

ABC Q3 figures forecast tough times

 By Gill Moodie

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"It's going to be a tough Christmas," concluded Gordon Patterson in his presentation of the third-quarter (Q3) [Audit Bureau of Circulations](#) (ABC) figures released in Johannesburg last week.

"There is no doubt that while some titles continue to grow, overall the general poor health of the economy and cost-cutting measures by publishers will increasingly shape the print landscape," he said.

"We have companies up for sale, others with new owners and even within the most stable, the very real chance of retrenchments and further title closures," said Patterson, who is MD of Starcom MediaVest Group and ABC vice president.

There are, all told, few positive signs on the horizon as the depressing thought that stagflation - low growth coupled with high inflation and high unemployment - is probably here to stay in South Africa.

When it comes to our print industry, even the most well run companies need a sustained pick-up in the economy - and not just the traditional Christmas spending spike - to get moving again.

Pummelled by media inflation

[Ramsay Media](#) MD Stuart Lowe [told me recently](#), for example: "...We've just come off two years of the ad spend in the magazine sector declining by 5% (the experts say it has moved to TV) - and everybody has growth aspirations. So if you plug in your growth aspirations of 10% hypothetically and the market shrinks by 5%, then you've got nowhere to go - you've got to seriously contain your costs and urgently look for new revenue streams. So 2012 has been a hard year in that regard, I think, for everybody - and Ramsay Media's been no exception."

So what do you do if you're being pummelled by [media inflation](#) on the one side - that is, the cost of your ad space is rising because your circulation is declining - and, on the other side, prospects for growth are being curtailed by a straightened economy?

Well, companies like Ramsay - which publishes magazines such as *Car* and *Getaway* - are pursuing a strategy to become multi-platform and diversify income to reduce reliance on advertising revenue. You see the same thing happening in [Media24](#) - which is full steam ahead towards digital, developing apps for all its titles and piloting a [big e-commerce push](#) with Sarie.com. Some companies - like [Times Media Group](#) (previously Avusa) - don't appear to have clearly defined strategies (that I can read anyway) and then you get [Independent Newspapers](#), which is doing nothing because the impending sale of the group means that it is in a holding pattern.

In fact, I think it's probably fair to say that the Irish owners of Independent Newspapers have completely hamstrung the group because it is cutting costs everywhere to make it appear more attractive to potential buyers.

Let's hope that gets wrapped up soon and the new owners are local who understand that investment must be made if the titles are to survive. Barring *Isolezwe*, the Indie's newspapers desperately need some vooma! You can't expect advertisers to believe in you if you don't appear to believe in yourself.

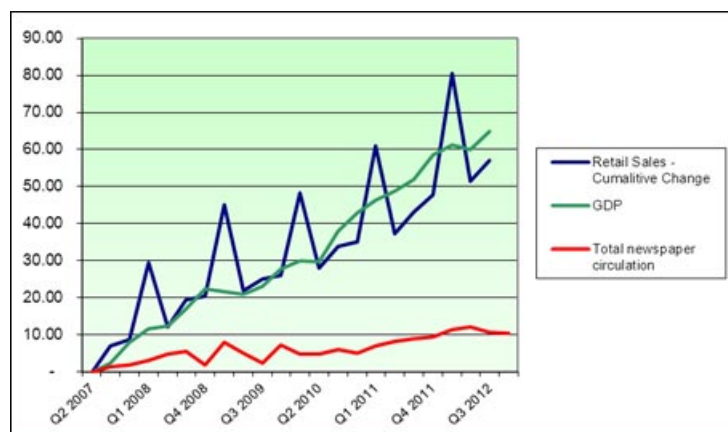
Key trends

But back to the ABC figures - and the key trends pulled out by Patterson include:

- The daily-newspaper category continues to decline with several sharp drops in total circulation although growth in vernacular circulation continues. Independent Newspapers' *Isolezwe* rose 0.8% in Q3 of this year to 107,628 total circulation from the corresponding period in the previous year. Four Independent Newspapers titles showed the largest declines although a large part of this is due to the fact that the company has reduced incentivised sales: the *Cape Argus* was down 27% to 33,006 total circulation from the year before; *The Star* was down 23% to 105,686; the *Cape Times* down 20% to 34,523; and the *Pretoria News* down 17% to 19,235.
- Weekly newspapers - led by [Ramcom's Motorsport World](#) (up 47% to 4,246 total circulation) and Media24's *Soccer Laduma* (up 5% to 360,668) - posted solid growth.
- English and Afrikaans weekend newspapers continued to slide - led by Independent Newspapers' *The Saturday Star* (down 22% to 75,682 total circulation from the year before); *Pretoria News Saturday* (down 22% to 11,174); and Media24's *Sondag* (down 17% to 39,085). Vernacular growth continues with Independent Newspapers' *Isolezwe ngeSonto* showing the biggest growth (up 4% to 84,577 total circulation from the year before).
- While overall consumer-magazine circulation is down sharply, we still see strong growth from titles such as Media24's *Kuier* (up 68% to 78,896 total circulation from the year before); Media24's *Kick Off* (up 35% to 61,140), and Caxton's *Living and Loving* (up 34% to 29,257). Sciofon's *Playboy*, however, dropped 65% to 3,839 total circulation from the year before.

How Independent Newspapers' *Cape Argus* and *Cape Times* is faring this year is a source of great interest to the industry because in March, the *Argus* [changed from broadsheet to compact format](#) and started moving from the afternoon into the morning market - raising concerns that although they serve different markets, the *Argus* might cannibalise the *Cape Times* sales.

Chris Whitfield, editor-in-chief of the company's Cape titles, told Bizcommunity this week that the bulk of the drop in *Argus* and *Cape Times* sales came from the removal of incentivised sales.

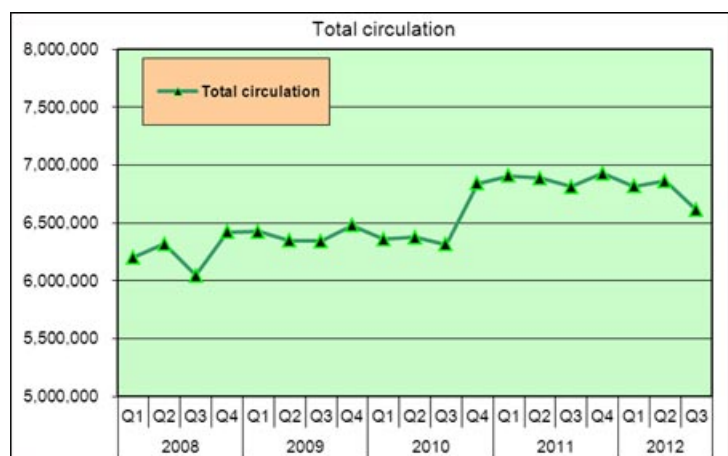


Newspaper performance relative to economic measures: Total newspapers declined by 30,000 copies in Q3 2012 compared with the previous quarter. (Graph courtesy of Gordon Patterson's presentation of Q3 2012 figures.)

However, there are nonetheless signs of circulation decline that must be addressed, he said. The good news is that there are also now indications that the *Argus* has turned a corner as its morning sales are picking up.

(In case you don't know, incentivised sales are those that are discounted or given away for free such as in third-party bulking deals or what is termed "Print Media in Education" (PMIE), which are papers given to schools to aid literacy and education. The *Argus* and *Cape Times* started doing away with incentivised sales during the second quarter of this year.)

Another title I've been watching closely is Media24's Afrikaans fortnightly women's magazine *Kuier* - launched in 2009 - which has been experiencing phenomenal growth since Kay Karriem took over as editor in 2010.



Four-year category trend by quarter for consumer magazines: Circulation increased annually by 1.4% (406,000 copies) over the period. (Graph courtesy of Gordon Patterson's presentation of Q3 2012 figures.)

Karriem told Bizcommunity that the magazine - which is strong on human-interest stories - fills two important gaps in the Afrikaans market: for coloured women and for a mid-market product (for LSM 6-8).

She says her team is very conscious of the fact - especially given the current economic climate - that the magazine differentiates itself from others by offering real value for money. "Our focus is on extreme customer care... While we inform and educate and do all of those things, our main priority is to engage. You should be able to identify with what goes on in the magazine... so that we reflect the readers' reality but we also want them to be comfortable."

Karriem believes that there is more room to grow precisely because of the country's tough economic conditions and because *Kuier* is constantly examining its value proposition.

At R8 cover price, it's not a "glossy" - but these are hardly glossy times. Well done to Karriem and paying attention to the detail in her warm-hearted product. I hope it continues to grow!

For more:

- Bizcommunity: [Paying more for less: the devastating tale of media inflation](#), Sept 2012
- Bizcommunity: [Issolezwe shows how it's done in ABC results](#), Sept 2012
- Bizcommunity: [M&G, Argus and Cape Times ABC backstories reveal future trends](#), Aug 2012
- ABC: [Third quarter 2012 presentation by Gordon Patterson](#)

ABOUT GILL MOODIE

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