

Between the Borg and the Big Bang

*South Africa's hundreds of small newspapers are feeling threatened, says **Justin Arenstein**.*

The Association of Independent Publishers in South Africa has been engaged in a census of independent community, small commercial, advocacy (NGO and CBO), and other grassroots print media in the country. Although the full census (jointly funded by the MDDA and NiZA) will only be complete in December, preliminary results provide insight into the nature and extent of the sector, as well as the primary challenges facing grassroots publishers.

The study found

- Roughly 250 “grassroots” publications produced by small commercial publishers, advocacy publishers (NGOs, CBOs, religious, etc), with the smallest sub-sector (by a large measure) being titles that are owned and operated by community trusts and organisations. The highest density is in KwaZulu-Natal with 80 titles. The publications range in size from tabloid (A3) to micro (A5) and mini (A4).
- About 230 conglomerates – Caxton and subsidiary companies own approximately 160 “community” titles, Media24 publishes 41, the Independent Group publishes 14 titles (Western Cape), and Johncom publishes 11 titles. The highest density is in Gauteng, with 117 titles.
- The state owns an estimated 40 titles. Anecdotal evidence is that this sector is growing in the run up to the elections next year. There are also a growing number of “contract publishers” operating on behalf of government and parastatal agencies.

The AIP scoping exercise polled a total of 58 (or roughly 25% of total) grassroots publishers, and found that:

- 96% of respondent publications are tabloid newspapers
- 82% of these publications serve “local” communities
- 80% are based in small towns or townships
- 70% operate as commercial profit-motivated companies
- 60% have no access to national advertising representation
- 55% publish at least once per week
- The 58 publications jointly publish 1,1 million copies per edition

These publications are still largely confined to the margins and fringes of the traditional media markets, in rural, township, and LSM 1 through 5 inner-city districts. Many of these already parochial markets are currently being further fragmented by new state-funded media, new MDDA-sponsored publications, as well as by aggressively expanding conglomerate media.

Other significant trends detected by the scoping study include growth in the number of grassroots vernacular language publications, as well as special interest publications (community of interest as opposed to geographic community), and a massive boom in the number of contract publications designed to serve specific government, niche, or corporate interests.

The current growth in grassroots media appears to be due largely to MDDA and corporate responsibility funding, as well as social education programmes funded in terms of sector charters or social justice (eg: HIV/Aids) programmes.

Most pressing needs

The scoping exercise asked the 58 respondents what their six most pressing needs were. The results were meant to help AIP, MDDA and other media support bodies prioritise their intervention programmes. The results, in order of importance, were:

1. **Advertising:** Systematic and consistent access to local, provincial and national (both government and commercial) advertising, development of new advertising revenue streams (job ads, legals, and classifieds), development of professional sales, training, development of marketing and sponsorship products.
2. **Financial management:** Systematic and timely revenue collection, access to payroll and other resource management software tools, practical technical training on financial planning and budgeting, and guidelines for tax compliance.
3. **Technical systems:** Training in technical production skills, access to cost effective software and equipment and access to competitive print slots.
4. **Distribution systems:** Access to existing distribution networks, access to relevant and up-to-date market research, access to lucrative urban markets.
5. **Management:** Training in technical/practical business management skills, training and

resources on business development skills, actual software management tools, other resources (manuals and tipsheets), and access to business networks/alliances.

6. Content: Access to cost effective, original, relevant content and images, training in design skills, access to local journalism manuals and guidelines, and access to (on-site) ongoing basic journalism training.

Eighty percent indicated a preference for physical resources (software tools, manuals and tipsheets) over traditional training. The two primary reasons cited by respondents were:

- 1. Headhunting:** Grassroots media expend significant resources training staff – only to have them headhunted by the conglomerate media – without any pay-back or time to recoup the investment.
- 2. Resource constraints:** Grassroots media are invariably operated by very small teams (many as small as one or two people), and training outside the workplace or training that disrupts production is therefore impossible.

What are the challenges they foresee?

The two key new threats identified by respondents are:

The Borg: This threat has been informally named for the Borg race of conquering aliens in *Star Trek*. Their conquests are always prefaced by the ultimatum: “Resistance is futile. You will be assimilated”.

Opponents who refuse assimilation are annihilated, regardless of the cost. Community print is, according to AC Nielsen, the only (print) advertising sector to show dramatic year-on-year growth over the past five years. In 2004, conglomerate community media posted a 51% increase, earning R605-million from above-the-line advertising revenue alone – and excluding revenue from inserts or other revenue streams.

In addition, the old gentleman’s agreement among the conglomerates around territorial spheres of interest and language markets has broken down. The conglomerates are aggressively challenging each other’s dominance in the more lucrative provinces, in under-serviced regions, and in poorer rural regions that are predicted to be the target for future government development funding or major retail expansion.

The stellar ad performance, the growing imperative to grow new markets, and the rise of vernacular media have all sparked a feeding frenzy that includes buy-outs, new titles and aggressive headhunting of successful entrepreneurial publishers and skilled production staff.

Grassroots publishers are caught in the cross-fire, or are being squeezed out of existence because they are unable to compete with the resulting heavily discounted ad rates and saturation distribution.

Many of the larger grassroots publishers report being presented with ultimatums: sell or face direct and targeted competition from the conglomerates. The tactic is not always successful, with at least one Gauteng-based newspaper (*Free People’s Press*) turning to the Competition Commission for relief.

Caxton’s establishment of its “Urban Newspapers” portfolio with plans for 11 new titles (most in Soweto), its buyout of the Rising Sun group in Kwa-Zulu-Natal, the expansion of its existing Gauteng motoring and property supplements to KZN, and the launch of the first in a planned network of 20 “community” magazines are perhaps the most notable indicators of the trend.

KZN, in particular, is the scene of an escalating three-way turf war between Caxton, Media24, and Independent Group (IG). The Rising Sun Group of six newspapers and the *North Coast Courier* (in Ballito) purchases by Caxton appear to have prompted Media24 (through its local Witness Group) to purchase the South Coast Fever and Herald Group of newspapers – which in turn appears to have sparked an

unusual alliance between Caxton/IG to launch a new freesheet in Pietermaritzburg in direct opposition to Media24’s local neighbourhood titles. Caxton has also launched the first of its 20 new *Get It* community magazines in KZN’s Newcastle district.

The KZN turf war is mirrored in the neighbouring Eastern Cape, where Johncom and Media24 appear to be facing off following Media24’s incursion into the Bisho and Umtata districts. Johncom has countered by launching an aggressive buying spree, snapping up ownership of 10 of the province’s oldest, most credible, and/or most vibrant grassroots titles, including *Talk of the Town* and Grahamstown’s *Shoppa*.

Caxton expects to have launched all 11 of its planned new Soweto titles by the end of October, is buying out smaller independents in Mpumalanga (*Lydenburg News* and *Barberton Times*), as well as creating new community titles in the province (*Mpumalanga Mirror* and *Corridor Gazette*) and neighbouring Mozambique, and is also experimenting with a new concept provincial title targeting government and parastatal advertising and that is inserted into the group’s existing network of community titles (thereby ensuring that existing ad revenues are not undermined).

Very little qualitative information is available, no formal research is being done, and little is being reported publicly on the trend. AIP is considering launching a monitoring and research project in partnership with entities such as MDDA.

Big Bang: Several factors are seriously affecting continued sustainability and diversity of existing grassroots publishers. These include:

- MDDA’s funding of new greenfield publications and rise of state-funded media in already contested markets, often fatally fragmenting marginal revenue and readership “pies”.
- The consolidation and expansion of conglomerates, their tightening control on access to national/provincial advertising (plus government centralisation) and tightening control of distribution networks are all making it increasingly difficult to survive or compete.
- Adding to the urgency are the looming municipal elections (and competition for access to related advertising), the rollout of the Financial Services Board and Department of Trade and Industry’s financial literacy programmes, other charter education campaigns, looming print/paper cost increases, and rocketing telecomm and information technology licensing costs.

Interventions

Grassroots Ad Procurement Portal (GAPP): AIP has secured seed funding from NiZA and the MDDA for a technical feasibility study into the most commercially viable intervention mechanism for improving grassroots media (print and radio) access to provincial/national advertising.

Capro Intervention: AIP has made presentations to the Capro board’s emergency task team investigating alternatives to the proposed liquidation of what is effectively SA’s only sales house for community press. Capro turned over R75 million last year and has cash reserves of R5-million, but has received notification that its majority shareholder, Caxton, intends withdrawing due to the high 25% commission charged on sales.

Systems and Resource Development: Publishers need more than just skills – they need practical management tools. AIP has developed software tools as part of its flagship “Newspaper-in-a-Box” initiative. The tools include an automated stringer payroll system, a basic budget planning tool, a powerful advert booking and invoicing tool, and an FTP transfer tool. AIP is also in the process of customising a circulation management system, and a basic market/audience research toolkit. In the pipeline are: a court and crime



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textbook; a design resource kit (including templates on a CD), an appropriate printing solutions resource kit (alternatives to commercial printers), and a grassroots marketing/branding resource kit.

Innovation Awards and Grassroots Media Summit: At the Grassroots Media Summit held in Johannesburg recently six awards were given out: Innovative Editorial/Content Systems; Innovative Management/Business Systems; Innovative Circulation/Distribution Systems; Innovative Revenue Generation Initiatives; Innovative Advertising/Marketing Campaigns and Innovative Audience/Market Research. Prizes for each category are valued at a minimum of R15 000 each and are designed to help winners exploit their business ideas. The summit included training (12 workshops); roundtables on policy; an expo, and the dissemination of research.

Some further developments:

- The IAJ, AIP, AMAC, and NiZA have drafted a proposed national training strategy for grassroots/community print media, switching the emphasis from straight editorial skills training to business and technical production skills training.
- OSF, MDDA and AIP/PMSA are lobbying for a streamlining of ABC accreditation procedures for grassroots newspapers, with the possible creation of a special certificate for such newspapers.
- AC Nielsen has agreed to make its AdEx and other research tools plus training available in exchange for AIP members submitting their newspapers for analysis.
- Idasa has agreed to produce a free tailored advisory and newswire service for grassroots newspapers on everything from budget analysis, to healthcare indicators. ■

List of acronyms

ABC – Audited Bureau of Circulation
AIP – Association of Independent Publishers
AMAC – Arts and Media Access Centre
Capro – Sales house for community press
IAJ – Institute for the Advancement of Journalism
Idasa – Institute for Democracy in South Africa
LSM – living standards measure
MDDA – Media Development and Diversity Agency
NiZA – Nederlands Instituut voor Zuidelijk Afrika
OSF – Open Society Foundation
PMSA – Print Media South Africa