1. INTRODUCTION

1.1. Context of Study

In 2001, the Parliamentary Portfolio Committee on Communication held hearings on transformation in the advertising industry (GCIS, 2001) and requested members of the marketing and advertising industries to make submissions. Why did the government consider it necessary to haul the industry before parliament on the issue of transformation? In an article in the Financial Mail, Mahabane (2005:36) states, "…ask almost any Black person and most will tell you they think the advertising industry is racist. They say many ads ignore Black consumers unless targeted specifically at them and that the industry does not support Black media platforms". Mabote, another Black advertising practitioner, had this to say in an article written for the special edition of the Marketing Federation of Southern Africa magazine, "A quick glance of billboards on my way to and from work on the M1 highway, a scan of print media, remind me daily of how reluctant the Southern African marketing fraternity is to transform itself…" (Mabote, 2004:48).

The issue of racism in the South African marketing and advertising industry came under scrutiny with the hearings in 2001 and still remains a hotly debated issue. However, in spite of the large amounts of information presented to the parliamentary committee, not much academic work has been done on the reasons for the claims. The claim that the industry does not support Black media platforms came out in an analysis of advertising expenditure and research by Z-coms for the Government Communication and Information System (GCIS) on adspend in 2004 which pointed out that although Black people have access to all media, adspend is still skewed toward the White population (Z-coms, 2004).

In the light of the above, it therefore seemed that there was sufficient reason for a study that would investigate the historical reasons for this phenomenon and analyse the changes, if any, to the manner in which the industry directs its adspend at the different market segments.

1.2. Purpose of Study

The purpose of the study is to first investigate the historical reasons for the skew in advertising expenditure towards the White population. With the investigation of the reasons it is hoped that more reasons for the skew in advertising expenditure may emerge beyond the much-touted reason of pure racism. Secondly, the study intends to look historically at the trends in advertising expenditure to see if the advent of democracy has led to gravitation towards a more representative trend. However, although it is accepted that the study is limited to the advertising expenditure of the financial services sector, a historical look at advertising of necessity, should investigate the entire spectrum in order to avoid presenting a microscopic view of history. For this reason, the literature review spans the entire industry rather than just the financial services sector.

A very important aspect of the study is also to attempt to understand why the changes in adspend have or have not taken place. Since advertisers target their expenditure towards a pre-determined segment, any changes in the direction of adspend will imply a change in segmentation approaches. The study therefore also looks at how segmentation was practiced historically and whether or not there has been any change. It is also hoped that the interviews that were conducted revealed new trends that are taking place in the practice of segmentation.

1.3. Problem Statement

The aim of the research is to investigate whether the trend in above-the-line advertising expenditure for the period 1994 to 2004 corresponds to the demographics of the country, as well as the possible reasons for the trend.

1.3.1. The Sub problems

- The first sub problem.
  What were the advertising practices prior to 1994?

- The second sub problem.
  What were the trends in above-the-line advertising expenditure over the period 1994 to 2004?

- The third sub problem.
  What components of above-the-line advertising have changed?

- The fourth sub problem
  What are the reasons for these changes?

1.4. Delimitations and Limitations

- The study is limited to advertising expenditure by the financial services sector and not all advertising expenditure.
- The study is limited to above-the-line advertising expenditure only.
- As a result of the inability to ascertain the effective audience of outdoor advertising, this medium is not included in this report.
- Advertising expenditure in Cinema's and the Internet is also excluded from this report.
- The study does not analyse the impact of advertising on Aggregate Demand.

1.5. Significance of Study

Equal access to the media is indisputably one of the cornerstones of any successful democracy. Part of South Africa's legacy is that historically, media ownership was predominantly restricted to Whites and consequently, advertising expenditure was more biased toward the White population. In a country where the majority of the buying population is Black and poor, this means that most of the buyers have been artificially excluded from making buying decisions. The exclusion of the majority of the population in what has become one of the most crucial means of communication in modern economies has various implications. Some of these include:

1. The ability of the excluded population to access the services that should be available to all in a democratic society and the consequent impact on quality of life.
2. The depiction of the excluded population by media owners and practitioners who do not understand or share their life experiences.
3. Media ownership and editorial content where advertising revenue still reflects racial misperceptions.

It is therefore important that a firm, scientific conclusion on advertising expenditure trends is reached, beyond the intuitive sense that the trend remains biased towards White media and White media consumers. In obtaining the opinion of marketers and advertising agencies as well as their experiences and future expectations, the study contributes to identifying future advertising expenditure patterns and areas for further research.

1.6. Assumptions

The first assumption.

Given the unique history of the country, the first assumption is that advertising expenditure was biased towards media that was White-owned and targeted at the White and predominantly wealthier sector of the population under apartheid.

The second assumption.

The second assumption is that information on advertising expenditure is available for the period under investigation.

1.7. Definitions of Terms

Above-the-line advertising

All advertising which buys space or time in the commercial media (Overton, 1993).

Adindex

The ongoing survey of adspend conducted by Market Research Africa Ltd (now called Nielsen Media Research). It measures the amounts spent in all conventional media, on a monthly basis, for all categories of products, services and retailers. Production expenses and promotional costs are not included (Sinclair, 1997).

Advertising Expenditure

A generally accepted term in the advertising and media industry to denote the amount of money spent by companies and institutions on both above and below-the-line advertising. The term is colloquially abbreviated as ‘adspend’.

Aggregate Demand

The total desired purchases by a collection of all the buyers of a nation's output (Lipsey, Steiner & Purvis, 1987).

AMPS (All Media and Products Survey)

A very large scale, nationally representative media consumption survey, conducted under the auspices of the South African Advertising and Research Foundation (Kuper Research, 2001).

Below-the-line advertising

Any advertising or promotional activity outside conventional media. This may include direct mail, pamphlets, point-of-sale material, competitions, give-aways, demonstrations, sampling, coupons, etc (Sinclair, 1997).

Demographics

The characteristics of a person or group of people expressed in terms of their age, income, social class, education, sex, race, area, size of community, etc (Sinclair, 1997).

Inkatha

An organisation for the promotion and preservation of Zulu culture which was founded and led by Chief Mangosuthu Buthelezi. Inkatha transformed into the Inkatha Freedom Party in the '90's and contested the first democratic elections in 1994.

(LSM) Living Standards Measure

A non-racial segmentation procedure based on a range of variables like type of home, appliances in the home and consumption patterns derived from AMPS (Kuper Research, 2001). The measure places the poorest households at LSM 1 and the wealthiest households at LSM 10.

Target Market

"A group of customers (people or organisations) at whom the seller specifically intends to aim its marketing efforts" (Stanton, Etzel, Walker, Abratt, Pitt & Staude, 1995:94).

2. LITERATURE REVIEW

2.1. Introduction

At first review, it seems as if literature on the subject of the research report should be abundant and available. However, although the researcher was able to locate academic work on the practical and theoretical aspects of advertising, it was much more difficult to find material on the participation of Blacks in this field. This dearth of information and research is born out by Apneseth (2003) who observes that: "Having performed a thorough search on both the Internet and the online catalogue of the University of the Witwatersrand, it seems that little academic work has been written on issues of transformation or racism in the South African media and advertising industry" (Apneseth, 2003:9).

In the absence of theoretical material on the specific issue of Black African participation in South African advertising, the researcher was forced to glean historical material on South African advertising in general. It is hoped that in such a review, a picture will begin to emerge of the historical involvement of Blacks in advertising. This approach may not be the best solution, but it provides the most cost and time efficient compromise for this study. Research by Green & Lascaris (1988) into the historical participation of Blacks in advertising leads them to the conclusion that historically, South African advertising has been by Whites for Whites.

In order to achieve the objective of understanding the trends in advertising expenditure prior to 1994, it was necessary to search the history of the various vehicles for above-the-line (ATL) advertising for any evidence of participation by Blacks in advertising. The researcher therefore opted to approach the review by media type, beginning with the origins of advertising in general.

2.1.1. Origins of Advertising in S.A

The first part of the literature review dealing with the history of advertising in South Africa is satisfactorily covered, considering the general shortage of academic material on the subject. None of the literature reviewed for this section makes any mention of advertising in any form prior to the arrival of the European concept of commercial exchange in the 17th century (Green & Lascaris, 1988).

An expedient leap to the 17th century revealed that the origin of advertising in South Africa is very closely linked to the development of print media. According to De Kock (1982), the earliest example of printing in South Africa appears to have been an almanac printed by a certain Johann Ritter in 1776 who also printed handbills and advertisements. The early history of newspapers (to be discussed in more detail in the next section) appears to have been characterised by a struggle for control between various Governors of the Cape on the one hand and publishers on the other.

As far as Black participation in advertising is concerned, it seems as though with the exception of announcements of impending confrontations with indigenous populations, the appearance of Blacks in advertising in any form did not take place until the advent of urbanisation after the discovery of gold in the Reef towards the end of the 19th century (Nelson, 1990). As a result of the almost universal illiteracy of Blacks at the time, Green & Lascaris (1988) looked for evidence of Black participation in advertising by searching for adverts intended for White middlemen, also called “tinkers”, who sold various items to the urbanised Blacks. Their conclusion was that advertising was aimed at the White middleman rather than the Black customer.

The development of advertising as an industry appears to have originated in the 1880’s when the first agents opened their doors as middlemen who bought space in newspapers on behalf of manufacturers (Sinclair, 1997). Significant for this study, is the appreciation that the National Press Union (NPU), created to guard the interests of press owners, was very influential in determining the rules and regulations of newspapers as well as advertising agents. The fact that the NPU welcomed John Tengo Jabavu as its first Black editor in 1892 and subsequently banned Blacks from the organisation from 1912 until 1975 is indicative of the fact that the protection and privilege afforded to White newspapers and advertising agents under the NPU was denied Blacks throughout the same period (De Kock, 1982).

It is during this period from around the beginning of the twentieth century to the middle of 1975 that some of the main events that impacted on the development of advertising as we know it in South Africa took place. For instance, Green & Lascaris (1988) point out that in the early part of the 20th century, advertising simply took the form of receiving copy from the “home” country and adapting it to South African conditions. In some instances, the copy was simply printed in its original form.

The second phase that is pointed out by Green & Lascaris (1988) is that of the internationalisation of advertising when agencies that originated in the United States followed their multinational clients around the world, leading to a strong American influence in South African advertising which persisted until the seventies. In 1954, the Native Resettlement Act was passed, giving birth to SOWETO and other townships and precipitating an urbanisation trend that was to change the face of South African marketing and advertising forever (Nelson, 1990).

The strongest trend that is pertinent to this study is the fact that until the seventies, the participation of Blacks in the industry either as actors or targets of advertising was minimal. For a more detailed understanding of Black participation in the various media, it is necessary to study the origins of the various media individually, starting naturally, with the press.

2.1.2. Advertising in the Press

From reading the history of the press in South Africa by De Kock (1982), Phelan (1987), Nelson (1990) and to a lesser extent Claassen (1993) and Diederichs (1993), it seems that mainstream newspapers catered for the colonists and the settlers. In the 19th century, indigenous populations simply were not a factor. This was however, changed by the arrival of Christian missionaries such as John Phillips in the early 19th century. Their objectives of converting indigenous populations made it imperative to first teach them how to read. The missionaries vigorously went about the task of committing various African languages to print, leading to a generation of African writers and the first newspaper written in an African language (De Kock, 1982).

Perhaps the most prominent figure to emerge out of this endeavour was John Tengo Jabavu, the independent publisher of the Xhosa-English newspaper Imvo Zabantsundu (African Opinion) in 1884 (Phelan, 1987). Due to the absence of research into the history of Black advertising, there was little reference or information on the extent to which this newspaper depended on advertising for its revenue. Phelan (1987) found that the newspaper gradually lost its independence and ultimately became a vehicle for government propaganda under Perskor (Die Perskorporasie van Suid Afrika) ownership.

The other early African newspapers did not fare any better. Of all the early newspapers such as Izwi La Bantu (Voice of the People), which started printing in 1897, John Dube's Ilanga Lase Natal (The Natal Sun) in 1903 and the African National Congress's (ANC) Abantu-Batho (People) which was started by John Dube and Sol Plaatjie in 1916, none were to make it past 1940 in their original form, content or ownership (Phelan, 1987).

The situation of the press in South Africa prior to 1940 is starkly summarised by Alister Sparks who wrote in 1979 that,

> A visitor from another planet, going through these pages (of the White mainstream press before the Second World War) day after day, year after year, would get the impression that South Africa was a country populated almost exclusively by 3,000,000 Whites…Blacks did not exist, except as nameless units of the labour force and as constituting a vague and amorphous Native Problem
>
> Alister Sparks (Phelan, 1987:70).

Ilanga Lase Natal was turned into an apolitical newssheet aimed at Black consumers and was eventually sold to Inkatha in 1987, while Abantu-Batho, which faltered in the depression of the 1930's, was bought by Bertram Paver who was one of the first press businessmen to realise the potential of Blacks as a mass market (Phelan, 1987). The same Bertram Paver realised that a national advertising medium for Blacks was necessary and, starting with a newspaper called Bantu World in 1932, he acquired Imvo Zabantsundu, Ilanga Lase Natal and other newspapers which he turned into commercial ventures with the purpose of meeting the reading needs of a growing literate Black class (Phelan, 1987).

This proliferation of newspaper types can only be understood within a historical, South African political context. The first connection in this link came as result of John Tengo Jabavu's pleas for peace among White people in the Anglo Boer War that resulted in the banning of his newspaper by the British Military authorities (De Kock, 1982). The second was the link of newspapers such as Abantu-Batho to the then Native National Congress and the South African Worker, to Socialism and Communism. The consequence of this was that in the minds of the Afrikaner and English working class, Black journalists became identified with agitation, not only for racial equality, but also for the Communist cause (Phelan, 1987).

This context may partly explain the reason why a number of popular Black newspapers suffered from a lack of advertising support and were subsequently taken over by White media owners who neutralised or completely silenced the editorial content of the newspapers and magazines. This trend, at times with the support of government, has persisted with titles such as the World, The Post, Sowetan and Drum magazine suffering from revenue starvation, gagging and banning, finally falling into White ownership and toeing the party line. The point to be noted here is the fact that the close relationship between mining, Afrikaner Capital and the large media owners meant that any title that was seen to be critical of capitalism or the government could not expect much advertising support (Diederichs, 1993).

If Black advertising in the press was subverted by political motivations from the end of the 19th century, then Black advertising in radio suffered an even worse fate in that the very design and existence of the medium was subject to a political agenda. The history of radio is investigated next.

2.1.3. Advertising on Radio

Noteworthy participation by Blacks in radio seems to have begun with the introduction of a service by the SABC into the Soweto suburb of Orlando in 1952 with the stated intention of ‘educating’ and ‘entertaining’ (De Villiers, 1993). In 1936, the enactment of the Broadcasting Act brought broadcasting under the control of the state and led to the creation of the SABC (Rosenthal, 1974). This Act is significant for Black advertising in that it effectively subjected South African broadcasting to the racial policies and political objectives of the incumbent government. This became even more significant when the Nationalist Party took power in 1948 and started implementing Apartheid policy almost immediately. Any possibility of broadcasting requirements being determined by the market was completely eradicated.

The advent of commercial radio in Southern Africa can be traced back to Radio Club De Mocambique which started broadcasting into South Africa from as early as 1934 and sold advertising space (Nelson, 1990). The SABC introduced its first commercial station, Springbok Radio, in 1950 to compete with Radio Club De Mozambique which was subsequently taken over by Frelimo in 1975 (Nelson, 1990). In 1960, under pressure from business, the government introduced Radio Bantu and by 1976, 47% of Blacks were listening to the radio on a daily basis (Green & Lascaris, 1988).

The extent to which broadcasting policy followed the government's policy of separate development is reflected by the fact that by 1963, even before the advent of Bantustans, the SABC had already started setting up Radio stations along Tribal lines (De Villers, 1993). By 1993, the SABC operated 23 National and Regional radio stations in South Africa with another eight operating in the Bantustans and a further five operating in neighbouring countries (De Villiers, 1993).

Given that radio remains the best medium for reaching Living Standard Measure (LSM) bands one to nine (Green & Lascaris, 1988) and that it has the further advantages that receivers are available relatively cheaply and can be taken anywhere (De Villiers, 1993), African radio should have been doing well in South Africa. If De Villiers' (1993) statistics that in 1990, 9 190 000 adults (58.3%) out of a population of 15 758 888 listened to radio daily and that 50.2% of this figure tuned into Nguni and Sotho radio are accepted, there should not have been any difficulties in terms of advertising revenue.

In a presentation of findings from a qualitative study of the Advertising Agency, Marketer and Media Owner Sectors, Kuper Research (2001) revealed that there were no problems with the cost of advertising on radio. The problem was, in fact, that the cost implications of creative and translations of concepts resulted in English only ads, with an impact on the choice of radio station. In other words, these regional language stations were effectively condemned by the SABC's policy.

The researcher then investigated the history of television to see if Black advertising on television, which was originally based on the same policy, suffered the same fate as radio.

2.1.4. Advertising on Television

After a long battle against the then Minister of Post and Telegraphs Albert Hertzog's doubts about the virtues of television for South Africa, the government set up the Meyer Commission to look into its introduction in 1971 (Mersham, 1993). The commission recommended that television should be used to advance the self-development of all its peoples and to foster their pride in their own identity and culture (Mersham, 1993). When Television finally reached South Africa in 1975 and the first advertisement was flighted in 1978 (Nelson, 1990), the commission's 'separate development by television' policy was the SABC's adopted guiding principle. As a result of this policy, SABC-TV, which started with one English-Afrikaans channel in 1975, had expanded to two national television channels when TV 2 and TV 3 were launched on an additional channel in 1982. TV 1 was for English and Afrikaans while TV 2 and TV 3 were for Nguni and Sotho languages (Mersham, 1993).

In an early analysis of the SABC, Phelan (1987) made the observation that in 1984, although half of the programming for Whites was in English, no English speaker had higher rank than assistant editor and out of eighty-five employees in the news service for Blacks, only six were Black. Moreover, Phelan (1987) found that TVI, which imported American and European shows, was more popular than TV2 and 3 which were intended for Blacks, with inferior content.

The failure of this policy of separate development on television is reflected by the introduction of TV 4 in 1984, which was ostensibly intended as an entertainment station with programming that catered for Blacks (Mersham, 1993). In spite of the fact that by the late 80's, the SABC was using 11 languages on Radio and six on television, the preferred language for advertising increasingly became English. This trend accelerated when the requirement that all advertisements be flighted in both English and Afrikaans on TV 1 and 4 fell away in 1984 (Mersham, 1993).

By the 80's, the reality of the Black market was no longer in question and more than debating whether or not to advertise to Blacks, advertisers were grappling with the question of how to market to Blacks. Mclean (1983) interviewed a number of industry players and made the observation that a number of respondents believed that television would be a catalyst in fully developing what was then called multi-ethnic advertising in South Africa.

This would be driven by the fact that the high production costs of television and the credibility problems associated with separate campaigns would encourage organisations to use commercials with similar themes in all sectors (McLean, 1983). The fact that, in spite of over twenty years of trial and error, the debate on whether separate or mixed advertisements should be used to reach diverse audience still rages on is reflected by an article in which Ntshingila (2004) questions whether an advertisement with certain specific value connotations is understood by some of the intended audiences.

In the same article, Ntshingila (2004) observes that those marketers who were brave enough to flight mixed advertisements a decade ago seem to have been vindicated. This seems to be a lesson that the SABC has learned over the years. More and more evidence seems to indicate that there is more that brings diverse audiences together in terms of lifestyle, level of education, consumption of products than separates them in terms of language or skin colour. The implications for Black advertising seem to be that players who concentrate on delivering services that emphasise similarities will survive over those that either deliberately or under the duress of policy, still target markets in terms of language or race.

Under normal conditions, advertising expenditure on Television or any of the other media under investigation should reflect the demographics of the country. The extent to which this normalisation is taking place will be revealed by an analysis of the advertising expenditure in Chapter four.

2.1.5. Segmentation

Students of marketing have been taught that the process of determining a target market and then breaking it up into manageable segments is an essential part of developing a marketing plan. Stanton, Etzel, Walker, Abratt, Pitt & Staude (1995) suggest that in the real world, marketers have a choice of two general approaches; the first is to view the market as a single unit or alternatively, to see the market as being composed of many smaller, homogenous segments. The technique of segmentation becomes relevant in the second approach. However, Brits & Reekie (1985) caution that research has shown that even the most careful analysis of consumers cannot always guarantee success. The word of caution is supported by Cierpicki, Faulkner & Rungie (2000) who observe that there is sufficient literature on the process of segmentation and much less on the practice.

A historical review of the development of segmentation in South Africa bears testament to the fact that the practice of segmentation is much easier said than done. Peter & Donnely (2000) describe Market Segmentation as the process of dividing a market into a group of similar consumers and then selecting the most appropriate group or groups for the company to serve. The group or groups can be formed using a variety of distinguishing variables, the most commonly used of which are demographic, behavioural and cognitive variables (Cierpicki *et al* (2000).

Research into South Africa's history on segmentation by Green & Lascaris (1988) indicates that race dominated as a demographic determinant until the 70's. Green & Lascaris (1988) continue to state that when the All Media Products Survey (AMPS) was launched in 1975, it reflected that marketers aiming to reach the Black market as a segment simply used Black media to reach Blacks and White media to reach Whites. More scientific segmentation methods were either not available or not commonly in use.

The perception of the Black market as a special segment that needs to be understood and communicated to separately is reflected in a statement made by Dr Peter Becker, a Director of the advertising agency BBDO at a marketing conference in 1975 entitled "Marketing…..Partnering with the African Giant". Dr Becker is quoted as saying,

> The challenge for a marketing man seeking the highest possible level of communication with the market in general and any specific segment in particular, was (sic) to be able first to isolate these dualities and then to fathom their significance and, in so doing to gear marketing strategy in such a way as to keep abreast with cultural changes.
>
> (Becker, 1975:8).

However, towards the late seventies, a different approach to segmentation was emerging. Mclean (1983) points to the work of Professor Sandra van der Merwe who advocated a move away from the traditional vertical approach to segmentation which categorised White consumers into groups from the AB income group to the CD income group and then non-White groups as an "other" category. Mclean (1983) quotes Professor van der Merwe as suggesting a horizontal approach to segmentation which cuts across racial barriers and views customers as target markets with similar aspirations.

Green & Lascaris (1988) went further in propagating the horizontal method by proposing what they called the Marketing Bands Theory which considered education and occupation in segmenting consumers into nine bands from the unskilled with no schooling to the professional with a post graduate degree. They conceded that race would still play a role in this method since the bands would still be predominantly White at the low end and become more 'Black' towards the 9^{th} band but now marketers would segment the market according to bands rather than race.

The Green & Lascaris Marketing Bands Theory, which borrowed from Professor Van der Merwe's horizontal approach, seems to have been the catalyst for the LSM method that is currently in use.

Analysis of advertising expenditure across the various media indicated that substantial changes took place in the approaches to the segmentation of the South African market from the late eighties to 2004. The researcher hoped that analysis of the trends in advertising expenditure would sow the seeds for further study into changes in segmentation approaches in the South African market.

2.1.6. Advertising within the Marketing Mix

In order to gain some perspective on the importance of advertising, the researcher thought it was important to locate advertising within the marketing framework. Smith (1993) defined marketing simply as the business of moving goods from the producer to the consumer. The simplicity of this definition may be deceiving in that the process of moving goods from the producer to the consumer is a great deal more involved and lies at the very heart of what marketing is.

In building a conceptual framework of the Marketing process, Jerome McCarthy developed a process he called the Marketing Mix, also known as the "four P's" (Smith, 1993). The four P's consist of 'Product', 'Price', 'Place' and 'Promotion' which are the four elements that make up the Marketing Mix. Although later authors have expanded the elements to include the fifth 'P' of 'People' and some have proceeded to seven 'P's for Services Marketing, the Marketing Mix commonly refers to the original four P's.

Smith (1993) further explained that the Promotion element consists of various tools known jointly as the Promotion Mix or the Communication Mix. Advertising is then located as one of more than a dozen tools in the Communication or Promotion Mix. The importance of advertising as a business tool and a social catalyst is highlighted by Jefkins (1984) who suggests that had it not been for advertising, the Industrial Revolution and indeed, 20th century industrial Society would not have thrived.

Jefkins (1984:3) continued to put forward a definition of Advertising as "the cheapest and most effective way of making known goods or services in order to sell them". This definition ties in well with Smith's definition of Marketing and when these two definitions are placed together, the role of advertising appears to be that of making people aware of goods and services in order to facilitate the movement from producer to consumer. It is, however, noteworthy that in the three definitions of advertising that Jefkins puts forward, the characteristic of 'informing' is present in all of them.

Russell & Lane (1999) further clarified the role of advertising within the Marketing process by suggesting that the role of advertising and the media that is used is determined by Marketing decisions. According to Kotler & Armstrong (1999), within the overall guidance of the Marketing objectives, advertising must always have its own generic objectives to 'inform', to 'persuade' and to 'remind'.

Wright (2000) added that advertising objectives should be Specific, Measurable, Achievable, Realistic and Time based. For the purposes of this research report, it is especially important to note that advertising may have its own objectives but it is ultimately dictated by the overall marketing objectives. However, as various authors on advertising have observed, as a social catalyst, advertising influences and is also greatly influenced by the social dynamic.

The crucial role of advertising in shaping the social order was highlighted by Stanton, Etzel & Walker (1994) who observed that for many years, American advertisers avoided featuring disabled persons in their advertisements. The question they then posed was whether advertising has a responsibility to change social perceptions. Pertinent to the subject of this research report is the observation that the exclusion of Blacks from the South African economy for the greater part of the 20th century may have led to a distortion in marketing and consequently, advertising objectives.

2.2. Research Questions

Arising from the research problem and the sub-problems, the following research questions were posed;

Question 1:
What were the advertising practices prior to 1994?

Question 2:
What were the trends in above-the-line advertising expenditure over the period 1994 to 2004?

Question 3:
What components of above-the-line advertising have changed?

Question 4:

What are the reasons for these changes?

3. RESEARCH METHODOLOGY

3.1. Introduction

This research endeavour, from the research problem to the sub-problems is in its totality, an *ex post facto* endeavour. The events that are of interest, and the questions to which answers are sought, are all in the past. The data that was used had already been collected in advance and was made freely available. Beyond analysing trends in the data, this research report added a historical understanding of advertising expenditure, much of which came out of the literature review. Leedy & Ormrod (2001:172) state that "the task of the historical researcher is not merely to describe *what* events happened but to present a *factually supported* rationale to explain *why* they happened." This statement necessitated a three-step approach to the treatment of acquired data in attempting to answer the research questions.

The first step made use of references from the literature review as well as semi-structured interviews to obtain a response to the first question.

The second step which considered trends in adspend in response to questions two and three above, made use of a combination of available data and semi-structured interviews to extract trends and meaning from demographic, adspend and Living Standard measure data supplied by the Unisa Bureau for Market Research (BMR), the research company Nielsen Media Research and the South African Advertising and Research Foundation (SAARF).

The third step, responding to the fourth question, made use of semi-structured field interviews to which the coding technique was applied to isolate reasons for the trends identified.

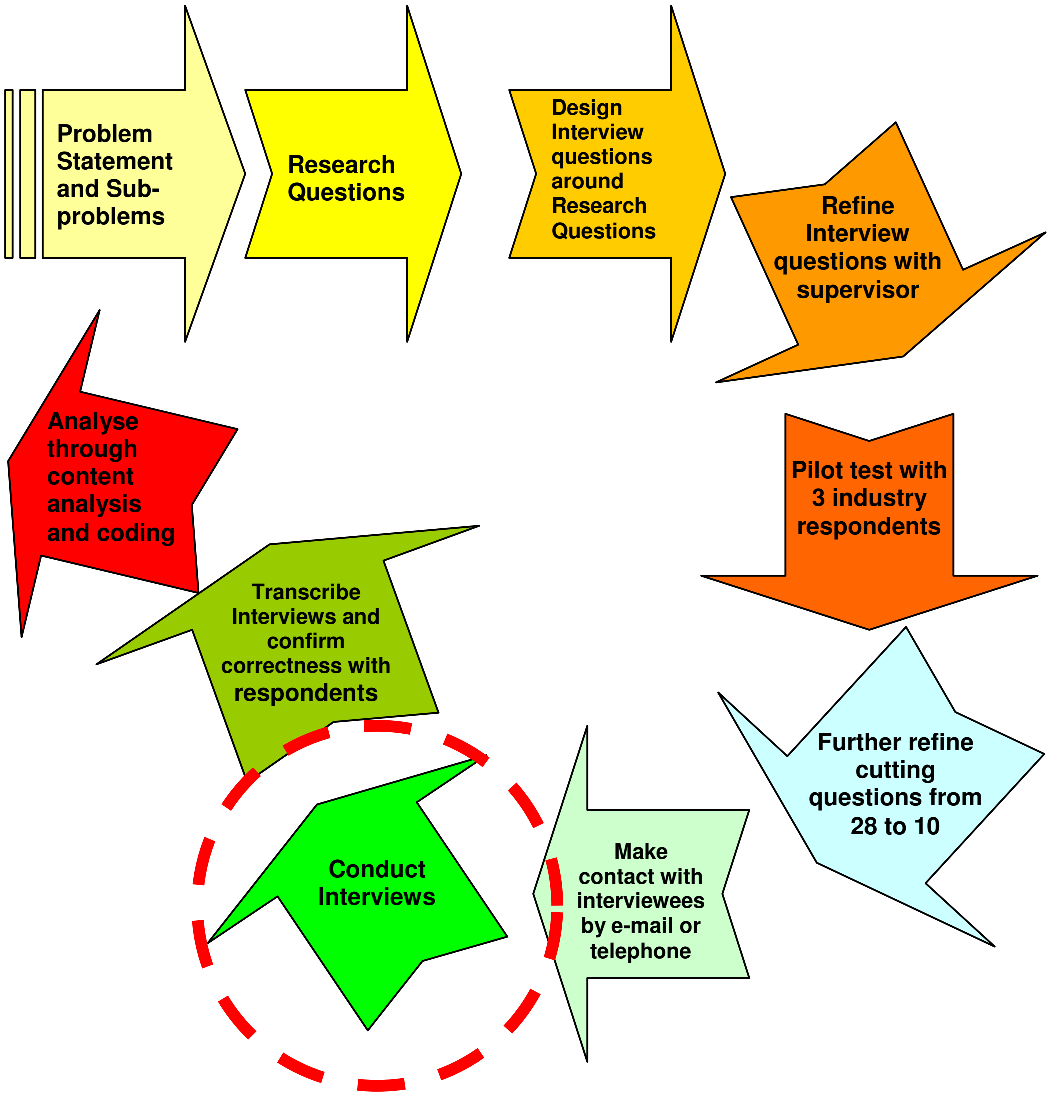
3.2. Data Collection and Analysis

In order to cover the research problem exhaustively, two sets of data were collected. The data on demographics, Income Distribution, LSM and advertising expenditure was already available and was collected and analysed for trends in adspend for the ten years after 1994. The second set of data was collected by means of semi-structured field interviews that were conducted by the candidate with 12 experts and practitioners in the fields of marketing and advertising. For reasons of practicality and the fact that most marketing and advertising practitioners are found in the Gauteng province, all the interviews were conducted in the Gauteng area.

3.2.1. Data Collection

Figure 1 provides an illustration of the process that was followed in collecting the data.

Figure 1: Data Collection Process



Interview questions were designed using a consistency matrix to link the problem statement and sub-problems to the research questions and then to design the interview questions around the research questions. In some cases, more than one question was linked to a particular research question. The preliminary list of interview questions was then discussed with the research supervisor.

The interview questions were then tested with three respondents in order to ensure that the questions were relevant, concise and sustained validity and reliability of the process. After considering the comments of the respondents, the interview questions were further refined and edited to ensure fewer questions that elicited better information. This process reduced the number of questions from 28 to 10. Having completed the questionnaire, a list of potential respondents was compiled and agreed upon with the supervisor and various other academics from Wits Business School.

All interviewees were initially approached by telephone and then a formal letter requesting the interview and introducing the research topic was e-mailed together with a list of the questions if the interviewee agreed to the interview. The process of designing the questionnaire and conducting the interviews was initiated around the end of June 2006 and was completed towards the end of September 2006.

In all cases, assurances were given to all interviewees that they would remain anonymous and that no names of institutions, products or brands would be published without their consent. The interviews were conducted at all times of the day and were mostly at the homes or offices of the interviewees. The shortest of the twelve interviews lasted just over 30 minutes and the longest lasted for an hour and ten minutes.

In order to maintain the integrity of the interview process and the information obtained, transcripts of the interviews were then sent to each of the respondents and these were followed up by an e-mail a few days later to confirm if they concurred with the transcript. The process of analysis was only initiated after each one of the interviewees had confirmed their transcript.

3.2.2. Data Analysis

3.2.2.1. Research Survey

One of the main objectives of the research survey was to understand some of the reasons for the trends that were discovered in the databases provided by the research institutions. The other was to gain a deeper understanding of the trends reflected in the data. The capturing of the depth of understanding and the experienced view of the respondents was the main priority of the research survey. For this reason the researcher decided to utilise semi-structured, open-ended interviews in order to gain the free flow of opinions from the respondents.

The method of using open-ended questions in the research survey presented an unexpected challenge when it came to the analysis of the interviews. It was decided that a process of coding would be utilised in analysing the transcripts from the respondents. The coding of open-ended questions can be very difficult because responses usually take the form of words or even a few sentences. It becomes the researcher's task to reduce the words or sentence to their essential meaning, distinguish the various categories of meaning and then classify the responses accordingly (Nel, Radel & Loubser, 1990).

In the case of open-ended questions, it is recommended that the researcher utilise the post-coding method (Dillon, Madden & Firtle,1990). The unit of analysis was the respondent, leading to 12 units of analysis or cases which then constituted the sample. Dillon *et al* (1990) further recommend that the researcher should test the coding process by beginning with a number of questions and dividing the responses into various categories or themes.

3.2.2.2. Demographic Information

There are almost as many descriptions of demographics as there are writers on the subject and it seems that each definition either includes more or less of the various elements which constitute demographics or conveniently evades completion by adding the suffix ‘etc’ at the end of the definition. The definition used in this research report is provided by Sinclair (1997) and also ends with the suffix ‘etc’. Only income distribution and race distribution by LSM were considered by the researcher to be most pertinent for the purposes of this research report.

The analysis of the demographics of the South African population from 1994 to 2004 were therefore based on an analysis of the Income and race figures provided by the BMR and the LSM figures provided by SAARF. This was justified on the grounds that this method included what most of the practitioners understood by the term and by the fact that an analysis of all the elements constituting the demographics of the South African population would not be feasible.

3.2.2.3. Advertising Expenditure Data

The researcher made use of advertising expenditure data provided by Nielsen Media Research. As stated in the limitations, the analysis of adspend figures moved from the broad aggregate figures for Above-the-line (ATL) advertising expenditure and then narrowed the analysis to the advertising expenditure of the financial services sector with the various media types. The researcher accepts the risk that trends in the financial services sector may not be the same as trends in the other sectors such as the retail or manufacturing sector for instance. This compromise was made on the grounds that it would not be feasible to analyse advertising expenditure for all sectors.

3.3. Population

The population consisted of all financial services sector companies and institutions that made use of above-the-line media to advertise over the period from 1994 to 2004.

3.4. Sample

The two methods of sampling that are used generally are probability sampling, where the sample elements are selected according to probability theory, and non-probability sampling which is at the discretion of the researcher (Nel et al, 1990). Ideally, samples should be population microcosms (Leedy & Ormrod, 2001). However, Cooper & Schindler (1998.217) state that "the numerical descriptors that describe samples may be expected to differ from those that describe populations because of random fluctuations inherent in the sampling process”. This is called sampling error and reflects the influences of chance in drawing the sample’s members.

The researcher decided to investigate financial service sector advertising expenditure between the years 1994 to 2004. The trend in total or aggregate advertising expenditure was also analysed for trends in total advertising expenditure and the four ATL media components being considered namely, newspapers, magazines, radio and television.

The researcher initially targeted a sample of 15 experts, practitioners and researchers in the fields of marketing and advertising. Dillon *et al* (1990) suggest that respondents should be required to have specific characteristics in order qualify for the research survey. In this case it was preferable but not always possible that the respondents should have been working either as researchers or practitioners in the fields of marketing and advertising in 1994. Only one of the respondents was not in the field in 1994 but she was able to provide valuable input on current and future trends in advertising expenditure.

Although interviewees were mainly limited to the Gauteng area this did not have any impact on the sampling since all practitioners either worked for national institutions or serviced clients that operated nationally. In the end, only 12 interviews were conducted due to an increasing amount of convergence that was experienced in the answers that were being provided.

3.5. Validity of Study

Validity of the research project refers to the “accuracy, meaningfulness, and credibility” of the study as a whole (Leedy & Ormrod, 2001:103). A number of steps were taken by the researcher to ensure the validity of information drawn from the interviews;

- Firstly, the interview questions were designed to cover all research questions through the use of a consistency matrix and then classified into themes during the process of analysis.
- The questions were then tested with the research supervisor and three respondents before being revised and reduced from 28 to 10 questions.
- The interviews were then transcribed and the transcripts sent back to the interviewees for confirmation before any analysis took place.

3.5.1. Internal Validity

Internal validity is the extent to which the researcher is able to draw “accurate conclusions” from the study (Leedy & Ormrod, 2001). The requirement here is that the possibility that the research results can come about due to reasons other than those concluded in the study should be reduced or eliminated altogether. A

Sample of 12 respondents as well as data from various independent institutions was considered sufficient to ensure the quality of internal validity was maintained.

3.5.2. External Validity

According to Leedy & Ormrod (2001), external validity is the extent to which generalisations into other areas can be made from the results of a specific study. External validity can be strengthened by using a representative sample or by replicating the study in another context. The requirement for external validity was fulfilled in this study by making use of research and data that is freely available to the research student. The respondents can be approached by any researcher in their field of expertise and the data is available to students even though it is sold to the general public.

It must be noted however, that there are so many factors affecting the segmentation decisions of the various sectors in the economy that it would not be safe to conclude that trends in the adspend of companies selected from the financial sector will reflect trends in retail, for instance. For this reason, the researcher has looked at the trends in overall advertising expenditure and practitioners interviewed were not limited to the financial sector. Of the twelve practitioners interviewed, two worked directly in the financial sector while a further four confirmed that they had managed accounts in the financial sector as part of their client portfolio at some time.

3.6. Reliability of Study

Reliability of the study examines how consistent results are within that study (Leedy &Ormrod, 2001). This was mainly of concern in the Research Survey and was mitigated by following a documented process that was agreed and overseen by the research supervisor throughout the process of conducting the Survey. The process was described in section 3.1.

4. RESEARCH FINDINGS & ANALYSIS

4.1. Question 1:

What were the advertising practices prior to 1994?

4.1.1. Introduction

The literature review provided an informative picture of the advertising practices that prevailed prior to 1994. The picture that emerged was that although advertising practitioners were aware of the spending potential of the Black market, very little was known of this market and practitioners regarded it mainly as a dark entity which they were prevented from understanding by both geographic limitations and sometimes legislated restrictions of movement.

The fact that Blacks had also been legally prohibited from establishing businesses outside of the Bantustans and townships meant that there were few Black owned media owners in 1994. Therefore, based on the revelations of the literature review and without the benefit of historical figures, it could be expected that advertising expenditure would have been biased towards White owned and consumed media prior to 1994.

An analysis of advertising trends up to 1994 therefore requires that we gain an understanding of what the demographics of the country were at the time and how the demographics have changed over the period to 1994. Without such an understanding of the demographics, the claim that adspend was not in line with demographics remains mere conjecture.

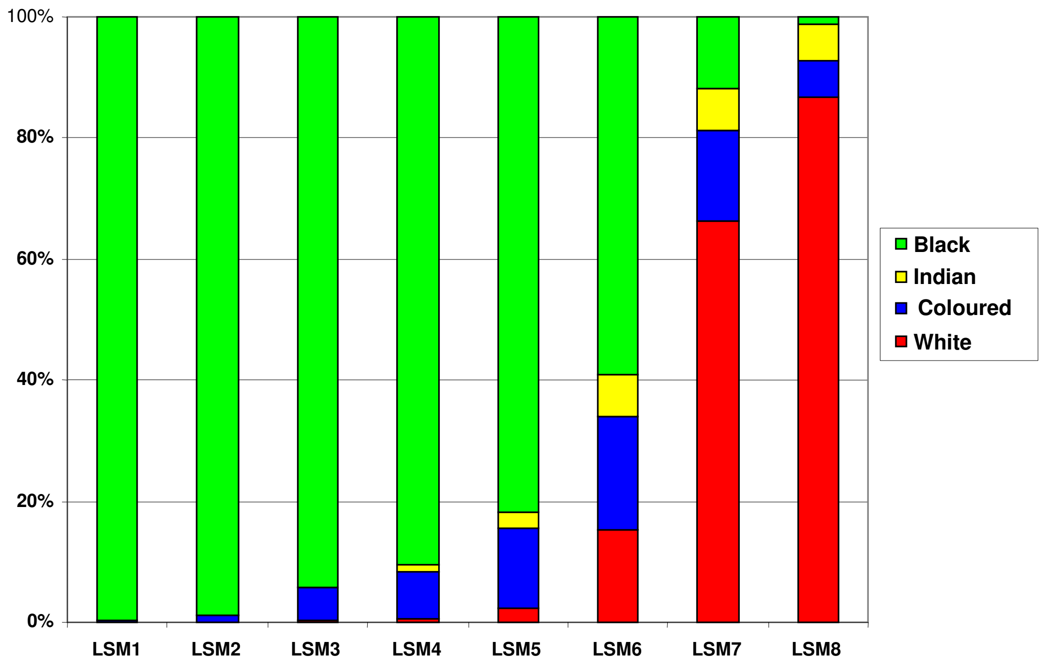
The analysis of advertising practices prior to 1994 therefore began with a review of the demographics of South Africa in the years 1994, 1999 and 2004 to gain an understanding of what they looked like and how they changed over time. Use was made of the AMPS and LSM data provided by SAARF for those years. This was then followed by an analysis of how income was distributed throughout the eight LSM groupings in anticipation of the claim by some of the respondents in the survey that advertisers essentially follow the money in directing adspend.

This then set the scene for an analysis of advertising expenditure by media title for the years 1997 to 2004 which was conducted in section 4.2. The analysis began with figures from 1997 since Nielsen Media Research was not able to provide comparative figures going back to 1994. Finally, an analysis and review of the comments of the respondents to the research survey was completed to gain a feel for the actual practices by practitioners who were active in 1994.

4.1.2. South African Demographics in 1994

The LSM distribution by race for 1994 is depicted in figure 2 below. The distribution reflects that Blacks made up 99.5% of LSM 1 and Black representation reduces to 54.9% at LSM 6. The second largest group in the lower LSMs are the Coloured population who did not appear in LSM 1 and began to make an appearance at 1.9% of LSM 2 and then reaching 20.2% of LSM 6. Of significance to the study is the fact that the White population did not appear in LSM 1 to 4. The White population began to feature in LSM 5, of which they constituted 2.7%. The higher LSMs were strongly dominated by Whites who made up 18% of LSM 6 and then increased to 68% of LSM7 and 85% of LSM 8.

Figure 2: LSM Distribution by Race in 1994



Source: SAARF – AMPS (1994)

The 1994 figures further indicate that LSM 1 carried the highest level of illiteracy or the lowest level of education with 31.2% of this group having no education at all. The report further indicates that LSM 1 and 2 were predominantly concentrated in the rural areas of the Transvaal, Natal and Transkei. With the exception of LSM 1 which tended to be between 25 and 49, the other lower LSM 2 to 4 also had an above average incidence of the youth.

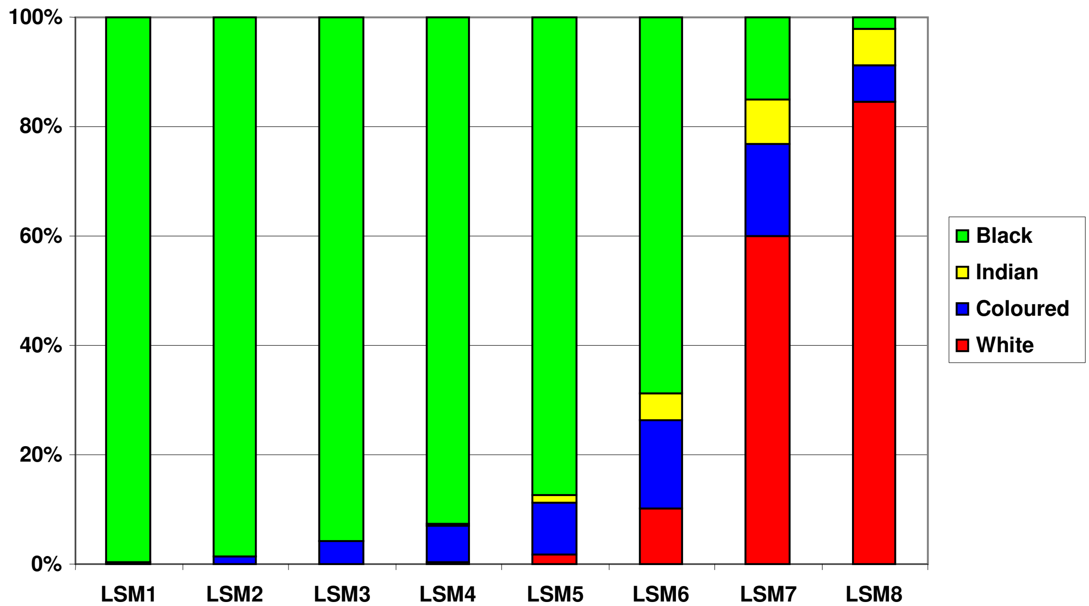
It is also significant to note that LSM 1 to 4 also reflected a very shallow utilisation of financial services. The main financial products used in these categories were savings accounts, funeral plans and ATMs. More sophisticated insurance products started to feature at LSM 4 to 6. The question that emerged from the use of financial products was whether the shallow usage of financial services was due to a lack of demand for such products or a lack of supply of such products in rural and peri-urban areas?

4.1.3. South African Demographics in 1999

Figure 3 reflects the racial distribution of the LSM at the middle point of the period under review. According to the 1999 technical report, Blacks constituted 100% of LSM 1 and 77.5% of LSM 6. It is worth noting here that the emergence of the so-called Black Middle Class is reflected in the fact that the incidence of Blacks in LSM 6 rose by 41% over the five years from 1994 to 1999.

Also noteworthy is the fact that Coloured representation in LSM 1 and 2 hardly changed while their representation in the middle LSMs 4 to 6 showed a decline. Their representation in LSMs 7 and 8, however, showed an increase indicating a general improvement in their living standards. Whites, on the other hand still did not feature in LSM 1 to 3 in 1999. White incidence in the higher LSM declined significantly over the period reflecting the fact that other population groups were joining them in the higher LSMs rather than the fact that they were necessarily becoming poorer.

Figure 3: LSM Distribution by Race in 1999



Source: SAARF-AMPS (1999)

Other than the significant trend that there was a notable shift among Blacks and Coloureds towards the higher LSMs, other demographic features of the population remained unchanged. The youth, age groups 16 to 24 represented an average of 31.5 % of LSMs 1 to 6. At the very least, this was an indication that the future buying power in the country was young and Black in 1999.

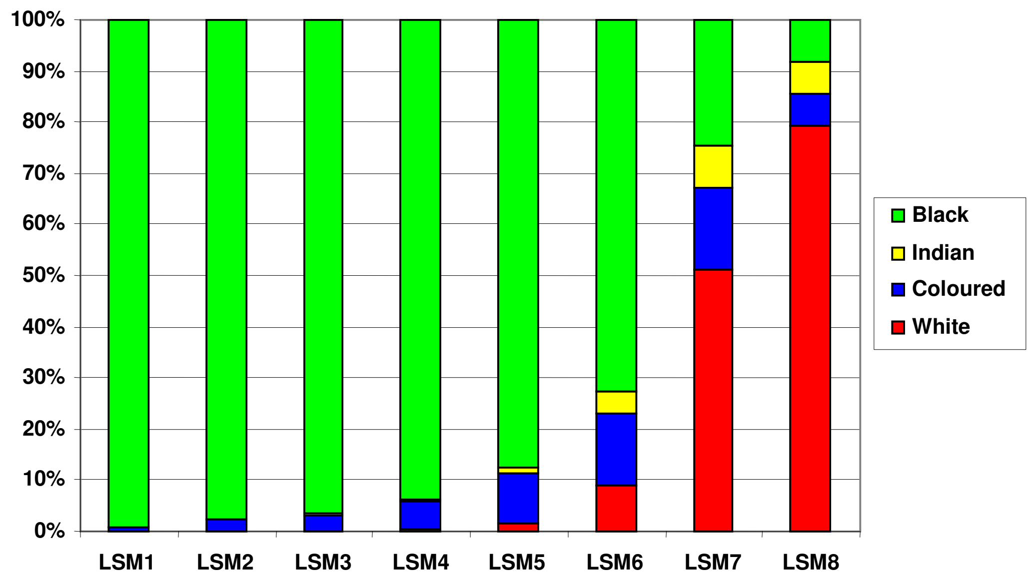
An important feature that was noted was the fact that there was hardly any reduction in the 'no-school' category in LSMs 1 to 3 reflecting that the education system was not improving among the very poor youth. The prevalence of primary education showed a slight improvement at the lowest LSM while the prevalence of high school education remained relatively unchanged, emphasising the earlier conclusion.

The prevalence of financial products at the lowest LSMs remained unchanged reflecting the government's concern that access to financial services was still being denied the poorest of the poor. However, buying patterns, especially in the middle LSMs, were very probably affected by the introduction of the cell-phone in 1994, especially pre-paid airtime in 1998, as well as the lottery.

4.1.4. South African Demographics in 2004

The LSM distribution in 2004 is reflected in figure 4 below. The picture that emerged was indicative of the progress and challenges of the policies of the country around income distribution. The incidence of Blacks in the lowest LSM indicated a marginal shift upwards from the lower LSM's. LSM 1 is still 99% Black and LSM 2 is still 98% Black. There has been a small increase in the prevalence of Blacks in LSM 3 and LSM 4 perhaps reflecting the impact of the welfare grants that have been implemented since 1994.

Figure 4: LSM Distribution by Race in 2004



Source: SAARF-AMPS (2004)

Where the picture begins to change dramatically is from LSM 5 where the incidence of Blacks increased by 6.7% over the period. The changes were even more dramatic in the higher LSM 6 to 10 categories, albeit coming off a very low base. The incidence of Blacks increased by 22% in LSM 6, 110% in LSM 7 and a staggering 654% in LSM 8. This could be reflective of the impact of policies such as Black Economic Empowerment and Employment Equity. The domination of the highest LSM by the White population decreased by 37.5% in LSM 5, 42% in LSM 6 and 23% in LSM 7. The fact that the incidence of Whites in LSM 8 only reduced by 7.5% is indicative of the fact that the White population still remains in control of economic resources at the highest level.

4.1.5. Income Distribution

Stanton et al (1994) suggest that a market consists of three components, namely people or organisations, their buying power and their willingness to spend. It can therefore be deduced that a key aspect of a market, any market, is its ability and willingness to spend. In response to questions on whether advertising practices changed prior and post 1994, various respondents gave the explanation that advertising and marketing practitioners are rational actors who direct their advertising expenditure according to the greatest availability of disposable income.

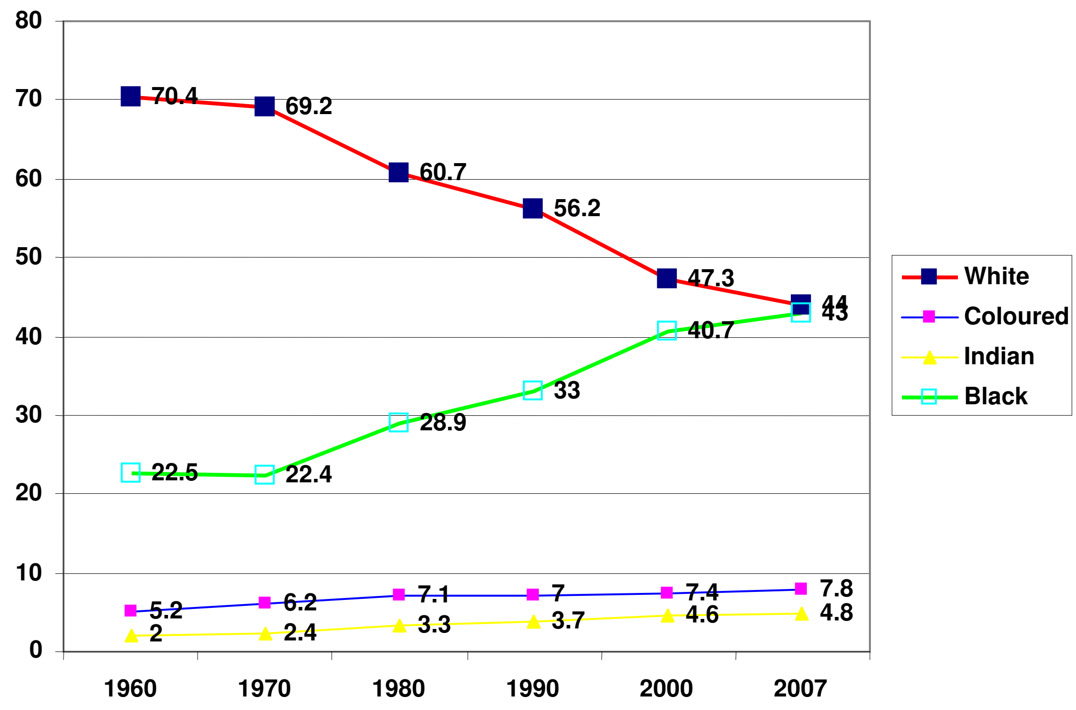
For this reason, it became necessary to investigate the trends in the distribution of disposable income over the period under review. The objective of such a review was to understand if the new dispensation had yielded any changes in the distribution of disposable income across the various population groups. If the argument of the rational actor distributing advertising expenditure in terms of disposable income is to be accepted, then it would be expected that holding other factors constant, there would have been a change in the distribution of adspend according to the trend in disposable income.

For the purposes of studying trends in the distribution of disposable income among the various population groups, use was made of a BMR report by H de J van Wyk (2004) which tracked national personal income by population group from 1960 and projected it to 2007. The trends revealed in the report are discussed below while the methodology of the report is located in the same reference.

Van Wyk (2004) describes personal income as current income in cash and in kind earned or received from all sources by the inhabitants of an area, including transfers from government bodies and businesses and net transfers from persons living in other areas, but excluding transfers between persons living in the same area.

Figure 5 below reflects changes in the shares of the population groups in personal income over a number of selected years from 1960. The figure reveals that the share of total White personal income in the total income of all population groups amounted to 70.4% in 1960. It can be reasonably assumed that, holding everything else constant, any rational marketer seeking a market for his product would have concentrated the bulk of advertising expenditure towards media consumed by Whites.

Figure 5: Personal Income Distribution 1960 - 2007



Source: BMR report No 333 (2004)

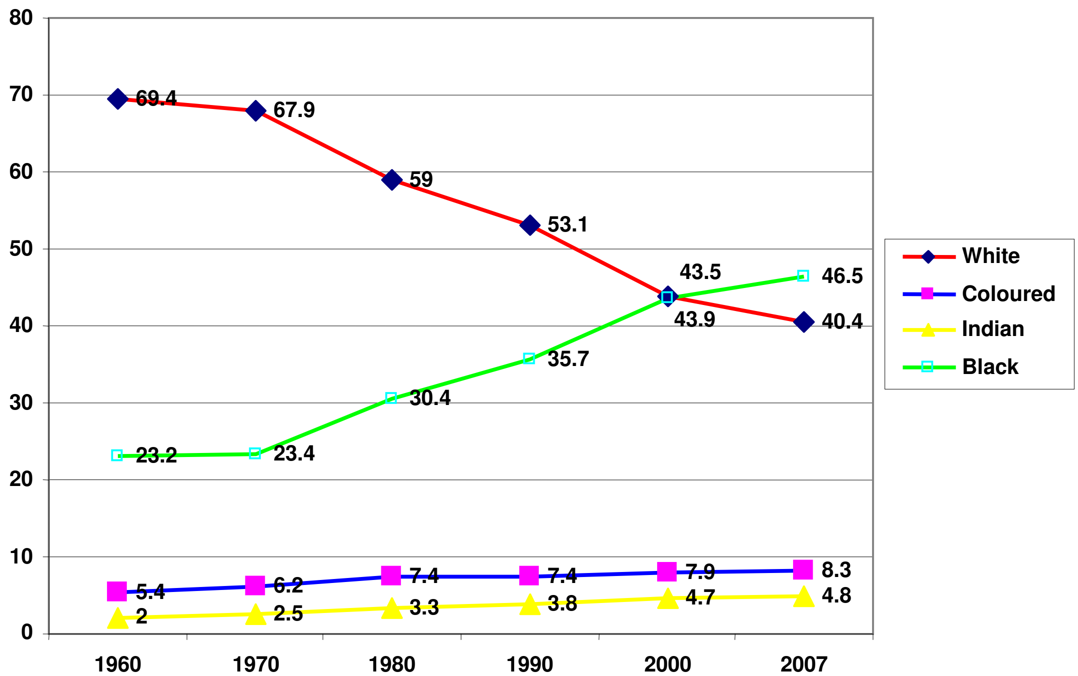
If we proceed to 1994, the base year for the period under review, Van Wyk (2004) reports that the share of Whites in personal income had already declined to 52% while that of Blacks had increased from 22.5% in 1960 to 36.5% in 1994. Between 1994 and 2004, the Black share of personal income increased from 36.5% to 42.6% while that of Whites continued to decline from 52% to 45.2%.

The increase in the share of personal income by Blacks is, to no small degree, attributable to the gains made by the trade Union movement in agitating for better wages for Blacks. Another contributor to this trend would very likely have been the emergence of Black managers in the 70's and the disappearance of legislation prohibiting Blacks to work as managers in White areas or businesses in 1980 (Luhabe, 2002).

In the same report, Van Wyk (2004) makes a distinction between personal income, which is measured in figure 5 above and disposable personal income which is reflected in figure 6 below. He explains that personal disposable income is calculated by subtracting direct taxes, chiefly income tax, and compulsory employees' contributions to social security funds from personal income. Personal disposable income is therefore an even better measure of the income population groups have to spend towards advertised products and services.

Figure 6 reflects a trend similar to figure 5, namely that there has been a dramatic increase in the Black share of personal disposable income and a decline in the White share of personal disposable income from 1960 to 2004. In 1960, the Black share of personal disposable income stood at 23.2% while that of Whites stood at 69.4%. By 1994 the figures were 39.4% for Blacks and 48.6% for Whites. In 2004, Whites' share of the personal disposable income cake had declined further to 41.7% and that of Blacks had increased to 45.4%.

Figure 6: Personal Disposable Income Distribution 1960 - 2007



Source: BMR report No 333 (2004)

At the time of completing the report, Van Wyk (2004) projected that this trend would continue and he projected the Blacks' share of personal disposable income in 2007 at 46.5% and that of Whites at 40.4%. Although Van Wyk points out in the same report that the different personal disposable income figures are largely due to the fact that the higher income groups sacrifice a greater portion of their income to the fiscus, the report does not indicate that it has taken the so-called emergence of the Black Diamonds or Black middle class over the last few years into account or that Blacks still make up the highest proportion of the poorest sector of the population.

4.1.6. Media Profiles and Adspend

The next logical step in our analysis, having developed an indication of demographics including income distribution in 1994, was to investigate what advertising expenditure looked like in 1994. This aspect of the investigation required the researcher to enquire whether more advertising funds were spent on White media than on Black media. In order to begin the investigation, the researcher confronted the difficulty that although commentators in the industry are very vocal about racism or bias in the advertising and marketing industry, the question of what racism entails or what constitutes White or Black media was not clear.

For the purposes of this research report, the researcher elected to use readership and audience profiles to determine whether the medium is White, Black, Coloured or Indian. For instance, if a magazine's readership profile was 41% Black, 29% Coloured, 16% White and 14% Indian, then it was classified as Black. Although simple, this tool serves the purpose of giving an indication of what the profiles of the media were, how they transformed over the period and how advertising expenditure was distributed among them.

Media ownership was not taken into consideration as the matter of media ownership is very much in transition at present and raises more questions than answers. In fact, the implications of media ownership in South Africa could be the subject of a full research report.

Kuper Research (2001), in conducting focus group research on the subject of racism in the media, concluded that there was strong agreement that it (media definition) is definitely not by ownership, but by readership or audience and /or by editorial content.

4.1.6.1. Print Media Profiles 1994 to 2004

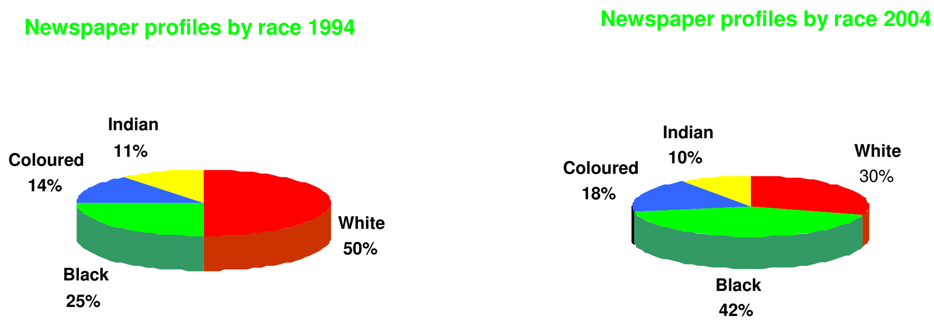
Using SAARF's AMPS figures from 1994 to 2004, the researcher was able to form the following image of the print media environment over the period under review. It is important to note that although the AMPS survey covers only those titles with a circulation above 20 000 per month, the titles measured formed the majority of readership titles and consume most of the advertising expenditure.

Over the period, AMPS measured a total of 150 titles consisting of 40 newspapers and 110 magazines. It is interesting to note that although the number of newspapers remained the same with one or two titles entering and leaving the list, the number of magazines increased from 30 in 1994 to 89 in 2004.

Using the method described earlier to classify the titles, the AMPS figures indicated that 50% of the 40 newspaper titles around in 1994 were White and Blacks were majority readers of 25% of the titles. Of the 30 magazine titles available in 1994, 87% had majority White readership and only 17% had majority Black readers. There were no magazine titles with majority Coloured or Indian readers.

Figure 7 below shows the profile of newspapers in 1994 and 2004 and as can be seen, although majority White read titles made up 50% of the newspaper titles in 1994, this figure had diminished to 30% in 2004 giving way to titles with Black readers in the majority.

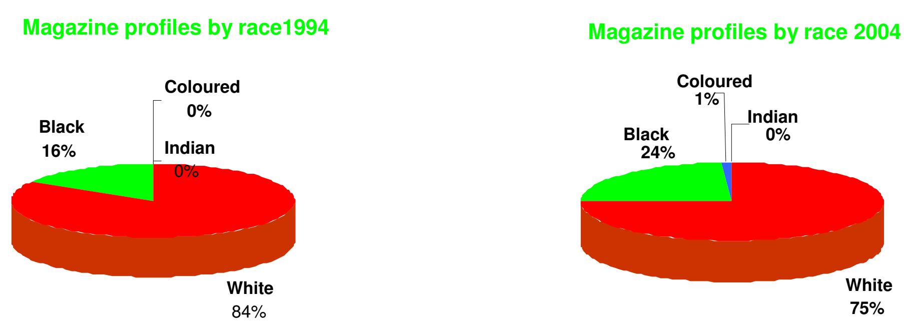
Figure 7: Newspaper Readership Profiles by Race, 1994 and 2004



Source: SAARF – AMPS (1994, 2004)

Figure 8 depicts the same information for magazines. Of the 31 titles that were measured in 1994, 84% had majority White readership with only 5 of the 31 titles having majority Black readership. Although the total number of titles had increased to 89 by 2004, the picture had not changed much. Of the 89 titles measured in 2004, 75% had majority White readership while the number of titles with majority Black readership had increased to 24%.

Figure 8: Magazine Readership Profiles by Race, 1994 and 2004

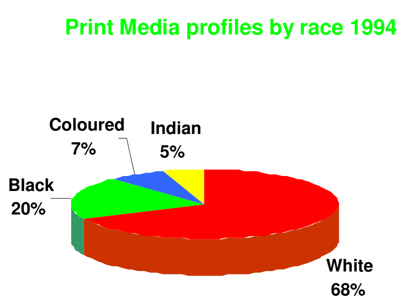


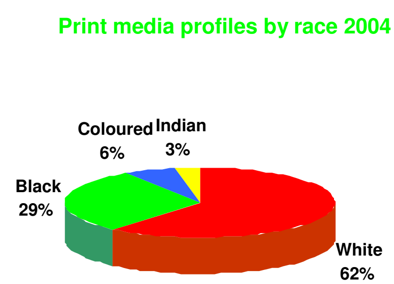
Source: SAARF- AMPS (1994, 2004)

The total number of print media titles combining newspapers and magazines was 129 titles in 2004 having started with 59 titles in 1994. Almost all the growth in titles emanated from magazines which experienced impressive growth over the period as outlined earlier. However, the picture in terms of the readership profiles of combined print media appears to have improved.

In 1994, 68% of the titles had majority White readership with majority Black readership titles only making up 20% of the total. By 2004, the picture had improved with White majority readership titles making up 62% of all titles and majority Black readership making up 29%. The number of titles with Coloured and Indian readership in the majority doubled in number but made up the same percentage of the total as in 1994. These numbers are depicted in figure 9 below:

Figure 9: All Print Media Readership Profiles by Race, 1994 and 2004





Source: SAARF – AMPS (1994, 2004)

When looking at the readership profiles of media over the period from an LSM perspective, a different picture begins to emerge. Tables 1 and 2 below provide a list of the newspaper and magazine titles which had majority Black readership in 2004. The researcher decided to look at titles with Black majority readership in 2004 since any titles with majority White readership in 2004 would inevitably be catering for readership from LSM 5 and higher.

Table 1: Readership by LSM: Newspapers with majority Black readers-2004

		LSM1	LSM2	LSM3	LSM4	LSM5	LSM6	LSM7	LSM8	LSM9	LSM10
1	The Citizen	0	3.6	4.6	7.6	13.2	15.9	11.2	9.1	20.4	14.5
2	Daily Dispatch	1.5	4	4.2	11.5	16.6	24.1	11.2	10.9	10.7	5.3
3	Daily Sun	0.9	5.3	10.4	17.2	22.5	27.8	7.9	4.8	2.2	1
4	The Herald	0	0	3.6	6.9	11.5	20.8	14.9	12.7	13.2	16.3
5	Isolezwe	1.3	14	21.3	10.4	19.5	19.4	9.4	3.4	1	0.2
6	Sowetan	1	7.6	9.4	16.5	20.8	25.3	8.8	5.2	4	1.4
7	The Star	0	2	1.3	5.9	8.9	16.7	12.8	8.3	14.8	29.2
8	Citizen Weekend	0	2.2	6	12.5	14.5	24.4	13.6	9.5	9.7	7.6
9	City Press	0.6	3.3	8.2	15.2	21.6	27.9	11.1	5.9	4.4	1.8
10	Mail & Guardian	0	0	4.3	3.4	10	17.2	11.4	14.5	14.7	24.4
11	Pta New Weekend	0	0	1.1	3.4	7.7	28.7	12.1	4.9	10.4	31.7
12	Saturday Dispatch	0	1.7	7.7	5.2	20.6	20.9	11	7.3	15.5	10.3
13	Saturday Star	0	4.6	3	5.6	12.1	18.5	10.5	11.7	14.8	19.1
14	Sunday Independent	0	0	1.2	2.1	6.9	17.3	18.2	13.3	17.4	23.6
15	Sunday Sun	0.5	4.4	7.9	14.9	19.4	29.8	10.7	5.6	4.7	2
16	Sunday Times	0	1.5	3.3	7.4	12.2	21.7	13.1	10.4	14.3	15.9
17	Sunday World	0.7	2.5	6.9	14	20.1	31.3	10	6.5	5.6	2.3

Source: SAARF AMPS (2004)

Table 2: Readership by LSM: Magazines with majority Black readers-2004

		LSM1	LSM2	LSM3	LSM4	LSM5	LSM6	LSM7	LSM8	LSM9	LSM10
1	Soccer Laduma	3	8.5	14.2	21.9	18.9	21.5	7.	2.7	1.8	0.8
2	Teacher	2.8	0.4	7.3	13	11.4	13.8	20.1	9.1	11.8	10.4
3	Drum	0.4	4.2	7.1	19.3	19.5	27.7	11.1	5.4	3.6	1.7
4	Financial Mail	0	0	1.3	3.5	3	13.1	11.2	15.5	14.7	37.7
5	Sunday Times Mag	0.5	1.7	1.3	6.3	8.8	19.5	14.4	12.3	16.5	18.7
6	Kickoff	3.4	8	12.1	17.3	21	23.2	8.1	3.7	2.1	1.1
7	Bona	3.9	9	15.3	22.5	19.1	19.1	5.7	2.7	1.9	0.7
8	Club Mag Lewis	0.5	3.7	5.5	16.9	18	27.1	10.8	7.2	6.7	3.6
9	Club Mag Foschini	0	2.2	4.1	9.4	14.8	26.7	13	10.8	12	7
10	Edgars Club	0.9	0	2.5	3.9	12.4	21.6	14.1	13.1	16	15.4
11	Enterprise	0	6	7	4	12	21.6	18.4	8.6	13.2	9.2
12	Jet Club	0.6	4.4	5.4	15.5	19.6	25.1	11.8	6.2	7.3	4.2
13	Living & Loving	0	0.1	3.6	3.9	8.8	19.7	17.9	13.5	17.9	14.7
14	The Oprah Mag	0	0	1.3	3.6	9.3	15.6	10.3	13.4	19.7	26.9
15	Reader's Digest	0	0.6	3.7	5.7	9.3	20.9	11.9	10.1	19.7	18.1
16	True Love	1	4.4	7.9	16.	19.7	27.6	11.4	5.	5.1	2.3
17	Your Baby	0	1.6	3.7	8.1	9.9	19.1	16	14	13	14.6
18	Ymag	0	0.2	2.4	8	21.1	32.9	13.5	6.6	9.6	5.6
19	Your Pregnancy	0	2.3	6.1	7.7	14.5	27.2	12.9	10.6	9.3	9.4
20	In House Club	1.3	1	8.2	14.1	17.7	23.3	13.2	9.1	7.4	4.7
21	Personal Finance	0	1.1	0.	4.4	8.8	21.1	10.9	16.4	15.8	21.4

Source: SAARF AMPS (2004)

The analysis of demographics by LSM in section 4.1.2 indicated that in 1994, Blacks made up 99.5% of LSM 1 and continued to dominate the lower LSMs up to LSM 6 which was 55% Black. The further analysis of the demographics in 1999 and 2004 revealed that there was very slight improvement in the lower LSMs. Although there had been slight movement in the lower to middle LSMs, much of the dramatic improvement has really been from LSM 6 upwards. It is therefore safe to conclude that the LSMs from LSM 5 downwards remain predominantly Black and increasingly so with LSM 1 and 2 remaining over 98% Black.

Table 1 reveals that of the 17 newspapers that had majority Black readerships in 2004, only two titles, the Daily Sun and Isolezwe had readership of above 10% of LSM 3, 2 or 1. Sowetan had 9.4% of its readership in LSM 3. For the most part therefore, the newspapers had most of their readerships form LSM 4 upwards. Therefore, of the 40 newspaper titles available in 2004, only two titles were within reach of the two lowest LSMs that make up by far the largest portion of the South African population. This is perhaps a reflection of the fact that the lower LSMs remain unattractive as a result of lower literacy levels, a lack of disposable income and to no small degree, distribution difficulties.

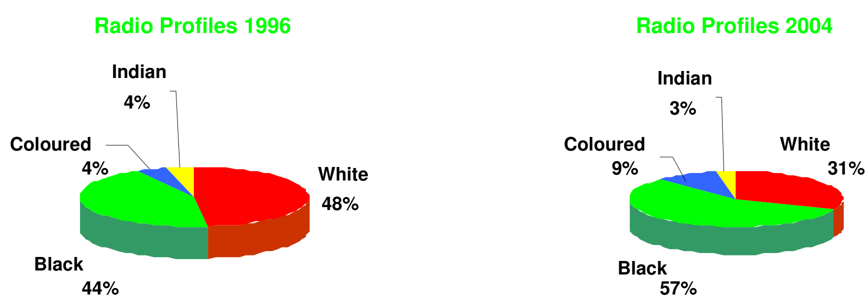
Table 2 measured the same information for magazines and the picture was even worse. Of the 21 titles that had majority Black readership in 2004, nine including Drum, Bona and True Love had more that 10% representation in each of the LSMs from LSM 4 downwards. Two of these titles were soccer magazines and three were Club magazines owned by retailers.

Viewed differently, the picture that emerges is that in 2004, of the 129 titles that were measured by SAARF, only 11 titles catered for LSM 3 and less. Of these, two were soccer magazines and three were in-house club magazines. The researcher was not able to obtain figures to analyse media profiles by LSM.

4.1.6.2. Radio and TV Profiles 1994 to 2004

Once again use was made of SAARF's AMPS figures to develop profiles of what radio and television viewership profiles were in 1994. The data that was utilised to produce figure 10 excluded community radio stations. The total number of measured stations constituted approximately one third of the total number of radio stations including community radio stations. The data provided only went back to 1996 when 25 radio stations were in operation.

Figure 10: Radio Profiles by Race, 1996 and 2004



Source: SAARF – AMPS (1994, 2004)

Figure 10 above reflects that in 1996, SAARF measured 25 mainstream radio stations. Of these, twelve or 48% were White and eleven, or 44% were Black. Of the eleven radio stations, 10 or 91% were African Language Stations (ALS). Good Hope FM and Lotus FM were the only radio stations for Coloured and Indians respectively.

By 2004, the picture had changed somewhat and SAARF measured 31 mainstream radio stations. Six new mainstream stations entered the fray between 1994 and 2004. It is worth noting that only two of these new stations were targeted squarely at the White market. Two of the stations were targeted at the urban Black market while Heart and YFM were targeted at the urban Coloured and urban Black youth markets respectively.

During the period, four stations changed their profiles substantially. In 1996, Jacaranda Stereo's audience was over 90% White and by 2004, the audience was over 70% Black. The other stations that changed their audience profiles from predominantly White to predominantly Black were East Coast Radio and SAFM. KFM started off with a predominantly White audience in 1996 and had a predominantly Coloured audience by 2004.

According to SAARF AMPS figures, the audience profile for all Community radio stations in 1997 was 46.3% Black and 30.8% White. Coloureds made up 14.9% and Indians 8.1%. In 2004, these figures were 67% Black, 17% Coloured, 12% White and 4% Indian.

The analysis of Television audience profiles is fortunately not as complicated as print media or radio. In 1996, when SAARF measured audience profiles there were five television stations. Three of these were the SABC television stations SABC 1, 2 and 3. Although their target market has transformed somewhat in response to competition and market trends, the target market for the stations was Black youth which was targeted by SABC1, the more affluent and initially predominantly White but increasingly blurred market was targeted by SABC 3 with SABC 2 being the generic, cross-over family channel.

The two independent stations, M-NET and DSTV were unapologetically targeted at the White affluent market. When E-TV entered the market in 1999 the station was positioned to appeal to a cross-over market and the audience profile was predominantly Black.

The only significant change to 2004 has been that SABC 3 started off with a predominantly White audience profile in 1996 when Whites made up 41% of the audience but has since transformed to a predominantly Black audience at 57%.

4.1.7. Responses to Question 1

What were the advertising practices prior to 1994?

The interview questions were structured to answer the four research questions exhaustively. Questions one and two of the survey were dedicated to sourcing responses to the Research Question 1. The first question was designed as an ice-breaker and encouraged the respondents to open up by providing a historical account of advertising practices prior to 1994.

The question resulted in nine themes from the coding process. Table 3 below lists the themes together with the pertinent responses from the respondents. It must be noted that the table does not list comments from every respondent but only those that were crucial as proof of the particular theme.

Table 3: Advertising practices prior to 1994

• **Advertising was dominated by print.** o There was more money being spent on print than there was on any other media type.
• **Advertising was predominantly above-the-line.** o At the same time, where communication before was driven by above-the-line media television, radio and so on, that is changing as well. o I think before it was very much a classical above-the line approach. o Prior to '94 Television was critical and you could reach ninety percent of your audience with a few spots on prime time. o Pre '94 and I think still to some degree today, a fairly traditional approach to marketing communication which was to use traditional advertising media, TV, print.

• **Racial segmentation was utilised.** o It was quite acceptable to use racial segmentation. o You then had the so-called Republic of South Africa statistics, and in essence, no matter which way you tried to cut the ice you always got Black, White, Coloured and Indian and it was very difficult. o There has been a fundamental shift there. In terms of the actual marketing itself, again before, a lot of it was very race based marketing. o I said that the current marketing management were antiquated and they were living in the past because they were still looking at White, Black, Coloured and Indian. o The market was divided into what was known as Black and White with budgets being allocated mostly to the White side of the business and then at one stage it became known as 'WAC' which was White, Asian and Coloured and excluded darkie from that. o I believe while we saw stats of Black consumers, we had some idea where Black consumers were living geographically, that's one thing and I think that was kind of done, but did we respond to them? Absolutely not. o The higher income groupings in this country were very White biased as you are well aware. So from that perspective, the media type was aimed at that particular market, be it the Sunday Times, be it television both English and Afrikaans, be it the main radio stations. You will find that there was very limited spend geared towards the Black market. o LSM was created to try and get segmentation that wasn't racially based. It was deliberately designed to be that way. Unfortunately race did come into it. It was the history of the country.
• **Some form of demographic segmentation was used.** o The way we do demographics now has not changed that much in the last twenty odd years since I have been in the business. o Prior to '96 we did segment the market but it was very much income based. o Obviously the focus has always been to, in terms of the marketing process, to focus on the higher LSMs. In those days the LSMs did not exist so it was the higher income groupings. o I think how segmentation and target marketing was done and how we responded to the market are two different issues. I think first of all, even in terms of geographic and demographic I believe because of the baggage of the era.
• **Adspend has gone up considerably since then.** o Adspend has obviously gone up considerably and there has been a swing from

print to electronic which has also been an understandable swing.

- Even in terms of spend. We didn't have cell phone technology then. We didn't have cell phones. Now those boys are spending. They are big spenders in the market. Banks are spending a lot more because they are trying to attract more customers…
- Advertising spend is actually running in an economic connected phase. It goes up and it goes down with the national economy. Since 1994 I think there was more confidence in the advertising industry…
- Our expenditure has grown steadily over the years.

- **There is a great deal more media leading to greater openness and competition.**
  - There is a huge amount more competitive activity and fighting for market share than even happened prior to 1994.
  - Well obviously a number of things have changed. There has been a media proliferation. There's a lot of media around.
  - It's not like we spend less on above-the-line but I would say where the growth has been is in things like direct marketing. This has grown significantly for us and what we call activation activities.

- **Apartheid forced advertisers and marketers to use racial segmentation.**
  - So, by and large the market was White, Coloured and Indian and then in some instances there was the Black market because of Apartheid, probably that was quite convenient thinking.
  - But I think generally, the whole racial thing is changing dramatically and as you know before 1994, actually it's more before 1990, there were certain things we could do and we couldn't do. You couldn't really run a Black ad in a supposedly White station.
  - Unfortunately, race did come into it. It was the history of the country. It was the demographics of the country. It was, to a large degree, taken into consideration because we do know there were a lot of differences between the socio-economic segments in South Africa. These differences were, because of the history of South Africa, based on race.

- **Media were separated along racial lines.**
  - You had White newspapers, Black newspapers, Black radio stations, White radio stations and to an extent, the sort of convergence, the automatic evolution of society where these types of barriers started in the sixties and seventies…
  - Yes there are specialist media. I guess if you run an ad in 'Bona' you are likely to pick up more Black readers.
  - The market was divided into what was known as Black and White with budgets

being allocated mostly to the White side of business and then at one stage it became known as 'WAC' which was White, Asian and Coloured and excluded darkie from that, on the understanding that we were the ones who watched Zulu channels and Sotho Channels and Xhosa Channels and the Coloureds and Indians watched the same channels that the White people were watching.
• **Advertising expenditure was biased in favour of White media and White media consumers.** o The second thing about advertising expenditure was the complete imbalance between the White market and the Black market. o In fact, I think even in terms of value Black media was seen as cheap and therefore you had to spend more money with the White people because they had the buying power. o Absolutely not, and my evidence for that is just look at the low adspend in Black media at the time and look at how the African Language Stations always battled and still battle. o I think because traditionally it may have been pre '94, it's mainly been your WCI or White, Coloured, Indian markets which were targeted because it was thought that they were the rich segment, and they were. They probably accounted for 70% of the adspend in the country.

The second question of the Survey was also intended to respond to research Question 1. This question was designed to identify the predominant segmentation tools that were in use in the pre 1994 era. The question yielded five themes that are listed in table 4 below.

Table 4: Segmentation methods used prior to 1994

• **LSM was introduced in '89 and remains the most predominant segmentation tool.** o So life stage, income, tied to age and LSM, because it describes the type of space that a person lives in, were probably the predominant ones and probably still are predominant. o Well, from '89, the LSMs were actually used. We actually developed them in '89 and from there up to now I think the most prominent segmentation is the LSMs.

- So I think the big thing was LSMs.

- **Demographic segmentation was used predominantly prior to the introduction of LSM.**
  - You will find that it was a combination because you can never look at one thing in isolation. You can never look at just age, or just income or just sex or just race. You couldn't do that, you had to look at a mix but it was basic demographics.
  - Segmentation was more by race and now it's a lot more by demographics, proper demographics and also spending power.
  - Eddie believed from a lifetime of experience in marketing that at that stage people were just doing demographics by age, by gender, gender by income etc to build up a profile of their target market.
  - That's easy to answer. It was demographic, but even there, the economics of the demographics were a bit dodgy and the stereotype 'all Black people are poor' was a stereotype, let's be honest and I am generalising a bit.
  - Well there were all the standard demographics. You segmented your market by income. There was obviously no LSM at that early stage. It was mainly segmented by income, age groupings and geographic profiling.
  - There were other segmentation methodologies but it was largely Black and White and income to a large degree.
  - The methods of segmenting, I mean I'd love to say it was socio-economic, but socio-economics did play a role, there were various mindsets that did play a role but I think you tended to see a lot of racial segmentation actually taking place.

- **Income was used to segment the market.**
  - You can never look at just age, or just income or just sex or just race. You couldn't do that, you had to look at a mix but it was basis demographics.
  - In any market, your predominant segmentations or tools to segment are income, that was always used so I know it was an easy one because it had nothing to do with skin colour…
  - Eddie believed from a lifetime of experience in marketing that at that stage people were just doing demographics by age, by gender, gender by income etc to build up a profile of their target market.
  - Race and secondarily income, but it always started with race.
  - I think we've answered that. It was basically income.
  - So in other words did we really go into household income? I think we tried but I don't think we had any idea of the amount of money but it was gathered in a non-traditional way from the sort of nuclear White family.
  - Well there were all the standard demographics. You segmented your market by

income. o The LSMs were there. There were other segmentation methodologies but it was largely Black and White and income to a large degree.
• **Geographic location was used to segment the market.** o Area, geographic, played a very big role as well because you would segment people geographically. You didn't have as many multinationals then either so you didn't have as many advertisers looking for a national audience. o That was at the first phase when the filter that people were putting into their targeting process was to actually decide whether they target the urban or the rural market. o Geographically yes, but how many of the marketing men understood those geographic areas? o In the historical period the focus wasn't there on those types of products. It was very focused on specifics like age groupings, income groupings, racial profiling, geographic segmentation.
• **Age was used to segment the market.** o You will find that it was a combination because you can never look at one thing in isolation. You can never look at just age, or just income or just sex or just race. o So a combination of income, LSM, life stage were probably, and still remain the predominant segmentation techniques, or combinations of them, young rich people, old poor people, they are different. o Eddie believed from a lifetime of experience in marketing that at that stage people were just doing demographics by age, by gender, gender by income etc to build up a profile o their target market. o There was obviously no LSM at that early stage. It was mainly segmented by income, age groupings and geographic profiling.

4.2. Question 2

What were the trends in above-the-line advertising expenditure over the period 1994 to 2004?

4.2.1. Introduction

Section 4.1 investigated the advertising environment prior to 1994 by looking first at the demographic state of South Africa in 1994. The section then proceeded to look specifically at income distribution revealing that personal disposable income had shifted significantly from the White sector of the population to the Black. Finally, the section reported on the responses of the media practitioners revealing some of the practices and trends that were prevalent at the time.

This section proceeded to investigate the trends in above-the-line advertising expenditure from 1994 to 2004. In a BMR report, Van Der Reis (1994) predicted that the following factors were likely to have a significant influence on the total amount spent on advertising;

4.2.1.1. The state of the Economy

Van der Reis (1994) observed that advertising expenditure is a highly sensitive indicator of the state of the economy. He compared advertising expenditure and private consumption expenditure figures and came to the conclusion that advertising expenditure tends to react immediately to change in consumer confidence and spending. He observed that advertising expenditure tends to over-react, growing much faster than private consumption expenditure in the up-swings and falling more rapidly in the downswings.

4.2.1.2. Government Policy

Here Van Der Reis (1994) predicted that the deregulation of media, especially new radio stations and specialist press media would result in a significant growth in advertising expenditure. This trend has been born out by the significant increase in radio and media titles between 1994 and 2004 and the subsequent increase in advertising expenditure. He also suggested that restrictions on the advertising of certain product categories such as cigarettes would have an impact on advertising expenditure.

4.2.1.3. The entry of Multinationals and new products

Van Der Reis (1994) anticipated that advertising expenditure would be significantly increased by the entry of multinational companies into South Africa. This, he predicted, would force South African companies to respond to increased competition by increasing their advertising expenditure in order to protect brand value and market share. The proliferation of new brands and the highly visible competition between the three cellular phone operators has born out this prediction.

Although not listed above, Van Der Reis (1994) also looked at trends in traditional above-the-line expenditure against below-the-line expenditure. His observation was that the share of expenditure allocated to traditional above-the-line media was declining and that the annual growth in below-the-line advertising was on the increase. This trend has been confirmed by some of the respondents to the research survey with one respondent surmising that the split of advertising expenditure between traditional above-the-line and below-the-line could now be as high as 50%.

Further to the above factors, the researcher made use of Adex advertising expenditure data from the Research Company Nielsen Media Research to follow the trend in the distribution of advertising expenditure among the titles that were identified in section 4.1.6 above. The purpose of the analysis was to follow the distribution of advertising expenditure between majority White consumed and majority Black consumed media over the period.

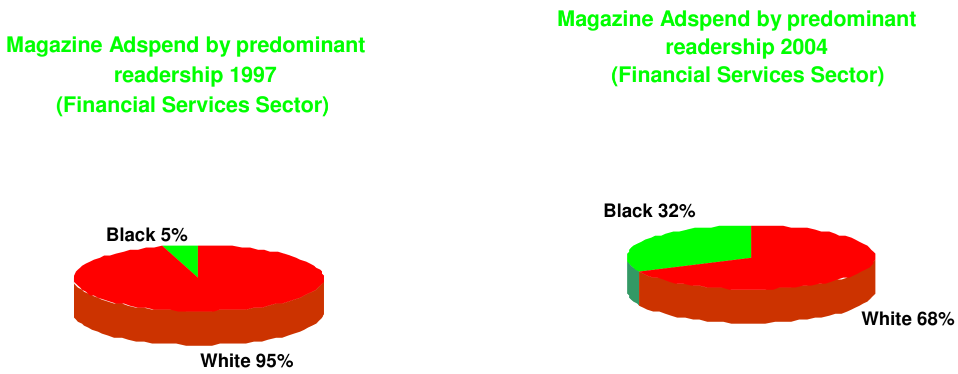
Finally, this section discussed some of the comments and observations of advertising and marketing practitioners over the period.

4.2.2. Above-the-line Advertising expenditure from 1994 to 2004

4.2.2.1. Magazine Adspend in 1997 and 2004

Figure 11 below depicts the trend in advertising revenue received by mainstream magazines for the years 1997 and 2004. The two pie-charts represent advertising expenditure by the financial services sector in those magazines that were measured by AMPS in 1997. Only advertising revenue received by magazines that had a circulation of 20 000 per month and more in 1997 are measured. The figures were only collected from 1997 since Nielsen Media Research did not have figures going back to 1994.

Figure 11: Magazine Adspend by Predominant Readership, 1997 and 2004



Source: Nielsen Media Research, Adex (1997, 2004)

Figure 11 illustrates that of the titles that were measured by SAARF in 1997, the titles with predominantly Black readership only received 5% of the advertising revenue collected. The average revenue for the titles with predominantly White readership stood at just over one million rand while the average revenue for the titles with predominantly Black readerships stood at R 322 251.

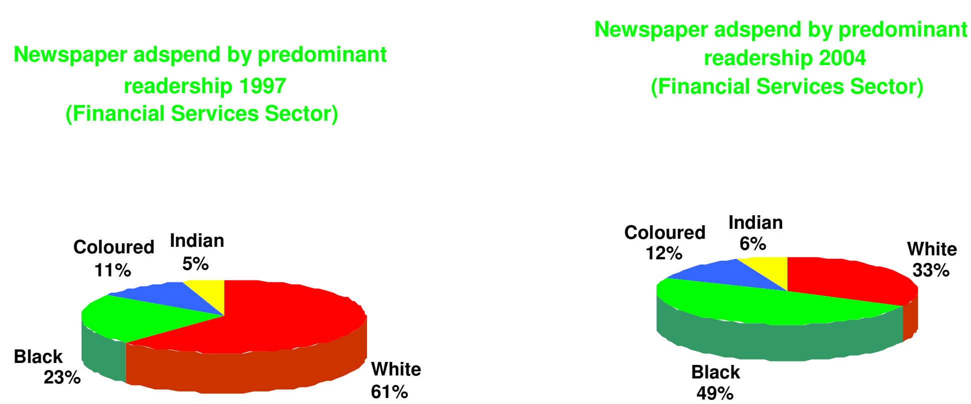
In 2004, there were more titles with predominantly Black readerships with new ones entering the market and some existing titles transforming from having a predominantly White readership in 1997 to a predominantly Black readership in 2004. The most dramatic transformation was the Financial Mail which had a predominantly White readership of 84% in 1994 and then had a predominantly Black readership of 42% by 2004. This publication is important for the interpretation of revenue in 2004 because it alone accounts for 55% of the revenue going to titles with predominantly Black readership.

The effect of the Financial Mail is that while the average revenue per title is R 1.3 million for the titles with predominantly White readers, the average revenue for the titles with predominantly Black readers stood at R 3 million per title. However, the more realistic picture emerges when it is shown that the average revenue for the titles with predominantly Black readers is actually R 1.5 million if the Financial Mail is excluded.

4.2.2.2. Newspaper Adspend in 1997 and 2004

The trend in advertising revenue for mainstream newspapers is depicted in figure 12 below. Again, use was made of the Adex figures from Nielsen Media Research for the years 1997 and 2004. The newspapers depicted were the titles measured by SAARF in 1997 in which the financial services sector advertised in the same year. Similarly, the newspapers measured in 2004 consist of those newspapers that were measured by SAARF in 2004 in which the financial services sector advertised in 2004.

Figure 12: Newspaper Adspend by Predominant Readership, 1997 and 2004



Source: Nielsen Media Research, Adex (1997, 2004)

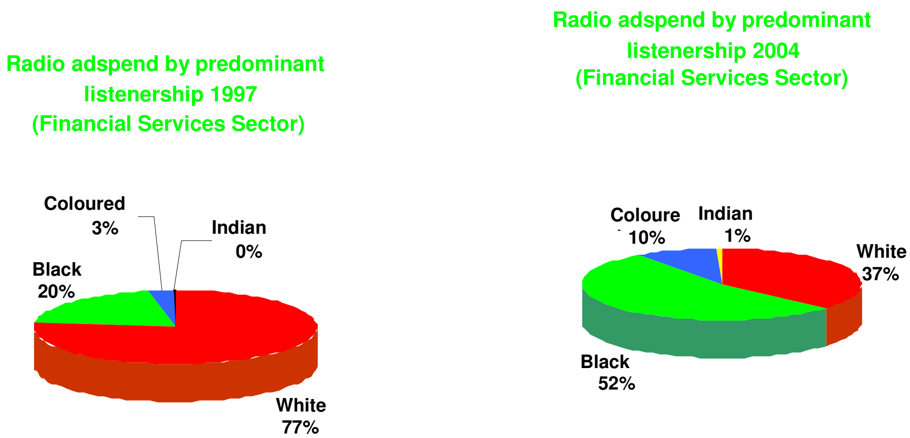
The picture that emerges from figure 12 is that in 1997, 61% of the advertising expenditure by the financial services sector in print media went to newspapers that had majority White readership. By 2004, the share of advertising revenue by newspapers with majority White readership had declined to 33% and that of newspapers with majority Black readership had increased to 49%. The share of representation in the advertising revenue cake for newspapers with majority Coloured and Indian readers has remained about the same, albeit with a greater number of titles.

The picture that is not immediately apparent from figure 12 is that over 85% of the advertising revenue going to titles with majority Black readers went to five titles namely, The Sunday Times, The Star, Sowetan, The Citizen and the Daily Sun. What is even more revealing is that over 50% of the revenue was shared between The Star, a newspaper with no Black Economic Empowerment, and the Sunday Times which is owned by a Black consortium.

4.2.2.3. Radio Adspend in 1997 and 2004

The trend in terms of radio advertising expenditure is reflected in figure 13 below. The figure was derived from the advertising expenditure by the Financial Services Sector in radio for the years 1997 and 2004. Again, only those stations that were measured by SAARF AMPS in both years were taken into consideration. This means that the Community radio stations that were in existence in 1997 and 2004 were not taken into consideration. However, according to the Adex figures, their calculated revenue for 2004 only made up less than 1% of the total advertising revenue from the financial services sector for all the radio stations.

Figure 13: Radio Adspend by Predominant Listenership, 1997 and 2004



Source: Nielsen Media Research, Adex (1997, 2004)

In 1997, radio stations with predominantly White audiences accounted for 77% of the adspend by financial services in stations that were measured while stations with predominantly Black, Coloured and Indian audiences only received just over 23% of the advertising revenue. It is worth mentioning that 47% of the revenue going to stations with predominantly Black audiences went to Radio Metro and the balance went to the so-called African Language Stations.

The picture in 2004 appears to have changed substantially from 1994. First of all, total advertising expenditure by the financial services sector with the measured radio stations increased over six times from R53 million in 1994 to R 328 million in 2004. The distribution of the advertising revenue also changed markedly with radio stations with majority Black audiences taking 52% of the advertising revenue.

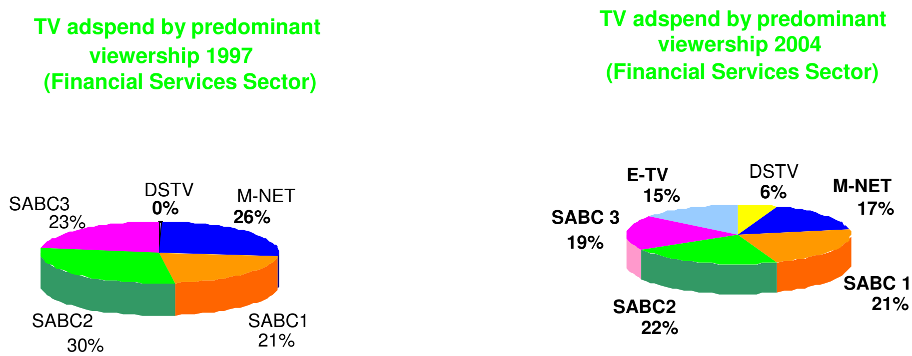
It is worth noting, however, that the two stations that transformed their profile from predominantly White to predominantly Black audiences over the period namely East Coast Radio and Jacaranda accounted for 20% and 22% of the advertising revenue respectively. In doing so, they overtook Radio Metro and Ukhozi FM as the highest revenue earners among the stations with predominantly Black audiences.

4.2.2.4. TV Adspend in 1997 and 2004

As with all the other media, the predominant audience of the station as measured by AMPS was considered to be the main determinant of the ‘colour’ of a station for the purposes of analysis. In 1997, there were only five Channels in South Africa, namely M-net, DSTV and SABC 3 which had predominantly White audiences and SABC 1 and 2 which had predominantly Black audiences. E-TV was only introduced in 1999.

Figure 14 depicts the distribution of advertising revenue from the Financial Services Sector among the channels that existed in 1997 and 2004. It can be seen that in 1997 the advertising revenue was shared almost equally between the two channels with majority White viewership and the two with majority Black viewership.

Figure 14: TV Adspend by Predominant Viewership, 1997 and 2004



Source: Nielsen Media Research, Adex (1997, 2004)

The distribution had altered somewhat in 2004 with two more stations, SABC 3 and E-TV becoming predominantly Black viewership channels. The effect on the distribution of advertising revenue is that in 2004, the channels with dominantly Black viewers had 77% of the advertising revenue cake. However, this has to be considered in the light of the fact that as a result of cost and access, television is still geared towards LSM 3 and higher.

4.2.3. Response to Question 2

What were the trends in above-the-line advertising expenditure over the period 1994 to 2004?

The third, fourth and fifth questions of the research survey were designed to prompt the respondents to provide answers to question 2 of the research report which deals with the trends over the period from 1994 to 2004.

Responses to the third question in the research survey which dealt with the impact of democratisation on segmentation elicited nine themes which are stated in table 5 below.

Table 5: Impact of the advent of democracy on segmentation

• **Democracy has raised awareness of the race issue.** o Well again I think everybody realised that what we had before was very false. o In other words, instead of for years just having LSMs, we now have Lifestyles, we have MGM and we have Life stages. I think that as the package provides you more options we are moving away from grouping people by race. o I think there has been an effect, but not an impact and I want to say why I want to put it like that. It took us a heck of a long time since 1994 to see a semblance of what one would consider a non-racial way of looking at demographics and segmentation. o Pre '94 we had Black people and White people, which is inevitably the truth but now slowly we're realising, very complex, very diverse and indeed a very exciting set of markets. o People started saying you can no longer segment into, you know, it used to be, what was the old segmentation? It used to be White, Black, Asian and Coloured. o I think from an impact of democracy on segmentation there was a lot of discussion around how to make segmentation less racist but segmentation was never meant to be racist. o Suddenly everybody wanted to be politically correct. The advent of democracy has skewed things a bit as well because in the pursuit of political correctness and not sounding racist people have tried, successfully and otherwise, to find other ways of segmenting.
• **The advertising environment has become more dynamic.** o I think that it has opened up the advertising market completely. All of a sudden you had an influx of new titles entering the print media market. o Democracy has also created growth and I think growth is so important, I mean there was zero growth in the 90's and I think with growth comes new brands and new opportunities, new product types, new media.
• **There has been increased interest in the so-called emerging Black Middle Class.** o This new Black Middle Class is of great interest to marketers and that's why

you're getting so many conferences and what have you.

- **Democracy has created growth by unleashing people previously left out of the economy.**
  - The Unilever Institute was out there the other day with their Black Diamond presentation so probably democracy, having allowed Blacks to enter into the commercial arena at a much faster pace has helped by unleashing a whole lot of people and economic potential.
  - So just the growth that this country has had has changed the market dramatically. Look at the property boom. If you think about it, I don't think a lot of people expected such a big property boom but people who live in Soweto now want to live in the other suburbs.

- **There has been increased use of lifestyle segmentation.**
  - We asked them a long series of questions starting with sport. Then out of that, we developed that so-called Lifestyle classification where we could now classify people in terms of lifestyle.
  - Therefore income is becoming more of an important measure, lifestyle is becoming more of an important measure and race I guess is gradually kind of disappearing.
  - So we look at psychographics and attitude. I am definitely the more family oriented person or I am the kind of person that…so lifestyle and so on.
  - This kind of segmentation we simply call Lifestyle Statements. It's a method of lifestyle segmentation.
  - Then we look at lifestyle. Lifestyle in the sense of what makes you qualify as an LSM1?

- **There has been an increased use of Life stage segmentation.**
  - And also life stages, we developed a life stage scale which grouped people in terms of where they are in their life stage such as single dependants still living with their parents, then independent single after they have moved out of home and then you get the mature singles who are over the age of 35 but still unmarried.

- **There has been increased importance of income as a segmentor.**
  - Therefore income is becoming more of an important measure. Lifestyle is becoming more of an important measure and race I guess is gradually kind of disappearing.

- **There has been increased use of psychographics and attitude as segmentors.**
  - At the bank we use what we call Clusters and we cluster people by their attitudes.

○ If I take Nokia as an example, we have eleven segments that we look at and the categories are more about 'are these people style leaders or style followers? What are their aspirations? What defines them? So it's about psychographics and very little about where they live and what they do and how much they earn. ○ It looks at what are the underlying drivers, the psychology behind why people buy what they buy because when you do a lot of research you start to see that what people say on a rational level to what they actually behave like are two different components completely.
• **Segmentation has become much more sophisticated.** ○ After that we realised that maybe there is a shortcoming in the sense that there aren't many substitutes available for race or not substitutes actually but anything else you can use instead of race. We then had another brainstorming session to discuss what else can be done and then we developed the Interest and Activity questionnaire. ○ What we started realising was that judging a person in terms of income is not an indicator of what communication will appeal to them most. So what you need to do was to look at other things other than demographics. ○ That's what it's all about. That's the beauty of that form of segmentation. No longer colour based and that's what has changed and I think that is the absolute right way of doing things. To understand your market by consumption patterns. ○ The effect of democracy on segmentation. What's interesting more than the actual segmentation criteria is that because of democracy you have to look more at psychographics. Just looking at living standards is no longer enough… ○ Now what you've done is you've taken your standard stuff, LSMs included and you've overlaid your lifestyle on it and you have a much better picture as to how to understand the customer or how to understand the market. ○ So segmentations such as LSMs or racial segmentation actually sit within a broader scope of psychological segmentations. It's a very interesting way of segmenting the market and something that has proven to be very successful.

The fourth question in the Research survey prompted the respondents to consider what they thought to be the most important changes to segmentation over the period from 1994 to 2004. The question resulted in four themes which are stated in table 6 below.

Table 6: Major changes in segmentation between 1994 and 2004

• **Technology has enabled more refined segmentation.** o That was one of the key things and, like you said, with convergence you can surf the web from your phone now. You can SMS to enhance your CRM.
• **There has been increased effort towards understanding the Black market.** o So probably one of the things that are happening right now is that more people have learnt to accept that all Blacks are not the same and that they are very different and those who have come through who were probably eight, nine, ten in 1976 are now growing up in a democratic society. o There is also the, what did Unilever call that thing that they developed in the Cape which was based on attitudes? Black Diamond. o Well I think part of the breakdown of stereotyping that has happened post '94 is making us realise there are a lot, all Black people are not illiterate an I know these are shocking statements but there has been some truth in them.
• **Segmentation based on Brand usage has increased.** o You're now starting to see segmentation based on Brand usage, Suddenly with your Target Group Index (TGI) and your AMPS that have brands attached, you can start segmenting based on that.
• **Motivators and usage factors are starting to feature more as determinants of segmentation.** o Sure you've got Lifestyle segmentation but I think you've got to look at what I call emotional segmentation. Like minded people, common interest groups. o But I think we have got a lot to learn from India and South America. Getting to the heart. Getting to the minds of people is one thing but as we get a whole new customer base, we've increasingly got more choices. We've got to get to the heart. I want to turn them on, I want to draw on your cultural archive, and I've got to draw on your history. o You've got the user that doesn't care about their car and just uses it to go from A to B who is very different from somebody who uses their car to go on big adventures or somebody who uses their motor car to show of. So you can see the motivators and the usage factors are starting to be utilised more for segmentation now than anything else.

The fifth and probably most important question in the research survey required the respondents to give their opinion on the perceived trend or trends in advertising expenditure between 1994 and 2004. The five themes that resulted from this question are stated in table 7 below.

Table 7: Trend in adspend over the period 1994 to 2004

• **Over the period adspend increased, dipped slightly and then increased dramatically.** o It has gone up and it has gone up quite a lot and it's good to see an increase in spend. It did go through a bit of a plateau at one point and adspend follows the economy to the 'n'th degree. o I think the general trend has been above-the-line; classic above-the-line has had some growth because economies have grown but I think the real growth is in CRM, in below-the-line and promotional. o Well you will hear this from anybody. It has increased exponentially, over R 17 billion last year but it is fragmented in a different way. o Well again I would say it's a general increase in adspend. The financial institutions have all increased their adspend steadily and the focus has been shifting from pure above-the-line to through-the-line. o It has gone up and up and up. I haven't looked at the numbers in a while but it has almost doubled from 1992-3 to today. o Well, it's gone through quite a few trends, I mean, post '94 you saw quite a vast increase in spend then you saw a decrease in spend and now you have a huge increase in spend as more and more brands are entering the country.
• **Adspend has grown in line with economic growth.** o It did go through a bit of a plateau at one point and adspend follows the economy to the 'n'th degree. In fact you can predict what is going to happen to the economy by adspend. o I think the general trend has been above-the-line, classic above-the-line has had some growth because economies have grown but I think the real growth is in CRM, in below-the-line and promotional. o This is very much a function of the economic boom and don't forget as confidence in South Africa grows, a lot more brands are coming into the country too.

• **There has been an increasing trend towards below-the-line or alternative advertising.** o I think the general trend has been above-the-line, classic above-the-line has had some growth because economies have grown but I think the real growth is in CRM, in below-the-line and promotional. o There is also a growing trend, I don't have figures because below-the-line is so difficult to measure but according to informed sources there is also a growing move to below-the-line. o Alternative media has had huge growth.
• **Adspend has become more fragmented.** o You've had an increase in spend but if you start looking at it by title and you actually drill into the information you will find that per page they are getting less support. o It has increased exponentially, over R 17 billion last year. But it is fragmented in a different way. The classical media are losing their appeal.
• **There has been an increase in media servicing smaller, niche audiences.** o I am sure you remember the big thick magazines you would get in December. They were two hundred and forty pages. Not any more. You will get a hundred and fifty and every year it comes down because people aren't putting as much money into it anymore. o If you look at it from a spend perspective you get a lot of new publications out there too. Publications focusing specifically on the Black market, publications focusing on the Youth Market.

4.3. Question 3

What components of above-the-line advertising have changed over the period 1994 to 2004?

4.3.1. Introduction

In section 4.1 the researcher attempted to gain an understanding of the advertising environment before 1994. Section 4.2 looked at how the distribution of advertising expenditure has changed over the period from 1994 to 2004 from a title-by-title perspective. This section takes an overall view of advertising expenditure and investigates the trends from an aggregate perspective. The reason for the differentiation between sections 4.2 and 4.3 is that the four components of Above-the-line advertising expenditure being newspapers, magazines, radio and television, have all changed over the period under review but not to the same extent.

Section 4.1 revealed that the growth in magazine titles has been far greater than the growth in newspaper titles over the period. This section hoped to gain a better understanding of the drivers behind the changes that have taken place within each component. Radio, for instance, has grown substantially in terms of titles since 1994 while television has experienced growth emanating from one company. The researcher anticipates that the drivers of the changes in these components will bear some significance on future trends in advertising expenditure.

In this section, the researcher investigated why certain components have grown much more than others. This, it was hoped, would reveal if there are certain components that are in decline or if there are certain components whose share of advertising expenditure has increased disproportionately and the reasons for this growth.

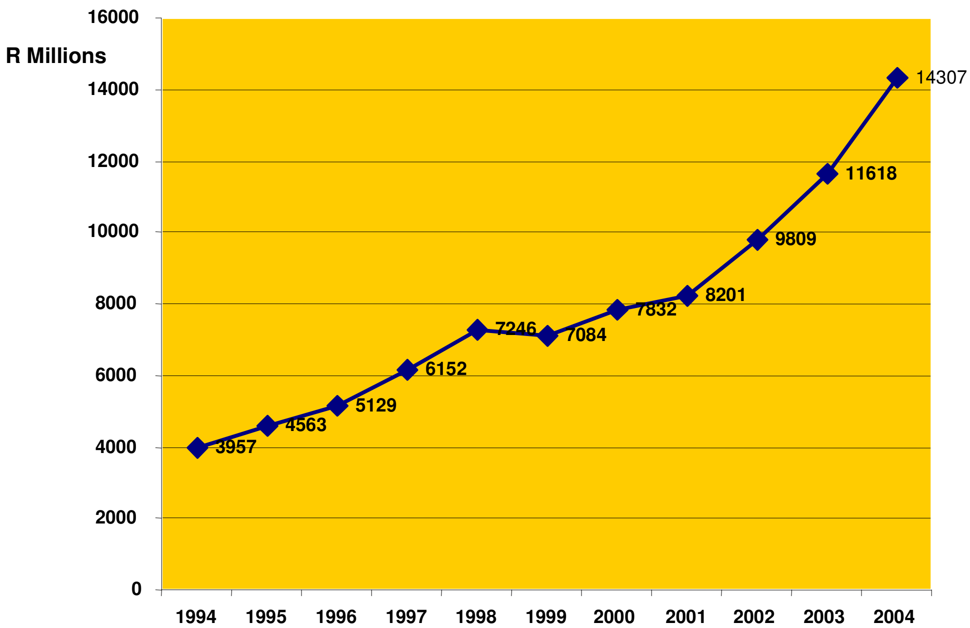
The researcher also attempted to investigate if there was any relationship between the transformation that had taken place within a certain component and its growth or decline. For instance, it may well be that the slow pace of transformation and the high capital outlay which characterise the newspaper industry have contributed to the lack of growth of that particular component. On the other hand, magazines have benefited from the relatively low barriers to entry.

4.3.2. Changes in Above-the-line Advertising Expenditure

4.3.2.1. Aggregate Advertising Expenditure

The respondents to the research survey are in consensus that aggregate advertising expenditure has seen substantial growth over the period 1994 to 2004. Figures 15 and 16 below depict the value of aggregate advertising expenditure and the percentage growth from year to year respectively. It is immediately clear that the growth has been substantial even if inflation for the period is taken into account.

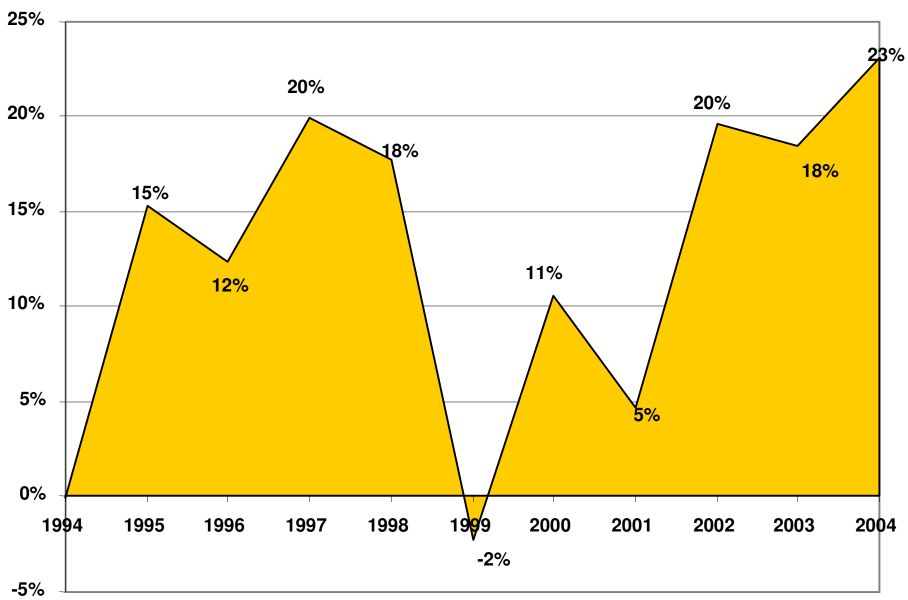
Figure 15: Aggregate Advertising Expenditure 1994 to 2004



Source: Nielsen Media Research, Adex (1994 to 2004)

From figure 15 it appears that the advent of democracy had a very positive effect on the marketing and consequently the advertising industry. Throughout the period, advertising expenditure only experienced a decline in growth once from 1998 to 1999. Some of the factors driving the growth were the factors predicted by Van Der Reis (1994) which were discussed in section 4.2.1 of this report. Figure 16 below illustrates the growth rate in aggregate advertising expenditure for the period.

Figure 16: Percentage year-on-year growth in Aggregate Advertising Expenditure 1994 to 2004



Source: Nielsen Media Research, Adex (1994 to 2004)

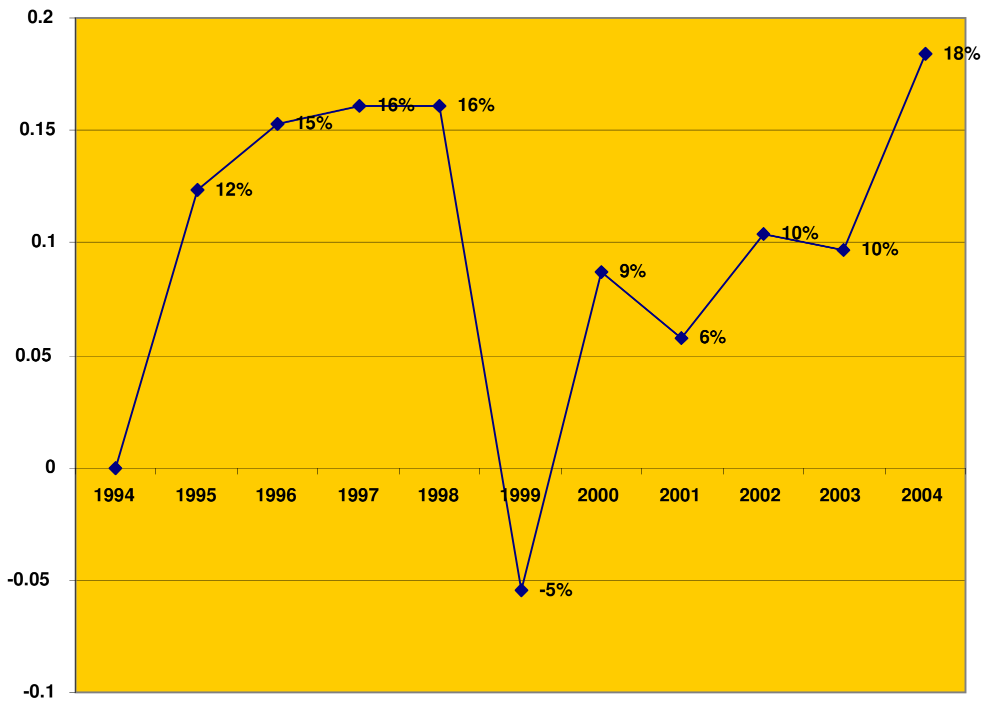
It is clear from figure 16 that aggregate advertising expenditure experienced double digit growth throughout the period with the exception of 1998 to 1999 when there was negative growth of -2% and again in 2001 when the rate of growth was only five percent.

Next the researcher observed the four components separately to see how they performed in terms of advertising expenditure, beginning with magazines.

4.3.2.2. Magazine Advertising Revenue

The growth in advertising revenue for magazines appears to have followed the general trend in aggregate advertising revenue. Figure 17 indicates that magazine revenue experienced double-digit revenue growth over the period but similarly to aggregate advertising revenue, there was negative growth between 1998 and 1999 with slow growth between 2000 and 2001.

Figure 17: Percentage year-on-year growth in Magazine Advertising Revenue from 1994 to 2004

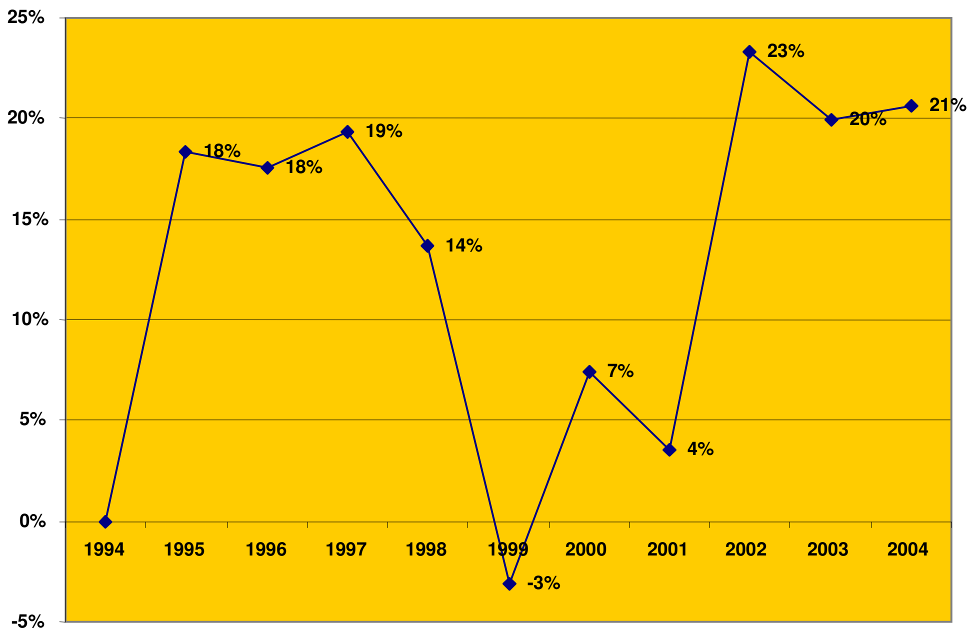


Source: Nielsen Media Research, Adex (1994 to 2004)

4.3.2.3. Newspaper Advertising Revenue

Figure 18 reveals the same trend for newspapers with the interruption of negative growth between 1998 and 1999 and a lower growth rate between 2000 and 2001.

Figure 18: Percentage year-on-year growth in Newspaper Advertising Revenue from 1994 to 2004



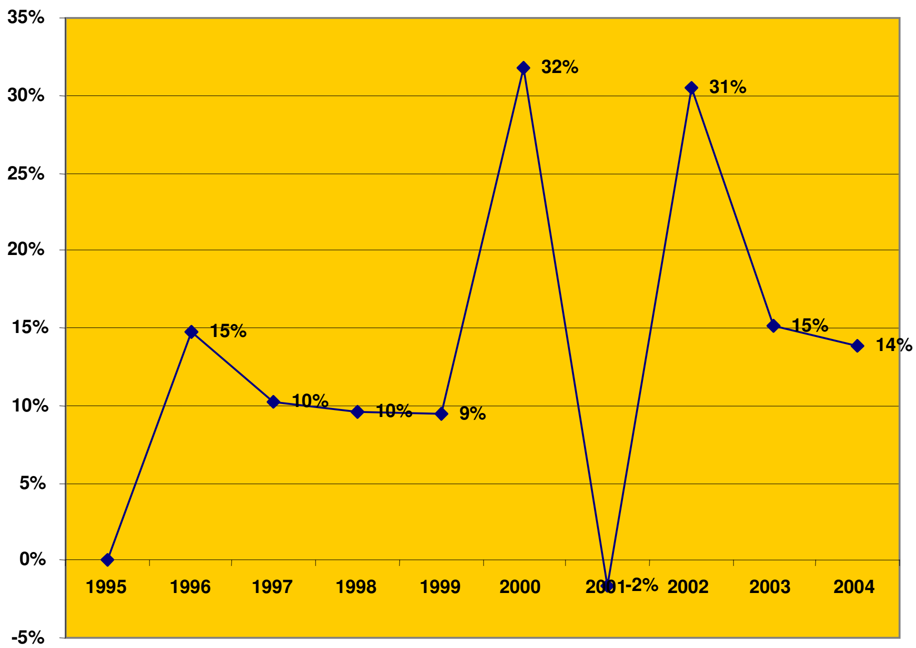
Source: Nielsen Media Research, Adex (1994 to 2004)

4.3.2.4. Radio Advertising Revenue

Figure 19 below reflects a more volatile trend in radio advertising revenue than we have seen in print or the aggregate advertising revenue trend. From 1996 to 1999 radio advertising revenue grew at a gradually decreasing rate and then the growth rate increased to 32% between 1999 and 2000 when print and aggregate advertising revenue were experiencing negative growth. This may have been as a result of the awarding of new licenses in 1999. However, the growth rate declined to -2% in 2001 in line with the slow growth rate in the other components.

The subsequent declining growth rate between 2000 and 2004 could be indicative of a trend were it not for the fact that the growth rate of radio advertising revenue actually went up to 22% between 2004 and 2005.

Figure 19: Percentage year-on-year growth in Radio Advertising Revenue from 1994 to 2004

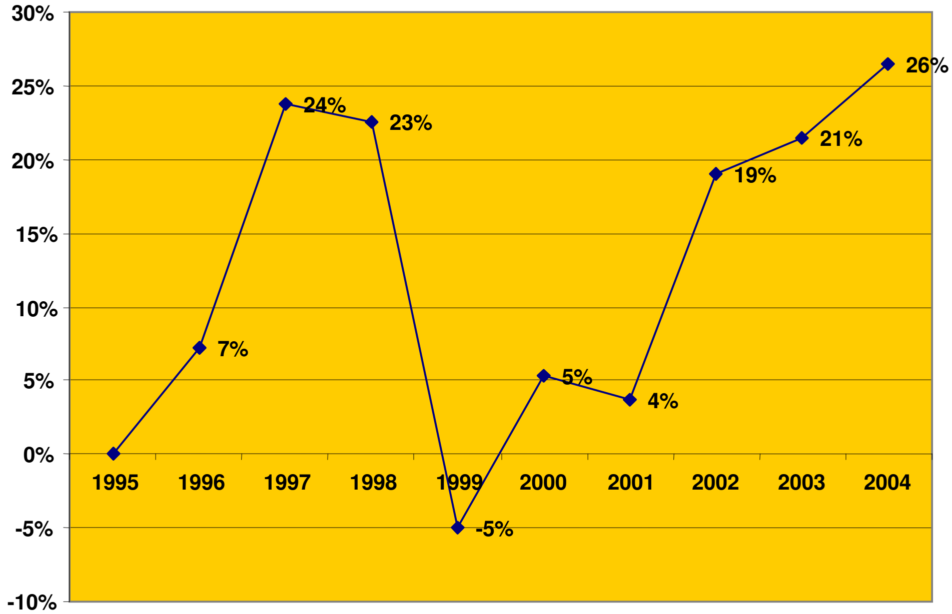


Source: Nielsen Media Research, Adex (1994 to 2004)

4.3.2.5. TV Advertising Revenue

Television advertising revenue seems to have closely mirrored the trend in aggregate advertising revenue from the increasing growth rate between 1996 and 1999 to the anomalous year of negative growth in 1999 and the slow growth rate between 2000 and 2001. Like the aggregate revenue trend, Television advertising revenue in figure 20 below has been growing at an increasing rate since 2002.

Figure 20: Percentage year-on-year growth in TV Advertising Revenue from 1994 to 2004



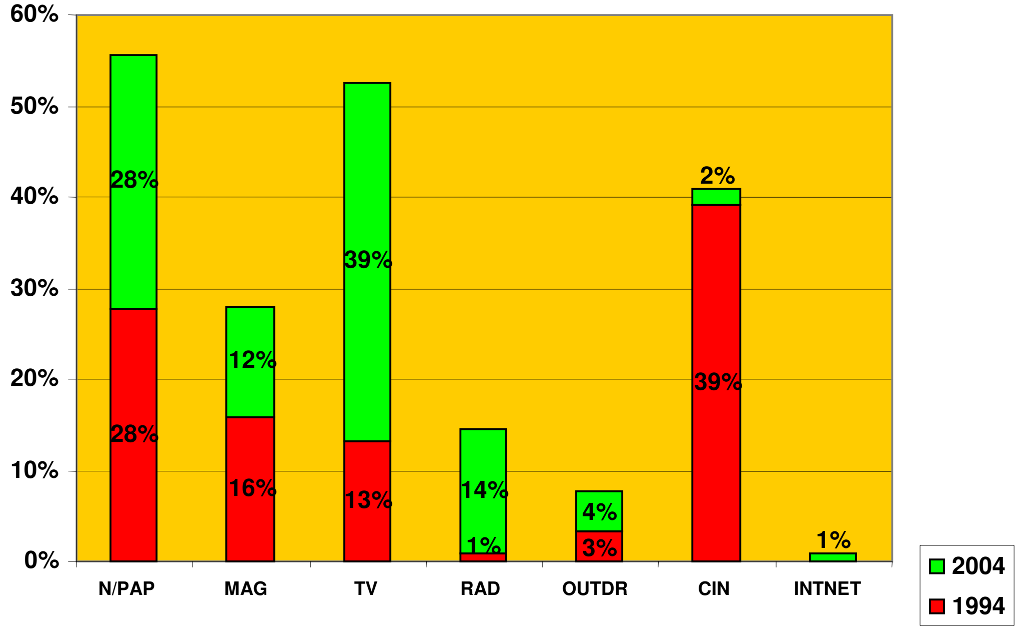
Source: Nielsen Media Research, Adex (1994 to 2004)

The similarity between the aggregate advertising revenue growth rate and the television advertising revenue growth rate may be due to the fact that television actually makes up a large portion of aggregate advertising revenue. Figure 21 below illustrates the share of aggregate revenue that each component enjoyed for the years 1994 and 2004.

4.3.2.6. Share of Aggregate Advertising Revenue by ATL Component

Figure 21 shows the share of aggregate advertising revenue among the various components of Above-the-line media. The total figure includes Outdoor, Cinema and Internet which are not measured in the report. It is clear that newspapers' share of aggregate advertising revenue remained unchanged at about 28% over the period. This is contrary to claims by some of the respondents to the research survey that newspaper advertising revenue is in decline.

Figure 21: Share of Aggregate Advertising Revenue by ATL Component



Source: Nielsen Media Research, Adex (1994 to 2004)

The total share attributable to magazines however, declined from 16% to 12% over the period which is counter-intuitive considering the proliferation of new titles over the period. It appears as though more and more magazine titles are sharing a diminishing cake. This would lead to the expectation that the magazine sector could experience a rationalisation process in the future if this trend continues.

The share of television rose from 13% in 1994 to 39% in 2004 perhaps reflecting the preferential position that this medium has among advertisers. Comments from respondents to the research survey however suggest that advertisers are looking at new ways of maximising the impact of television in the face of increased clutter and the impact of new technology such as the Personal Video Recorder (PVR) which will enable people to skip ad breaks.

Radio's share of the advertising revenue cake has increased from 1% in 1994 to 14% by 2004 which is perhaps a reflection of the success of the policy decision to open up the airwaves and allocate more licenses in 1999. What remains questionable is the future of Community radio stations considering the less than one percent share of the adspend by the financial services sector in stations measured by SAARF in 2004. This is more concerning if one considers the comment by the respondent from SAARF that approximately 20% of the population can be reached by Community radio stations alone.

4.3.3. Response to Question 3

What components of above-the-line advertising have changed?

The sixth and seventh questions in the research survey were designed to elicit responses to question 3 of the report. The sixth question required the respondents to state where they had experienced the most change among ATL media over the period under review. The themes that emerged are stated in table 8 below.

Table 8: Changes in Above-the-line media components between 1994 and 2004

• **There has been a significant increase in Outdoor advertising** o Outdoor in the last couple of years has gone mad. You've had an explosion but that is a factor of the fact that nobody seems to give a damn about ensuring that things are done legally, o I guess we have answered it but I think we could say Outdoor, radio and specialist magazines. o It's very difficult to answer but I think the most important growing one at the moment is outdoor. Outdoor was a very small part of the advertising cake but I think it's growing at the moment and internet is also growing. o There has been a significant increase for us in Outdoor marketing, in PR.
• **On-line advertising has experienced significant growth from a low base.** o Outdoor was a very small part of the advertising cake but I think it's growing at the moment and internet is also growing. Internet is still quite small but I think

one must realise that on the one hand you have your natural economic factors that have an impact. o So I would say print and a completely unknown at the time would be the web because prior to that we didn't know that there would be advertising of that sort but I don't think that has come up to what we thought it would but it has taken quite a bit of adspend as a new medium which wasn't there. o On-line has increased steadily but we've spent much more than most people in On-line.
• **There has been a substantial increase in the number of magazine titles.** o Then of course you have magazines. They've just gone 'bossies'. That is such a bane in my life because every year there is somebody new. o I guess we have answered it but I think we could say Outdoor, Radio and specialist magazines. o I would say print in general has probably taken a bit more than they probably have in the past and I am basing that purely on the proliferation that has come out and seems to survive. o Print as a whole, press and magazines might be experiencing growth here and there but they are the ones that have suffered in the interest of sexier ones because seemingly people have now found something else that is sexy. Magazines are sexy. Television is now sexy. o If you look at magazines, I think the biggest growth has come within Black publications. But there has been massive growth coming from your male publications and recently you are starting to see a trend within your youth publications.

The seventh question from the research survey intended to find out if the practice of using specific media for specific groups was still prevalent. Table 9 below lists the themes that emanated from the respondents.

Table 9: Use different media to reach different population groups

• **Choice of media depends on the media that our target market consumes.** o Well, what we look at is where the people are located. Are they more rural based or more urban based and what is the best way to reach them? So again it starts with the customer. What media do they consume and if I want to reach you, and we really speak to everybody including the un-banked market, we need to understand what media you use and if you only see television then we will reach you on television. o So it's in the segmentation that we place our ads and we place them in different media depending on who consumes what.
• **We do it to get to a certain market rather than certain population group.** o We do it to get to a certain market, whatever that might be. The rural market is most likely going to be Black people. If it's a top end market it's probably going to be 50/50 now. o Yes, like I said to you with the connect market, I don't think we necessarily think we've got to go to the Black people but at Taxi ranks it is 99% African. You could say because of that we target them specifically. o You can place an advert in the Daily Sun and target the mass market and then place an advertisement in The Star that targets your middle market and then place an advertisement in the Business Day that targets your upper market as well as your business market.

4.4. Question 4

What are the reasons for these changes?

4.4.1. Introduction

Section 4.4 serves to bring together all of the previous three sections. Having noted what the advertising practices were prior to 1994 and what the South African environment looked like in section 4.1, section 4.2 investigated the specific trend in advertising expenditure at the level of the newspaper title or the radio station. Section 4.3 looked at Above-the-line expenditure to reveal trends that have been taking place at Above-the-line component and aggregate advertising expenditure level.

The researcher made use of two sources in investigating this section. The sources are listed as follows;

- Predictions by Van Der Reis from a 1994 report
- Comments by respondents to the research survey

The predictions made by Van Der Reis (1994) have already been discussed in section 4.2 and will therefore only be stated briefly in this section. Although stated as possible factors that could affect the South African marketing and advertising environment back in 1994, these factors have had a notable effect on the trends in Above-the-Line components that were outlined in section 4.3.

Comments by the respondents to the research survey are spread throughout Chapter 4 under the heading of ‘Response to Question “n”’ in each of the section. In this section, the reasons put forward by the respondents are discussed briefly in point form to provide a summary of the reasons for the changes in the Above-the-Line media components.

4.4.2. Summary of reasons for changes in Above-the-line Advertising Expenditure

The predictions made by Van Der Reis (1994) are listed below with the effect that they have had on the advertising revenue of Above-the-Line media components;

- The state of the economy

  As was illustrated in figures 15 and 16 above, advertising revenue has experienced substantial growth in the period from 1994 to 2004. Advertising revenue growth was partly due to the economic growth that South Africa has experienced since 1994.

- Government policy on the deregulation of the media and restrictions on the advertising of certain products

  The impact of deregulation on ATL components has perhaps been strongest in Radio. The issuing of new licenses has increased the number of stations absorbing advertising revenue while also increasing competition for revenue. Pressure for Black Economic Empowerment has also affected the ownership structure of newspapers leading to changes in editorial policy and accessibility of titles. The banning of the advertising of tobacco products has also had an impact on advertising revenues.

- The entry of multinational and new products

  The arrival of new and returning companies and brands since 1994 has arguably had the biggest impact on ATL revenue growth. Not only have the new brands had their own advertising expenditure; they have also put pressure on local brands to advertise more to protect their market share.

- Above-the-line versus Below-the-line media

  The growth of Below-the-line media since the mid nineties partly as a result of the diminishing effectiveness of Above-the-line media has encroached on revenue that would otherwise have been absorbed by traditional or Above-the-line media. The size of Below-the-line revenue has been estimated by one respondent at roughly the same as Above-the-line revenue which means that advertising revenue figures could be understated by as much as 50%.

The respondents to the research survey provided the following reasons for the changes in Above-the-line advertising revenue;

- The advent of democracy
  Not only did the arrival of democracy in South Africa lead to economic growth but it also forced new thinking in terms of segmentation and the discovery of new markets within the country.

- Removal of artificial barriers to entry

  The relaxation of pre-conditions for setting up advertising agencies and the ability of Black South Africans to freely conduct business in the country led to the introduction of new advertising agencies with new ideas and insights into new markets. The increased number of advertising agencies has also had the effect of increasing competition and sharpening skills.

- The Black middle class

  Democracy has had the effect of increasing the number of consumers as individuals who were previously left out of the economy begin to enter as consumers. Policies such as Employment Equity and Black Economic

Empowerment have also had the effect of increasing the number of participants in the economy.

- The introduction of new segmentation tools

  Although the introduction of LSM has had a significant impact on the way markets are segmented, new methodologies such as TGI, attitude and lifestyle measures are giving marketers and advertisers new tools by which to make decisions on advertising expenditure.

- The arrival of the cellular networks
  The arrival of the cellular networks and the consequent competition for market share has seen large amounts spent on advertising both above and below-the-line.

- Technological Advances

  Advances in cellular technology have introduced new methods of getting closer to the customer without the use of traditional media. Computer technology has also enabled marketers to segment their markets more accurately and to get to know their customers better.

- Diminishing reliability of Above-the-line components

  Marketers and advertisers are increasingly becoming dissatisfied with the ability of ATL media to reach their customers. The proliferation of titles and media clutter has resulted in marketers and advertisers increasingly looking for new methods to communicate with their customers.

- <u>Proliferation of magazine and radio titles</u>

  The increasing number of magazine and radio titles has forced marketers and advertisers to become more selective in their choice of titles. The amount of titles competing for limited advertising revenue may suggest that rationalisation could take place in the near future.

- <u>The Bouquet of DSTV Channels</u>

  The number of channels available on DSTV has meant that marketers and advertisers have had to be more thorough in their choice of television channels. It is no longer possible to select one or two channels and be guaranteed to reach certain markets.

- <u>Increased use of Sponsorships</u>

  Sponsorships have developed from an after-thought to the marketing budgets of large companies to becoming an important part of their marketing mix. The amount of money that the main banks are spending on sponsorships was estimated by a respondent at about 40% of their ATL advertising revenue.

- <u>The Cross-over effect</u>

  The increasing mobility of particularly Black families to previously White suburbs and the mixing of cultures at schools and universities have led to greater markets sharing common interests. Some radio stations that have successfully catered to these trends have consequently done well in terms of advertising revenue.

- The increased use of alternative media

  Faced with increased clutter, marketers and advertisers are increasingly making use of alternative methods to get to their customers. This has seen an increase in the use of theatre, Customer Relationship Management (CRM), Public Relations and experiential events, to mention a few.

- Availability of Research Information

  The amount of information available on demand for virtually every segment has meant that the focus of expertise is shifting from the ability to obtain and analyse information to the ability bring new insights to commonly available information.

- Improvement in the body of Marketing Knowledge

  Marketing as a discipline has developed beyond the mere ability place countless advertisements in various media to a very scientific analysis of marketing trends and developing appropriate strategies to remain successful. Marketers have therefore begun to place greater demands on their researchers and advertising agencies.

4.4.3. Response to Question 4

What are the reasons for these changes?

The eighth, ninth and tenth questions in the research survey were intended to respond to Question 4. The eighth question was deliberately forward looking and required the respondents to predict changes and trends based on their experiences.

The themes that came out of the eighth question are stated in table 10 below.

Table 10: Anticipated future changes in segmentation

• **Demographic segmentation will continue.** o I think people need to be segmented based on, I think geographic segmentation won't change. Where you live is where you live and people will be segmented geographically always. o We use LSM as a guide more in terms of when we want to buy media in order to evaluate before and after. So you would have your own segments and then translate them into the industry standard norms of AMPS and LSM and age group and salaries etc.
• **Income will remain an important segmentor.** o Call it niche marketing rather than mass marketing but behind that you've got 2.3 million people who are very poor who live in the rural areas and they represent a huge mass market and you still want to speak to those people en masse. It doesn't matter if they are Black. There you are still trying to sell a tube of toothpaste. You're trying to sell basics to those people. So in South Africa you still have the wealthy few and the many poor.
• **Computer technology will have a greater impact on segmentation.** o I think there are two overriding trends. One is that computer power, and that equates to customer relationship management, in other words the customer that you know by name, by address. o But as the market becomes more complicated and sophisticated you will need more sophisticated targeting tools to reach your market. But I think the most important development which has already taken off is personalised marketing. You know where you sit in front of your PC and order your groceries and they come and deliver them to your home. o With e-mails as well, if you receive e-mails and you feel that they are offensive, you can sue your company. Those things are going to impact on how people segment and how people reach or how people talk to each other.
• **There will be an increased move towards personalised marketing or the 'segmentation of one'.** o So this concept of the segmentation of one, each person is entirely different and therefore is a segment of one, is a dream that has been talked about in marketing for many years.

- Going forward, you have to become more direct with your consumers. To get to consumer who can talk back to you. That is going to be a big issue.
- And then you get a new development to more personalised marketing where you can, when you are in the process of buying a car, you can go into a website of a marketer and effectively build your own car.
- Advertisers are doing innovative things to ensure that they stand out such as personalised letters and 'post-its'. Outsurance for instance, sends personalised letters with appropriate gifts to their clients.

- **The targeting of 'common interest' groups will increase.**
  - I think that's maybe where the changes will come in. We will start segmenting culturally and be a little bit more sensitive to people's religions because that's where I think we go horribly wrong.
  - Going forward, you have to become more direct with consumers. To get to a consumer who can talk back to you. This is going to be a big issue. It's going to be common interest communities as I said.
  - I mean, now a lot of so-called Black consumers are into all sorts o activities such as golf, cycling. I mean all these things open up new ways to segment.

The ninth question required respondents to comment on the appropriateness of existing tools for effective segmentation. The themes that emerged are listed in table 11 below.

Table 11: The effectiveness of existing segmentation tools

- **The tools are available but they are not being used correctly**
  - I think the tools are there, I am not sure if they are being used correctly.
  - I think we've got to stretch them because, if you take your sort of omnibus survey in which you guess what language do we speak, and you can tick off three or four. Now that in not enough detail because you've got to learn.
  - Well, you can always improve. I think the one point that I also like to make is that if you take the LSM, our ultimate aim is to group similar people together and to distinguish between different people.
  - Look, LSMs are limiting so if you are going to have a look at LSMs alone you are never going to get enough detailed information about your brand to understand it

correctly. o I don't see anything wrong with the tools. Where I see a shortfall is that remember segmentation is a tool and there is some fancy methodology that has been worked out. Then there is the person who does the interpretation and then the person who uses that research. There seems to be a gap between the person who uses the tool and the tool itself. o Yes and no, I think there's very good segmentation tools out there. I don't think it's the tools more so than the users.
• **There is not enough emphasis on insight to complement the research tools.** o Now you see as a White guy, you know, I cannot understand that. I have not been brought up with those things, I don't have enough… It's like if you've never been to a catholic cathedral… You see belief systems are very different but they are all indicators of where your head is. o If you are going to use it (LSM) as a stand alone you are never going to understand enough about your market and then you have got a problem. You need to understand a lot more about your market. o Spending a long time with people like you (researcher) to really find out how complex it (the market) is. On average we're still not doing it. It's not going to be a switch and the 'Black Diamond' sounds like a quick, easy solution so we don't have to do all this work because now you (researcher) are the same as me so bugger all this studying in Sociology. o No matter how good your intentions may be and no matter how good your analysis or your cross pollination is, if the interpreter has no understanding then you have a problem.
• **We are still very simplistic in our segmentation** o Every time I hear a client telling me they want to target LSM 6 to 10 I want to throw myself out of the building because that is half the country. o I don't think we're there, having said to you right at the beginning that I am not really a media person but I don't think we're there. I think we're trying to find something. Why I am saying we're not there is because in the main we are still traditionalist.

The risk posed by insufficient insight that was brought up in table 11 above was highlighted by Green and Lascaris (1988) in the following account. They mention that in the late seventies when large American sedans were the preferred taxi vehicles in the townships, the lack of insight by the manufacturers led them to fail to realise the movement towards minibuses as preferred vehicles for use as taxis. Volkswagen, which had the appropriate vehicle at the time, also failed to see this opportunity leading to the serendipitous benefit from the trend by Toyota and Datsun.

The tenth and most controversial question required the respondents to comment on whether they thought racism played a role in determining advertising expenditure. The themes that were isolated from the responses are listed in table 12 below.

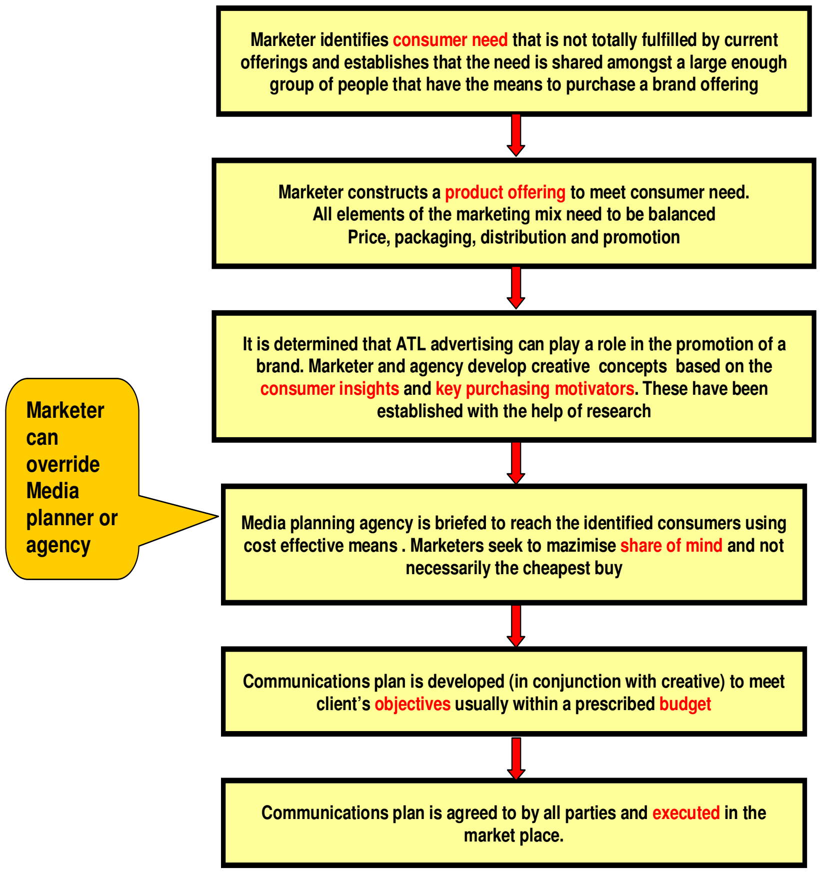
Table 12: The role of racism in determining media expenditure trends

• **Racialism or racial bias rather than pure racism is still prevalent.** o Yes. Not racism, I think racism is a nasty word. I think it's the wrong word. I think it's racial bias. o No I don't think so. Racialism does but racism does not and by racism I mean, and I don't want to be caught up in the content, but racism to me has to do with the power to enforce the discrimination and the prejudice…on that basis I think we're caught up in the aftermath of a racist society… o Very difficult question. I think racism still plays a part. What I mean by that is that I don't think there is an intentional focus to say 'I am going to be racist and not throw money in that particular media type but I think people tend to buy media based on their own experiences without understanding the market. o Is media expenditure being skewed? Yes. What is skewing it? Stereotyping, and it's not just Black, White. It's gender, young and old. Definitely prejudice, but prejudice is not necessarily racism and I don't think it helps the industry to say 'you are doing it because you are racist'. Some probably are.
• **Advertisers are more concerned about spending power than skin colour.** o We tend to put the whole racialism first around such things and say well you don't use the Sowetan to advertise this vehicle and you say, 'I can't. Ninety percent of the people who read the Sowetan are not going to buy a BMW five series. They can't afford it.' Now am I being irresponsible if I place that ad there or am I better off as a marketer placing it in Business Day? That is the real struggle we have to face. o But in terms of who you are and who I am in the end its how much you have to

spend and how much I have to spend. That’s all it’s about. The colour is green. o The interest now is in the emerging middle market which is by and large Black. o No, absolutely not, I mean it depends on what you mean by racism but we make decisions based on objective, quantitative numbers and that’s where the media spend goes.
• **Racial bias persists because of a lack of insight into other race or cultural groups.** o It’s just purely a residue of what people were told and how they were schooled and it’s just playing itself out subconsciously. o So in terms of media expenditure, it’s not racial in terms of that is White and that is Black but it’s racial in the sense that they don’t know the market. They haven’t experienced it and they don’t bother to go and do it properly. They are actually not bothered. That is the problem. o It is a lot of baggage that’s not being inspected, that’s not being debated but I think it’s in a minority of cases where the driver is racism. o That insight and our history kind of limits how far we can think and what we think the country looks like.

Besides the issue of choices being based on racism, some respondents highlighted that the debate on racism in media procurement appeared to blame media buyers while the actual decision-making rested elsewhere. The following value chain illustrates the point;

Figure 22: The Communication Value Chain



Source: Wortley & Tshwaedi (2000)

According to two of the respondents, both from media buying companies, it often happens that the client or marketer overrides the suggestions of the media buyer without any logical or strategic rationale for their choice. The respondents also raised the fact that often their media choices were criticised when in fact there were no clear guidelines on what would have been the correct or better choice.

For instance, two respondents mentioned the confusion around procurement policies. Most large institutions have procurement policies which state that corporate buyers will procure from vendors who either have Empowerment or are clearly working towards it. The dilemma here appeared to be; does the buyer now refrain from placing an advertisement in the Star because the Star is owned by a company with no empowerment even if the Star is the best vehicle for the target market? There appeared to be no clarity on whether the procurement policy supersedes the communication objectives.

5. CONCLUSIONS

A combination of references from the Literature review, comments from 12 respondents and information from SAARF and the Bureau for Market Research were used to answer the first question.

5.1. Question 1: What were the advertising practices prior to 1994?

The investigation of the history of advertising in South Africa for the four components of Above-the-line media revealed that until the seventies Blacks were not really considered part of the South African market. The marketers and advertisers of the time did not understand the Black consumer and did not consider the Black market to be lucrative. Attempts to understand the Black market started gaining momentum in the late seventies and the true potential of the market was unleashed after the advent of democracy in 1994, with the emergence of a sustainable and growing Black middle class.

The data on the population distribution by LSM revealed that although there has been a movement upwards from the lower LSMs, the three lowest LSMs still remained over 90% Black in 2004. An analysis of print media by LSM revealed that very few magazine and radio titles catered for LSM 3 and lower. The most accessible medium for the lowest LSMs was radio and prior to 1994, the so-called African Language Stations catering for this market were state controlled.

The most descriptive comments to emerge from the respondents for advertising practices prior to 1994 was that demographics dominated as a segmentation tool. As a result of state policy at the time, practitioners used race as a segmentor and augmented their information with the usual income, age, gender and geographic demographics. There were certain products that were traditionally targeted at the Black market and it was generally accepted that only Whites could afford the higher income and more sophisticated products.

5.2. Question 2: What were the trends in Above-the-line advertising expenditure over the period 1994 to 2004?

To obtain an answer to question 2, the researcher made use of AMPS figures from SAARF and Advertising expenditure figures from Nielsen Media Research. Investigation of the distribution of advertising expenditure by the financial services sector among titles that were measured by SAARF in the mid nineties and again in 2004 indicated that there has been a gradual increase in the share of advertising expenditure going to titles with predominantly Black readers and audiences.

The figures also revealed that there has been an increase in the number of titles with predominantly Black audiences. This however still does not correlate to the demographics of the country if we consider that most titles from Newspapers to Television are still geared towards the higher LSMs. The conclusion that can therefore be drawn from the data that was analysed is that although there has been an improvement in the distribution of advertising revenue, it still falls short of correlating to the demographics of the country.

The consensus from the respondents was that the advent of democracy had the effect of forcing practitioners to think beyond race. Practitioners had to find other methods of segmenting the market leading to the emergence of South Africa as a thought leader in the field. Although LSM still made use of race in its calculations, it served to take the science of segmentation to a new level.

In general, advertising expenditure grew substantially over the period as a result of a number of factors including economic growth and the entrance of new companies and brands. The period also saw a proliferation of new titles, especially in magazines and radio leading to the expectation that both media are ripe for rationalisation. This has also had the effect of causing clutter, forcing marketers to experiment with alternative methods to reach their customers.

5.3. Question 3: What components of ATL have changed?

An analysis of advertising expenditure data from Nielsen Media Research revealed the substantial growth in advertising expenditure over the period. Save for two hiccups between 1998 and1999 when there was negative growth and again in 2001 when the growth rate declined, aggregate advertising expenditure experienced double digit growth over the period.

Although all the four components of ATL under consideration experienced similar trends in growth over the period, an analysis of the share of advertising revenue among the four revealed that while the share of newspapers remained the same over the period, the share allocated to television increased threefold while that of radio increased fourteen times. Although magazines experienced a trebling in the number of titles, the magazines' share of the advertising revenue cake actually declined.

The respondents indicated that the proliferation of new titles, from the more that 50 channels on DSTV to the constantly increasing number of magazine titles, had forced them to become more discerning in their media selection. The impact of this proliferation of titles on the majority of the population remains questionable considering that Community radio stations only received less than 1% of the advertising revenue from the financial services sector in 2004. It appears that observations of trends in advertising revenue play themselves out on a much higher plane to have any effect on the majority of the population.

5.4. Question 4: What are the reasons for these changes?

In investigating the reasons behind the changes in ATL the researcher made use of predictions by Van Der Reis (1994) and comments from the respondents. As practitioners, they were most favourably placed to comment on the changes in their environment and any future trends that they foresee. What emerged was that the drivers of change in ATL adspend were many and varied. These ranged from government policy and economic openness to improvements in Marketing as a science.

Technology also appeared to have a significant impact on both the distribution of advertising revenue and segmentation of markets. The arrival and return of companies and brands into the South African economy has also had a significant impact, especially on the size of the advertising revenue cake.

It also appears that traditional media components are becoming victims of their own success. The supernormal returns experienced by titles in a growing advertising revenue environment have attracted new entrants into the market leading to a proliferation of titles and an increase in competition. Although competition is good, the proliferation of titles has led to clutter resulting in marketers increasingly looking for alternatives to the less effective traditional media.

Again, these changes have taken place among titles that are geared towards higher LSMs and the researcher did not perceive any of the change drivers having a significant impact on the poor. The lower LSMs remain unattractive from a media investment point of view and even with the filtering of technology such as prepaid airtime to the lower LSMs, they remain under-serviced and under-represented from a media and therefore an advertising revenue point of view.

6. RECOMMENDATIONS

This report set out to investigate if advertising expenditure over the period 1994 to 2004 had develop to correlate to the demographics of the country. What emerged was that although there has been some improvement in the distribution of advertising expenditure among titles that were read by all population groups, this still fell short of being in line with the demographics of the country. In a report on adspend written for the department of Communications, Z-Coms (2004) concluded that the primary reason for the skew in advertising expenditure towards the White Population is that the Private Sector is driven more by profits and purchasing power in this sector than by reach.

The report also identified that media buyers have a great deal of difficulty in meeting the two sometimes conflicting objectives of promoting equity in adspend placements and meeting the requirements of their clients for effective communication. This is further complicated by the fact that there are no clear guidelines on what qualities or parameters define what deserving media titles are. The dilemma that therefore begins to emerge is that the more equitable distribution of adspend placements cannot be expected to take place unless there is a clear definition and outline of which media are considered deprived of adspend and why.

In the light of the above, the researcher has two recommendations to make. The recommendations are as follows;

6.1. Increase media access to the lower income groups

In the process of investigating the phenomenon of advertising expenditure, the researcher uncovered that there is a logical and rational process to the consumption of media and the subsequent allocation of advertising revenue. The process assumes a ‘laissez faire’ rationale where there is a causal link between the rational activities of the marketer and media buyer and consumer decision in allocating advertising revenue. The process can be described as follows;

1. The consumer buys media because of the value that they receive from the content of the media.

2. The content of the media will therefore dictate the consumers of the media

3. The rational media buyer will place advertisements in pursuit of the attention of a certain audience or readership with whom she wishes to communicate

4. Media owners therefore need to look to their content in attracting advertising revenue

The rationality of the marketer or media buyer also dictates that the audience they pursue should have the ability to purchase the products or services that they are selling. In the case of the lower income groups, the ability to purchase is not always significant, with the exception of certain product categories. It is therefore inevitable that the rational marketer will allocate less advertising expenditure in reaching this sector of the market unless.

This therefore becomes a case of market failure and the responsibility falls on the government to allocate a disproportionate percentage of its substantial advertising expenditure towards titles that are consumed by the lower income groups. In a responsible democracy, the majority of the services provided by the state should be geared towards servicing the lowest income earners who are outside of the safety-net that is enjoyed by the higher income earners.

In South Africa, however, the situation is complicated by the history of the country. As a consequence of the Group Areas Act and other policies of the previous government, White marketers were prohibited from learning about the majority low income earning population of the country. However, the low income earners are also consumers with the capacity to absorb certain products and services. Therefore, the assumption of the rational marketer also dictates that a marketer seeking to maximise the consumption of his product should also seek to learn and understand this market.

South African marketing history is littered with lost opportunities resulting from a lack of understanding and a reluctance to make the effort to learn about the low income market. The failure of established car manufacturers to take advantage of the minibus taxi industry in the late seventies and more recently, the reluctance of the big four banks to provide services to the so-called un-banked are only two examples.

The recommendation that government should take the lead in allocating advertising revenue to titles that service the lowest LSMs therefore does not let the rational marketer off. The rational marketer should take a rational view of this market and seek opportunities for her product or service.

6.2. Develop a National Media Strategy

The issues of equity in the marketing and advertising sector take a number of important dimensions. The first and most obvious dimension is that of achieving equity in the sector through the employment of more previously disadvantaged individuals and the allocation of shares in advertising agencies. This dimension has received sufficient attention and will not be taken further in this recommendation. The second dimension is that of media ownership which will make up part of this recommendation. The third, which will also makes up part of this recommendation is that of procurement policies. The second recommendation is therefore as follows;

Table 13: Four-step National Media Strategy

STEP 1: **DEFINE A NATIONAL MEDIA POLICY**	**Key Outcomes:** • **Set the objectives of the Country's media sector** • **Define who the role players are and what their requirements are** • **Establish an independent body to monitor progress towards objectives**
STEP 2: **DEFINE TERMS**	**Key Outcomes:** • **Define what is meant by Black media** • **Set targets for ownership to be classified as Black, White, Coloured or Indian Media** • **Define parameters for content in order to be classified as Black, White, Coloured or Indian Media**
STEP 3: **CREATE A DEVELOPMENT STRATEGY**	**Key Outcomes:** • **Identify skills and structural needs of previously disadvantaged media titles** • **Provide incentives for the established players to assist PDI titles**
STEP 4: **MONITOR ADSPEND DISTRIBUTION**	**Key Outcomes:** • **Monitor adspend distribution and develop interventions where deficiencies are apparent (no government intervention)**

This recommendation is based on two key assumptions. The first is that although well intentioned, the government's strategy of hauling representatives of the Marketing and Advertising industry before Parliamentary Committees will not succeed in convincing players to act contrary to business imperatives. The second is that players will behave rationally when they have a clear understanding of what their objectives are and what determines productive and counter-productive behaviour.

Presently, the disproportionate allocation of advertising revenue is justified through rational business behaviour. The lack of clarity around the definition of race or disadvantage in media titles plays a significant part in perpetuating the disproportionate allocation of advertising revenue. A number of players have complained about the reluctance of White media buyers to place advertisements in Black media. This research has established that this reluctance stems more from a lack of clarity on what constitutes the appropriate choice and what parameters determine the correct choice than on racism as has been claimed.

This recommendation therefore suggests that parameters around ownership and editorial content be clearly defined so that everyone is clear on what constitutes Black, White, Coloured or Indian media. Having agreed on these parameters, the industry players need to be encouraged to assist in the development of media titles that currently do not meet the requirements of the marketers and media buyers. The researcher suggests that this would be a much more effective tool towards achieving equity in the media industry than merely changing ownership.

Only when the above has been achieved, should the monitoring body look at the allocation of advertising revenue and suggest interventions where deficiencies or disparities are apparent. For this recommendation to succeed, it is important that it should be driven by the private sector and the private sector should see benefit and merit in their active participation. If this recommendation is further developed and executed diligently, there should be no need for government to haul the marketing and advertising players to parliament.

7. SUMMARY & SUGGESTIONS FOR FUTURE RESEARCH

7.1. Summary

The researcher set out to investigate if the trends in above-the-line advertising expenditure corresponded to the demographics of the country over the period 1994 to 2004 and the possible reasons for any trend. In doing so, the researcher undertook a literature review to gain an understanding of the historical advertising practices in the country. The researcher also made extensive use of data from the South African Advertising and Research Foundation, UNISA's Bureau for Market Research and the private research company Nielsen Media Research. Finally, the researcher also conducted a survey among twelve highly experienced practitioners from around Gauteng to gain their understanding of the trends and the reasons for the trends.

The research began by making use of data from SAARF and the Bureau for Market Research to form a picture of the demographics of the country at the beginning and at the end of the period. Here the researcher discovered that there had been some improvement in the demographics over the period. There had been a gradual movement by Blacks along the LSMs with the most dramatic improvement taking place in the middle to higher LSMs. This is the so-called Emerging Black Middle-class phenomenon, also called the 'Black Diamond' phenomenon that is currently receiving a lot of publicity. However, the researcher also discovered that in spite of the ten years of democracy, LSMs 1 to 3 still remained over 90% Black.

Importantly, the research also revealed that the Black share of personal disposable income had been improving gradually since 1960 to the extent that Black share of disposable income was greater than White share of disposable income by 2004. This change in share of personal disposable income had significant implications for the allocation of advertising revenue to the various population groups via the media each population group consumed.

The researcher then investigated the trends in above-the-line advertising revenue over the period to see if the allocation of advertising revenue had kept pace with the developments in the demographics, especially personal disposable income. The researcher discovered that there had been an increase in the number of titles and the percentage of titles that had majority Black readers but that this improvement was still not reflective of the demographics of the country. The researcher also discovered that for adspend emanating from the financial services sector, there had been an improvement in the distribution of advertising revenue among titles throughout the four components of Above-the-line media that were being measured. Again, however, the researcher discovered that the improvement was still not reflective of the demographics of the country.

A very important discovery in the trend that took place in advertising revenue was that the majority of the population still remained gravely under-serviced in terms of titles and consequently in terms of advertising revenue. Comments from the respondents to the research survey revealed a number of important reasons for this situation, the most significant of which was perhaps that practitioners still had the impression that the lower income groups were not attractive in terms of spending ability and practitioners therefore could not justify placing advertisements in the media they consumed.

Upon investigating the trend in aggregate advertising revenue, the researcher revealed that aggregate advertising expenditure had enjoyed favourable growth in the period under consideration. All four components of Above-the-line media had enjoyed similar growth although their share of aggregate advertising revenue had changed. It was discovered that whereas television and radio had multiplied their share of aggregate advertising revenue, the share enjoyed by magazines and cinema had declined. Much of the reasons for these trends were revealed by the respondents to the research survey and included the introduction of democracy, the arrival of new companies and brands, improvements in technology and the proliferation of titles in the face of growing advertising revenue, to mention a few.

Through the research survey, the researcher also investigated changes in segmentation methodologies and attitudes to segmentation. Here the researcher discovered that in the period prior to 1994, race had been an important segmentation demographic but that its importance had all but disappeared following the democratisation of the country. The researcher also discovered that democracy, integration and improvements in technology had served as catalysts in improving thought around segmentation and refining the segmentation tools that were available.

The conclusion that was drawn by the researcher was that although advertising practices had excluded the Black market prior to 1994, strides had been made since then to understand and service this market. Trends in advertising expenditure had shown an improvement in terms of corresponding to the demographics of the country but still fell far short of the mark, especially regarding allocation towards the majority low-income sector of the country. Although there had been changes in the share of the above-the-line components, all of them had enjoyed substantial growth over the period. There were various reasons offered for the trend but all were significant in their lack of meaning for the poor citizens of the country.

7.2. Suggestions for Further Research

The subject matters of racism and the equitable allocation of resources in the Marketing, Advertising and Media industries have received a great deal of attention since 2001. The newspapers also abound with commentary on how the sector refuses to embrace transformation and how marketers should prepare themselves to take advantage of the Black middle class. The researcher was therefore surprised at the dearth of scientific research on the subject. The largest body of material that came out on the subject was as a result of the Portfolio Committee investigations into racism in advertising since 2001. However, much of the commentary that emerged took the form of descriptive reports by industry experts and did not attempt to adhere to scientific rigour.

The following suggestions for further research are therefore only the tip of the iceberg of required research on the subject. The researcher is left with the opinion that the subjects of racism and the equitable allocation of resources in the Marketing, Advertising and Media sectors are so mired in controversy that industry players are reluctant to express strong and supported opinions on the matter. The following suggestions are therefore intended for the intrepid researcher who dares to go into the hills, for there be dragons;

a. <u>The impact of Below-the-line media on advertising expenditure</u>
   The researcher came out with the concern that the current practice of measuring only traditional media is depicting less and less of the total picture. Research is required to identify the nature and size of Below-the-line media and the influence it is having on advertising revenue.

b. <u>The impact of Sponsorships on advertising revenue</u>
   Sponsorships have developed beyond their previous role as appendices to the traditional marketing mix. Their size and role as part of any marketing strategy require further investigation.

c. <u>The impact of adspend distribution on aggregate demand</u>
   The fact that historically, most of the population of the country were excluded from receiving communication on certain products and services and still do today suggests that the majority of the population were actually prevented from being consumers of certain products and service. This has

therefore had an impact on aggregate demand in the past and probably continues to undermine aggregate demand. The extent of the impact on aggregate demand has important implications for the country and would warrant further investigation.

d. <u>The implications of media ownership on access to media and the distribution of advertising revenue</u>

In the light of procurement equity requirements by large media buyers and marketers, the ownership of a media title can have a significant impact on its advertising revenue. The response of media owners to this environment warrants investigation.

e. <u>The interrelationship between editorial content and advertising revenue</u>

Editorial content determines who will consume a title and the consumer of a title determines the advertising revenue that the title will receive. There is a need to determine the manner in which media titles are dealing with this challenge. Some radio stations have read the environment well and reaped the benefits.

f. <u>Success factors among radio stations in the post-apartheid environment</u>

Some radio stations still fail to attract advertising revenue in spite of the fact that they draw large audiences. Are there certain determinants of success in the radio environment which could be developed into a standard for radio stations?

g. <u>The survival marketing strategies of media titles in the absence of advertising revenue</u>

Certain media titles have survived without advertising revenue. Are there any marketing tactics that are used by these survivors which could make their way into the Marketing body of knowledge?

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APPENDIX A

RESEARCH QUESTIONNAIRE

UNIVERSITY OF THE WITWATERSRAND
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

RESEARCH QUESTIONAIRE

Introduction:

- Please study the list of questions below and where possible, ensure that you have the necessary information to answer the questions during the personal interview.
- Please complete the demographic information in Part A as much as possible. The information will be used solely for the purposes of completing the research study.
- As the interview will follow a semi-structured format, please feel free to express your personal and professional opinion in answering all the questions put to you.

Objectives of the interview questions:

1. To identify the historical segmentation practices
2. To identify if any change has taken place in segmentation and Adspend.
3. To identify the reasons for the changes, if any.

PART A: DEMOGRAPHIC INFORMATION

1. What is your gender?

Female	1
Male	2

2. What is your race/cultural group?

Cultural Group	
African	1
Asian	2
White	3
Coloured	4
Other (specify)	5

3. What is your highest level of education?

Grade 12	1
National Diploma	2
Bachelor's Degree	3
Honour's Degree	4
Master's Degree	5
Doctoral Degree	6

PART B: BUSINESS/PROFESSIONAL INFORMATION

4. Please indicate the type of institution you represent

Banking	1
Short term insurance	2
Life Assurance	3
Advertising Agency	4
Academic Institution	5
Other (specify)	6

5. Please indicate your position in the institution

Professional	1
Junior Management	2
Middle Management	3
Senior Management	4
Director	5
Owner/Shareholder	6
Junior Lecturer	7
Senior Lecturer	8
Professor	9
Other (specify)	10

6. Annual advertising expenditure (companies only)

More than R 500 million	1
R 100 – R 499 million	2
R 50 – R 99 million	3
R 25 – R 49 million	4
R 10 – R 24 million	5
Less than R 10 million	6

PART C: INTERVIEW QUESTIONS

Instructions
Please feel free to provide your best informed opinion on the questions below.
Although the interview questions are designed to extract your opinion as an experienced and expert practitioner, it would be appreciated if you could consider the questions and your planned answers prior to the interview.

Section 1	**Questions pertaining to the era prior to 1994**
1	What were the general advertising practices prior to 1994 with special reference to segmentation and advertising expenditure?
2	What method of segmenting the market was predominantly used prior to 1994?
3	What impact did the advent of democracy have on the method of segmentation used by you or your institution?
Section 2	**Questions pertaining to the period from 1994 to the present**
4	What major changes in segmentation methodology have taken

	place between 1994 and 2004
5	What has been the general trend in adspend over the period 1994 to 2004?
6	Which components (media types) have seen the most significant change in adspend over the period from 1994 to 2004?
7	Do you or your institution currently make use of different media to reach different population groups, and if so, why?
Section 3	**Questions pertaining to future trends**
8	What changes do you see taking place in segmentation and advertising expenditure currently and in the future in the South African Market and what are the reasons?
9	Do you think the segmentation tools that are currently in use are appropriate for effective segmentation?
10	Do you think racism plays a role in determining media expenditure trends in your institution or the country as a whole?

APPENDIX B

FORMAL INTERVIEW REQUEST LETTER

15 July 2006

Dear Respondent

Re: Request for Interview

I have reached the 'interview' phase of my research in fulfilment of the requirements towards an MBA Degree at the Wits Business School. The topic of my research report is; "DEMOGRAPHIC TRENDS IN ABOVE-THE-LINE ADVERTISING EXPENDITURE IN SOUTH AFRICA, POST 1994".

I am going to be interviewing 15 experts and academics from the field of Marketing and Advertising over the next two weeks. This e-mail is to request 30 to 45 minutes of your time for a recorded face-to-face interview. The interview will be semi-structured and the questions will be limited to your opinion on various aspects relating to the topic.

Your consent will assist me towards the completion of my studies as well as contribute to the body of knowledge on the subject. I will be calling your office to set up an interview date.

I have attached the interview questions for your preparation.

Yours Sincerely

Brendan Mbatha
Student Number: 8705646K
Cell Number: 083-274-2299

APPENDIX C

PROFILE OF RESPONDENTS

	Occupation or Job title	Transcript approved by respondent	Date interviewed	Location
1.	Owner of Research company	Yes	26/07/2006	House
2.	Head of Advertising School	Yes	01/08/06	Office
3.	Senior consultant at research institution	Yes	08/08/06	Office
4.	Senior executive at advertising agency	Yes	01/08/06	Office
5.	Senior buyer at media placement company	Yes	24/09/06	Office
6.	Managing Director of advertising agency	Yes	15/08/06	Office
7.	Professor and marketing expert	Yes	02/08/06	Home
8.	Chief Executive Officer of Outdoor advertising company	Yes	23/08/06	Office
9.	Marketing Director at Big Four bank	Yes	13/09/06	Office
10.	Senior Marketing executive at Big Four bank	Yes	05/09/06	Office
11.	Chairman of advertising agency	Yes	09/08/06	Office
12.	Managing Director of media placement company	Yes	27/07/06	Office