Table of Contents

CHAPTER 1

Introduction, Research Problem, Purpose and Relevance of Study

1.1 Introduction

Independent news media play an important and indispensable role in informing citizens and enhancing good governance and public accountability in modern societies. They are a pillar of democratic societies such as South Africa, serving at their best as reliable sources of quality news and information that people trust and understand, (Pew Research Center, 2011). Newspapers, as a distinct journalistic and media platform, have for a long time played this crucial role in many modern societies.

However, the world of newspaper publishing is dramatically different today than it was a few decades ago largely as a direct a result of the growing force of the Internet. The news-gathering and distribution process is undergoing deep changes, which are threatening the survival and role of newspapers. While the global economic downturn in 2008 contributed to the global newspaper industry's beleaguered state, its decline had already started long before that largely because of the Internet, (Pew Research Center, 2011).

Deise et al (2000:xvi) aptly capture the growing importance of the Internet globally when they state that "the question no longer is whether on-line business will survive, but, rather what will be left of the traditional business once e-business reaches its full potential".

Similarly, for Hanson (2000:4), the Internet is a phenomenon that is not just changing the way companies connect to their customers, but also one that is expanding the opportunities "for branding, innovation, pricing and selling, and leading to new ways of thinking about time and distance, as well as opening up new distribution channels and markets".

In addition to competition that newspapers face from other traditional news media, including radio and television, today audiences are also increasingly attracted to the Web as an important source of information and news. This is particularly true among younger audiences who now mostly prefer the Internet compared to traditional media platforms, (Pew Research Center, 2011). The Internet has not only made it easier and quicker but also a lot cheaper to access information and news that for centuries was provided largely by newspapers. In fact, nowadays consumers can go straight to the original sources of news and information; and can produce and distribute without the need of the media. In other words, access to and distribution of content is becoming more and more dis-intermediated – which means that the media are being emasculated as powerful intermediaries, or "middlemen", in the communication process, (Pew Research Center, 2011).

The Internet has drastically altered the dynamics of delivering information to audiences, and forced newspapers to re-examine the economics of their businesses in order to survive, (OECD, 2010). It has undermined the newspaper business model and brought the sustainability of the printed newspaper format sharply into question. Partly as a result of this, the global industry today finds itself in a state of crisis from which many newspapers may not survive.

According to the OECD (2010) report, there are two extremes to the impact that the Internet is having on news media. The report notes that "one extreme is that online and other new forms of more decentralised news will liberate readers from partisan news monopolies which have tended to become more concentrated and to dominate the production and access to news". That is, the Internet is giving rise to audiences that are more empowered than they have ever been. On the hand, the emergence of the Internet is partially causing the demise of traditional news media, "and with it an important foundation for democratic societies is at risk", (OECD, 2010). The concern is that the implications of the demise extend beyond the news industry and could threaten democracy in the long run because news media are an important pillar of democratic societies.

With the exception of a few newspaper industries in some emerging markets, newspapers worldwide have in the last decade experienced serious declines in both print readerships and circulation, (Pew Research Center, 2011). Consequently, after a long period of healthy growth, advertising revenues – on which newspapers largely depend – are now also generally static or on the decline, (OECD, 2010).

While the global recession may have added to the industry's woes, but significant changes were already under way, as a result of the rise of the Internet. George (2006), for example, notes that the relationship between print and online newspaper sales has been closely studied more recently by economists, such as Filistrucci (2005); Kaiser and Ulrich (2005); Simon (2005); and Gentzkow (2006), and suggests a strong causal link. Parr (2010) also makes the point that while it is clear that the decline, measured in revenues, circulation and numbers employed, began by the late 1980s, there is little doubt that the fall has been hastened by the advent of blogs, aggregators, and online news outlets.

Similarly, Pew Research Center (2011) suggests that the newspaper industry's current problems can, to a large extent, be directly attributed to the rise of various new Internet-related developments in the media sector, such as the growth of news websites; new technologies such as online video and audio; digital devices, as well as changing audience preferences, habits and attitudes.

The emergence and growth of the Internet has led to suggestions that the end of the newspaper industry as we have traditionally known it may be approaching more rapidly than anyone predicted. On the other hand, however, there are those who argue that while the changes brought about by the Internet have posed serious challenges to the sustainability of the printed newspaper medium, they also present it with new growth opportunities. The Internet is seen as presenting newspapers with "a unique opportunity to expand their reach and to make up for lost circulation and readership", (Ziegler, 2007). The key question facing South African newspaper firms in particular and the global industry in general is how to "monetize" or develop viable revenue models for online platforms.

Although the declining trends in the global newspaper industry are said to be especially pronounced in developed markets such as the US and Europe, certain newspaper industries in developing countries like South Africa have also begun to experience similar trends, albeit, to a lesser but growing extent, (OECD, 2010; Pew Research Center, 2011). The South African newspaper industry, like its peers in emerging markets, is still experiencing growth in newspaper readership and revenues, especially in the low-income segments, (PwC Outlook Report, 2011). For instance, the OECD (2010) research shows that newspaper circulation grew in the four years to 2009 by 40% in India, by 21% in Brazil, by 10% in China and by 6% in South Africa. In the same period, sales fell by 8% in Germany, 13% in the US and 16% in Britain, (OECD, 2010).

The World Press Trends (2011) survey also supports this data. It notes that while media consumption patterns vary globally, print circulation continues to decline in mature markets in the developed markets of the West, it is increasing in emerging markets, especially Asia. The survey, which focuses on the 69 countries that account for 90% of global industry value in terms of circulation and advertising revenue, aptly notes that: “Circulation is like the sun. It continues to rise in the East and decline in the West,” (World Press Trends, 2011). “And it continues to grow in most parts of Africa,” it should have added. In its report, for example, World Press Trends (2010) shows that while global paid-for daily newspaper circulation in North America dropped 3.4% in 2009; by 5.6% in Europe; 4.6% in South America; and 1.5% in Australia and Oceania, while circulation grew by 4.8% in Africa and 1% in Asia.

Like in most developed markets, the Internet poses one of the biggest challenges to South Africa’s traditional newspapers in the long-term. The appetite for and use of information technology by both individual consumers and businesses in the country has grown phenomenally since the end of the 1990s, (Goko, 2006). PwC E&M Outlook Report (2011) has estimated that the number of people with access to the Internet now exceeds 4-million. This is compared to 300 000 users in 1996, (E-Business Handbook, 2004:7).

In South Africa, like in most parts of the developed world, almost all major newspapers, for example, are now also accessible through their websites. At the same time, more people are also starting to access their print titles online, according to AMPS (2011), as Internet usage continues to grow in leaps and bounds.

Despite seemingly bucking the global trend of declining circulations and revenues, certain sections of the South African newspaper industry share some of the trends and experiences that industries in other global markets have undergone. And like their global counterparts in developed countries, local newspaper players are also struggling to develop viable revenue and strategic models for their online offerings, (PwC E&M Outlook Report, 2011).

This study, therefore, explores these issues, including the difficulties facing newspapers. In particular, it is more concerned with how the South African newspaper firms are responding to some of the key challenges and opportunities presented by the rapid technological change taking place in the news media landscape.

1.2 Purpose of this Study

The South African industry is not immune to the global trends, despite still showing signs of relative growth in readership and revenues in certain market segments, (Pew Research Center, 2011; PwC E&M Outlook Report, 2011). Like in the rest of the world, the economics of the production and distribution of news in South Africa is also being radically altered. This is causing structural changes in the industry and influencing competitiveness and profitability.

The purpose of this study is to provide an analysis of the South African newspaper publishing market, with a particular view on how it has responded to the development of the online environment. The research also focuses on some of the key issues that the local industry faces as it responds to the Internet.

Using the owners of some of the major daily and weekly newspapers in South Africa as mini case studies – Naspers; Avusa Media; Independent News & Media, and Mail and Guardian – the study sought to determine the extent to which these firms are changing in response to the growing online environment. It endeavoured to identify the key trends with a particular focus on the adoption of the Internet, and business strategies these media firms have put or are putting in place for their online offerings. The key question is how much consideration is given to the Internet by executives at these firms, especially in terms of their investment and resource commitment strategies.

It is a major underlying assumption of this study that those media companies that do not embrace new and changing technologies will fall by the wayside, while those that do will grow and survive longer. This assumption is backed by positive trends that have emerged in more developed economies. Instead of seeing the Internet as a threat to their industry, newspaper companies should embrace it as an opportunity to grow their revenues and audience reach. The biggest challenge they should be grappling with is how to adopt Internet platforms in economically sustainable ways.

1.3 Problem Statement

The newspaper industry is faced with the enormous challenge of surviving the inescapable era of digital transformation. A key problem facing many newspaper companies today is no longer whether they should adapt to the changes, but how they should do that to remain competitive and profitable and continue to play their institutional role of enhancing democracy in society.

As far as the sustainability of the local newspapers is concerned, the Internet poses one of the biggest challenges in the long term. On the other hand, it also offers opportunities that could help newspaper firms outlive the Internet long into the future. The Internet has undoubtedly become a game changer in the way newspaper firms operate and compete. The central focus of this study is to determine how South African newspaper firms are responding to the online environment.

With indications pointing to an increasing migration from the traditional format of the printed newspaper to online means of distribution of news and other information in the long term, a major challenge for firms is how to extract value from incorporating online platforms to their traditional business operations.

Some of the key questions that this study seeks to address include the following:

i) What are some of the key trends locally and globally in the context of the online environment?

ii) How – from a broader strategic point of view – are the local newspaper companies responding to the pressures from the Internet, and what are some of the key challenges they are facing in the process?

1.4 Significance of this Study

While a lot of research on the impact of the Internet on the newspaper industry has been conducted in many developed countries, especially in the US and Europe, no similar studies seem to have been fully done in South Africa. In fact, South Africa and newspaper industries in other emerging markets tend to receive only anecdotal mention in most studies that focus particularly on newspaper industries in the developed countries. An example of this is the annual research done by the Pew Research Center (2011) on the state of the global news media. Some of the research that has been done on the local newspaper industry with regard to the problem that this study seeks to address, such as the PwC Outlook reports on the entertainment and media industry in general, is mostly quantitative and generally lacking in analysis.

The lack of scholarly investigation into the emerging relationship between the Internet and newspapers in developing countries might be explained, to some extent, by the low levels of Internet penetration compared to those in the developed world. This means that the extent of the problems faced by newspaper firms in developing markets is different when compared to that experienced by their counterparts in developed countries.

However, as Internet costs decline and accessibility becomes easier and quicker, newspaper industries in the developing world – which are still bucking the worldwide trend in terms of declines in revenues and readerships – are bound to be eventually affected. The declining growth trends in developing countries suggest that newspaper industries in these markets are not immune to change, (Pew Research Centre, 2011). Those newspaper companies that move quickly to embrace technological advances will be competitively better prepared in the future than those that don't.

The significance of this study thus lies in that it is among the few in South Africa focusing particularly on how the local industry is being affected by and is responding to the trends brought about by the rise of the Internet. The study, therefore, will hopefully to contribute to filling the existing gap and add to the body of knowledge on the subject, and provide a useful platform for further research.

1.5 Organisation of Subsequent Chapters

The subsequent chapters of this work are organised as follows:

Chapter 2 provides a contextual framework of analysis of global newspaper industry trends. In Chapter 3 the research procedures, design, reliability and validity as well as methods of analysis are discussed in depth. Chapter 4 is a broad overview of the South African newspaper publishing landscape as well as some of the key trends in the market. This sets the context for the analysis of research findings in the following chapter. Chapter 5 focuses on the presentation and analysis of the research findings. Chapter 6 summarises the findings, suggests recommendations for the local newspaper industry and offers suggestions for further research.

CHAPTER 2

Contextual Analysis: The Global Newspaper Environment

2.1 Introduction

This chapter reviews some of the existing literature on the impact of the Internet on newspapers and some of the challenges it has presented the global news media industry. Much of the existing literature focusses largely on trends in developed markets like the US and Europe. Hardly any literature exists on developments in newspaper industries in emerging markets such as South Africa. A bulk of the literature reviewed here is by institutions, scholars, analysts and commentators on the global media industry.

According to George (2006), there is a growing literature documenting the extent to which electronic sources substitute for traditional products. She notes that early research by economists and other scholars such as Goolsbee (2001); Sinai and Waldfogel (2004), considered and analysed the impact of the Internet particularly on retail markets. However, more recently, George (2006) says scholars such as Filistrucci (2005); Kaiser and Ulrich (2005); Simon (2005); Gentzkow (2006) have studied the relationship between print and online newspaper sales. These studies suggest a close link between the Internet and on-going key structural changes in the newspaper industry.

The Internet has significantly “reduced the cost of distributing information goods quickly over large areas”, and evidence shows how digital media “have drawn consumers from traditional media markets”, (George, 2006). Yet despite increasing evidence of these trends, little research has been conducted to establish how traditional media have responded to the Internet. How newspaper firms and other traditional media respond is important because of concerns about the future viability and relevance of the news media industry.

2.2 The Global Newspaper Industry in the Age of the Internet

Although its history dates back to the 1960s, it is from about the 1990s that the Internet’s effect has been profoundly felt in almost every facet of life. Lyons (2010) states that the first decade of the millennium in particular saw the emergence of the “supremely disruptive technological force” of the Web on many industries.

> “The past decade is the era in which the Internet ruined everything. Just look at the industries that have been damaged by the rise of the Web: Newspapers. Magazines. Books. TV. Movies. Music. Retailers of almost any kind, from cars to real estate. Telecommunications. Airlines and hotels. Wherever companies relied on advertising to make money, wherever companies were profiting by a lack of transparency or a lack of competition, wherever friction could be polished out of the system, those industries suffered,” (Lyons, 2010).

Media and the information and communication sector in general are changing as a result of the growing influence of the Internet. According to Leandros (2006), the on-going technological changes affect “all aspects of the communication process, audiences, media and information producers and, inevitably, the role of the media in society”.

For several centuries newspapers dominated the news media arena as the only or main source of news and information to which the public had access. That was until the advent of the Internet, which has significantly changed the way people send and receive news and information. The effect on the newspaper industry has been dramatic. The impact of the Internet is even more profound than previous technological innovations in the communications and media sector – radio, television and cable. While radio and television caused sharp declines in the circulation of newspapers in the US between 1940 and 1990, the two powerful mediums did not render newspapers obsolete in the way the Internet is threatening to, (World Association of Newspapers, 2011). Then, newspapers were still able to adapt and respond to these technological advancements and survive.

The force of the Internet has hit at the heart of the basic constituents of the newspaper industry’s business model – that is, audiences and advertising – with profound consequences on the industry’s revenues. The Internet’s impact on audience and advertiser behaviour and industry revenues is examined in detail in the following sections.

2.2.1 Impact on Audiences/Readers

On effect that the rise of the Internet has had on the newspaper publishing business is that it has put the brakes on growth in reader and subscriber numbers, (Project Windows, 2010). With a growing number of Internet sources offering the latest news on events around the world, audiences generally no longer see much need to read newspapers – which tend to carry news that's often days old. As a result, many people have cancelled their subscriptions to news outlets and now depend on the Internet because it's not only quicker but also cheaper. This has significantly affected newspapers because they are now losing a key source of revenue, (Project Windows, 2010).

In *The Vanishing Newspaper,* Meyer (2004) closely examines what the Internet has meant for audiences. He writes that for more than three decades now newspapers have been losing readers at a slow but steady rate and that the main cause has been "technology and its competing demands on the public's time". He notes that the Web is just the latest in a series of technological inventions that have dispersed the mass audiences that newspapers once held. In other words, the Internet has quickened the trend towards "smaller audiences seeking more efficient sources of more specialised information". It has appropriated increased power to the consumers, who as Porter (1979) would argue, represent a formidable competitive force affecting the overall attractiveness of the newspaper industry right now.

Consequently, the basic business model of newspapers that is centred largely on audiences and advertisers has been seriously challenged. Newspapers globally depend on advertising for about 60% of their total revenues, (OECD, 2010), and they need audiences to attract the advertising. The fact that news and information have now become cheaper and freely available to audiences has caused declines in circulations of newspapers worldwide, with negative implications on advertising. The Internet has fragmented audiences from the communities that they once were. The basic model of newspapers now makes no sense, because the newspapers' role of being a central social force in creating communities in democratic societies has been effectively weakened.

Addressing a conference of the American Society of Newspaper Editors in 2005, well-known media mogul, Rupert Murdoch – who owns among others *Sky News* Television network, *The Times of London* and *The Wall Street Journal* – highlighted that most young people in the developed and middle income countries were receiving their news digitally; and only when they wanted it, (*Financial Times,* 2006*).* In addition he also noted that while in 1964 four out of five Americans read a newspaper every day, nowadays only half did.

The *Financial Times* (2006) noted that younger consumers especially those between the ages of 18 and 34 in Europe and parts of Asia were increasingly using the Web as their medium of choice for news. The *Financial Times* report concluded that while cable and television remained the most accessed source of news globally, the Internet – and more specifically Internet portals – was becoming the more favoured platform for news among young consumers. It further noted that by around 2010 nearly 40% of this age group expected to use the Internet more to learn about news, versus only 8% who expected to use traditional newspapers.

Such findings are telling on the future of newspapers and ominously suggest that the printed newspapers will end up with fewer or no readers if young people are not reading them now. As a result, observers such as Dawson (2010) and Meyer (2004) predict that printed newspapers could be extinct in a few years' time if the current trends continue indefinitely.

The increasing dominance of the Internet over the printed newspaper as a crucial source of information, especially among young people, is also illustrated by annual survey done the Centre for the Digital Future on the impact of the Internet on Americans. In its 2010 study, it found that as sources of information, which is their primary function, newspapers rank below Internet or television. The number of Internet users surveyed who ranked newspapers as important sources of information was only 56%. This figure was a drop from 60% in 2008, and well below the 78% of people who ranked the Internet as important and 68% for television, (Centre for the Digital Future, 2010).

The Centre for the Digital Future (2010) survey also found that even lower were the numbers of users who consider newspapers important sources of entertainment for them.

They are now considered important by only 29% of Internet users, down from 32% in 2008 – also last among principal media. In addition, the study found that 18% of Internet users said they had stopped a subscription to a newspaper or magazine because they now get the same or related content online. This may have been down slightly from 22% in 2008, but it is "nevertheless a strong indication that print newspapers can be sacrificed by a significant percentage of Internet users", (Centre for the Digital Future, 2010).

> "When also asked where they would go for news and information provided by their newspapers if print edition ceased, 59% of Internet users said they would read the online edition of the publication; only 37% said they would instead read the print edition of another newspaper. Furthermore, 22% said they would not miss the print edition of their newspaper," (Centre for the Digital Future, 2010).

In *Here Comes Everybody: The Power of Organizing without Organizations*, Shirky (2008) analyses and explains how the Web has changed absolutely everything about the news industry – in particular how it has led to the empowered consumer. He argues convincingly that the current media revolution needs to be compared in scope and impact to the revolution that followed the invention of the printing press and the telephone. More importantly, Shirky (2008) argues that the digital revolution collapses audience and content producer or author, making what he calls "the shock inclusion" of the democratizing "cultural force of our new interactive age". For him, it "undermines traditional news bundling, forever unstitching the necessity of combining disparate content in a single product".

His book explains the disintermediation of information and "what happens when people are given the tools to do things together, without needing traditional organizational structures," (Shirky, 2008:21). He says the impact of the Internet on society should be seen in the same way the invention of the printing press and telephone had. Shirky (2004) argues that in the same way that the printing press increased individual expression and the telephone increased communications between individuals, the rise of the Internet has meant that "groups can form without the previous restrictions of time and cost". In other words, the Web allows groups of people to coalesce around certain activities "whose costs are higher than the potential value for institutions", (Shirky, 2008:31). He also argues that the successful establishment of these online communities or groups depends on "successful fusion of a plausible promise, an effective tool, and an acceptable bargain for the user".

> "[Every] institution lives in a kind of contradiction: it exists to take advantage of group effort, but some of its resources are drained away by directing that effort. Call this the institutional dilemma – because an institution expends resources to manage resources, there is a gap between what those institutions are capable of in theory and in practice, and the larger the institution, the greater those costs," (Shirky, 2008:21).

According to Shirky (2008), the Internet puts an end to "the oligarchy" of newspaper publishers, enabling anyone to publish "anything they like in real time at minimal cost on a global network". For him, the central challenge of the Internet to the old certainties of the news business is the absence of what he calls "the centre". In essence, the disappearance of the centre is "undermining the old industrial newspaper industry with its top-down hierarchies and tangible centres of power," (in Keen, 2009).

Writing in *The Telegraph Online*, Keen (2009) explains this point further thus:

> "The core reality of the Internet is its absence of the centre. The distributed Internet, all edge and no heart, has done away with the centralized structures of power of the old industrial world. And without a core, the news can't be controlled by a central power. It can no longer be owned. The Internet is like a blob, a centreless yet powerful monster, impossible to destroy and yet able to devour everything in its path," (Keen, 2009).

For Gauntlett (2007), the online participatory culture means that people who were previously just consumers of media can now be much more active and engaged, producing and distributing their own creative material, as well as enjoying professional and amateur work from around the world.

Gauntlett (2007) states that we are now in an age where media production is routinely practised by ordinary people from their bedrooms, rather than being the sole province of big media institutions; and that traditional ideas of media "consumption" or "reception" have correspondingly collapsed, because media engagement is now a two-way street characterised by creativity, sharing and collaboration.

Other media scholars see the rise of the new media as part of a popular culture and a site of struggle between, on the one hand, producers of content and meaning of those they ideologically represent, and consumers on the other. It is a struggle between the dominant and subordinate members of society. According to Fiske (2004), for example, the changes arising from the Internet suggest the emergence of new social order in which the production of "meaning" is no longer the preserve of the dominant members of society. What is happening, therefore, is part of a shift in the process by which social meanings are mediated by the dominant and subordinate members of society in an on-going struggle.

2.2.2 Internet's Impact on Advertising

Another significant consequence that the rise of the Internet has had on newspapers is that on firms that used to advertise inside newspapers, (Project Windows, 2010). Newspaper adverts were for a long time a substantial and crucial source of revenue for newspaper companies. Even today the newspaper publishing business still relies on adverts for a considerable portion of its revenues. The coming of the Internet resulted in companies increasingly focusing their advertising budgets on Internet users, with less and less being committed to purchasing newspaper adverts. This was done in the belief that because more people were using the Internet, firms stood a better chance of "attracting and appealing to customers on the Internet than the limited amount of readers that were still reading printed newspapers", (Project Windows, 2010).

Similarly, Ashton (2011) notes that in the era of the Internet newspapers have continued to face increasing competition for the time and attention of audiences and, more importantly, advertising revenue.

> "As audiences continue to move in droves from the printed page to the Internet, newspapers have created online editions in an attempt to keep pace with the changing habits of their readers. It's involved a major transformation, not only how print papers have to offer up the news but in how they've had to compete to

> maintain those advertising dollars. The problem is that there's not a lot of money to be made in newspaper ads on the Internet as compared to their ink and paper counterpart. The transition has not exactly been a success story," (Ashton, 2011).

Ashton (2011) also makes an important observation about the proliferation of daily deal and group online advertising buying sites such as Craigslists, Groupon and LivingSocial, which he says are completely changing the way many people shop. This development, he says, has seen newspapers once again taking a heavy knock in an already tough market.

> "Even though newspaper publishers saw the Internet coming most could only think about the damage it would do to their business. The desire to defend the traditional business kept them from seizing a new business. And this was both on the product side and the business model side. Protecting the tradition caused them to miss the future. The survival rate of [companies] overcoming a disruptive innovation is about 9%. But of the 9% that made it through, 100% set up a separate group to focus on the digital innovation," (Ashton, 2011).

Ashton (2011) notes that newspapers were once depended upon to not only deliver news, but they also "told readers about local retailers in the form of adverts and brought those popular cents off coupons". He says now the daily online deal sites are fast occupying the territory that local newspapers once dominated.

> "Whether those that survive can reinvent themselves they need to do is yet to be seen. The Internet alone was enough to cause a downward spiral of the newspaper industry but with the arrival of Groupon [and Craigslists], the printed paper as we once knew it may be on a slippery slope of no return," (Ashton, 2011).

Similarly, Lyons (2010) also suggests that newspapers are now struggling and "getting wiped out" largely because the arrival of the Internet "robbed them of their mini-monopolies". For a long time newspapers had virtually no competition, and as a result they were able to charge "ridiculous amounts of money even for things like tiny classified adverts".

> "This, we are told by people who are wringing their hands over the demise of newspapers, was somehow a good thing. Good or no, it's gone, thanks to Craigslist, which came along and provided the same service at no charge," (Lyons, 2010).

As a result, many newspaper firms are now making attempts to compensate for this loss of revenue by applying the "user-pay" principle or charging for their content. Many are doing this by offering newspaper subscriptions online or services that online users can pay for and receive news and information, (Project Windows, 2010). Since the financial crisis, there is now a more serious discussion among global newspapers owners about online fees. Their argument is that there has been a general lack of appreciation of how expensive good journalism is and that someone has to pay for it. A growing number of newspapers, especially in North America, seem to be opting for the device called the "paywall," in the hope that getting readers to pay for content will help resolve their revenue dilemmas, (Ingram, 2011).

A paywall is an online mechanism which bars Internet users from accessing webpage content, especially news content, free of charge or without paid subscription. A number of newspapers, particularly in North America and Europe, have been implementing paywalls on their websites to increase their revenues that have been dwindling because of a decrease in print subscriptions, (Preston, 2011). More newspaper industries in other developed markets are also said to be considering similar moves. But the lingering question is: will readers, used to years of free content, now be willing to pay for the same content?

According to Ingram (2011), although newspaper firms like *The Economist, Wall Street Journal* and *Financial Times* are using paywalls effectively, he notes that not everyone can duplicate what they are doing because these publications have highly targeted markets. As for the *New York Times*' paywall, Ingram (2011) says the successful *New York Times* is a leading brand for national and international news and other publications would have a hard time modeling their success.

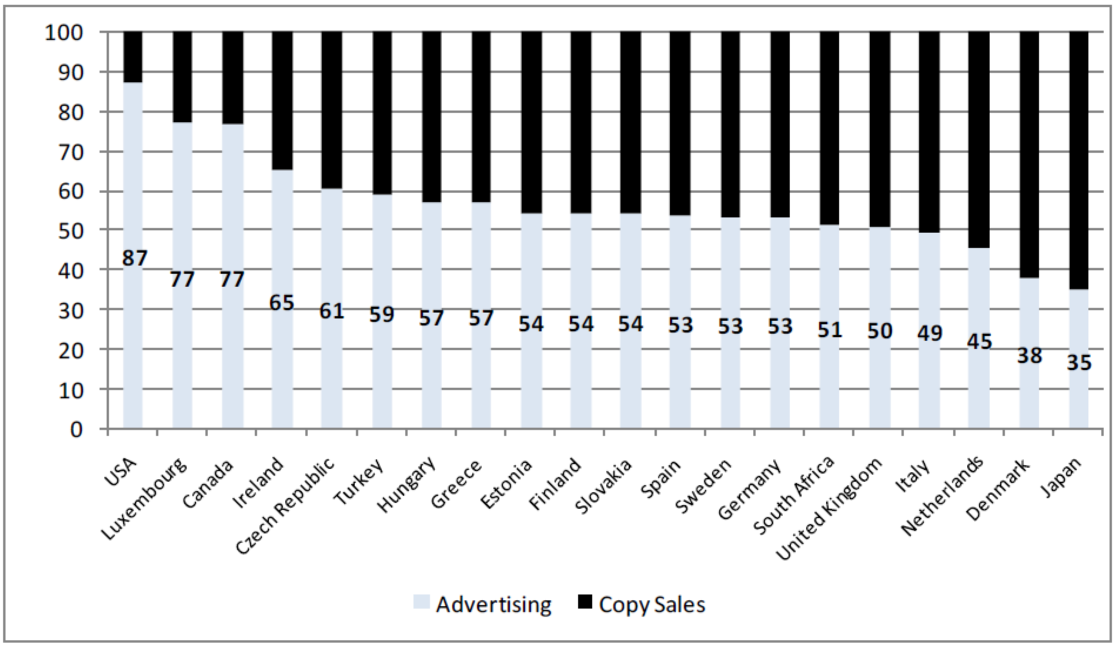
Ingram (2011) states further that by introducing paywalls newspaper publishers are trying to reverse an error they believe was committed at the start of online publishing: namely, that newspapers proprietors did not charge for their content from the beginning. Some media analysts refer to this mistake as the "original sin" of online publishing, and most media owners are hopping that paywalls will correct this mistake. Said a publisher:

> "There was no reason not to do this from the onset [of news websites]. It was a mistake to go down the path that was taken. I never saw the common sense of it, to turn your back on your subscribers," (in Ingram, 2011).

2.2.3 Impact on Revenues

The global newspaper industry still derives nearly 60% of its total revenues from advertising, and this dependence on advertising is significantly higher in developed markets such as Canada and the US, (OECD, 2010; see also Figure 1 below). The Internet and the recession have dealt the global newspaper publishing market a severe blow because they have impacted on one of the industry's key sources of revenue.

Figure 1: Contribution of Advertising and Copy sales to paid-for-daily newspapers revenues in per cent, 2008 or latest year available



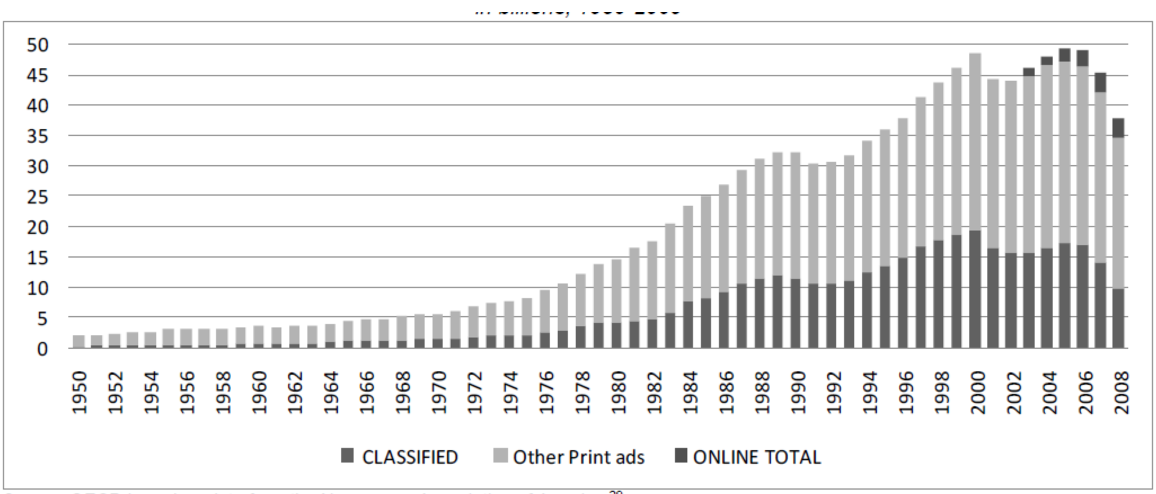
Source: OECD calculations based on data from The World Association of Newspapers (WAN).

Source: OECD 2010

Recent advertising revenue estimates across the global newspaper industry released by Newspaper Association of America (NAA) were nothing short of disastrous, suggesting an industry in serious trouble, (Parr, 2010; see also Figure 2 below).

According to NAA figures released in 2010, newspapers generated $27.564-billion in total advertising revenue in 2009. In all, newspapers made $24.821-billion in print revenue, while the remaining $2.743-billion was generated by online advertising. On their own, these figures are indeed huge, but when looked at in proper context these numbers paint a grim picture of the newspaper industry. In 2008, newspapers generated $37.848-billion in total advertising revenue – a whole $10-billion more than they did in 2009, and an overwhelming 27.2% decrease**.** Print accounted for almost all of that loss because newspapers generated $34.74-billion in print advertising in 2008, compared to $24.821-billion made in 2009 (Parr 2010; Schonfeld, 2009).

Figure 2: US Newspaper ad revenue in billions, 1950-2008



Source: OECD based on data from the Newspaper Association of America.[29]

The picture of how much newspapers have declined is even worse when one looks even farther back into the history of newspaper advertising – especially in the last decade alone. In 2000, for example, the newspapers industry topped $48.67-billion, all of which was made in print. At the time, the NAA had not started tracking revenue from online advertising. However, it is assumed that this was a negligible figure. Then from 2001 revenues started falling, dropping from 48.67-billion to $44.305-billion that year – representing a year-on-year decline of 9%. This did not come as a big surprise because it happened at a time when the IT bubble burst and the recession that ensued, Parr (2010).

Between 2002 and 2006, newspaper advertising revenues averaged between $44-billion and $47-billion. It was also about this period that the NAA started monitoring advertising revenues from online. At the industry's peak in 2005, total revenue from both print and online reached $49.435-billion, with online sales contributing $2.027-billion of that. Then the dramatic fall began. In 2006, newspapers made $49.275-billion; followed by $45.375-billion in 2007; followed by a steep fall to $37.848-billion in 2008, and then plummeting to $27.564-billion in 2009. So, in just a space of four years, advertising revenues fell by a whopping 44.24%. This was almost half of the industry's revenue, Parr (2010).

2.3 Dire State of the Global Newspaper Industry

That many newspapers, especially in the US, find themselves in a woeful position and are struggling to stay afloat is now well documented. The dire state the global newspaper industry finds itself in is a result of a combination of factors – primarily not adapting to fast enough to the digital age; the worst financial and economic crisis since the Great Depression; huge cutbacks in revenues and sharp drops in circulations, (Siok Hui, 2009). Therefore, while the global recession in 2008 may have worsened the industry's problems, major structural changes were already under way largely due to the rise of the Internet.

Between 2008 and 2010, for example, eight major newspaper chains in the US declared bankruptcy (including prestigious publications like the *Los Angeles Times, Chicago Tribune* and *New York Times*), several big city newspapers closed down, and many laid off editorial staff, imposed pay cuts, reduced the size of the print newspaper, or simply turned to web-only publication (Parr, 2010). At least 105 US newspapers closed in the first half of 2009, when the media recession was deepest.

The trend globally has been that newspapers are being forced to severely cut costs. They are shutting down their print editions, retrenching staff, or shutting shop completely as a direct result of the "severe contraction in revenues brought on by the double whammy of economic recession and competition from the Internet", (Schonfeld, 2009). This scenario gives an indication, therefore, that the end of the newspaper industry as we have traditionally known it may be approaching more rapidly than anyone predicted. The OECD

(2010) also points to the global economic downturn from 2008 and the drop in both print and online advertising as having created additional problems for the newspaper industry.

2.4 The Gloom and Doom Debate

The dire state of the global newspaper industry has sparked a debate about the future of newspapers, with some observers predicting the industry’s imminent demise while others seeing the Internet as complementary to the industry’s future.

For example, futurist Dawson (2010) has boldly predicted the newspaper extinction timeline for every country in the world, (see Figure 3 below). His detailed prediction is that by 2040 the printed newspaper will have become “insignificant” in 52 countries, when “it will be replaced by technologies such as lightweight, interactive digital paper that can show video, but can also be rolled and folded”, (Dawson, 2010).

Dawson (2010) argues that the main driver of newspapers in the developed world becoming extinct is the rapidly changing technologies and use of media as well as revenues that are out of line with cost structures. Figure 3 below shows factors that Dawson says will drive the pace of newspaper extinction, including technology uptake, government regulations, consumer behaviour as well as the pace of economic development.

According to Dawson (2010), newspapers in the printed format will stop to exist in the US by 2017; within nine years in Britain and Iceland, while in Norway and Canada they will die in 2020 and 2022 in Australia. This will be followed a few years later by newspaper extinctions in Hong Kong, Finland, Singapore and Greenland. But France will have papers until 2029 because of governmental support for newspapers, while Germany is expected to last out until 2030. However, according to Dawson (2010), they will continue to grow and flourish for a while in developing markets such as Africa, parts of South America and parts of Asia.

Figure 3: Newspaper Extinction Timeline

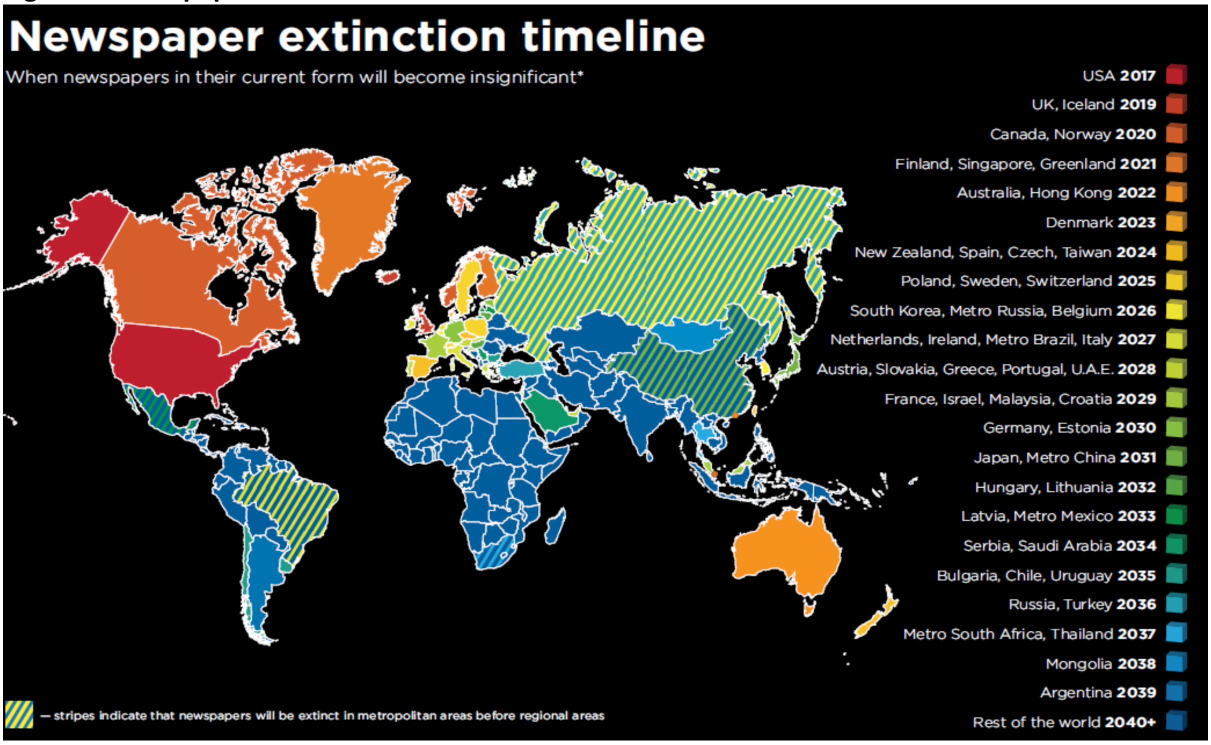
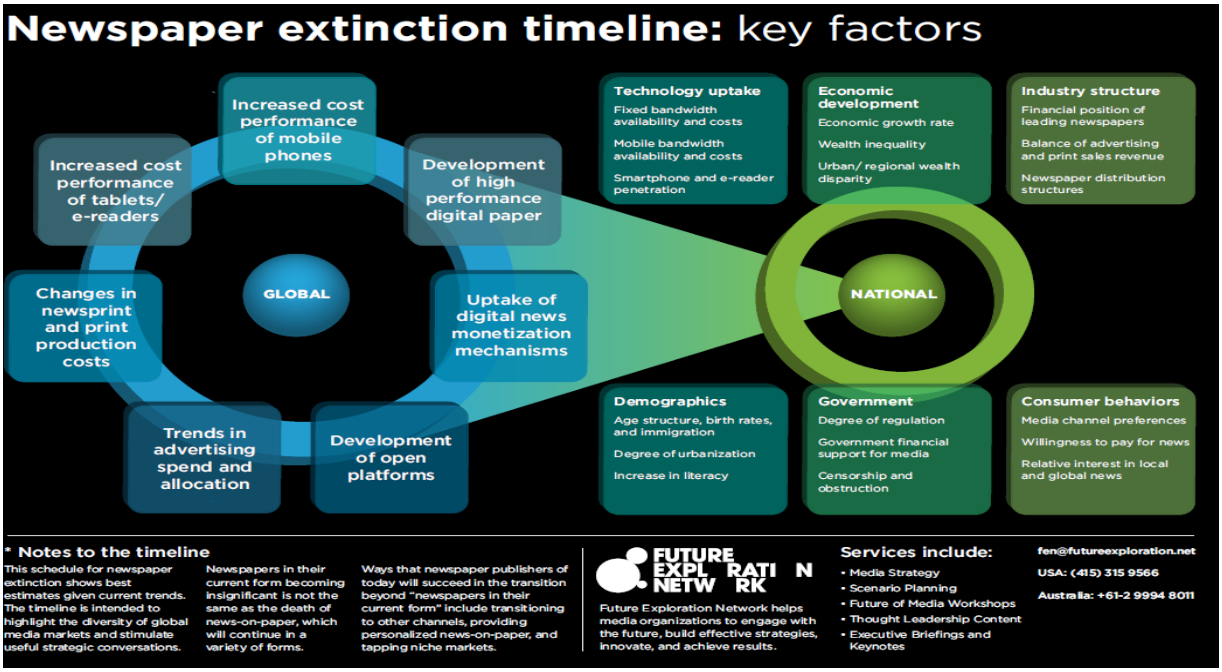


Figure 4: Factors Driving the Pace of Newspaper Extinction



Source: **www.futureexploration.net/Newspaper_Extinction_Timeline.pdf**

However, other observers believe that the advent of the Internet does not and need not necessarily spell the death knell of newspapers, and that they in fact will survive like they did when radio, television and cable arrived. They argue that while the amount and immediacy of information on the Internet is without parallel, it hasn't signalled the death of newspapers just yet. In fact, evidence has been produced to show that newspapers remain an important and powerful medium for the reporting and analysis of societal events. For example, the World Association of Newspapers (2010) estimates that more than 1-billion people in the world still read a newspaper daily and newspapers reach more people than the Internet! On a typical day, for instance, World Association of Newspapers (2010) data shows that newspapers still reach 20% more people world-wide than the Internet reaches. In addition, digital advertising revenues are not compensating for the advertising revenues lost to print.

Leandros (2006:ix) is one of the observers who argue that the Internet ought not mean the demise of newspapers but that it in fact offers fresh opportunities for growth. He writes that with the increasing convergence of communication industries, it has become possible for firms to increase the range and quality of services they provide to consumers. Leandros (2006) states that "previously clearly defined industry structures are dissolving and integrated media firms turn into cross-media service companies and traditional publishers into new media ventures, which publish across various distribution channels, such as the Internet".

> "The practices of journalism and content creation also change by the overwhelming mass of information that the Internet offers. New opportunities for information delivery to readers require the acquisition of new skills in the spheres principally of information presentation and organisation," (Leandros, 2006: ix).

Meyer (2004) proposes a business model through which the newspaper industry can remain sustainable and which he believes could help the beleaguered industry "outlast technology-driven changes in media forms". The basis of this model, which he terms "influence model", is the notion that a newspaper's main product is not news of information, "but influence: societal influence, which is not for sale, and commercial influence, which is". Here, Meyer (2004) explores how the "societal influence" boosts the value of "commercial influence".

His point is that by producing quality journalism that is able to influence society, newspapers can still remain commercially viable if they can adapt to changing technologies. In other words, by isolating and describing the factors that made journalism work as a business in the past, Meyer (2004) insists that that will make it work with changing technology in the present and future.

Porter (2001) also argues that the Internet is not disruptive to most existing industries and established firms, contrary to recent thought. He argues that:

> "It rarely nullifies important sources of competitive advantage in an industry; it often makes them even more valuable. And as all companies embrace Internet technology, the Internet itself will be neutralized as a source of advantage," (Porter, 2001: 1).

He states that "robust competitive advantages" will instead arise from a number of the companies' traditional strengths, "such as unique products, proprietary content and distinctive physical activities", (Porter, 2001).

While the Web may be able to reinforce those advantages, but it is unlikely to displace them. Porter (2001)'s work helps to explain why the Internet complements rather than "cannibalizes" existing ways of doing business, and outlines strategic imperatives for online and traditional companies.

> "The question isn't whether you should use the Internet or traditional methods to compete; it's how you can use *both* to your greatest strategic advantage. The winners will be those that view the Internet as a complement to, not a cannibal of, traditional ways of competing," (Porter 2001: 1-2).

This is particularly useful for newspaper firms faced with the challenge of adapting to the digital age. In terms of Porter (2001), what newspaper firms need are multi-platform approaches to the creation and dissemination of news and information. His ideas are particularly significant for the way the newspaper industry responds to the Internet.

According to a recent NAA report, newspapers increased page views to their mobile content by 65% in 2011 against the previous year, (NAA, 2011). The report states that many newspapers registered triple-digit page-view growths to their mobile sites and applications, which the NAA suggests is a clear demonstrating that newspaper content remains a leading choice for consumers across their multiplatform offerings. According to NAA President and CEO Caroline Little, it is therefore not necessarily doom and gloom for newspapers, which she believes will continue to matter if emerging interactive technology trends are anything to go by. She says:

> “Consuming news consistently ranks as one of the most popular activities for mobile users. The increasing demand for convenient mobile delivery of the trusted journalism and advertising that newspaper brands provide is both driving and rewarding publishers’ continued investment in mobile and content app development – proving once again that newspapers continue to matter in today’s hyper-connected world,” (Little/NAA, 2011).

The NAA goes on further to say that several independent studies continue to confirm the importance of major news media brands in attracting mobile users.

> “Taken together, the data clearly show that in a media universe of multiple options and multiple platforms, consumers seek their information from sources they know and trust – newspapers,” (NAA, 2011).

As Levitt (1975) would argue, “what newspapers lack is *not* opportunity but some of the managerial imaginativeness and audacity that made them great”. Levitt (1975) makes the point that the reason seasoned industries fail is not because the market is saturated but because of failure of organisations’ management to “define their industries broadly to take advantages of growth opportunities”.

For example, not defining an industry’s business broadly is what brought down the once-mighty railroad industry. As Levitt (1975) argues, the railroad industry committed the error of defining itself narrowly “as to guarantee its premature senescence”.

> “When we mention ‘railroads’, we should make sure we mean ‘transportation’. As transporters, the railroads still have a good chance for very considerable growth. They are not limited to the railroad business as such (though in my opinion rail

transportation is potentially a much stronger medium than generally believed)," (Levitt, 1975:3).

2.5 Conclusion

This chapter examined and analysed the global newspaper industry in the context of the online environment, thereby laying the foundation for understanding developments in the South African newspaper landscape. In particular, the chapter focussed on emerging trends and how in various ways the Internet is impacting on the global newspaper industry. It also analysed the on-going debate about the future of the newspaper industry in the era of the emerging power of the Internet. This sets the global context for understanding the key research problem of how South African publishers are responding to the Internet.

CHAPTER 3

Research Methodology

3.1 Introduction

This chapter discusses the research procedures, design, instruments and dependability of approach used to analyse the core research problem of how South African newspaper firms are responding to the Internet. The study focused on the key newspaper industry players in South Africa, namely: Avusa Media; Independent Newspapers; Naspers, and Mail & Guardian. In addition to existing literature on the issues under study, this research also analysed data gathered through in-depth interviews with key representatives of these industry players and media experts.

3.2 Research Paradigm

This study applied the qualitative research approach, which was valuable in gaining useful insights into the strategic thinking of industry players and analysts about key issues that the study sought to uncover and explain. The approach was chosen largely because of the complex and emergent nature of the problem studied. As Leedy (1997:95) states, "qualitative researchers seek a better understanding of complex situations, with their work often exploratory in nature and their research processes mostly emergent". That is, the specific focus of their work, the design of their research, measurement instruments and interpretations often develop and change along the way. The impact of the online environment on the South African newspaper industry is only beginning to be felt and understood.

According to Cresswell (2002), qualitative research is an inquiry approach useful for exploring and understanding a central phenomenon.

> "To learn about this phenomenon, the inquirer asks participants broad, general questions, collects the detailed views of participants in the form of words or images, and analyses the information for description and themes. From this data, the researcher interprets the meaning of the information drawing on personal

reflections and past research. The structure of the final report is flexible and it displays the researcher's biases and thoughts," (Creswell 2002: 58).

Qualitative methodologies produce information only on the specific cases studied and any more general conclusions are only propositions or informed assertions. They usually adopt an interpretive approach to data, study "things" within their context and consider the subjective meanings that people bring to their situation.

According to Leedy (1997:96), qualitative researchers "often start with general research questions, collect an extensive amount of verbal data from a small number of participants, organize that data into a form that gives them coherence, and use verbal descriptions to portray a situation they have studied". Qualitative differs from the quantitative research approach in that it works on the assumption that reality is not always easily divided into discrete, measurable variables, (Leedy, 1997:96). Thus qualitative researchers make considerable use of inductive reasoning by making many specific observations and then drawing inferences about larger and more general phenomena.

3.3 Research Design

Research design refers to the "blueprint" or "roadmap" used to guide the implementation of a research study towards the realisation of its objectives, (Aaker et al, 2004:73). It is about what information is required so as to appropriately answer the research questions.

The purpose of a research design is to make sure that the data or evidence collected is relevant and enables the researcher to answer the initial research question as clearly and unambiguously as possible. Obtaining such relevant evidence entails specifying the type of evidence needed to answer the research question, to test a theory or to precisely describe a phenomenon.

This means that, when designing research a researcher needs to ask the question that: given this research question (or theory), what type of evidence is needed to answer the question (or test the theory) in a convincing way?

According to Yin (1989:29), research design "deals with a logical problem and not a logistical problem". Thus, for example, before a builder or architect can even develop a work plan or order materials they must first establish the type of building required, its uses and the needs of the occupants. The work plan or quantity of material needed flow then from these considerations. Similarly for Yin (1989:29), in research the issues of sampling, method of data collection (like questionnaire, observation, document analysis), design of questions are "all subsidiary to the matter of 'What evidence do I need to collect?'"

Broadly, this study sought to analyse the reaction of the South African newspaper industry to the growing online environment. As such, it sought from key industry players and observers evidence that could give an indication of what firms have done or are doing – especially from a strategic point of view – in reaction to the Internet.

The study used key industry players – Avusa Media, Naspers, Independent Newspapers and Mail & Guardian Media – as case studies to determine how the South African industry was reacting to the online environment. These groups are leading industry players and sufficiently represent online developments in the South African newspaper market. A case study methodology, basically, "is an in-depth study of a particular situation rather than a sweeping statistical survey. It is an intensive analysis of an individual unit stressing developmental factors in relation to context", (Flyvbjerg, 2011).

Shuttleworth (2008) says it is a method used to "narrow down a very broad field of research into one easily researchable topic". Whilst it may not answer a question completely, it gives some indications and allows further elaboration and hypothesis creation on a subject.

Shuttleworth (2008) argues that this approach provides more realistic responses than a purely statistical survey. He points out that the flexibility of case studies is another key characteristic to remember about this approach. Whilst a pure scientist is trying to prove or disprove a hypothesis, Shuttleworth (2008) states that a case study might introduce new and unexpected results during its course, and lead to research taking new directions.

3.4 Population, Sample and Sampling

A population can be described as any group that is the subject of research, (Melville and Goddard, 2001). Since it is often not practical or necessary to study the entire population, general findings are made on a subset of the population, called a sample, which is studied.

According to Allison et al (1996), a sample refers to a group of subjects from whom there is an actual intent to collect information by means of interviewing and measuring. They also describe the population as the larger collection of all the subjects from whom the researchers' sample is drawn, and to which the researcher wishes to apply his or her conclusion.

This study focused on the main newspaper companies in South Africa – Avusa Media, Naspers, Independent Newspapers and Mail & Guardian – which together own a bulk of the country's newspapers titles. These groups were deemed to be sufficiently representative of the South African industry since they control about 90% of the newspaper publishing market.

The research was conducted through several in-depth interviews with key representatives of industry players, who are directly involved with online initiatives at strategic levels at their respective newspaper organisations. The sampling method used in this study is what is commonly referred to as expert sampling. This involves the assembling of a group of people "with known or demonstrable experience and expertise in some area", (Trochim, 2006). According to Trochim (2006), expert sampling is the best way to elicit the views of people who have specific expertise.

Participants chosen for this study included several people from across the industry and were deemed to be experienced, knowledgeable about the issue being investigated and sufficiently representative of the industry, (see profile of interviews below). The individuals were selected on the basis of their historical, technical and managerial expertise in local online media. They had relevant views and knowledge on the matter that this study investigated because of their senior strategic level involvement with the developments and direction that the South African newspaper companies are taking. In addition, in-depth interviews were also conducted with some of the influential and respected observers of the media industry. All these participants were the best positioned to respond to the research questions in respect of the organisations analysed and the industry as a whole.

However, as Woods (2006) notes, representative sampling cannot always be achieved in qualitative research for a number of reasons, including: i) the initially largely exploratory nature of the research; ii) problems of negotiating access; iii) the sheer weight of work and problems of gathering and processing data using only one set of eyes and ears.

> "Often, one has to make do with an opportunity sample in those areas where access is offered; or a snowball sample, where the sample is developed through personal contact and recommendation as the research proceeds," (Woods, 2006).

3.4.1 Profiles of Interview Participants

1. **Professor Tawana Kupe** is Executive Dean of the Faculty of Humanities at the University of the Witwatersrand, Johannesburg, where he also teaches courses on online media, among others. He has also lectured in media studies at various institutions, including Rhodes University and the University of Zimbabwe. He is also chairman of the Media Monitoring Project in South Africa and sits on the editorial advisory board of the Journal of African Media Studies. He is a newspaper and magazine columnist and commentator (particularly on media industry-related issues) for radio and television, and sits on various influential media committees. (A face-to-face interview was conducted on November 19, 2011).

2. **Professor Anton Harber**, is Caxton Chair of Journalism and Media Studies at at the University of the Witwatersrand, Johannesburg. He has had a long career in journalism, media management and the training of journalists. He was also a co-founding editor of *The Weekly Mail* (now known as the *Mail & Guardian*)*,* and is now an academic and regular commentator on media-related issues. A face-to-face interview with him took place on November 17, 2011)

3. **Rob Nagel**, is a Media Industry Analyst at Cadiz Asset Managers, Cape Town. Mr Nagel has 14 years' experience in asset management as well as in the international equity and derivatives markets. (Telephonic Interview, November 16, 2011)

4. **Jude Mathurine**, Head of New Media Lab and Senior Lecturer, Rhodes University, Grahamstown. Over the past 14 years, Jude has occupied roles in journalism education and training, media advocacy and media development in South Africa and sub-Sahara Africa. His

other interests include curriculum reform for mainstreaming convergence in African JMC-Schools and transformation of the new media space. (A telephonic interview was conducted on November 27, 2011)

5. **Elan Lohmann** is Managing Director of Avusa Digital Media, Avusa Ltd, Rosebank, Johannesburg. Lohmann has been a local online pioneer for the past 10 years holding many key commercial, corporate and industry positions over this time. He heads up Avusa Media LIVE; is a director of Career Junction and has held senior management positions in a range of key South African Internet brands. He was a founding member of the Online Publishing Association (now the Digital Media and Marketing Association) and spent two years on the executive board. He is passionate about growing the local industry and helping talented youth move up through the ranks. (Telephonic Interview was conducted on November 28, 2011)

6. **Chris Roper**, is Digital Products Manager at *Mail & Guardian,* where he is closely involved with the development and implementation of Mail & Guardian Media's online strategy, as well as multiplatform integration. Previously, he was Editor-in-Chief of Naspers' 24.com portal, whose growth he was involved with.

7. **Brendan Boyle** is Editor of East London-based *Daily Dispatch.* The veteran journalist is the former Parliamentary Bureau Chief of Avusa Media *and* ran the politics section of Times LIVE and has a weekly column in the Avusa daily *Times*. He was instrumental in in the Avusa task team set up to re-examine the group's online strategy and implementation, which eventually resulted in the establishment of Avusa Media LIVE and Business LIVE. (Face-to-face interview conducted on November 28, 2011).

8. **Khathu Mamaila** is General Manager: Independent Newspapers, Johannesburg. A veteran journalist of more than 20 years, Mr Mamaila was previously Deputy Editor of City Press and later General Manager of the same newspaper. Before that he was a senior staffer at Independent Newspapers in Johannesburg. (Face-to-face interview, December 20, 2011).

3.5 Research Instrument and Scheduling

This study gathered information through in-depth, open-ended, face-to-face/telephonic, interviews. A combination of semi-structured and unstructured techniques was used in this study. According to Hague (1993), a semi-structured interview technique is one which uses questionnaires with a mixture of questions with pre-defined answers, as well as those where the respondents are free to comment as they like. An unstructured interview is one where a checklist of questions is used, rather than a formal questionnaire, (Hague, 1993). Here, the researcher has some general ideas about the topics of the interview, and may have an *aide memoire* of points that might arise in discussion for use as prompts, if necessary. This is also referred to as an informal or in-depth interview.

Kahn and Cannel (1957) argue that an interview is a purposeful discussion between two or more people that can help a researcher gather valid and reliable data that is relevant to research objectives. Interviews allow for personal communication and make it possible to gather more information for a study. Semi-structured interviews are very loosely structured and consist of open-ended questions that define a chosen topic. This allows the interviewer and interviewee to stray slightly from the question to pursue an idea in more detail.

The advantages of this instrument include that a researcher can elicit more in-depth response or fill in information if a participant does not understand the question. It also gives certainty about who answered the questions and the ability to find the target population. Extensive probing can be used to collect detailed information.

Below are some of the broad questions that were asked interviewees:

- Is the Internet a threat or an opportunity to your organization?
- What are key challenges/issues that you encounter when dealing with/adopting online platforms?
- How are you changing your business strategic model/what are you doing differently in order to remain relevant?
- What business plans does your firm have in place for online offerings to expand your reach and revenues?

- How are you enhancing the experiences of your audiences in light of changing consumer preferences?
- What is your company doing to respond to the threats and opportunities presented by the Internet?

3.6 Credibility and Dependability

Reliability is the degree of consistency between two measures of the same thing, (Mehrens and Lehman, 1987). It is the measure of how stable, dependable, trustworthy, and consistent a test is in measuring the same thing each time (Worthen et al., 1993). The aim of trustworthiness in a qualitative inquiry is to support the argument that the inquiry's findings are "worth paying attention to", (Lincoln & Guba, 1985:290). Credibility is an evaluation of whether or not the research findings represent a "credible conceptual interpretation of the data drawn from the participants' original data", (Lincoln and Guba, 1985:296).

Cooper et al (1998) describe validity as the extent to which a test measures what actually is intended. Mehrens and Lehman (1987) define validity as truthfulness, in other words, does the test measure what it purports to measure?; the extent to which certain inferences can be made from test scores or other measurement. Worthen et al (1993) note that it is the degree to which they accomplish the purpose for which they are being used.

The findings and conclusions of this study were taken back to some of the respondents who participated in the research for validation. They described the findings of the data analysis as a sufficiently credible interpretation of the reality they experienced.

3.7 Research Planning

Table 1: Time-plan for completion of research report by March 20, 2012

	30/09/11	11/2011	12/2011	12/2011	01/2012	02/2012	20/03/12
Finalise proposal							
Gain approval							
Gather data							
Do data analysis							

Write report							
Finalise report							

CHAPTER 4

The South African Newspaper Industry: An Overview

4.1 Introduction

This chapter gives a brief sketch of the South African newspaper landscape, with a particular focus on the dominant industry players – Media24; Independent Newspapers; Avusa; CTP/Caxton and Mail and Guardian Media – who among them control about 90% of the local market in terms of newspaper circulation and advertising revenues. This section also analyses some of the key industry trends in relation to the developments in the global sector, thereby setting the scene for the analysis of findings in the next chapter.

4.2 Market Structure

The history of publishing in South Africa dates back to 19^{th} century colonialism. Since the establishment in the 1800s of the first newspaper by British settlers, the country has now developed a diverse newspaper market with more than 40 daily and weekly mainstream newspapers, [*ref].* These range from gossip and entertainment tabloids such as the hugely successful *Daily Sun* to business news publications such as *Business Day.*

These newspapers are owned mainly by the country's four biggest media groups, whose interests also include magazines, the Internet and broadcasting. The four companies – Avusa Media; Naspers; Independent News & Media; and CTP/Caxton Publishers – dominate the newspaper industry in terms of advertising revenues and the number of number of publications they own, as well as the circulation and readership of these titles. Mail & Guardian Media, owner and publisher of the highly regarded weekly *Mail & Guardian* newspaper and *Mail & Guardian Online*, is a smaller but very influential media group.

The South African print media has more in common with the oligopoly market structure than other market forms. This is a situation in which the market is controlled by a small group of firms which are able to collectively exert control over supply and market prices, (Fourie, 2001).

South Africa has a circulation of about 940-million newspapers a year, published mainly in English, Afrikaans and Zulu, (PwC M&E Outlook Report, 2011). This number includes local, small commercial and community newspapers. Despite a weakening in global economic conditions, trends show that the local newspaper market has continued to experience reasonable growth in revenues and circulation. This appears to suggest that the future of newspapers in South Africa is still more secure than that of newspapers in more developed markets, (PwC M&E Outlook Report, 2011). According to the PwC M&E Outlook Report (2011), therefore, the digital transformation which is "rapidly advancing the global newspaper industry and the integration of the traditional newsroom with online journalism" seems unlikely to threaten the existence of the printed newspaper in South Africa just yet.

Independent Newspapers dominates both circulation and advertising spend in the English daily newspaper market, while Naspers does the same in the Afrikaans newspaper market (albeit with a smaller share of the circulation and advertising stakes); Avusa has a marginal advantage above Naspers and Independent in the weekend newspaper stakes; while Caxton dominates the community newspaper market, (Fourie, 2001:148).

Like its global counterparts, the South African publishing industry depends largely on advertising for a bulk of its revenues. According to Nielsen Media Research, advertising makes up about 40% of the estimated R20-billion that spent in advertising annually, (Cobweb Information SA, 2010).

Like elsewhere in the world, South Africa newspapers generate their revenues through a combination of copy sales and advertising. The global trend is that firms cross-subsidise news production with advertising revenues or other commercial activities that media groups normally undertake, (Picard and Brody, 19989). According to OECD (2010), the newspaper industry globally derives almost 60% of its sales from both print and online advertising, and about 40% from circulation or the actual copy sales.

The total advertising spent on all media in South Africa before the financial crisis, for example, was more than R23-billion, according to All Media and Products Survey (AMPS) data released in 2008. The data shows that newspapers and magazines have consistently accounted for a 40% share of all media spend over the last five years, (Cobweb Information SA, 2010). Thus out of a total of about R10bn that is spent on print media advertising, almost 70% is spent on print newspapers, (Cobweb Information SA, 2010). Meanwhile, online ad-spend, which is coming off a very low base, is now growing more than twice as fast as the expenditure on newspaper advertising.

Below the major newspaper groups in South Africa – which compete intensely for this advertising pie and readers – are discussed in a bit more detail.

4.3 Media24

Media24, which is wholly-owned by JSE-listed Cape Town-based media giant Naspers, is now Africa's largest publisher as well as printer and distributor of magazines and newspapers. The group has 55 newspapers and prints 341.8-million copies yearly, more than a third of the annual total circulation. The stable has six dailies – Beeld; Die Burger; Daily Sun; Die Son; Volksblad, and Natal Witness – with a combined circulation of 800 000 copies, (Cobweb Information, 2010). Weekend publications include *City Press, Rapport* and *Sunday Sun.*

Since its launch in 2006, the tabloid *Daily Sun* has grown to become South Africa's biggest daily newspaper. With a readership of about 4-million, *Daily Sun* is now Africa's widest read newspaper with audited figures. Therefore, apart from now selling more English-language newspapers than any other company in South Africa, Media24 also dominates the Afrikaans-language market. The group's expansion strategy in recent years has focused largely on online and print media in high-growth emerging markets outside South Africa, namely the rest of Africa, South America, Russia, Asia and Eastern Europe, (Naspers Website). Its Internet presence locally is through its *News24* portal, which is regarded as Africa's premier online news publication.

4.4 Independent Newspapers (SA)

Independent Newspapers (SA) is a wholly-owned subsidiary of the Dublin-based Independent News and Media group and owns 14 regional and national titles in South

Africa. It has a presence in most of the major cities in key provinces of Gauteng, KwaZulu-Natal and Western Cape. In Johannesburg, the firm owns the daily *Star* and *Saturday Star.* It also produces business daily *Business Report*, which is carried in all its morning titles including in Durban, Cape Town and Pretoria, as well as the national weekly *Sunday Independent*.

In Durban, KwaZulu-Natal, the group owns *Daily News; Mercury; Post;* Zulu-language daily *Isolezwe* and its recently launched Saturday and Sunday editions; *Independent on Saturday* and, *Sunday Tribune*. *Isolezwe*'s massive growth since its launch a few years ago is part of the country's unprecedented growth in the tabloid market. *Isolezwe* also recently launched its website – the world's first Zulu-language website.

In Cape Town, Western Cape, the group publishes *Daily Voice*, its daily tabloid; as well as other dailies *Cape Argus* and *Cape Times*, and the weekly *Saturday Argus* and *Sunday Argus*. The Independent group also publishes *Diamond Fields Advertiser*, which mainly covers Northern Cape, as well as *Pretoria News* in the country's capital. It also has some presence in the community newspapers and magazines markets and holds significant printing and publishing contracts in the key centres.

Independent Newspapers states that its weekly sales amount to 2.8-million copies and its titles reach about 65% of English newspaper readers in these major urban centres areas. Its Internet presence is through Independent Online (IOL), which carries news and classified adverts from all its newspapers, (Cobweb Information SA, 2010).

4.5 Avusa Media Ltd

The JSE-listed media and entertainment group was formerly known as Johnnic Communications, or Johncom and Times Media before that. Its flagship publication is *Sunday Times*, which is by far South Africa's biggest Sunday title and one of the country's largest papers overall – with average weekly sales of about 500 000. The group also launched the daily *Times* a few years ago as part of its expansion into the tabloid market.

In its stable, the group also has the daily *Business Day* and weekly magazine *Financial Mail*, which it owns in a 50-50 joint venture with the UK's Pearson plc.

In the East London and Port Elizabeth metros in the Eastern Cape province, Avusa owns *Daily Dispatch* and *The Herald* respectively. Other Avusa titles include tabloids *Sowetan*, *Sunday World* and *Algoa Sun,* and weekly *Weekend Post*.

Avusa also owns I-Net Bridge, which provides electronic data, news and applications to professionals in the investment community and corporate market. Recently, Avusa launched the popular *TimesLive* and *BusinessLive* online offerings to bolster its online presence. These are discussed in more detail in Chapter 5.

4.6 CTP/Caxton Publishers

The group was established in 1998 to focus largely on community newspapers, magazines and printing business. Since then the group now holds the most newspaper titles with 130 identified community titles and magazines, 89 wholly owned and 41 co-owned. The group's combined print order has grown to more than 2-million copies in recent years, as community newspapers have shown tremendous growth, (Cobweb Information SA, 2010).
Caxton also owns the daily tabloid *The Citizen,* which has daily sales of about 69 036 and about 370000 readers, (PwC E&M Outlook Report, 2011).

4.7 Mail & Guardian

Mail & Guardian is small group, which was bought a few years by Zimbabwean media tycoon Trevor Ncube. However, it must be included in any consideration of the South African media largely because its influence in the country. The group owns and publishes the highly regarded weekly *Mail and Guardian*, whose target audience remains the middle-to-high-income, more serious readers. *Mail & Guardian* was also the first newspaper in South Africa and the rest of the continent to have its own website, launching *Mail & Guardian Online* in the mid-1990s, (Interviews, 2011). The group formerly co-owned the website with Internet service provider MWeb, but Mail & Guardian has now acquired full control. *Mail & Guardian*'s weekly circulation now just exceeds 50 000, with about 400 000 readers of all races, (Cobweb Information SA, 2010).

4.8 Some key Trends in the South African Newspaper Industry

According to PwC E&M Outlook Report (2011), the total newspaper market in South Africa rose by 2.7% in 2010 to R10.8-billion, which was due mainly to the strength of a rebound in the advertising market. Advertising increased by 7.3%, offsetting a 6.9% decline in circulation spend, (PwC E&M Outlook Report, 2011).

Importantly, the PwC Outlook (2011) report shows that South Africa is currently experiencing parallel markets in newspaper publishing. The more mature publications are experiencing declining circulations and the younger publications aimed at a more populous, less affluent segment of the market are remaining stable or experiencing increased circulation, (PwC E&M Outlook Report, 2011). Newly established tabloids, such as *Daily Sun, Daily Voice* and vernacular-language newspapers such as *Isolezwe* have all registered enviable growth. They have continued to attract new readers to the market and have contributed significantly to the overall increases in national readership.

> "In South Africa we have not yet experienced massive declines in newspaper circulations like those experienced in the US and Europe, but there has not been much growth either, especially in the long established and mainstream titles. However, despite growth in the country's population and more importantly the middle class since the advent of democracy in 1994, there has been no corresponding growth in the circulation of mainstream newspapers," (Interview with Kupe, 2011).

Since 2000 the local newspaper market has continued to post tremendous growth in readership and circulation, driven largely by new entrants into the market, (Audit Bureau of Circulations, 2006). This growth has been in defiance of global trends. In the period between 2000 and 2005, for example, total daily newspaper sales grew by 38.4%, from 1.13-million to 1.57-million (ABC, 2006). The new entrants have largely been aimed at the lower end of the market, where much of the overall industry circulation growth has come from. In total, South African newspapers have added more than 700 000 new readers in the last couple of years, bringing them to a total of almost 15-million readers by 2008.

On the surface of it, this growth seems to suggest a relatively healthy newspaper sector. However, a closer examination shows a less than rosy picture for the country's long established "mainstream" and "serious" dailies. Overall newspaper circulation and readership may be increasing, but that increase is accounted for entirely by the newly established tabloids and vernacular titles, (SAARF AMPS, June 2011). Latest figures show that in fact the circulation and readership of mainstream publications is generally in decline while start-up, non-tabloid entrants – such as *This Day, Nova, The Weekender and Sports Day* – have failed to survive in a tough market. Nonetheless South African publishers have generally remained highly profitable despite declining circulation, thanks to resilient advertising spend. However, the tabloids which have been highly successful in attracting new readers, they have not yet translated their circulation successes into profits, (SAARF AMPS, June 2011).

4.8.1 The Internet

Like in developed markets, the Internet poses perhaps one of the biggest challenges to the South African traditional newspaper market. There are now an estimated 4-million people who have access to the Internet in South Africa, (PwC E&M Outlook Report, 2011), and more people are starting to access their print titles online, according to AMPS (2011). Internet usage continues to rise in leaps and bounds.

With increased broadband penetration, the Internet is expected to become a more important factor for newspapers. Smartphones, the iPad and tablets are emerging as popular platforms for online newspapers. Fortunately for newspapers, consumers still view digital content as inferior to their traditional physical formats and publishers are faced with the challenge to monetise their digital migration, (PwC E&M Outlook Report, 2011).

According to TechCentral (2011):

> "SA media houses are revving up to provide their own tablet editions. The explosion of tablet devices, which started late last year [2010] on the back of Apple's popular iPad, has created a new and richer platform for media companies to extend their print offerings into the electronic realm. Murdoch has called the device a 'game changer'. SA publications are already starting to push out tablet and smartphone

apps. Naspers's Media24 already has applications for smartphones and tablets," (TechCentral, 2011).

Newspaper websites are increasingly attracting visitors and are selling advertising. Digital advertising rose 24.2% in 2010 and continued annual growth in excess of 20% is projected during the next five years, (PwC E&M Outlook Report, 2011). New digital circulation revenue stream is expected to emerge in which publishers will charge for certain online content and for digital editions distributed to tablets and smartphones. Newspapers are also expected to benefit from an expanding economy during the period to 2015, which will fuel advertising while limiting declines in circulation spending, (PwC E&M Outlook Report, 2011).

4.8.2 Newspaper Advertising Revenue

Print newspaper advertising is one of the more cyclically sensitive advertising categories in the market because of the large role played by classified advertising, which is affected by macroeconomic trends. In 2009, large decreases in classified advertising along with a weak advertising market in general, led to an 11.1% decrease in print advertising. Toward the end of 2010, as economic conditions improved, print newspaper advertising rose 7.1%, (PwC E&M Outlook Report, 2011).

The PwC E&M Outlook Report (2011) forecasts newspaper advertising to grow by 7.7% in 2013 and at rates above 9% during 2014 to 2015. The market as a whole is expected to expand at a 4.8% compound annual rate to R13.7-billion in 2015.

PwC E&M Outlook Report (2011) states that during 2010, both advertising spending and consumer/end-user spending rebounded as markets started to recover from the global financial crisis. However, the media industry that is emerging from the recession has changed profoundly in many markets as consumer migration to digital has continued to gather pace, triggered in large part by the device revolution.

The PwC M&E Outlook Report (2011) focuses on the pervasive impact of changing consumer behaviour on all segments of the entertainment and media industry in general and the newspaper publishing industry in particular as companies search for position in the digital value chain that is now taking shape. It projects that with the business models that will deliver success in the digital future still taking shape, this search for positioning is characterised by widespread experimentation and innovation involving a widening diversity of service offerings, revenue models, technology platforms and collaborative structures.

The PwC M&E Outlook Report forecasts that:

> "Over the next five years, as we move into what we believe will be the golden age of the empowered consumer, the demand for digital experiences will increase and become the norm. Advertisers are responding by seeking greater involvement with individual consumer's media and entertainment experience. For entertainment and media companies, we see the route to competitive advantage in this dynamic environment being created through increased multiparty collaboration as their businesses transform into collaborative digital enterprises, (PwC E&M Outlook Report, 2011).

The report further notes that the impact of the digital migration is starting to be felt in South Africa, thanks to the increasing affordability and availability of broadband and mobile infrastructure.

> "We recognise this digital connectivity as a golden thread that we expect to have an impact on every segment of the emerging media and entertainment market. Notwithstanding this, the focus on culturally and linguistically relevant local content as a key to satisfying consumer demand remains as real today as ever," (PwC E&M Outlook Report, 2011).

Alistair Fairweather, a Digital Platforms Manager at *Mail & Guardian* and an expert on online publishing, notes that newspapers and magazines in South Africa will have had to have migrated to digital platforms by the end of this decade, (TechCentral, 2011). This means that South African newspaper proprietors now "have less than 10 years left to make as much money out of print newspapers as possible before print becomes unsustainable", (TechCentral, 2011).

He suggest that it is important for media producers to realize that newspapers "are institutions and not paper products" and that trend towards citizen journalism will not supplant professional media because “as soon as people start making money they become like traditional media and because curation remains as important, if not more so, than creation”, (TechCentral, 2011). He notes that more people are paying for digital media partly because “they need a filter for the universe” and “this is what traditional media provides, whether in print or digitally”, (TechCentral, 2011).

CHAPTER 5

Analysis of the South African newspaper industry's response to the Internet

5.1 Introduction

This chapter closely analyses some of the major developments in the South African newspaper industry, with a particular view on how firms have responded to the Internet. The aim is to determine and understand how major owners of South Africa's mainstream newspapers are reacting to the threats and opportunities posed by the online environment and some of the key challenges that they are facing in the process.

The chapter begins with an analysis of the broader industry and then focuses on how individual firms have each reacted to the Internet. The findings presented in this chapter are based on documentary evidence on the subject as well a number of in-depth interviews with key industry experts and executives.

At an industry level, the following three broad themes emerged from the research: i) there has been a marked shift in attitude and approach among industry executives towards the Internet; ii) the industry's response has, for a variety of reasons, generally been slow, and iii) the challenge for most companies is how to develop viable models for both the economic and strategic aspects of their online activities. These themes are explored further in the following sections.

Evidence suggests that the initial response from local media industry executives was not to give serious considerations to the Internet as an opportunity, while some feared that online content would steal away readers from traditional media, (Interviews 2011). This partly explains why local newspaper proprietors have taken longer than most of their global counterparts in responding to the Internet.

However, in the last couple of years most companies have started seeing the Internet, not as an option, but as the future. This is seen in the increase in investments that companies are making towards online platforms, even though the returns are still low at this stage, (Interviews, 2011). There is a marked growth in the diversification towards online platforms.

Despite still grappling with the phenomenon of the Internet, most of the firms now have solid and coherent online strategies. Rather than seeing online as the opposition, local publishers are starting to see it as complementary to their traditional brands and are consequently committing more investments towards leveraging online platforms.

5.1.1 Shift in attitude and approach

Up until recently, large sections of South African media executives believed, as did many worldwide about a decade ago, that for all the hype that accompanied it, the Internet was nothing but a fad that would never have much of a serious negative impact on printed newspapers, (Goko, 2006; Interviews 2011). This was notwithstanding the apprehension and loathing that accompanied most executives' initial reaction that embracing online platforms would take audiences away from the traditional print media.

However, lately there seems to be a growing shift in attitude among local media executives towards the Internet, from one of apathy, loathing and apprehension, to an acknowledgement that the Internet is here to stay, and that the fragmentation of media markets and revenue streams brought about by online platforms, need not spell doom for newspapers – but that it represents a new and major opportunity going forward, (Interviews, 2011).

For example, Lohmann (2011) acknowledges that in the beginning there was a lot of "anxiety, uncertainty and even fear" among many executives about what the rise of Internet really meant for newspapers.

> "But that situation has changed significantly as most now see the immense opportunities and possibilities that the Web offers. There is now a realisation that there is a lot of room for newspapers and the Web to coexist in a really beneficially manner," (Interview with Lohmann, 2011)

Consequently, various local media companies have over time increased resources towards online and most are even scaling back traditional print platforms, (Interview with Lohmann, 2011). Most newspaper houses – such as Avusa, Naspers and Mail & Guardian – are already gearing up to take advantage of the growth in devices such as smartphones, iPads and tablets, which are emerging as popular online platforms for newspapers. Some have already or are preparing to launch tablet editions of their newspapers, particularly those aimed at the middle-to-high income segments, (Interviews, 2011).

This shift also appears to have also coincided with a growing concern that despite South Africa experiencing increases in population and the growth in its middles class and income per capita since democracy in 1994, there has been no corresponding growth in circulation and readership of most newspapers, (Interview with Kupe, 2011). While conclusive studies still need to be conducted to determine the actual causal relationship between circulation trends and the Internet in South Africa, there is little doubt about the Internet's growing impact on local readership trends, (Interview with Kupe, 2011). As *Mail & Guardian* Editor Nic Dawes says:

> "People have underestimated the extent to which there has already been an impact. It [the Internet] has not driven down circulations yet, but it has put a ceiling on growth in some areas of the market," (in TechCentral, 2009).

Evidence of the acknowledgement by the local media industry of the force of the Internet is illustrated by the growing investments that South African media companies continue to make towards their online and digital businesses. All local media firms seem to have finally joined the online band wagon, devising strategies and setting up online business units that leverage traditional brand and content offerings.

> "We are talking billions of rand that are now collectively being spent annually by newspaper companies as they move faster to build their presence online. This trend has been gathering pace especially in the last couple of years because firms have finally woken up to the reality of the Internet," (Interview with Nagel, 2011).

Jude Mathurine (Interview, 2011), a scholar of new media, argues that with the audiences' changing media consumption habits, South African media managers have little choice but to make these massive investments.

> "There is now an increasing sense of urgency [in the local industry] to commit more resources towards online and related platforms. The fact that there is now a nonlinear consumption of media products as a result of the emergence of various online media platforms has broad and profound implications for local newspapers.

> However, there is a greater awareness that the availability of platforms such as websites, smartphones, tablets and iPads permit greater accessibility to information and news. These tools also offer traditional news media a limitless capacity for brand building," (Interview with Mathurine, 2011).

5.1.2 Why industry's response has been slow

Apart from the *Mail & Guardian*, the first publication to go online more than 17 years ago, most of the firms started giving the Internet serious considerations only recently, (Interview with Harber, 2011). A number of factors explain why the South African newspaper industry has generally had a slow start with regard to its reaction to the Internet.

To start with, key trends suggest that the South African newspaper industry has, at least for now, somehow been cushioned from the crash in circulation and revenues experienced in the US and other more mature global markets. South Africa seems to have bucked recent global newspaper trends largely because the fact that the impact of the global financial and economic crisis has not been as severe as it has been in the developed markets, (Interview with Kupe, 2011).

Also, relatively lower Internet penetration and higher, albeit, declining costs have meant that its effects on the traditional newspaper business model have been rather delayed locally, (Interview with Harber, 2011). South Africa's Internet market is still relatively small, which explains why the country lags most of the world's key newspaper publishing markets when it comes to the newspaper online shift. Hence the industry has been relatively tardy in responding to online developments.

However, circulation and revenue growth in the last few years have been almost static, especially for mainstream newspapers that appeal to middle to high income audiences, according to industry observers interviewd, who project that South Africa's "day of reckoning" may still happen if emerging Internet growth trends are anything to go by, (Interviews, 2011).

Nagel (2011) explains why the local newspaper industry has seemingly remained resilient in the face mounting challenges thus:

> "In the South African environment, newspapers are still pretty much big items for consumers because many of them still prefer the experience of newspapers to the Web. This might explain why newspaper companies seem to have taken longer to wake up to the Web than their counterparts in the more developed markets," (Interview with Nagel, 2011).

Another reason for the local industry's somewhat belated response might be explained by the fact that the Internet turned the industry on its head, leaving local media executives with few answers about how to respond. It's clear that newspaper publishers are struggling to come to terms with the changes. As Harber (2011) explained, it has still remained unclear how media firms should effectively respond to the challenges posed by the Internet.

> "The biggest challenge that South African newspapers owners and others elsewhere face is that there are no certain answers about how to react to the Internet. There is no clarity yet on what exactly newspapers need to do to survive. They [newspaper firms] are all still considering or at least experimenting with possible and viable business models. However, there is a clear realisation that they [firms] can no longer just sit back in the hope that the problem will go away," (Interview with Harber, 2011).

Similarly, Boyle (2011) noted that: "Even now the Internet is still a learning curve for everybody [in the newspaper industry]," (Interview, 2011). As a result, for a long time very few if any newspaper owners had clear and coherent strategic approaches towards the Internet.

5.1.3 Strategic challenges

The study identified two key strategic challenges that the local industry faces in its response to the Internet. The first one relates to developing viable revenue models, and the other to integration of print and online offerings in ways that create value for the consumers. These challenges are not unique to the South African industry, but as demonstrated in Chapter Two, are also faced by the global industry in general.

Like their global counterparts, the biggest challenge for local newspaper firms is how to develop viable and profitable online business models, (Interviews with Nagel, Mamaila and Lohmann, 2011). The difficulty at this stage is coming up with digital strategies that work.

They argue that the slow but steady gains in online advertising are not yet making up for the losses experienced in print. For example, Nagel (2011) points out that:

> "While newspapers will eventually have to fully integrate online with their print offerings to survive, but at this stage many are finding it still difficult to generate sufficient revenues from online business to justify capital investment. Although in South Africa we have seen a migration of advertisers from to print to online – especially classified advertising – revenues are still slow in coming because it's cheaper to advertise online than on print. In South Africa we need to cross a certain threshold of people that access information online for advertisers to be prepared to pay top dollar to place adverts online. At this point we are still far from that threshold," (Interview with Nagel, 2011).

However, as South Africa's Web data gets cheaper and more and more people have access to the Internet, then the migration of advertising from print would eventually become faster.

> "In other words, the cost of data and speed will drive online accessibility. This in turn will determine the amount of revenues generated online, and ultimately the future of South African newspaper publishing," he notes, (Interview with Nagel, 2011).

While most local media firms have created online platforms to deliver content to audiences, they have generally lacked coherent strategies of effectively integrating their print and online content offerings in ways that offer more value to audiences.

The lack of coherent strategies and the poorly integrated platforms is an industry-wide problem. For example, Kupe (2011) argues that while most South African newspaper companies have grasped the need to adapt to technological changes, usually by building websites, there still seems to be little synergies between their print and online platforms.

> "A major problem with South African firms in general is that they have had fragmented strategies in their reaction to the Internet. For example, Independent Newspapers established its IOL (Independent Online) news site but each of its newspapers continues to have its own separate website. Media24 as well has the News24 online channel but each of its newspapers continues to have its own

website, all of which do not necessarily add much value to the information that is published. This shows a lack of coherent and thought-through strategies," (Interview with Kupe, 2011).

He goes on to argue that there is a need for publishers to regard online platforms not merely as "dumping sites" for print content, but to see both print and online as interlinked platforms that offer value to audiences. Kupe (2011) proposes that firms should further investigate how their audiences access information, and then develop editorial strategies that will ensure that digital platforms are well and seamlessly integrated with print. He believes that any media organisation that thinks it can get its online offerings to remain sustainable without any value proposition to audiences is missing the point completely about Internet publishing.

Mathurine (2011) lays the blame for this lack of effective strategic integration squarely at the door of the leadership of some of the companies. He argues that a leadership that understands both offline and online aspects of the publishing business is indispensable to the success of newspaper companies' adequate responses to the Internet. Similarly, Lohmann (2011) says the general problem in most companies is that managements and shareholders do not always share the same visions about investments in the Internet. He says one of the major problems faced by those companies that have battled to develop and implement effective online strategies is that there is usually no alignment between the investment perspectives of shareholders and management executives. As far as he is concerned, shareholders tend "to have a short-term view on online investments, while managers a long term view", (Interview, 2011).

Below I discuss some of the steps that South African newspaper owners – Avusa Media; Naspers; Mail and Guardian, and Independent Newspapers – have each taken in reaction to the Internet. The firms are discussed in relation to the themes explores above.

5.2 Avusa Media Ltd: The Late Starter

Avusa is a good embodiment of all the themes discussed above. Until recently, Avusa seemed to lack a clear digital strategy, which reflected in the group's uncoordinated online activities, (Goko, 2006; Interviews, 2011). This explains why Avusa's management spent more than a decade and more than R1-billion from the late 1990s trying to create multi-media company, with little returns on investments to show for it, (Goko, 2006).

Elan Lohmann, Group MD for Digital at Avusa, admitted as much in interviews when he said:

> "Avusa has been a late starter in the online business and has burnt a lot of money but has not had good returns on investments. But we are now moving very fast towards online. The challenge with online business is that pricing is still too low mainly because of abundant supply," (Interview with Lohmann, 2011).

Lohmann (2011) said he believed that Avusa had not been much of a serious player in the field of online publishing until very recently. He said his strategic aim is to build and grow a profitable and sustainable online business for the group within the next five years.

> "It's no longer economically viable for digital media to continue to be subsidised by print. It's time it [digital] stood on its own two feet," he said, (Interview with Lohmann, 2011).

In 2006 Avusa (then Johncom) established a project team to re-examine in-depth its multi-media platforms, including online. The outcome was the establishment of the group's new digital division, Avusa Media LIVE, and an overhauled online strategy. It was only in April 2010 that Avusa formally rolled out the comprehensive strategy, which sought to consolidate its online publications under the Avusa Media LIVE division, headed by Lohmann, (Interview with Lohmann, 2011). One of the new division's objectives is to distribute the attention of users more evenly across the group's different brands.

Lohmann (2011) said the appetite for online offerings was becoming significant to ignore and that after more than a decade of Internet usage in South Africa, the "tipping point" had finally been reached.

Avusa's overhauled strategy has resulted in the establishment of the now-successful *Times LIVE* for general news; *Business LIVE*, a business and financial news and analysis platform which would be monetised by getting companies to pay for having information and opinions about them placed on the website; *Politics LIVE*, focused on news and analysis on politics, government and society, (Interview with Boyle, 2011).

The new division now oversees the digital properties of Sunday Times, Times, Sowetan, Sunday World, The Herald and Daily Dispatch. At the time of writing all the titles were set to be re-launched under the *LIVE* brand. The successful *Times LIVE* itself has also received a massive revamp. *Times LIVE* became the first interactive publication in South Africa (Interview with Boyle, 2011).

According to Boyle (2011), who was part of the task team set up in 2006 to review and bolster Avusa's online presence:

> "Through its *Times LIVE*, Avusa has now developed a large online audience and advertising seems to be picking up, albeit, slowly. It [*Times LIVE*] has also been a huge brand building resource for Avusa publications such as the *Sunday Times* and daily *Times*. Unfortunately, for a long time Avusa has run quality information on *Times LIVE* but on an inadequate bandwith. Avusa has not invested adequately in its bandwidths, which hampers the speed at which information can be accessed, but that is being addressed," (Interview, 2011).

Goko (2006) found that until a few years ago the transfer of print content to websites within the Avusa Group was a mechanical technology function. In addition, the various titles' Web portals in the Avusa stable did not "talk" to each other, while the websites traded solely on the good reputation of the printed brands. The result of this was the duplication of the news and information content of the print titles, which was of little value to audiences.

Goko (2006:65) further points out that as all websites delayed the release of their online content until after publication of the print products, they effectively served as merely online distribution channels for print titles – "and not as fully-fledged businesses that tailor-make content for online consumer requirements".

However, with a revamped online strategy, Avusa has taken further steps to improve integration and offer more value to online audiences.

A major reason for the reluctance on the part of Avusa's executives to exploit the speed of delivery was the fear of "cannibalising" the successful print titles, (Interviews, 2011). The challenge of cannibalisation, says Mathurine (2011), will always be there, but the key for media executives lies in properly segmenting their market audiences.

However, as stated earlier in this chapter, the lack of coherent strategies and the poorly integrated platforms is not only unique to Avusa, but is an industry-wide problem.

Lohmann (2011) also noted that one of the biggest challenges that Avusa faces is that the strategic views of management and those of shareholders "are not always in synch when it comes to establishing and executing an effective digital strategy for the company". He said this often became a major stumbling block to efforts aimed at devising and implementing effective online strategies.

> "The problem comes down to leadership and people and culture; technology is never a problem. Avusa's shareholders tend to have a short-term view, while management tends to take a longer-term view to investments in online. The reason Naspers' online expansion, for example, has been such as success is that both management and shareholders of the company are in synch," (Lohmann, 2011).

At the time of writing, plans were underway to integrate *Business Day and I-Net Bridge* as part of the establishment of Avusa's *Business LIVE*. More resources are being put into *Business LIVE*, which will integrate all Avusa's business and financial offline and online publications (*Business Day, Financial Mail, I-Net Bridge and Business Times, SummitTV*). This is part of a strategy to move towards more specialised reporting.

However, that Avusa did not do this sooner baffles analysts such as Harber (2011).

> "With a huge chunk of business and financial information and news provided by any South African newspaper company, it is bizarre that Avusa is still far behind its competitors. It is in a position of advantage because of its strong business and financial brands such as *Business Day, Financial Mail* and *Business Times*. The company has woken up a bit late when it comes to making efficient online investments," (Interview with Harber, 2011).

Avusa's online strategy is also to target an expected increase in Internet usage particularly among the rising black middle class consumers, (Lohmann, 2011). This is because latest AMPS ABC figures show that black Internet usage has for the first time overtaken that of the white population. The figures show that Internet usage among the black population "has reached 46%, while white audience share has dropped to 37%. Coloured usage stands at 10% and Indian at 7%", (Digital Media, 2011). Lohmann (2011) said in light of these findings, Avusa Media LIVE would be "creating additional opportunities through a focused strategy in this segment".

Avusa also recently launched a daily deal group-buying site, called Zappon. Lohmann said:

> "We see huge potential in the black market with daily deal and group buying concepts. Zappon is our first dip of the toe in the water to get our processes and tech well oiled. At the moment I consider it in public beta. We are learning and adapting all the time," (Digital Media, 2011).

Going forward, Lohmann (Interview, 2011) said the group will be "more vigorous and strategic" in its online publishing, and a key area of focus will also be more on the business-to-business (B2B) models.

> "At the end of the day we are in the business of producing content regardless of what platforms we deliver it through to our audiences. Avusa has good brands, such as *Business Day*, *Sunday Times* and *Sowetan*, that can be leveraged to build effective online offerings," (Interview, 2011).

5.3 Naspers: An Emerging-market Online Giant

JSE-listed Naspers, owner of publishing house Media24, is regarded as leading the local media industry when it comes to the size and scope of its investments in online operations. This is largely due to its strategy of buying online media businesses around the world, especially in emerging markets, (Interviews, 2011). In recent years Naspers has made substantial investments to revamp its user platforms, and the group states that it "intends to continue with these investments in order to consolidate the leading positions it holds in several markets and to expand into new ones", (Naspers Website, 2011).

Through its investments in several Internet-related businesses, the group has over the past two decades evolved from merely being a traditional print media business in South Africa, to a broad-based e-media company in a number of key markets around the world.

The group has adopted as one of its strategic objectives, growing its Internet businesses in emerging markets. This gives an indication of how seriously it is taking the Internet. Most interview participants agreed that Naspers has been without equal in the local market when it comes to resources committed towards online platforms. For example, Nagel (2011) noted that Naspers is using significant cash being generated by "its more mature investments in pay-television and print media to invest in less mature and high growth Internet opportunities", (Interview, 2011).

> "Naspers has made significant strides developing a range of Internet services that include e-commerce, communication and networking services, in the markets in which it operates, that is, China, Africa, Brazil, Central Eastern Europe, Russia and India," (Nagel, 2011).

The Economist (2010) cites Naspers – now widely regarded as Africa's largest print and online media group – as one of few emerging-market online pioneers that have made considerable and promising Internet investments.

> "Based in Cape Town, Naspers is nearly 100 years old and is the publisher of the *Daily Sun*, South Africa's biggest newspaper. But it is one of the most ambitious old-media companies anywhere in its move online. It still makes most of its sales — R28-billion ($3.6-billion) in the year to March [2010] — from print and pay-television, but it uses the cash to buy online firms," (*The Economist*, 2010).

Several industry analysts, such as Nagel (2011), also back this view about Naspers' pioneering online steps, saying that it has led the growing trend by South African media firms to diversify their revenue streams away from print. More and more of them are reinvesting their profits into other web-based, non-newspaper businesses, (Interview with Nagel, 2011).

> "Naspers has led the way when it comes to this [investments in the Internet], and from a strategic point of view it has made print a smaller part of its business. Naspers has been busy buying digital assets, particularly in emerging markets – where most of the world's economic growth is already coming from. Locally, the

group has also invested heavily in News24, which is now South Africa's biggest online news publication. Naspers has certainly come a long way from being just a publishing house," (Interview with Nagel, 2011).

According to *The Economist* (2010), Naspers now has the largest portfolio of Internet firms in emerging markets. For example in Brazil, the group is invested in BuscaPé, a comparison-shopping site; in India it owns ibibo, a social network; in China it owns Tencent, China's largest Internet company by market capitalisation and the third-largest in the world; in Russia it has a stake in DST, and at home in South Africa it owns the 24.com portal – according to *The Economist* (2010).

The Economist also notes that a cornerstone of the group's focus in the last couple of years "has been on a converged media strategy, allowing for the same content to be distributed over a number of channels". For Nagel (2011), what also sets Naspers apart is also the "entrepreneurial flair of management" and the group's strategy of acquiring stakes in businesses it sees growth potential. Consequently, "this has allowed it to constantly evolve to follow new technologies and media themes". However, despite the huge online investments that Naspers has made so far, Nagel (2011) says "decent" returns on investments are still to be realised.

Naspers CEO Koos Bekker concedes that the company's investments have not yet quite made any significant money. He is also quoted in *Moneyweb* (2011) as saying that one area in which Naspers sees significant potential is the growing use of tablets and other digital devices.

> "My gut feel is that the tablets have actually changed the transfer of print titles to the Internet. We tried for 10 years to move magazines and newspapers to a normal Internet site on your laptop and we succeeded a little bit. We have News24, which is the biggest news site in the country but it's no great shakes financially. But for the first time with the tablet it looks like a magazine, it pages over like a magazine, the reading experience is highly satisfactory," (*Moneyweb*, July 2011).

Naspers has thus essentially positioned itself well as a "one-stop-shop" content provider in that it now operates in the print media segment and has a growing online presence. If it can deliver on its Internet strategy, then it can be guaranteed of considerable growth in the next couple of years. Nagel (2011) says the key for Naspers, however, will be in ensuring that it is able to "monetise" its digital platforms.

5.4 Mail & Guardian: First Mover Advantage, but behind Competition

Despite being the first South African newspaper company to move online in the mid-1990s, *Mail & Guardian* has not been able to fully capitalise on this first-mover advantage to get ahead of its competitors. Although it was in many ways a pioneer in the online space, it has in recent years been overtaken by its competitors in terms of online visitor numbers, (Interviews, 2011).

Nonetheless, *Mail & Guardian* is one media group that has also been ramping up its investments online, with some degree of success. In fact, according to *Mail & Guardian* editor Nic Dawes, while there have been budget cuts at the newspaper due to the recession, online is the only area that has consistently had increases.

> "I can't give you an absolutely crisp number, but let me say this: [online] is the one area of the budget that actually is increasing in the middle of the recession – for capital, for training and also for people. So all other aspects of our budget have been cut in the peak of the recession, and online budgets are up," (Dawes quoted in Bloom and Mavhungu, 2009:6).

In their recent study, Bloom and Mavhungu (2009) cite the weekly *Mail & Guardian* as one of few examples of local newspapers that have been successfully adapting to the rapidly changing online environment. They note that the level of "professional editorial intervention" has in fact been increasing steadily at the newspaper's online version. Furthermore, despite economic circumstances, circulation and revenue at the publication has either been stable or showing a slight improvement. *Mail & Guardian* is regarded as one of the few companies that have fully grasped the importance of multimedia interactivity through its near seamless integration of online and offline platforms, (Interviews, 2011).

Chris Roper, Digital Products Manager at *Mail & Guardian,* says in recent years the company has intensified its efforts towards integrating print and online. Roper is also a former editor-in-chief of Naspers' 24.com. *Mail & Guardian* has continued to grow despite the overall steady but slow decline in the market. The newspaper now sells about 50 000 copies weekly and is read by about 400 000 readers, mostly in the middle to high end segment of the market, (Interview with Roper, 2011). He says this is in most likelihood the first group to switch to the Internet for information and news.

According to Roper (2011), these figures do not include newspaper's "fast-growing digital editions on the iPad and Kindle". The launched in 2011 its iPad and Kindle editions of the newspaper and the uptake by readers of these platforms is growing rapidly.

Roper (2011) says the integration of print and online is one key area of strategic focus for the group. *Mail & Guardian*'s emphasis on investing in integrated platforms is partly driven by the group's view that newspaper website will become completely obsolete in five years unless they properly integrate with print and offer good quality content, (Interview with Roper, 2011). He says *Mail & Guardian* wants to use online platforms "to create more conversations through meaningful content, rather than populating its website with wire news that every other website carries".

He says the reason *Mail and Guardian* has relatively been successful in integrating its online and print is that the focus is primarily on disseminating quality information and news via its different platforms because of the newspaper's belief that "content is still king". *Mail & Guardian Online* is now ranked among the top publications in Africa, (Interview with Roper, 2011). He says *Mail & Guardian* has stopped considering itself just as a newspaper, but a producer of value-added content that can be delivered to audiences through various channels. He adds that continued growth in both print and digital platforms is because the "appetite for relevant, credible news is stronger than ever before and that is what we aim to deliver".

> "The Internet and the printed newspaper are merely platforms to disseminate intelligent news to as many people as possible. Both platforms complement each other perfectly. A core of our strategy is to see both offline and online as interdependent. Readers go to *Mail & Guardian*'s online platforms because of the brand that's been created by the printed newspaper. As long as you make a newspaper relevant to your readers, they will read it irrespective of age or other

> platforms. The fact that *Mail & Guardian* has stayed true to its values and core audience over the years has helped us bolster readership in spite of the slow decline in the market. So we see print as a great interface with still a lot of good about it. Fortunately, we also have a management that understands the importance of both print and online businesses," (Interview, 2011).

This point is backed by Nagel (2011) who observes that a major problem that South African newspapers are increasingly facing is that the editorial or content strategies of most of them have "become exceptionally weak". This is partly due to the fact that many fine and experienced writers have left newsrooms to start their own blogs instead of writing for newspapers.

> "In many instances these bloggers tend to provide better quality of coverage of events than newspapers. News is now being better written on the Web than in print. Newspapers need to have best writers to write blogs for them if they are to be successful both offline and online," (Interview with Nagel, 2011).

Mail & Guardian is one of the few companies that have also moved to or at least are exploring other digital platforms – having already launched its iPad and Kindle editions in 2011. *Mail & Guardian*'s move into new digital platforms is led by Digital Platforms Manager Allistair Fairweather, who says more than simply bringing content to readers in new formats, tablet devices, smartphones and their associated applications bring new opportunities, (in TechCentral, 2011).

> *"Mail & Guardian* has identified another niche where tablet editions could help the company cut costs. We spend thousands of rand to send papers to international subscribers, who will only receive the paper days later. Instead of using 'snail mail', the newspaper intends recommending to international readers that they subscribe to the tablet edition," (TechCentral, 2011).

Despite 30% of the price of *Mail &* Guardian's iPad edition going to Apple, makers of the Ipad, Fairweather expects it to become profitable in 2012 and break even in 2013.

> "And those are the gloomy predictions; the rate of advertising uptake suggests it could be better. By 2015, if digital isn't generating 50% of the *Mail & Guardian*'s revenue, I'll feel I've failed", says Fairweather, (TechCentral, 2011).

5.5 Independent Newspapers: Still Sweating Print Assets

However, not all South African newspaper firms have showed the same sense of urgency in embracing the Internet. For example, several analysts regard Independent Newspapers – which is part of Independent News & Media plc – as the worst among the other key industry players when it comes to investing in online publishing, with the group's strategic focus still largely on its print assets. For instance, Harber (2011) remarked:

> "Independent Newspapers is still in the 'stone ages' when it comes to the Internet. The company is not investing anything closer to what the other companies are investing and this can be partly explained by the fact that it is foreign owned. The Independent group is going through a process of just harvesting profits from its South African operations, while investing as little as possible in them," (Interview, 2011).

Khathu Mamaila, a General Manager at Independent Newspapers who also worked at Naspers in senior managerial roles, said the Independent group had deliberately limited its investment efforts in the online operations because "nobody has yet found a formula to make money out of online", (Interview with Mamaila, 2011). The group's online presence remains largely in the form of its undercapitalised Independent Online (IOL) portal.

> "Even those companies [like Naspers] that have invested heavily in their online platforms, their returns on investments are still miniscule and do not justify these investment outlays. All shrewd businesses will not invest in ventures that are bound to fail or that produce returns that do not justify investments," (Interview, 2011).

It is for this reason that Independent Newspapers continues instead to focus on finding growth from its print operations. In recent years, the group has invested its resources largely in print, believing that there are good returns still to be made. In the last decade, the group has launched new print products targeted at the lower end of the newspaper reading market. In KwaZulu-Natal, the group launched the Zulu-language daily *Isolezwe* in 2002. This was subsequently followed by the Sunday and Saturday editions of the newspaper *Isolezwe ngeSonto* and *Isolezwe ngoMgqibelo* in March 2008 and August 2011 respectively. In the Western Cape, the group launched the tabloid *Daily Voice* in 2005, aimed at the then largely untapped market of millions of blue-collar South African newspaper readers in the province.

However, other newspaper groups have also similarly targeted this market segment, but without ignoring the online environment. Their strategies involve growing new print readers in existing markets while at the same time rolling out onto new digital platforms. In the same period Naspers, for example, launched its hugely highly successful tabloid *Daily Sun*. This was followed by others such as the Afrikaans version *Die Son* and Sunday edition *Sunday Sun.* Avusa recently entered the Zulu-language market by launching in 2010 the Zulu edition of its flagship weekend newspaper *Sunday Times.* The difference between Independent Newspapers and the two groups is that Naspers and Avusa have a multi-focused strategic approach: high-growth print market segments and the Internet.

> "The successes of these products (print) have shown us that despite the doom and gloom about the newspaper industry, there is still reasonable growth to be made in the print newspaper market to warrant investments. Until we are presented with a business model that can overcome the dilemma of monetising online platforms, Independent Newspapers will continue to focus its investment energies towards platforms that have worked for it in the past," (Interview with Mamaila, 2011).

This is despite overwhelming evidence of promising trends in multimedia convergence especially in developed markets such as the US, Europe and Australia. These trends suggest that companies can successfully integrate their print, Web and other forms of media to create diversified revenue streams that hedge against downturns in the traditional revenue streams such as newspaper advertising, (Goko, 2006; Interviews, 2011).

However, even though Independent Newspapers is yet to come up with a clear and coherent online strategy, that's not to say the group does not entirely see the opportunities presented by the Internet. For example, according to Mamaila (2011), the group is toying with the idea of introducing "paywalls" or online subscription model for all its publications that are already online, (Mamaila, 2011). At least this is the way newspapers globally seem to be going. However, he concedes that the challenge will be how to compete with news sites like Naspers' *News24* and *Times LIVE,* which offer their content free of charge.

> "The idea is to try and convert some of our readers from print to online and to gain others that prefer their publications online rather than print. At least Independent has invested resources into this concept. We see this as the way to go for Independent in the future because this model does not only guarantee better revenues, but it reduces production, printing and delivery costs. The current online business models have so far proved to be unviable," says Mamaila (Interview, 2011).

CHAPTER 6

Summary, Recommendations, Further Research and Conclusion

6.1 Summary

This study sought to determine how the South African newspaper industry was responding to the challenges and opportunities presented by the Internet. This was done primarily through analysis of documentary evidence and data collected through a number of in-depth interviews with key industry executives and analysts.

The literature review showed why South African newspaper proprietors, like their global counterparts, have to consider how they are going to deal the growing power of the Internet. There are strong indications that print newspapers could become extinct in years to come, replaced by portable electronic readers. It's becoming increasingly important for South African newspapers to seriously consider the relationship between print and digital editions going forward. Trends show that in the long run more people will be buying their newspapers on portable, flexible devices instead of paper. International trends continue to show that readers of digital publications are more likely to shop online, which should be of great interest to advertisers.

The research established that South African newspaper publishers generally are seriously considering the threats and opportunities presented by the growing online environment, even though they might have been slow in their reaction. In particular, it found that investments are increasingly being made in online and related digital platforms. Online is now at the core of most of the companies' business strategies.

There is an increasing realisation among most firms that while print might have for a long time served most of these companies' interests, this business model will no longer be sustainable in the long-term. Hence, most key South African newspaper owners are now moving swiftly to find ways to make the Internet work for them and avoid some of the mistakes that have led to the death of newspapers and media outlets elsewhere. They realize and accept that there is room for print and the Internet to coexist.

However, effectively integrating print and online platforms and generating sufficient revenues from online offerings to justify investments remains a major challenge and a steep learning curve. Despite concerted investment efforts towards online platforms, the returns on investments remain largely disappointing.

South African media companies can learn from strategies and business models being successfully adopted by some publishers around the world. There is growing evidence from other parts of the world – such as the US and Europe – that suggests that companies can successfully integrate their print, online and other media platforms to create more diversified revenue streams.

Such diversification, which appears to be the overaching strategy used globally, can hedge against downturns in the traditional revenue streams like print advertising. To some degree, companies like Naspers, Mail & Guardian and Avusa have begun to move in that direction.

6.2 Recommendations

This study recommends, firstly, that newspapers focus on understanding the changing needs of their readers and users so as to better meet those needs. This entails firms having a consumer-centric approach. Secondly, newspapers need to focus on the quality of content they produce and be able to establish its true value so that they can explore ways to make consumers pay for it. The Internet's impact on newspapers has been felt at the level of industry audiences and revenues. The recommendations proposed hereunder seek to address the problem the industry faces at that level.

6.2.1 Consumer-centred approach

As Kupe (2011) explains, it is important that South African newspaper companies' revenue strategies should start by focusing on the needs of their readers and users. In other words, attention needs to shift more towards strategies that focus on audiences "coalescing around content and commercial transactions online".

This would allow them to discover various audiences' appetite for new media products and in turn allow companies to target consumers with new advertising based on media consumption habits. Understanding their readers and users will also enable them to embrace all new methods audiences use for accessing their news and information, in ways that maximise audience reach.

> "[South African] Newspapers should take a long-term view and see Internet and digital capabilities not as a threat but as an opportunity to expand their capacity for wider audience reach and new revenue streams. Companies need to change their models and treat print and online platforms as a continuum through which various audiences can access information and news. It is crucial that, first, they fully understand their audiences' needs," (Interview with Kupe, 2011).

This consumer-centred approach is also based on the notion that consumers of any business are an intangible asset that should be recognised as an important contributor to long-term shareholder value, (Bick, 2009). Bick (2009) suggests that if consumers are not considered as an asset or what he refers to as "customer equity", then the opportunity of having a comprehensive picture of an organisation's performance is missed.

In other words, for an organisation that can monitor and develop individual relationships with its customers, these become a critical consideration in the long term. Hence, the starting point for South African newspapers should be to fully understand their audiences.

6.2.2 Charge for Content

A major problem that local newspapers are facing, like their global counterparts, is that online publishing is still far from making up for the revenue losses in the printed newspaper business it is replacing or supposedly complementing. Among some of the revenue approaches that the local industry needs to consider is experimenting with or adopting "user-pay" principles or charging for their online content.

The basis of this recommendation is that good quality journalism is expensive to produce and users generally consider content from news media to be of value to them. So there has to be a way that audiences pay for it online just as they would in print. International trends show that more and more people are prepared to pay for quality journalism that comes both in print and on digital platforms like the iPad and Kindle.

The proposal is also informed by international trends, which suggest that charging for online content will be the way to go in the long run as newspapers try to undo the “original sin” they committed from the start when they decided to give away valuable online content. Many newspaper publishers, especially in developed markets, are already implementing or at least experimenting with different models.

However, if local firms are to charge for their content, this would require that they establish the true value for news content before they can charge for it. Proprietors could also start by experimenting with several of some of the most promising options that are being implemented in some markets with some degree of success. These include:

i) Creating walls around unique information and news content, establishing a marketplace for news, and then getting the users to pay for it in certain quantities at a time; or
ii) The subscription model, whereby users are asked to subscribe to or pay in advance for all or portions of content online, in the same way they do with newspapers

For any of these models to succeed, it is important that newspapers build solid trusting relationships with their audiences, because once readers deem them credible whether online or print, they will gain a sense of loyalty. Newspapers also need to ensure that they create content that audiences will find valuable. It has to original, relevant and differentiated enough that users will be willing to pay for it irrespective of the format or platform it is delivered through.

The value proposition needs to be communicated, if negative reaction is to be minimised from readers used to accessing information and news online for free. By building a reputation for quality journalism, newspapers can shield themselves from the downturns in the market, for the logical reason that a good product stands a far better chance of being insulated from economic pressure than a poor one.

These models will also need to be supported by transaction systems that are easy to use and allow users to pay online without to many hassles. Such platforms need to be seamlessly integrated with newspapers' content management systems. In addition, firms also need to quickly adopt new technologies and devices that can enable them to deliver digital content at premium prices.

6.3 Suggestions for further research

The whole area of online publishing in South Africa remains a largely underexplored and uncharted terrain and thus provides many opportunities for further research. This is illustrated by the very little literature that can be found on the subject. The emergent nature of online publishing in South Africa might help explain this, as research usually lags any social phenomenon, (Li, 2006).

One of the major aspects of the newspaper business that the Internet has had the most profound effect is on the readers. This provides scope for newspaper proprietors and researchers to investigate further and better comprehend the nature and extent to which the needs of South African audiences are changing. Substantive research needs to be conducted and empirical evidence gathered in this regard.

This in turn would assist in the development of appropriate and sustainable revenue models. This would help the industry to respond appropriately with products and delivery channels to reach the crucial segments of their audiences.

6.4 Conclusion

Although the Internet is unlikely to threaten the existence of paper newspaper in South Africa just yet, firms cannot afford to ignore online and digital trends. South African newspaper owners have to review their business models and figure out how to harness new technologies to create conversations with their audiences. They have to do so in ways that acknowledge that the development of the Internet has clearly led to empowered consumers, including newspaper readers, who now prefer to receive their news and information not just from newspapers but through a growing variety of platforms.

So, even the most doubtful observer has to be convinced by positive developments that define the longer-term opportunities for the online medium and e-commerce channels. According to Nielsen Online (2009), for example, worldwide the online population is looking more and more like the overall population. This means that in a few short years, online access has moved from being a luxury or something cool to an essential, basic requirement.

In the quandary that the newspaper industry finds itself, the Internet provides plenty of opportunities. As Levitt (1975) would argue, therefore, what newspapers lack "is *not* opportunity but some of the managerial imaginativeness and audacity that made them great". To avoid the extinction that observers such as Dawson (2010) and others have predicted, the newspaper industry needs to define itself more broadly as being in the "information" rather than just the "newspaper" business. Harber (2011) aptly describes the industry's conundrum thus:

> "The basic problem for most of South African newspaper firms is that they have continued to narrowly define themselves as being in the newspaper business instead of seeing themselves as being in the information business. Any newspaper company that continues to define itself thus is in big trouble. These days information is of enormous value than at any time before, and it is the quality of this information that will determine the future of newspapers," (Interview, 2011).

In terms of Levitt (1975)'s ideas, the newspaper industry qualified at some point in history for the magic appellation of a "growth industry". Like other one-time growth industries, "its assumed strength lay in the apparently unchallenged superiority of its product". There appeared to be no effective substitute for it. The industry was itself a runaway substitute for the product it so triumphantly replaced. Even with the explosion of radio into the media scene in the 1920s and the introduction of television a few years later, newspapers still managed to remain a powerful medium.

Yet, as Levitt (1975) would put, it is now in danger of coming "under the shadow of obsolescence" as a result of the Internet and because they have continued to define themselves narrowly as being in the "newspaper" rather than "information" business.

Levitt (1975) argues that the reason seasoned industries fail is not because the market is saturated but because of failure of organisations' management "to define their industries broadly to take advantages of growth opportunities". He concludes that to continue to grow, "companies must ascertain and act on customers' needs and desires, and not bank on the presumptive longevity of their products and services".

There seems to be an appreciation among most South African newspaper executives that no company can afford to look at the Internet as an option, because it is the future. Instead of seeing the Internet as a threat, executives need to see it as complementary to their traditional business activities. The Internet ought not to spell doom for newspapers, but should be seen as representing a new and major opportunity – for a new, restructured and revitalized journalism.

This point is well emphasised by Porter (2001:1), who argues that the Internet "complements rather than cannibalizes existing ways of doing business". For him, the Internet is not as disruptive to most existing industries and established companies it has been thought to. Porter (2001) states that the Internet "rarely nullifies important sources of competitive advantage in an industry, but rather it often makes them even more valuable".

And as all companies embrace Internet technology, the Internet itself will be neutralized as a source of advantage. Robust competitive advantages will arise instead from traditional strengths such as unique products, proprietary content and distinctive physical activities, (Porter, 2001:1). Thus by constantly checking that they offer news and information that is compelling and delivering quality audiences to advertisers as well as embracing the rapid changes in technology, their brands will remain competitive, engaged and relevant.

Crucially, Internet technology may be able to reinforce those advantages, but it is unlikely to displace them. Porter (2001) concludes that:

> “The question isn’t whether you should use the Internet or traditional methods to compete; it’s how you can use *both* to your greatest strategic advantage. The winners will be those that view the Internet as a complement to, not a cannibal of, traditional ways of competing,” (Porter 2001: 1-2).

References and Bibliography

ABC and ABCi Third Annual Mobile Survey; (November, 2011); "*Publishers Continue Cross-Media Diversification, Begin to Monetize Mobile*", (http://www.accessabc.com/press/press110711.htm, accessed December 15, 2011)

Ashton, K., (2011), **"***Groupon is Hastening the Demise of the Newspaper Industry***",** Daily Deal Media Online, April 3, 2011, (http://www.dailydealmedia.com/725groupon-is-hastening-the-demise-of-the-newspaper-industry/, accessed September 27, 2011)

Bell, D., (1980), "*The Social Framework of the Information Society"* (in: Forester, T. /ed./ The Microelectronics Revolution: The Complete Guide to the New Technology and Its Impact on Society, MIT Press, Cambridge: Massachusetts

Bick, G.N., (2009), "*Increasing Shareholder Value through building Customer and Brand Equity*", Journal of Marketing Management, Vol. 25, No 1-2

Bolter, J., and Grusin, R., (1999), *Remediation: Understanding New Media.* Cambridge MIT Press: Massachusetts

Borell and Associates, (2011), *"Budgeting for 2012: Local Online Advertising Forecasts and Key Growth Opportunities*", (http://www.borrellassociates.com/, accessed December 21, 2011)

Castells, M., (1998): The Information Age: Economy, Society and Culture, Vol. III: The End of the Millennium, Blackwell: Oxford

Cobweb Information SA, (2009), "SA Market Summaries: Publishing newspapers and magazines", March 2009, Gauteng Enterprise Propeller (GEP), (http://gep.cobwebinfo.co.za/, accessed December 19, 2011)

The Media Online, (April 2011), *Digital Media*, (http://themediaonline.co.za/2011/04/avusa-live-plans-for-rise-in-black-internet-usage/, accessed December 21, 2011)

Committee for Economic Development, (2001), "The Digital Economy: Promoting Competition, Innovation, and Opportunity", New York: Research and Policy Committee of the Committee for Economic Development

Cresswell, J.W., (2002), Research Design: Qualitative, Quantitative, and Mixed Method Approaches, Sage: London

Deise, M.V., Nowikow, C., King, P., and Wright, A., (2000), *Executives guide to E-business,* New York: Wiley

Digital Media, (2011), "*Avusa LIVE plans for rise in black Internet usage*"; published April 20, 2011; (http://themediaonline.co.za/2011/04/avusa-live-plans-for-rise-in-black-internet-usage/, accessed December 21, 2011)

Dordick, H.S., and Wang, G., (1993): The Information Society. A retrospective view, SAGE Publications, Newberry Park: California

Duff, A.S., (2000): Information Society Studies, Routledge Research in Information Technology and Society, Routledge: London

Financial Times (2006) (http://www.ft.com/home/europe, accessed December 2011)

Fiske, J., (2004), *Understanding Popular Culture,* Routledge: London

Fourie, P.J., (ed.), (2001), Media Studies: Institutions, Theories and Issues", Volume 1, Juta, Lansdowne: South Africa

Florida, R., (2002): The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life (Basic Books, New York)

Flyvbjerg, B., (2011), "Case Study," in Denzin N.K. and Lincoln Y.S, eds., The Sage Handbook of Qualitative Research, 4th Edition (Thousand Oaks, CA: Sage), pp301-316.

Gauntlett, D., (2004), "*Web Studies: What's New*", in Gauntlett, David and Horsley, Ross, eds, *Web.Studies, 2nd edition*, London: Arnold. (Also available at http://www.newmediastudies.com/intro2004.htm)

Gauntlett, D., (2007), "Media Studies 2.0, and Other Battles around the Future of Media Research, Arnold: London

George, L.M., (2006), "*The Internet and the Market for Daily Newspapers*", Department of Economics, Hunter College, CUNY, 695 Park Avenue: New York, NY 10021, October 1, 2006

Goko, J., (2006), "An investigation into how Johnnic Communications can maximise its online presence and e-commerce potential", Nelson Mandela Metropolitan University: Port Elizabeth

Goddard, W. & Melville, S. (2001), Research Methodology, An Introduction, 2nd Edition, Juta & Co Ltd: Lansdowne, South Africa

Graham, P., (2006), *Hypercapitalism: New Media, Language, and Social Perceptions of Value,* Peter Lang: New York.

Hague, P., (1993), Questionnaire Design, Kogan Page: London.

Hanson, W., (2000), *Principles of Internet Marketing,* Cincinatti: South Western College Publishing.

Hartley, J., (2004), "*The 'Value Chain of Meaning' and The New Economy"*, International Journal of Cultural Studies, Vol. 7, No. 1, pp129-141

IBM Community Development Foundation, (1997), "*The Net Result - Report of the National Working Party for Social Inclusion in the Information Society", London (England)*

Ingram, M., (2011), "*If a paywall is your only strategy, then you are doomed*," Gigaom, (http://gigaom.com/2011/10/31/if-a-paywall-is-your-only-strategy-then-you-are-doomed/, accessed December 5, 2011)

Johnson, G., and Scholes, K., (2007), Exploring Corporate Strategy, (8th Edition), Financial Times/ Prentice Hall: London

Kahn, R.L, and Cannell, F., (1957), The Dynamics of Interviewing: Theory, Technique and Cases, New York: Wiley, "Chapter 3: Techniques for Motivating the Respondent, pp.65-90"

Karvalics, L.Z., (2007), *"Information Society – what is it exactly? (The meaning, history and conceptual framework of an expression*)", European Commission: Budapest (March-May 2007)

Keen, A., (2009), "The Internet will Devour Newspapers" *The Telegraph,* October 8, 2009, (http://www.telegraph.co.uk/technology/6271317/The-internet-will-devour-newspapers.html, accessed December 16, 2011)

Koblin, J., (2010), *"After Three Months, Only 35 Subscriptions for Newsday's Web Site*", The New York Observer; (published on January 26, 2010), (http://www.observer.com/2010/media/after-three-months-only-35-subscriptions-newsdays-web-site accessed on December 5, 2011)

Leandros, N., (2006), The Impact of Internet on the Mass Media in Europe, Abramis: UK

Leedy, P.D., (1997), Research Methodologies, 6th Edition, Prentice-Hall Inc: New Jersey

Levitt, T., (1975), *"Marketing Myopia",* Havard Business Review (HBR), Boston: Massachusetts Sept-Oct 1975, Reprint 75507, pp 1-14

Li, Xigen., (ed), (2006), Internet Newspapers: The Making of a Mainstream Medium, Lawrence Erlbaum Associates Inc. Publishers: New Jersey

Little, C. (2011), "Mobile Traffic to Newspapers Increases 65% in past year", (http://www.naa.org/News-and-Media/Press-Center/Archives/2011/Mobile-Traffic-to-Newspaper-Websites-Increases-65-Percent-in-Past-Year.aspx)

Lyons, D., (2010), "*Techtonic Shifts: A Decade of Destruction*", Newsweek Online, (http://2010.newsweek.com/essay/a-decade-of-destruction.html, accessed September 26, 2011)

Mail & Guardian, (2011), "Circulation Bucks the Trend" (http://mg.co.za/article/2011-11-15-mg-circulation-bucks-the-trend/, accessed December 12, 2011).

Masuda, Y., (1980), The Information Society as Post-Industrial Society, (The World Future Society, Tokyo, IIS, Washington D.C.)

McLuhan, M., (1994), *Understanding Media: The Extensions of Man,* MIT Press: Cambridge

Meyer, P., (2004), The Vanishing Newspaper: Saving Journalism in the Information Age, University of Missouri Press: Columbia

Moneyweb, (2011), "*The Investment Case – Naspers Ltd*", published on July 8, 2011 (http://www.moneyweb.co.za/mw/view/mw/en/page295164?oid=547102&sn=2009+Detail accessed December 21, 2011)

Naspers Website, (2011), http://www.naspers.com/strategy.php, accessed on December 21, 2011)

OECD, (2010), "*The Future of News and the Internet*", Working Party on the Information Economy on The Evolution of News and the Internet, OECD (June 11, 2010)

Parr, B., (2010), "*The Dire State of the Newspaper Industry*", http://webcahe.googleusercontent.com/search?q=cache:apKkPaycww4J:mashable.com/2010/03/26the-dire-state-of-the-newspaper-industry-stats/+is+newspaper+industry+indecline%3F&cd=1&hl=en&ct=clnk&gl=za

Pew Research Center's Project for Excellence Journalism, (2011), "*The State of the News Media 2011*", An Annual Report on American Journalism, *www.journalism.org*

Pérez-Peña, R., (18/09/2007), "*Times to Stop Charging for Parts of Its Web Site*", New York Times, (http://www.nytimes.com/2007/09/18/business/media/18times.html?ex=1347768000&en=88011ab45717e39d&ei=5124&partner=permalink&exprod=permalink, 2008/04/14)

Picard, R.G and Brody, J.H., (1997), The Newspaper Publishing Industry, Allyn and Bacon: Boston

Pinter, R., (2008), Information Society: From Theory to Political Practice, Gondolat Kiadó, Új Mandátum, NET-IS (Network for Teaching Information Society, Budapest

Porter, M., (2001), "Strategy and the Internet", Harvard Business Review, March 2001, pages 1-20 www.hbr.org

Preston, P., (2011), *"A Paywall that Pays? Only in America",* The Guardian, published August 7, 2011, (http://www.guardian.co.uk/media/2011/aug/07/paywall-that-pays-only-in-america, accessed 22 October 2011)

Progressive Media International, (2010), "Paywall Q&A with MoneyWeek's Toby Bray Press Gazette", February 23, 2010, (http://www.pressgazette.co.uk/story.asp?storycode=45082)

Project Windows (2010), "*How the Internet Impacted the Newspaper Industry"*, Computer & Operating System Resource, (http://www.xwin.org/how-the-internet-impacted-the-newspaper-industry.html)

PricewaterhouseCoopers (PwC), (2011), "Global Entertainment and Media Outlook: 2011-2015, Industry Overview", London: PricewaterhouseCoopers LLP

Schonfeld, E., (March 2009); "*The Wounded US Newspaper Industry*"; TechCrunch, (http://webcache.googleusercontent.com/search?q=cache:fBuz2hpiMl4J:techcrunch.com/2009/03/29/the-wounded-us-newspaper-industry-lost-75-billion-in-advertising-revenues-lastyear/+is+newspaper+industry+in+decline%3F&cd=5&hl=en&ct=clnk&gl=za)

Shirky, C., (2008), Here Comes Everybody: The Power of Organizing Without Organizations, Penguin

Shuttleworth, M., (2008), "Case Study Research Design", (http://www.experiment-resources.com/case-study-research-design.html, retrieved February 10, 2012)

TechCentral, (2011), "SA Newspapers Embrace Tablets", published January 31, 2011, (http://www.techcentral.co.za/sa-newspapers-embrace-tablets/20663/, accessed March 4, 2012).

TechCentral, (2011), "The last decade of print media", (November 24, 2011), (http://www.techcentral.co.za/the-last-decade-of-print-media/27600/, accessed December 12, 2011)

TechCentral, (2009), *"SA Editors Mull the Future of Newspapers in a Digital World",* (September 17, 2009), (http://www.techcentral.co.za/sa-editors-mull-the-future-of-newspapers-in-a-digital-world/10019/, accessed February 15, 2012)

The Economist, (2010), "Internet investment's new champions: The emerging online giants", published July 8, 2010
(http://www.economist.com/node/16539424, accessed December 12, 2011).

Toffler, A., (1980), "The Third Wave", William Morrow and Company: New York

Trochim, W.M.K, (2006), Research Methods Knowledge Base, (http://www.socialresearchmethods.net/kb/index.php, accessed February 07, 2012)

Centre for the Digital Future, (2010), Annenberg School for Communication and Journalism, (http://www.digitalcenter.org/pdf/2010_digital_future_final_release.pdf accessed December 5, 2011).

Webster, F., (2006), Theories of the Information Society, International Library of Sociology Series, Routledge: London

World Association of Newspapers and News Publishers (WAN-IFRA), (2011), "*World Press Trends: Newspapers Still Reach More than Internet*", (2011-10-12), (http://www.wan-ifra.org/press-releases/2011/10/12/world-press-trends-newspapers-still-reach-more-than-internet, accessed December 7, 2011)

World Association of Newspapers (2006), World *Press Trends 2005, (*http://www.wan-press.org/article2821.html, accessed on December 6, 2011)

Wunsch-Vincent, S., and Vickery, G., (2010), "*The Evolution of News and the Internet*", Paper presented by Working Party on the Information Economy to the OECD Committee for Information, Computer and Communications Policy, June 2010

Yin, R.K., (1989), Case Study Research: Design and Methods, London: Sage Publications (CA)

Ziegler, T., (2007), “American Newspapers and the Internet: Threat or Opportunity?”, July 19, 2007, ((http://www.bivingsreport.com/2007/american-newspapers-and-the-internet-threat-or-opportunity/, accessed December 18, 2011)