

# mda

MEDIA DEVELOPMENT & DIVERSITY AGENCY



## Report Back Presentation on Transformation of Advertising



08 November 2011



# Introduction and background

## 2002 Parliamentary probe into advertising

- The transformation process in South Africa has been a lengthy and complex one, with the government gradually enacting enabling legislation.
- The pace of the transformation process in the advertising industry over the last 17 years of democracy has received much condemnation.

## GCIS/DoC consultative processes

- After finding that the pace of transformation in the value chain was unacceptably slow, the Portfolio Committee on Communications directed government, through GCIS and the DoC, to facilitate a consultative process with all stakeholders to find a common blueprint for transforming the industry.

# Introduction and background

## "The Values Statement of the Marketing and Communication Industry"

- This mandate resulted in the first joint undertaking by all stakeholders to commit to a unified view and common approach. It was endorsed by all stakeholders, adopted and signed on 23 April 2003.

## Transformation

- Extensive research, public dialogues and public hearings into the transformation challenges of the industry have been held and all these research reports and public debates have confirmed that the extent of challenges in the sector require a renewed sense of purpose and commitment to the transformational agenda.

# Introduction and background

## “Trends of Ownership and Control of Media in SA”, MDDA Report 2009

- four large media companies dominate the space with Caxton CTP leading the pack with 130 identified titles (89 wholly owned and 41 co-owned) representing 28.3% of newspaper titles in the country.

## “Trends of Ownership and Control of Media in SA”, MDDA Report 2009

- Naspers through its print media subsidiary, Media24 follows with more than 65 titles (i.e., 68 titles including subsidiary Mooivaal Media’s titles); the foreign owned Independent Newspapers group owns 28 titles and then Avusa (formerly known as Times Media Limited and then Johnnic Communications) with 23 titles”.

# Introduction and background

## “Trends of Ownership and Control of Media in SA”, MDDA Report 2009

- These newspaper titles consist of both commercial and local free newspapers. The local newspaper titles which are mainly knock and drop carry a fair amount of advertisement and some local community news in varying degrees.
- In some cases, advertising revenue in these local newspapers (or community rags) surpass revenue made from sales of commercial newspapers.

## “Trends of Ownership and Control of Media in SA”, MDDA Report 2009

- However, these local newspapers are not the community newspapers as defined by the MDDA Act, they are owned by the conglomerates (i.e. CAXTON, Media 24, etc) and not by the communities which they serve.

# Research reports

“Social Integration and Cohesion Program report of the HSRC and Mediaworks”, MDDA funded report 2004

- **Conclusion 12:** “The authors propose a range of sustainability strategies including research into national advertising procurement agency, a new system for circulation verification, a new arrangement for printing procurement, the securing of the discounted rate for connectivity and the establishment of the sectoral investment institution.”

“Social Integration and Cohesion Program report of the HSRC and Mediaworks”, MDDA funded report 2004

- **Conclusion 16:** “A marketing procurement agency should be established to facilitate access by small media to government communications contracts”

# Research reports

**“Editorial Assignment to conduct research on Distribution (including sales) and Printing Costs affecting the Small Commercial and Community Print Media Sector in South Africa”, MDDA funded report 2005/6**

- “The resources of the sector can be aggregated with the MDDA playing the role of energiser. This can and should lead to positive and sustainable outcomes

**“Editorial Assignment to conduct research on Distribution (including sales) and Printing Costs affecting the Small Commercial and Community Print Media Sector in South Africa”, MDDA funded report 2005/6**

- **On PRINTING:** Joining forces to solve printing issues: supporting a General Agency for Publishing Services (GAPS) clearing house for printing procurements; exercising the collective muscle of the sector to gain economies of scale in buying paper and inks; obtaining better prices and terms of credit; forming printing press hubs; empowering emergent printers; and bolstering the position of individual publishers when dealing with printing houses.

# Research reports

**“Editorial Assignment to conduct research on Distribution (including sales) and Printing Costs affecting the Small Commercial and Community Print Media Sector in South Africa”, MDDA funded report 2005/6**

- **On DISTRIBUTION:** Exploiting distribution channels that already exist and may be shared; exploring possibilities for logistical and transport co-operatives in regions or local areas; setting up points of sale on agreed rotational basis and conducting research around them; and merchandising the grassroots press as a brand to gain visibility for the whole sector.

**“Editorial Assignment to conduct research on Distribution (including sales) and Printing Costs affecting the Small Commercial and Community Print Media Sector in South Africa”, MDDA funded report 2005/6**

- **On CIRCULATION:** Agreeing on principles for circulation audits including print orders and returns; conducting distribution research and reader surveys; maintaining a national database of circulation and reader statistics on iPop; calling for a Circulation Ombudsman to hear complaints about data and check the claims of all print sectors.



# Research reports

**“Editorial Assignment to conduct research on Distribution (including sales) and Printing Costs affecting the Small Commercial and Community Print Media Sector in South Africa”, MDDA funded report 2005/6**

- **On MARKETING:** Gaining recognition and representation of the sector at media industry level, with agencies, the government, and external donors; networking across the sector to unite perceptions and bring about interactions; supporting the iPop system and especially syndications of national and regional advertising and news copy sales”.

**“Transformation, Gender and the media Dialogue ”, MDDA /SABC/CGE/SAHRC/ICASA Oct. 2009**

- Promoting gender equality and eliminating gender discrimination in the media.
- The media should portray more diverse and positive range of images and realistic gender roles and not perpetuate stereotypes.

# Research reports

**“Transformation, gender and the media dialogue ”, MDDA /SABC/CGE/SAHRC/ICASA  
Oct. 2009**

- There is a need to address challenges relating to research, ownership, language and culture.
- Programming should accommodate people in rural areas because most of it is currently urban focused.

**“Transformation, gender and the media dialogue ”, MDDA /SABC/CGE/SAHRC/ICASA  
Oct. 2009**

- There is a need to build capacity for children’s editorial.
- Children should be part of editorial decision making processes and children’s content needs to be re-examined and made more relevant their needs

**“Transformation, gender and the media dialogue ”, MDDA /SABC/CGE/SAHRC/ICASA  
Oct. 2009**

- The MDDA and other media organisations need to help educate and intensify programmes that teach community groups on how to access the media –in short on how to promote accessibility of the media.

# Parliamentary Hearings & Oversight visits

**PPC on Communications held Public Hearings on the Transformation of Advertising Industry in 2002**

- various stakeholders in the industry reported on progress made and the challenges experienced by the industry.

**PPC on Communications conducted oversight visits to projects supported by the MDDA in the Eastern Cape and Kwa-Zulu Natal, followed by the second round of oversight visits to the Northern Cape and the Free State.**

- A total of 17 site visits and four community media stakeholder consultation meetings were held.
- Each of these meetings was attended by approximately 30 projects representing community media and small commercial media in each of the provinces.

# Parliamentary Hearings & Oversight visits

**PPC on Communications conducted oversight visits to projects supported by the MDDA in the Eastern Cape and Kwa-Zulu Natal, followed by the second round of oversight visits to the Northern Cape and the Free State.**

- The Committee noted with concern during these oversight visits that there are still challenges facing the advertising industry.
- Community Media projects lamented the lack of advertising support for community radio stations, small commercial media and community print media projects. This lack of support is as a result of lack of understanding by the advertising industry of the Community Media sector.

**PPC on Communications held Public Hearings on the Transformation of Advertising Industry in 14-15 June 2011**

- After hearing and considering presentations made before the Committee from the MDDA, Association for Communication & Advertising (ACA), Advertising Standard Authority of South Africa (ASA) and National Consumer Commission (NCC) the Committee made the following recommendations:

# Progress on the Parliamentary Hearings outcomes

Parliamentary Recommendations	Progress Report
<p>MDDA and ACA must meet, discuss, consider and take all issues raised by the Community and small commercial media at the oversight visits forward and report back to the committee</p>	<p>Meetings with ACA have been scheduled to discuss the outcomes of the Parliamentary processes and the round table discussion with the top 10 advertisers and their agencies. The round table is scheduled for later in November 2011</p>
<p>The Marketing, Advertising and Communications (MAC) Sector Charter Council should have review mechanisms that include experiences encouraging media development &amp; diversity. These may comprise industry business practices, like a percentage commitment of ad spent to community media as defined in the MDDA Act.</p>	<p>The Committee had indicated that it will engage the DTI on this matter. The MDDA remains an interested and affected party to these processes and will therefore play its role in taking these matters forward and participating in the MAC Charter Council.</p>
<p>The Committee will engage the Department of Trade Industry regarding "promulgating" the MAC charter to the next step, Section 9 as suggested by ACA.</p>	<p>The MDDA will continue to monitor the MAC charter developments and it will continue to assist the committee with its engagement with the DTI about the promulgation of the Charter to a Section 9 charter.</p>



# Progress on the Parliamentary Hearings outcomes

Parliamentary Recommendations	Progress Report
<p>Government Communication and Information Systems (GCIS) to commit and implement a percentage adspent to community media as defined by MDDA Act and small commercial media</p>	<p>Government Communication and Information Systems (GCIS) has committed to an increased adspent to community media and small commercial media as defined in the MDDA Act. This commitment is effective 2011/12 financial year</p>
<p>GCIS must support the MDDA proposed online advertising booking management system for community and small commercial media.</p>	<p>The MDDA and GCIS have met to discuss the modalities of the platform and the GCIS has given its commitment to the platform and its immediate needs from the platform, especially the monitoring system of community radio, which is a key priority outcome for GCIS. The MDDA Board has approved the proposed plan for the establishment of the online advertising platform.</p>
<p>GCIS must support the MDDA proposal for establishing a community radio software management tool to enhance professionalism, accountability, record keeping, reporting and good community radio management</p>	<p>A team from the MDDA, GCIS product development unit and GCIS CSA will be engaging other departments and provinces on these developments to ensure that progress is achieved on these matters</p>



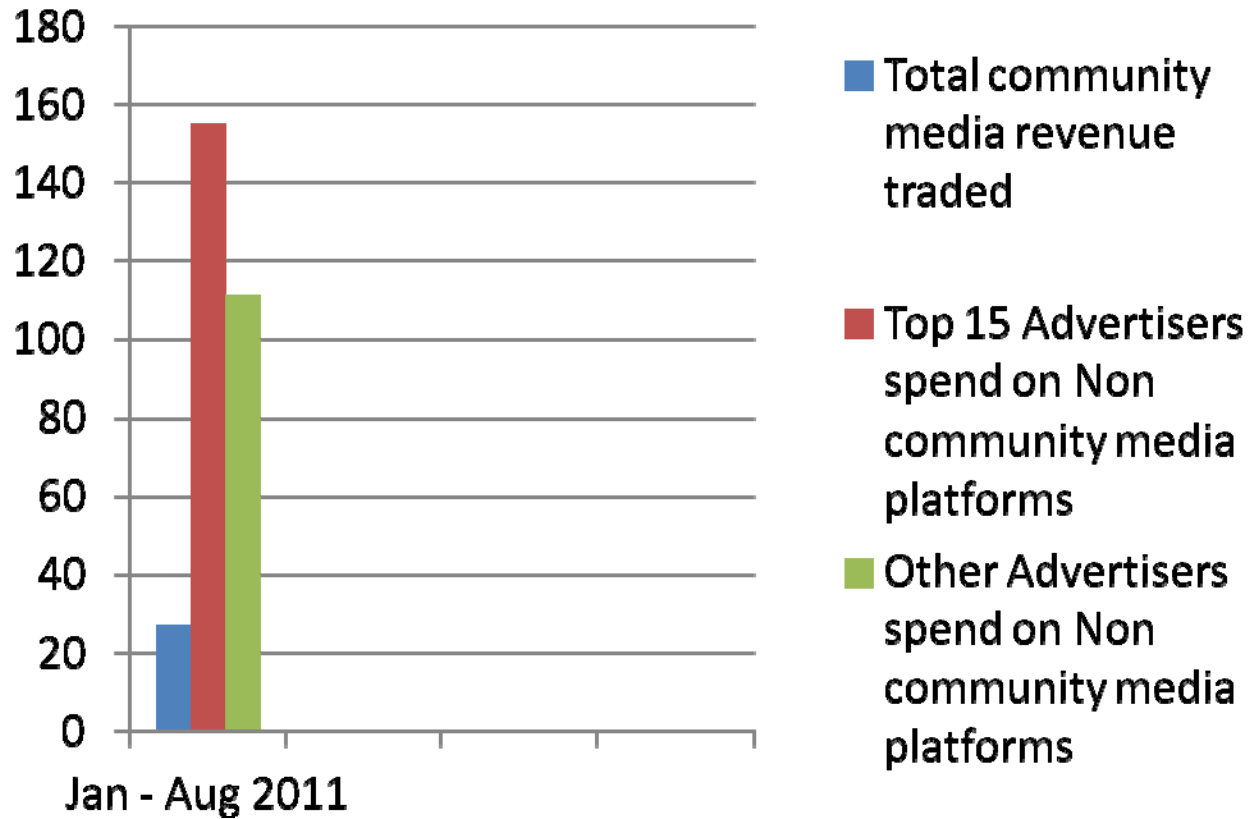
# Progress on the Parliamentary Hearings outcomes

Parliamentary Recommendations	Progress Report
<p>Committee will review progress in all this regard at the end of the financial year.</p>	<p>The MDDA will compile a comprehensive report similar to the one in the MDDA annual report on the state of adspend on the sector by both the public and private sector.</p>
<p>Government organs and state owned entities are encouraged to also use community and small commercial media as defined in the MDDA Act in respect of their advertising spent. This will not only ensure their messages reach the targeted communities but will also support the ideal of sustaining a diverse media society, viable community media and enhance democracy.</p>	<p>To date we have IMC (Brand South Africa) which has committed 25% of its Adspend to community media and small commercial media as well as the South African Post Office which has made commitments but have not as yet given this commitment as a percentage of their total spend. Discussions are ongoing with SAPO to arrive at a measurable number for this financial year. These commitments are effective in the 2011/12 financial year.</p>



# Revenue Spend on advertising across all platforms since between Jan – Aug 2011

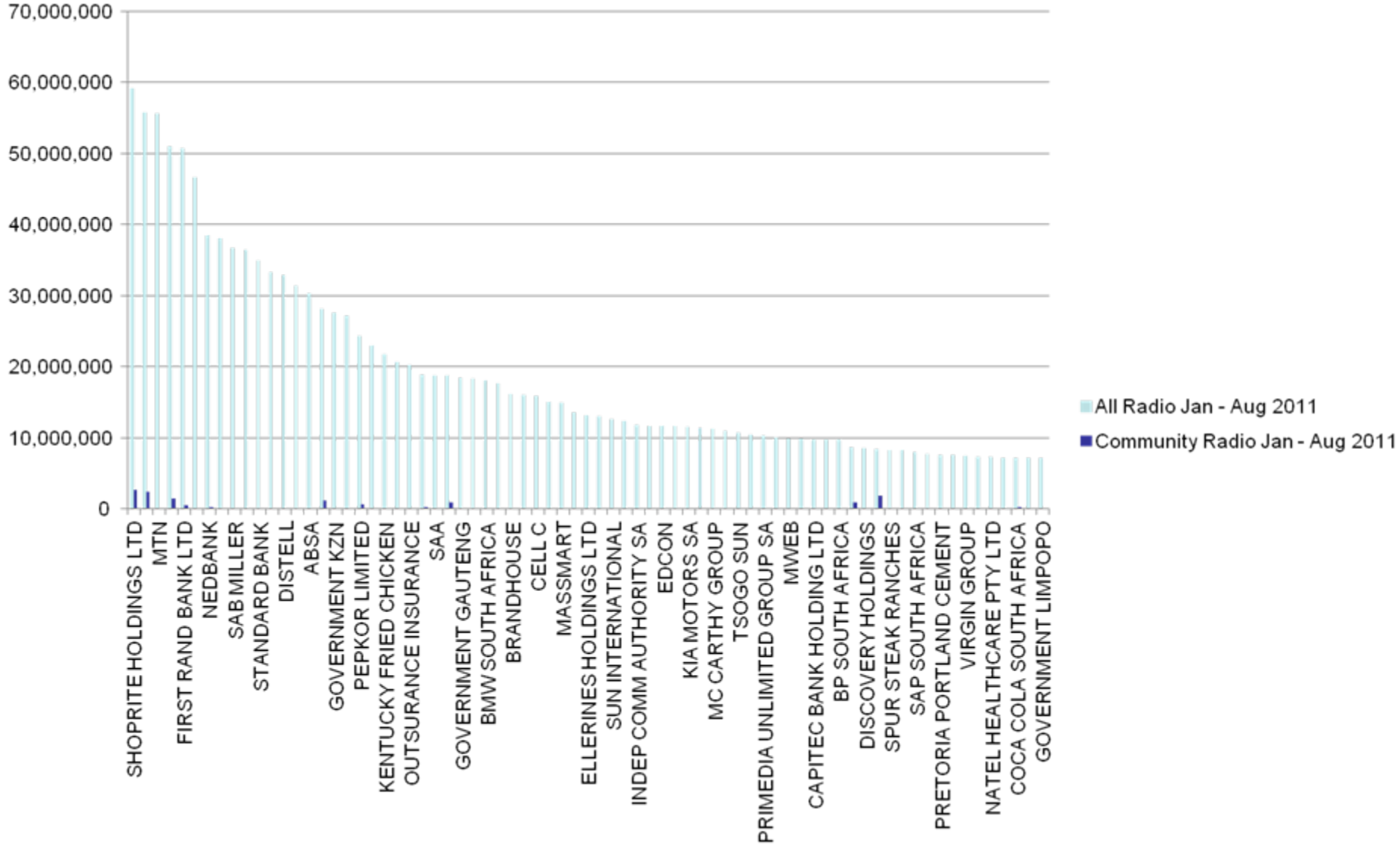
Rands in Millions





# Revenue Spend on radio advertising since between Jan – Aug 2011

Rands in Millions



# What is the challenge

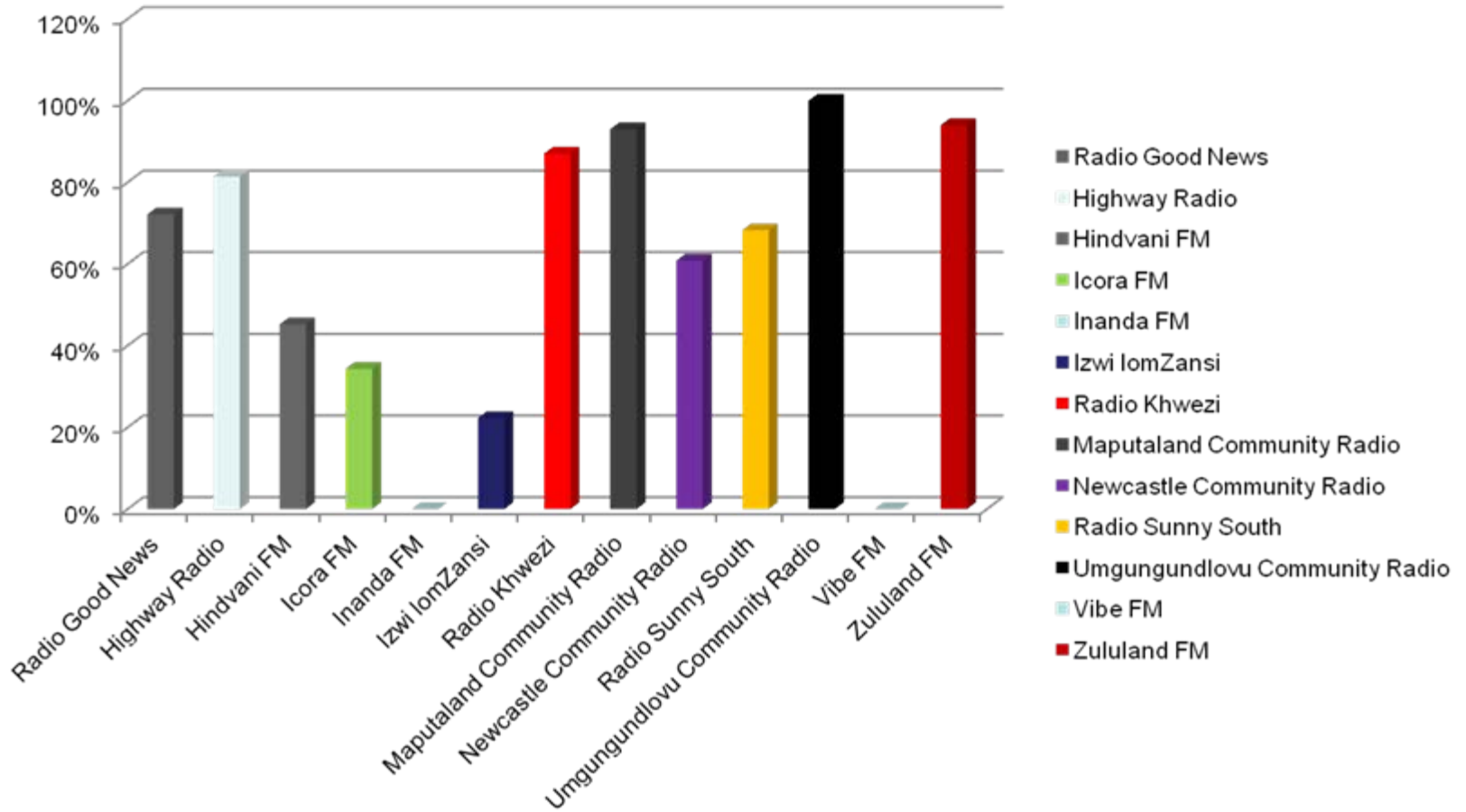
## GCIS

- lack of confirmation for broadcasted programs on the GCIS community radio satellite network.
- orders from stations who are not able to provide confirmation of the program broadcast has had to be cancelled

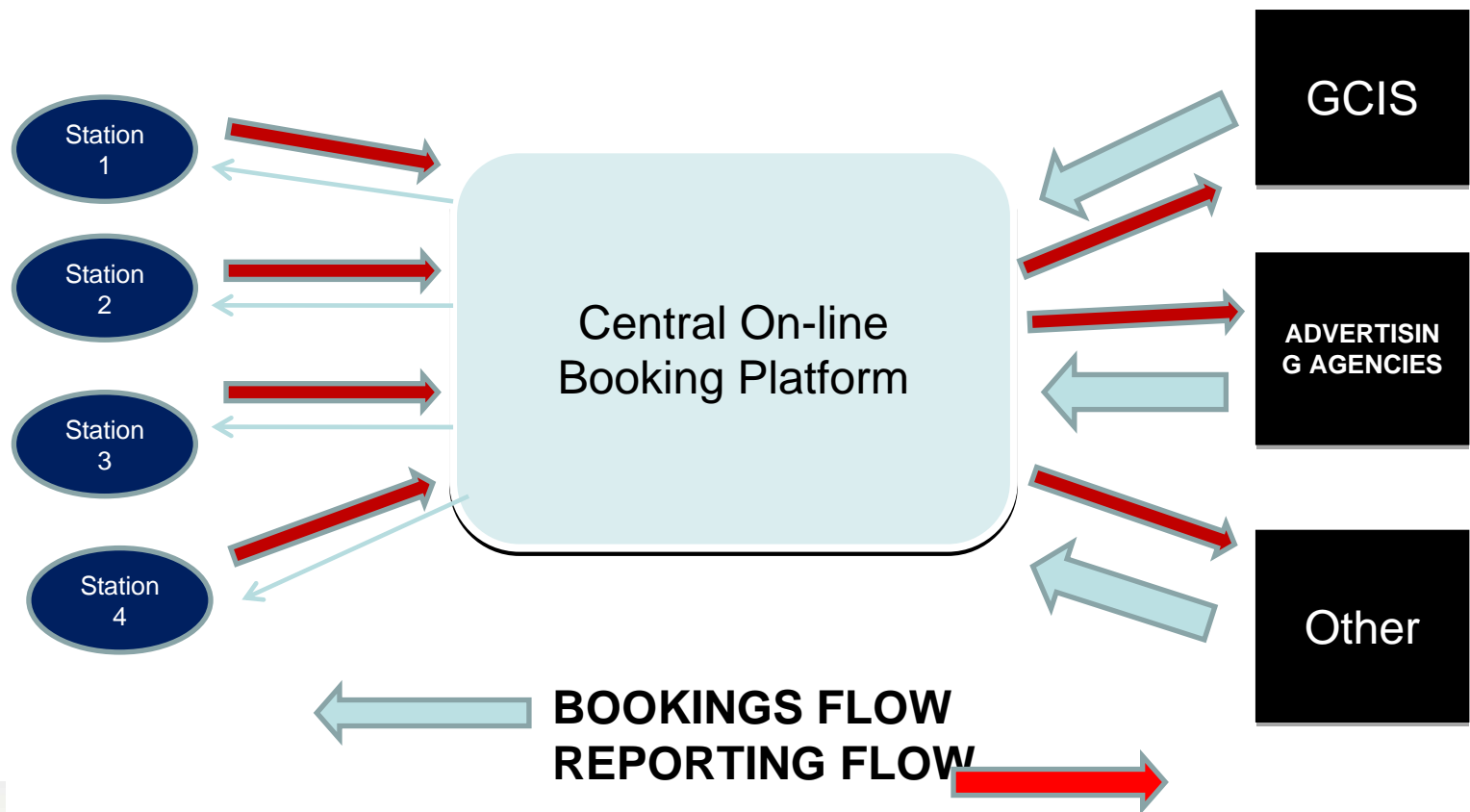
## GENERAL

- Non-compliance
- Insufficient levels of professionalism
- MDDA conducted a snap survey of the levels of advertising compliance or non-compliance of campaigns that are placed on community radio stations.
- Below were the findings thereof:

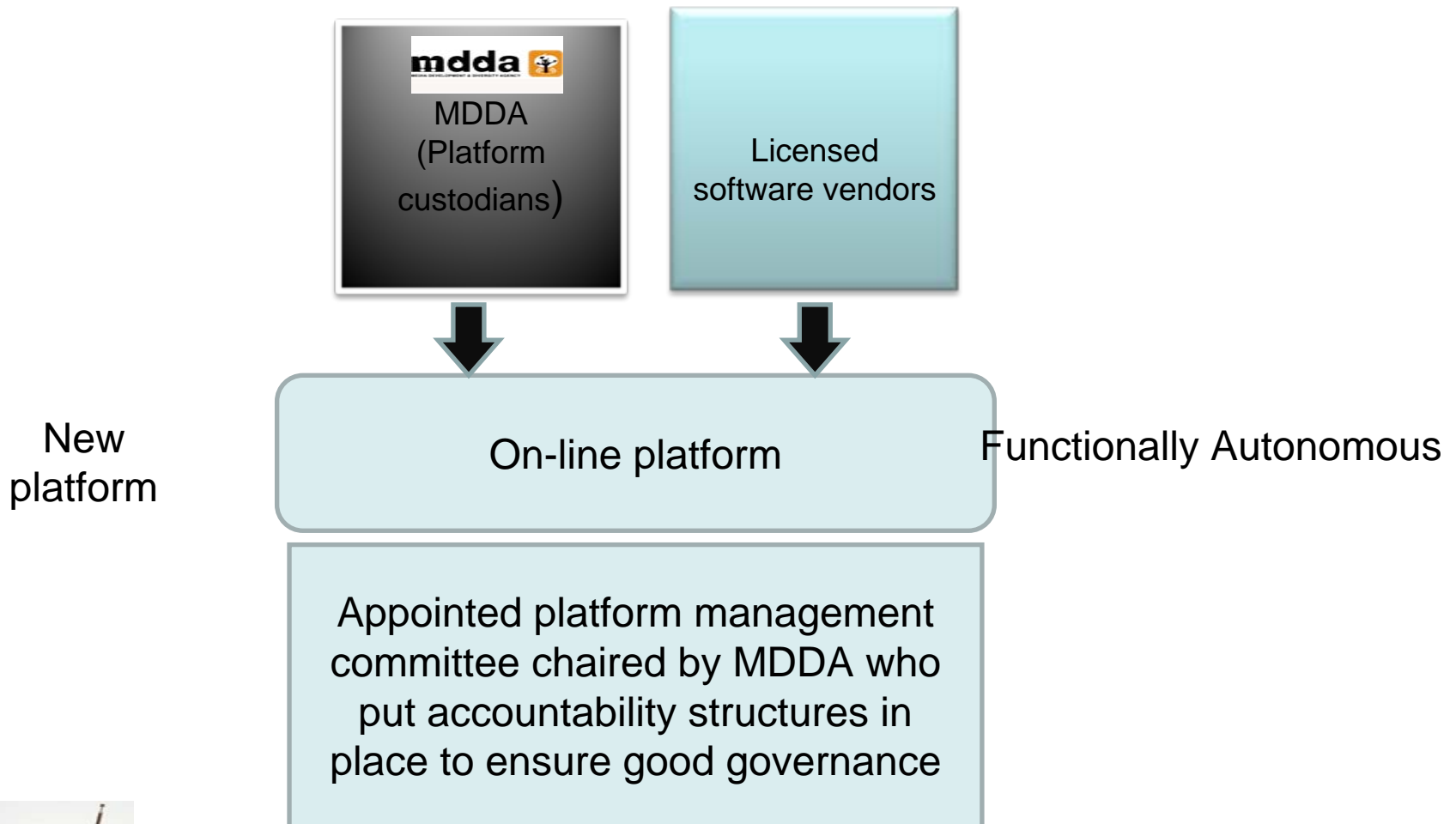
# The advertising compliance levels



# The Board approved (in-principle) technology solution - — subject to final business case & model



# The Board approved (in-principle) technology solution – subject to final business case & model



## The Board approved (in-principle) technology solution – subject to final business case & model

### *The sustainability model of the platform*

The platform will charge all advertisers a percentage fee to facilitate the placement of advertising on community media. This service fee will be used to fund the monitoring system, the infrastructure roll out and capacity building at projects.

### *Financial sustainability for Community Media and Small Commercial Media.*

With equitable allocation of adspend and regular and proper payments to the stations and newspapers, they can begin to become self sustaining and rely less on the MDDA for financial assistance.

### *Skills development and job creation*

The project will create no less than 10 direct jobs (platform administrators) and over 150 indirect jobs (advertising administrators at the newspapers and radio stations).



## The Board approved (in-principle) technology solution – subject to final business case & model

Audio Auditing broadcast monitoring system's core function is the monitoring of broadcast media (radio and Television) for proof of broadcast, competitive analysis and /or royalty purpose for advertising, programme content and music. Broadcast media has long evaded advertiser's confidence due to lack of controls and analytics.

The system provides a unique stamp of authenticity, certifying the accuracy, or not, of the broadcast data, and organisations are interested in this solution from a compliance point of view – ensuring that media owners are fulfilling their obligations in terms of contracts with advertisers and content providers, being able to verify that their ad spend and submissions are accurate and valid.



## The Board approved (in-principle) technology solution – subject to final business case & model

The rate of non-compliance at stations is a cause for concern, not only for advertisers but for GCIS as well. Through this online platform and monitoring the MDDA will have detection servers that records all the audio monitored from all community radio stations and Community TV stations, 24 hours a day, 7 days a week, so that any discrepancy with the community broadcaster are backed - up with live recordings of the broadcast.

These audio clips are accessed directly from the Detection Servers via the Internet and downloaded when needed as proof of broadcast or non-broadcasts. This will be one of the first key services that GCIS will be accessing through the platform.

We will also use these monitoring recordings for ICASA and SAMRO purposes to enable proper monitoring and proper revenue collection by SAMRO for music royalties





## The Board approved (in-principle) technology solution – subject to final business case & model

The online platform will have a database back-end platform which will be a system built-in on the RCS platform and the online publishing system. The database system standardizes community and small commercial print news and information website look and feel, structure and architecture.

There will be an information archive section which will have all the resource documents from templates of license terms & conditions, constitutions, policies, business plans, programme schedules, budgets, management templates, etc. It will also have a compliance document section where PDF copies of the tax clearance certificates, updated broadcasting license, monitoring reports, MDDA funding agreements as well as any public document is made easily accessible. The portal will be linked with the audio auditing, RCS and publishing platforms and it will also enable stations to link to an audio streaming facility.



# The funding model of the online platform

In the past four years there has been a steady increase in the total revenue traded on the community radio, despite the often uncoordinated activities of the sector and declining levels of advertising accountability in the sector. Government advertising was at R5m in the 2010/11 financial year. This doesn't include direct bookings from some provincial departments and municipalities.

With the establishment of the on-line platform which will serve as a centralized booking facility for community media and small commercial media, there will be increased accountability, compliance and regulation of the advertising trade in the sector. The net effect of this will result in increased revenue and increased accountability by all players in the sector.

A levy will be charged on all revenue traded on the platform which will go towards funding the rolling out and maintenance of the monitoring system and the online information portal. Currently the levy charged by brokers is 20% of the net revenue. The introduction of the on-line platform will not result in the increase of the levy but will retain the current levy percentage or lower depending on the business case.



# Conclusions

## Centralize all Government advertising with GCIS

- The Agency supports the Cabinet's decision to centralize all Government advertising with GCIS and we are pleased that GCIS has committed to an increased advertising budget for Community and Small Commercial Media.

## Centralize all Government advertising with GCIS

- This budget will be channeled through the online platform which ensure equitable access to advertising by Community Media and will ensure increased accountability by all players in the system.

## Centralize all Government advertising with GCIS

- This development will give meaning to the preamble of the MDDA Act which states.. "Promote media development and diversity by providing support primarily to community and small commercial media projects...", and Section 3 of the Objects of the Act, that stipulates "Encourage the channeling of resources to the community media and small commercial media sector"

# Conclusions

## Partnership with public sector

- It is crucial for the MDDA together with GCIS to continue to engage the entities of state and government departments both nationally and provincially in the rolling out phase of the platform to provide the necessary strategic guidance and clarity about the developments.

## Partnership with private sector

- Through the MDDA partnership with AMASA , ACA and other industry bodies, an opportunity exist to work together with the private sector to encourage it to be a partner in the development of the sector through meaningful support of this important sector of the media.

## MAC Charter

- The advertising industry through its charter will also need to commit to a proportional budget allocation to community and small commercial media as defined in the MDDA Act, along the lines of the spirit of enterprise development.

# Way forward

## Parliament

- To engage with DTI on the promulgation of MAC charter to a Section 19 charter.
- Monitor other entities and encourage them to commit a percentage of their advertising spend on community media as defined in the MDDA Act
- Monitor the implementation and impact of the online platform

## MDDA/GCIS

- Jointly with ACA, to host a top 10 advertiser round table
- MDDA and GCIS continue to engage SOE's and Gov Departments on the online platforms
- Monitor compliance and build capacity within beneficiary projects to comply
- Roll out and manage the online platform