a classical case of vertical integration[38].

Johnnic Publishing Ltd:

Formerly known as Times Media Limited (TML), its beginning can be traced back to 1902. Today, Johnnic Publishing Limited is a leading provider of news and information, servicing a broad range of consumers. Johnnic Publishing Limited, then known as the Sunday Express Limited, was established 60 years ago, 37 years after the launch of what was to become its flagship newspaper, the *Rand Daily Mail* (RDM). *The Sunday Times* was the offspring of the *Rand Daily Mail*. Produced at little cost and sharing the RDM's staff and infrastructure, it quickly enjoyed commercial success after its launch in February 1906 with an initial print order of 15 000 copies, which increased to the current circulation of more than 500 000.

Johnnic Communications is owned by a coalition of black business groups and trade unions, the National Empowerment Consortium. The consortium bought TML from Anglo American's Omni Media Corporation in 1996. The National Empowerment Consortium's takeover of Johnnic coincided with the establishment of a joint venture between British group Pearson's PLC and TML, under which the former acquired half of TML's *Business Day* and *Financial Mail*. The *Business Day* is South Africa's only Business daily; its existence was threatened by the launch of *ThisDay* newspaper. *Financial Mail* is also the premier financial magazine published in South Africa. Pearson's and TML subsequently set up the Internet publishing operation I-Net Bridge.

Johnnic also publishes *the Sunday Times*, South Africa's biggest Sunday newspaper, as well as *the Sowetan*, *Business Day*, *Sunday World*, *Daily Dispatch*, *the Herald*, *Weekend Post*, *Algoa Sun*, *Ilizwi* and *Our Times*. Their interests range from the print to digital media but are not really represented in the community newspaper axis. The group also

[38] www.southafrica.info

owns music-publishing company Gallo Music, movie distributor Nu Metro, the Exclusive Books chain of bookshops, and Struik, New Holland and Map Studio publishers[39].

CTP/Caxton Publishers and Printers LTD:

Caxton and CTP Publishers and Printers are 38% owned by Johnnic Communications. The group publishes *The Citizen*, which has a circulation of about 91 000[40]. The group publishes approximately 20 magazines, 88 free and sold Caxton titles- regional and community newspapers. Caxton was formed in the 1950s, and initially focussed on newspaper printing. Today, CTP is involved in various fields of the publishing and printing business: newspapers, magazines, commercial print, book printing, stationery, packaging and labels, as well as manufacturing ink for web presses[41]. This group is a classical case of vertical integration, which according to Croteau and Hoynes (1997: 38) is, "the process by which one owner acquires all aspects of production and distribution of a single type of media product". Between them, these major groups own the bulk of the print media in South Africa. There is a major practise of cross ownerships where these groups also own shares in each other's organisation.

4.3 Concentration of the South African English Daily press and barriers to entry

Anecdotal evidence shows that the impact of *ThisDay's* entry into the South African media landscape was most felt in the English speaking daily market. In the first instance, it was the first major newspaper launched into the English daily market in over two decades, and its headhunting of what was perceived to be the best talent in the press made it a major threat to its competition. The three prominent groups, The Independent Group, Johnnic Publishing Ltd and Naspers-Media 24, dominated this market. In its attempt to go national, *ThisDay* was going to be in direct competition with papers owned by these groups in Durban, Cape Town and Gauteng region. Johnnic Publishing Ltd and Media 24 own a substantial interest in these markets.

[39] www.southafrica.info; www.johnnic.co.za

[40] www.southafrica.info

[41] ibid

ThisDay's major competition however was the Independent group, operating in Gauteng *The Star*, *The Pretoria News*; in Kwa-Zulu Natal, the group owned *The Daily News*, *The Mercury* and *The Post*, the Western Cape is also dominated with publications like *The Cape Argus* and *The Cape Times*. This up-market segment proved to be the most challenging to *ThisDay's* aspirations of becoming a national paper, as competition intensified the need for profit. The Independent Group implemented cost-cutting measures by evolving their own system of syndication. This involves the use of pooled copy and common pages, like the Independent Newspapers business section *Business Report*. This supplement inserted within most of their daily titles, has become standard practise. *Business Report* is edited in Johannesburg but printed in three centres namely Johannesburg, Durban and Cape Town (www.iol.co.za). It is distributed nationwide wherever an Independent daily operates. The copy price of titles within the group is also within the same range; *The Star*, *The Pretoria News*, *The Mercury* and *The Cape Times* all fall within the same price range.

As every start up newspaper, *ThisDay* was coming into a market already at a disadvantage; it's poaching of the best editorial staff in the industry had already created an atmosphere of antagonism with its competition. Chapter two reviewed theoretical perspectives which argued that a media firm has to take certain economic factors into account if it were to succeed in the market. Picard (2002: 4) acknowledges certain factors which include- market forces, cost forces, regulatory forces, barriers to entry and mobility. "Market forces are external forces based on structures and choices in the market place. Cost forces are internal pressure based on the operating expenses of the firm. Barriers are factors that make it difficult for new firms to enter and successfully compete in a market". The concentration of ownership and the peculiarities of the South African media environment, resulted in factors which *ThisDay's* management had to surmount if they were compete successfully. The factors identified in this study include vertical/ horizontal integration, cross media ownership, market forces, cost forces, choices in the market place and the lack of credible partnerships.

4.3.1 Vertical / Horizontal integration in the South African media

This factor was a major barrier to entry of *ThisDay*. In South Africa, the major groups control the printing and distribution. Croteau and Hoynes (1997: 38), define vertical integration as 'the process by which one owner acquires all aspects of production and distribution of a single type of media product. *ThisDay* was printed by the Independent group, owners of *The Star*, *Pretoria News*, *The Daily News*, *The Mercury* and *The Post. ThisDay* had to fight for printing slots with an organisation that would look out for the best interest of titles in their stables. Khumalo (2005) recalls that the printing slots given to *ThisDay* by Allied Printers were never favourable.

ThisDay's major barrier also proved to be distribution, Malala (2005) and Davie (2005) all agree that distribution became a serious problem. Customers and even *ThisDay* staff never found copies to buy from street vendors, the first line in the distribution chain. At other times, bundles of the newspaper were discovered abandoned at street corners and lampposts on a frequent basis. While it is common knowledge that *ThisDay's* management was not honouring its financial obligations to its printers and distributors, one wonders if the distributors were not dumping the papers out of spite.

4.3.2 Cross Media Ownerships

Another barrier (a kind of lateral integration) that *ThisDay* faced was cross media ownerships. The South African media market structure had evolved all kinds of partnerships between major players within the industry. They owned shares in each others companies, traded constantly and held multilateral printing and distribution agreements. They were also accused of striking anti competition deals with advertisers in an attempt to harness available advertising revenue (Khumalo 2005). This resulted in a close-knit community that was closed to the competition. Picard (2002) notes that major media companies enter into exclusivity contracts or joint distribution networks that they could keep closed to a new competitor. These intricacies and complex relationships that existed between the South African media, its owners, and advertisers went a long way to affect the effectiveness of *ThisDay* newspaper. De Wet (2005: 19) acknowledged one of these challenges as "the cosy relationships that existed between existing players that first barred *ThisDay* from using traditional street pole advertising". Therefore, the competition had the advantages of economies of scale and scope.

4.3.3 Cost Forces - Financial considerations in media management

A major barrier for a new entrepreneur is the inability to access enough funds. These funds must cover start up costs as well as projected cost for a certain period. Picard (2002) notes that the cost implication for media firms will depend on the kinds of product or content, they produce. Newspaper production is expensive; its fixed cost and production costs are high. *ThisDay's* production costs were prohibitive, the inability to manage properly its costs proved to be fatal. In business, managing the cost forces which are internal pressure based on the operating expenses of the firm, should be a major priority. Newspapers therefore must cover costs which include content, staff remuneration, manufacturing and printing costs on a daily basis.

4.3.4 Consumer Choices in the market place

In the market place, the ability of a firm to create consumer loyalties and identification with its existing products makes it a difficult barrier for new firms to overcome. This validates Picard (2002) in his product differentiation theory which states that it would be hard to lure away existing consumers from an already existing product. *ThisDay's* major competition *The Star* had been in existence for over five decades. In certain homes, it is a family tradition to read *The Star*- mostly during breakfast or dinner. Malala (2005) recalls that his major motivation for choosing journalism as a career was this tradition, which had ignited the passion for newsgathering. Malala incidentally began his journalism career at *The Star*. In spite of the declining quality of news from *The Star*, it would have taken a major advertising blitz to convince *The Star's* consumers to switch their loyalties to *ThisDay* newspaper. Anecdotal evidence however shows that to an extent this happened (as corroborated by most of the respondents). The lack of funding for product marketing purposes resulted in poor marketing. It meant that *ThisDay* would not even see the light of day. Most people in the Gauteng Province that could have been a major strong hold were not even aware of *ThisDay's* existence. So *ThisDay* did not even exist as an alternative news source to most of the target audience as they were not even aware of its existence.

4.3.5 The effects of media reports on *ThisDay*

The war for supremacy however began on another front. Interviewed respondents claim that the South African media overtly declared a smear campaign against *ThisDay* and its management. Although a lot of the media reports were factual and *ThisDay's* operational difficulties were public knowledge, it was vigorously proclaimed in the media. This signalled to *ThisDay's* customers- 'advertisers and readers' that there was something inertly wrong with *ThisDay*. Respondents claimed that *Business Day* was seen as absolutely xenophobic or Nigeria-phobic. It news coverage gave prominence to the fact that management was Nigerian; this encouraged innuendos and questions reinforcing the negative perception of Nigerians by the South African public. When *ThisDay's* circulation crisis became public knowledge, the competition wrote columns of editorials and linked this to the fact that it was probably a Nigerian was of doing business. This is one of the factors credited with preventing *ThisDay* from achieving any credible partnerships with the South African financial sector.

Anton Harber (2005) noted that there was a conception about everything Nigerian, people always wondered about the origins of Nduka's money as it was alleged that he was involved in money laundering or something unsavoury. Reports of alleged sabotage of *ThisDay* by its competition remains unsubstantiated though a few respondents interviewed were willing to speculate on the possibility, since it is always easy to blame ones' failure on perceived enemies. Khumalo (2006) notes that although some editorials grudgingly acknowledged ThisDay's contributions to the print media, this little gesture was overshadowed by the overwhelmingly negative press it received whenever the competition wrote about it.

4.3.6 Concentration of the South African English Daily press and *ThisDay's* Survival

A major question this study seeks to answer is could *ThisDay* have survived without being in the stable or in partnership with one of the major groups? Most of the respondents interviewed were of the view that *ThisDay* would have succeeded as an independent title. An example was given of the *Natal Witness* which survived many years as a competition to the major groups in Durban. In spite of fighting to stay independent for decades, *The Natal Witness* has since been bought by Nasper's Media 24. While this sounds like a gloomy prognosis, *ThisDay* would have survived. However, for *ThisDay* to survive, a solid business plan, as well as a budget ensuring short, medium and long-term cash flow etc would have been necessary. The management would also have had to regionalise their printing and distribution, in tandem with starting initially as a regional paper and growing to meet its vision as a national paper. In spite of *ThisDay's* problems, advertisers' initial response showed potential. *ThisDay* made two million rand in its first month of operation. *ThisDay* received more advertising support that *The Daily Sun*. This supports Dlamini (2003) argument that advertisers were not likely to support newspapers seen to be targeting the poor black population. If *ThisDay* had endeavoured to cut down on it staff strength, worked out a new package like stock options for its remaining staff members, it could have cut down on its initial monthly budget of four and a half million rand.

A follow-up question to this will be: would *ThisDay* have survived if it were in the stable of one of the major groups? Many respondents agreed that it would have worked financially. Lizette Rabe, professor of the Stellenbosch University Journalism School boldly argues that "cross subsidization is an important business strategy to see a publication through, and I'm sure a South African company would have done so had the business plan for some or other unforeseen reason gone wrong" (2005). They also would have had a better printing and distribution deal and they would have benefited from already established relationships between advertisers and the rest of the industry. But Charlotte Bauer notes that, "a big group like Johnnic would have kept it going even if it was bleeding money, it could have been kept as a vanity project but financially, it would be a disaster- an endless pit" (2005).

Some respondents (Davie, 2005; Cruz, 2005) argue that if *ThisDay* been part of a major group, it would have lost the editorial independence which its staff had enjoyed. *ThisDay*'s editorial position would have been tailored along lines that would have corresponded with the agenda of that group, thereby hindered the growth of the newspaper. Kevin Davie (2005) argues, "No they wouldn't take the risk, they wouldn't give us a blank cheque in terms of editorial and why would they invest in something that was going to take on their products". While it would not have been a viable project for Johnnic Publishing because of their stake in *the Citizen* or the Independent Group because of *the Star*, *ThisDay* would have provided Media 24 with the perfect vehicle to reach the LSM 6-10 target market. Media 24 currently does not have an English daily newspaper targeted at this LSM. In partnering with *ThisDay,* it would have provided *ThisDay's* management with the contacts, financial credibility and stability it desperately needed. This would have resulted in a win-win situation, as the resultant windfall would have seen the exodus of the major advertisers to media 24's stable.

4.4 The Advertising Industry in South Africa

Bagdikian (1990), Leiss, Khline and Jhally (1986), and Mosco (1996) have all provided an insight into the history of advertising, the communications industry and the synergies that exist between them and contemporary capitalism. They all emphasise the strategic position of the advertising institution in the evolution of the global economy from an "industrial" to a "consumer" society. Advertising promotes the management of consumer demand and capital accumulation and is a catalyst for economic growth. The South African advertising industry in keeping with global trends had been a major contributor to the national GDP. Historically, the media had been skewed towards the affluent white minority because of the perception that the advertiser would respond positively. South Africa's political history has left a legacy that the media still grapples with, and may for a while. The South African advertising industry has been accused of still operating in the past and promoting inequalities in the South African media industry. James Curran

(2002) argued that the disparity with advertising in the media was a global trend. Advertisers are more likely to establish relationships with media systems that target wealthy audiences than poor ones. He noted that because the working class media audiences did not constitute valuable markets that guaranteed higher advertising rewards, they were consistently discriminated against.

When this researcher attempted to get a feel of the industry from the viewpoint of respondents, the general consensus was that the advertisers did not understand the media and were therefore wittingly / unwittingly promoting inequalities. Since the media has increasingly had to depend on advertising revenue to break even, it was noted that black owned newspapers or those catering primarily to black consumers did not get the kind of advertising support that the competition from the white media would get. However it has been proven that advertisers are traditionally conservative. They are after all spending other peoples' money. So, any new media corporation coming into the media market with a new product will first have to gain advertisers' confidence. This, they could do in various ways; their product must have a proven target market and the circulation numbers must reflect the right kind of demographics, they must also have a stable corporate governance culture and their financials must inspire confidence in the advertiser. It is assumed that it could take a while before a new media product generates enough revenue to post profits. This probably prompted Harber (2003) when commenting on *ThisDay's* launch "It would take huge reservoirs of money, courage and patience for any paper to succeed in South Africa's highly competitive market"[42].

In South Africa, it is a common practise to blame the advertisers for all the perceived wrongs in the relationship between the media and the advertising industry. In the same way, the blame is placed on the methods of evaluation, which has been developed by the advertiser for generating advertising statistics. These include, the South African Advertising Research foundation's (SAARF) Living Standard Measurements (LSM) and the All Media Product Survey (AMPS). The SAARF LSM, or Living Standards Measure, was developed by the South African Advertising Research Foundation (SAARF) as a

[42] http://www.southafrica.info/doing_business/investment/thisday.htm

marketing research tool in South Africa. SAARF's LSM was developed as a market segmentation tool in order to "differentiate between people with different behaviour patterns and group together those people with similar behaviour"[43]. In order to understand the workings of the advertising industry in South Africa, as well as analyse a few issues raised in the research questions, this researcher interviewed two prominent executives in the South African advertising industry[44]. However to understand the industry, an understanding of media planning and buying will be insightful.

4.4.1 Issues around Media Planning and the Press

In today's media, the market place determines the survival of the press. The ability to appeal to the right kind of audiences- that will sell advertising becomes an imperative. Berger and Kanyegerire (2002) note that the realities of a capitalist marketplace for media enterprises reflected the inequalities that drive the commercial media to strive to be more up-market in their quest to attract the affluent consumer. Berger (1993) agrees with these perspectives and notes that currently in the marketplace, those at the bottom of the pile, the most media-deprived, are not targeted by the media because this would be unprofitable. Eleven years after apartheid, South Africa is a country still in the process of transformation, politically and economically and society is still sharply defined by racial and economic disparities. Findings show that because race has become a frequent index in audience segmentation, it has prompted allegations of racism levelled at the advertising, media and marketing industries as well as the research that underpins them, specifically SAARF's AMPS, RAMS, TAMS and LSM products (Dlamini 2003). At the centre of this controversy are the media planners and buyers whose functions are often misrepresented, yet occupy an important place in the industry[45].

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[43] www.saarf.co.za

[44] They are Gordon Muller of GSM Quadrant and Paul Wilkins of MediaCompete; their agencies provided the major advertisements that *ThisDay* received.

[45] Many media practitioners are quick to blame some perceived white 23-year-old female media planner for not understanding the market and being racially biased.

4.4.1.1 What is Media Planning and Buying?

The planning and placement of advertising media is a multi-billion dollar business globally. Media decisions are made everyday by agency media personnel and by brand managers on the client side. Media planning is the process whereby a buying/placement agency recognises product consumption patterns and media consumption patterns in the market place and tries to connect these. As it is the strategic decision making process of selecting and scheduling media, a media planner will have a quantitative focus on research, cost and audience delivery. The media planner will try to discover the best way to reach the consumer of a product and also has to determine what the fair price for that exposure is.

The media planning industry in South Africa is the most sophisticated in Africa and can compete favourably with its contemporaries elsewhere in the world. What makes a media product appealing to the advertiser will depend on the following paradigms:

- The reach of a publication - how many people within the target market are exposed to it.
- The relationship that the product has with the target market, which is why the media planner will always prefer media that is purchased and not given away.

A newspaper that is actually purchased implies a stronger relationship than a newspaper that is given away. There must be a stable, healthy and intense relationship between the buyer and the product.

It is easy to misunderstand the tools that the media planner uses. The LSM for example, is only used to paint macro perspectives but beyond that it is useless, it is too broad. It is a good tool if you are looking at the big picture but beyond the big picture it is not useable. The data for the LSM was compiled during the apartheid era to create segments based on race, but in recent years it’s been repackaged to show similarities between people. In 2001, SAARF introduced the 2001 SAARF Universal LSM which is an improvement on the original SAARF LSM. The LSMs are a vertical segmentation model and there’s a very clear demonstrable top end and a very clear demonstrable bottom end. The LSMs are indicators that package this information about potential clients on race consumption packages, level of education etc. However disparities exist because in post apartheid South Africa income levels are still disproportionate and the most likely benefactors of the LSM paradigm will be the affluent white elite.

While there is the perception in the media that the market was saturated, media planners believed that there was not enough choices or outlets to push advertising. *ThisDay* newspaper was considered a superb paper from the media planning perspective, and from the analysis of its content attracted advertising revenue right from the onset. However, the major advertisers in *ThisDay* were cellular telephony companies and a few banks; advertising revenue from the biggest South African advertisers – the retail outlets never got to *ThisDay* at the time of its demise. Cruz (2005) argues that the cellular telephony companies were able to advertise at *ThisDay* because they had too much money to spend and needed whatever outlet to disburse advertising. Bauer (2005), however was of the opinion that the major retailers had not given *ThisDay* a second thought, because of it business model as a national newspaper. She argued that the trend in recent years was to focus advertising on regional vehicles that would reach the audiences. However, the potential displayed by the paper's initial advert slots was a promising indicator that advertisers found *ThisDay* a serious product. Gordon Muller (2005) notes, "it was a terrible disappointment that something that well written and insightful did not survive".

The common perception in the advertising industry on *ThisDay's* demise is that it did not fail because of limitation of the product; it failed because of financial mismanagement. *ThisDay's* financial troubles, like the non-payment for its printing and distribution, irregular payment of staff remunerations and the irregularities surrounding its circulation figures, was a source of worry to the industry. But in general, that did not stop the flow of advertising. While the paper was generating a stream of advertising revenue, the management never ensured sound management of its resources and that impacted negatively on its image. The major concern that advertisers had about *ThisDay* was that there were not enough copies of the paper on the street. It was not just getting to the consumers and to grow the circulation of a paper involves printing more copies. On the other hand, printing more copies involved having enough money to pay for the distribution and printing. People will always respond to a good product.

Paul Wilkins of Media Compete argued “Nduka lost focus by buying up CNA stores, and that caused him his cash flow” (2005). Advertisers initially were told by *ThisDay* Management that *ThisDay’s* distribution was 30,000 but when the true figures of their circulation of 17,000 came out; advertisers had to pull out and there was no cash coming in whatsoever. Advertisers don’t like being lied too; they carry the huge responsibility of ensuring the profitability of clients’ products. To effectively market a product, they naturally look for vehicles that had the furthest reach and the secret to that is said to be the circulation. Wilkins (2005) argues “if your product is not available to be purchased, it can’t be purchased; no matter what price it is”. This means that a product first had to be available for purchase; it had to have saturated the market to the extent that its presence would not be ignored. The non-availability of *ThisDay* at newsstands and designated outlets meant that even the consumers willing to pay were denied access to the paper.

4.4.2 Advertising Apathy and *ThisDay* newspaper

Did the “Wait and See” mentality apply when dealing with *This Day*? To Muller (2005) and Wilkins (2005), the answer was in the affirmative. They argue that media planners will always display a measure of hesitation. They have to see some signs of success (these includes a large circulation, an affluent readership, rave reviews as well as good financial indicators) before committing clients’ money to a product’s platform. But then the amount of advertising displayed in *ThisDay* went to show the willingness of the advertising industry to engage with *ThisDay*. However Malala (2005) notes that for the month of December, the paper had no advertisement placements. Another reason why *ThisDay* would have had fewer advertisements would be its national agenda. Advertisers are more receptive to regional vehicles. This is because studies (See Bassey 2005) have shown that retailers normally target people where they are. Thus, they need to find vehicles that would address the issues that concern the people in that particular region. A Durban resident will be more interested in news about Durban or its surrounding areas and would only buy a newspaper that adequately supplies that information. *ThisDay* would have had a better deal if it had taken on and outclassed or out sold *The Star* in

Johannesburg. The attempt to break into Cape Town and Durban with newspapers entrenched for over 100 years was not a well thought-out business plan. They should have concentrated on getting a subscriber base in these areas, but only after a successful break into the Johannesburg market.

4.4.3 Conclusions

The ownership of the South African media is in the hands of a few major groups, who also have a firm control of the printing and distribution channels. *ThisDay's* foray into the South African media market met stiff resistance from its competitors. Its management's inability to surmount specific economic challenges identified in this study was to its competition's advantage. But unlike most start up media, *ThisDay* excellent editorial generated a lot of confidence in its niche market, which could be explained by the initial adverts in the paper. While advertisers did pull out in the end, this was a direct result of the revelation that *ThisDay* had inflated their circulation figures and the resultant media coverage it received. On the whole, the advertising industry believed that *ThisDay* was a paper with potential and regrets the loss of a viable platform to sell advertising (Muller 2005, Wilkins 2005). In the advertising industry, contrary to the popular perception of media saturation, there is the belief that there's still enough room in the market for a quality general interest newspaper in South Africa.