

Paying more for less: the devastating tale of media inflation



By Gill Moodie: [@grubstreetSA](#)

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The big story for print media these days is circulation decline but something else piqued my interest in the presentation of the most recent figures from the [Audit Bureau of Circulations of South Africa](#) (ABC) - for the second quarter of this year. It's the devastating tale of "media inflation" or, broadly speaking, the cost of reaching consumers by buying adverts in the media.

Using data from the first quarter of 2012 compiled by [Ibis Media Data Services](#), Gordon Patterson, MD of Starcom MediaVest Group and ABC vice president, said in the presentation (my notes in brackets):

- Media inflation is running at more than twice the expected South African CPI rate of 6%.
- Media delivery (performance in terms of print circulation, radio listenership and TV viewership) has dropped by 2.3% while (advertising) rates charged have increased by 10.4%.
- Value (Media Inflation Watch or MIW, that is, performance versus the ad rates) has decreased by 14.7% - last seen in 2008.

When it comes to inflation for the print media, Patterson (using the Ibis Q1 figures once again) said:

- While print-rate increases have generally been reasonable, the ongoing circulation declines continue to undermine the value offered.
- Daily newspapers have performed poorly, delivering 16% less value than a year ago. (Ad rates for the dailies on average grew by 4.8% while circulation year-on-year dropped by 9.1%).

What this essentially means is that because of circulation decline, many newspapers are asking more (of advertisers as they put their ad rates up) for delivering less... and you can bet this is not going unnoticed with the media planners, who work to get the most out of media for their clients.

Getting more targeted

However, Mike Leahy, originator and owner of Ibis Media, points out that if a title's circulation is declining it doesn't necessarily follow that its advertising value is declining by the same proportion. The title may in fact be getting more targeted in terms of audience.

"Sometimes a lower circulation that is matched up with other factors can mean a better advertising buy," he says. "All

publications are niche publications so if you're getting more of the niche that you want it may mean that, if the rates are held at a reasonable level, the value could be better.

"If there was one easy answer to declining circulation, then print-media owners would have fixed it but there's a lot more to this," says Leahy, pointing to six key drivers behind circulation decline:

1. There are simply more titles around - especially magazines and including imported titles - and, therefore, there are fewer people per title than before. This can offer more targeted advertising but it also means more expensive advertising as smaller publications do not have the economies of scale that big titles do.
2. Distribution policies: some of the bigger titles have intentionally cut back on distribution (especially to far-flung areas) to bring costs down.
3. Cover-prices increases in South Africa have outpaced the consumer price index and some consumers will have stopped or cut back in frequency the buying of newspapers.
4. There is competition from free "custom" magazines - many of which are very well edited - such as those of clothing retailers or medical aids.
5. Print titles are generally getting thinner because of less advertising, which may be perceived as lower value (especially with higher cover prices!) by consumers.
6. Because other media such as online, social networks, radio and TV can break news faster, many newspapers have become more like magazines rather than newspapers. "Given the other five factors, I think a number of people are still in the market for a newspaper but they'll only buy it when there are major breaking news stories like an election or Zuma's Spear picture."

Patterson, who has been a key driver in South Africa in focusing on core circulation, says: "The irony is that what I've seen is that the media owners with the highest media inflation - real media inflation, in other words declining audience and increasing rates - are the ones that tend to do the most self-promotion: the organising of events and socialising and stuff like that. They rely a lot heavier on relationships.

"Maybe I'm just being cynical but when times are tough, I think you should start looking at the important stuff rather than trying to deflect industry attention away from what's important."

Leahy says that justifying ad-rate hikes with the rising costs of printing doesn't quite wash either. "If they're reducing the number of copies they're printing and distributing, they're saving money... And if the magazines and newspapers are getting thinner, they're saving on (the cost of) trucks."

On the other hand, says Patterson, his sense is that the media buyers, planners and marketers are not as acutely focused as they used to be. "The industry is easily distracted - not just because of inexperience but the other factor is the tenure that people tend to spend in an organisation. People tend to move around quite a lot. If you're lucky, by the time the chickens come home to roost, you're gone."

Audience delivery

2008 - which was when recession first struck - was the last time there was a drop in audience delivery (in print circulation, TV viewership and radio listenership), says Patterson, while it grew through 2009, 2010 and 2011. Now this year, it seems delivery is moving into negative territory again.

He says that another thing to bear in mind is that discounting is widespread and, therefore, many ad-rates cards bear little relation to what people are actually paying.

And if the circulation decline has been quite severe for a title, he says, a discount is actually what you should be paying rather than a discount.

"As I say in my presentations if you are seeing a schedule and you're comfortable with it, then you're probably missing a trick. The value is to be found in the unfamiliar; not the familiar.

"Look at stations like [Vuzu \(youth TV channel on DStv\)](#) - the rates increased by 50% but the audience jumped 82%. I don't mind paying more for more, particularly like that. But when you get stations like Sky TV where the rates jumped by 76% and audiences dropped by 30% then there's a bigger problem... If you're going with the familiar choices, then you're probably in, all honesty, accelerating media inflation."

Patterson says it's not all gloom and doom for print and he sees sunshine in the real growth in vernacular titles such as *Isolezwe*.

"Some newspapers are doing something right and some are doing something wrong," he says. "I think it comes down to leadership within the publishing group. It comes down to the content... People today are less tolerant, I believe, in accepting content that doesn't satisfy their needs and they show it democratically in the circulation - certainly when you look at core circulation because that's paid-for dinkum circulation."

"The big issue with print right now is that it's just not sexy," says Leahy, but he also warns against publishers throwing the baby out with that bath water because print in SA is still a very big medium.

Many believe that the 1960s or 1970s were daily newspapers' heyday, he says, but in fact it was the Noughties that saw record circulation highs in South Africa.

"The top five dailies in the year 2000 were the *Sowetan*, *The Star*, *Die Burger*, *The Citizen* and *Beeld*. In 2010, three of the top five publications didn't exist 10 years previously: *Daily Sun*, *Son* and *Isolezwe*. The average upmarket traditional newspaper reader might say *Isolezwe* and *Daily Sun* aren't really very good newspapers but, by the same token, they have found a market that didn't exist 10 years. I think that's fantastic."

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- Bizcommunity: [M&G, Argus and Cape Times ABC backstories reveal future trends](#), August 2012
- Bizcommunity: [isiZulu papers, City Press are the ABC circ winners](#), May 2012
- Bizcommunity: [Newspapers dire but not dead, say latest ABC circ numbers](#), February 2012
- Bizcommunity: [Magazine ABC circ holds promise but consumer loyalty declining](#), February 2012
- ABC: [Second quarter 2012 presentation by Gordon Patterson](#)

ABOUT GILL MOODIE: @GRUBSTREETSA

Gill Moodie (@grubstreetSA) is a freelance journalist, media commentator and the publisher of Grubstreet (www.grubstreet.co.za). She worked in the print industry in South Africa for titles such as the *Sunday Times* and *Business Day*, and in the UK for Guinness Publishing, before striking out on her own. Email Gill at gill@grubstreet.co.za and follow her on Twitter at @grubstreetSA.

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