

Annexure A

REQUEST FOR INFORMATION (RFI) FOR THE CONSIDERATION TOWARDS THE DEVELOPMENT OF A REQUEST FOR BIDS FOR THE APPOINTMENT OF A MULTI-MEDIA DISTRIBUTION SERVICE PROVIDER FOR ALL GCIS-PRODUCED PRODUCTS AND AD-HOC WORK FOCUSING MORE ON THE NATIONAL, MONTHLY DISTRIBUTION OF THE GOVERNMENT NEWSPAPER, VUK'UZENZELE.

RFI : 001/ 2023_2024

1. INTRODUCTION:

- 1.1. The Department of Government Communication and Information System (GCIS) is inviting service providers (hereafter referred to as "prospective bidders") to submit proposal to test the market on a multi-media distribution of all GCIS produced products and ad-hoc work focusing more on the monthly, GCIS-produced newspaper, *Vuk'uzenzele*.
- 1.2. The costing and information provided by the prospective bidder should be based on a contract period of three years from 1 April 2024 – 31 March 2027.
- 1.3. In line with the preferential Procurement Policy Framework, Act 5 of 2000, Preferential Procurement Regulations of 2022 and the GCIS Supply Chain Management policy, for this RFI GCIS would like to do business with prospective bidders where at least 30 % are outsourced to suppliers / Enterprises that are owned by Historically Disadvantaged Individual (HDI), Women, Disability, Youth and EME's/QSE's .
- 1.4. Potential bidders / suppliers are to ensure that they provide the relevant required supporting documentation to claim the preference points. The required supporting documentation and descriptions is outlined on the paragraphs below;
- 1.5. Qualifying Small Enterprise (QSE) and Exempted Micro Enterprise (EME) that are in cities and urban areas in all nationwide.
- 1.6. To claim preference points in this regard, potential bidders / suppliers are to provide the following information;
 - (i) Valid Proof of Business address in the form of utility statement, electricity bill, or Municipality statement not older than six (6) months from the date this RFI is issued.
 - (ii) Valid company and Intellectual Property Commission (CIPC) company registration documents must be submitted.

- (ix) Detailed report from the Central Suppliers Database (CSD) report reflecting the directorship and ownership of the company. The CSD report must not be older than the date the RFI was issued. GCIS will also print the latest report to confirm the information disclosed by potential bidders / suppliers to claim the preference points.
- (x) Valid company and Intellectual Property Commission (CIPC) company registration documents must be submitted.

1.13. Prospective bidders should set out to offer value for money, bearing in mind the importance of public service, the current economic climate and the fact that the funds available are derived from the broader South African public, which includes the business community itself. It is expected that the cost will not exceed R 20 000 000.00 for the 3 year period in total.

1.14. The current tender specifications for 2022 - 2024 have been attached for your reference as **Annexure A**.

1.15. In addition, the prospective bidder should provide information and costings for a multi-media approach in order to distribute the content.

1.16. For further background information kindly refer to the attached summary (**Annexure B**) of the recent distribution feasibility study that was conducted: **INDUSTRY FEASIBILITY STUDY TO DETERMINE THE FEASIBILITY OF "KNOCK-AND-DROP" DISTRIBUTION COMPANIES OUTSOURCING 30% OF THEIR DISTRIBUTION CONTRACT TO SMALLER CONTRACTORS (SMMES)**

1.17. Prospective bidders should use the case study **Annexure C** that focuses on the GCIS-produced newspaper, Vuk'uzenzele, and will inform the basis of your submission in terms of the scenario in order to provide a costing for the hard copy distribution of the newspaper.

2. **Background:**

2.1. *Vuk'uzenzele* is produced by the GCIS to enhance awareness of government programmes and opportunities for citizens. The newspaper is distributed mainly in communities that have limited access to commercial media. The 16-page, tabloid-format newspaper with a print run of 850 000 copies per edition will be distributed once a month. There is a second edition which is available only online.

- 2.2. The publication supports GCIS efforts to ensure that citizens are empowered with information about opportunities that they can access and use to improve their lives and those of the communities within which they live. The publication is a carrier of government communication campaigns, including tenders and notices (online) as well as public / private sector advertising.
- 2.3. *Vuk'uzenzele* is available free of charge and is translated in all official languages, including Braille. *Vuk'uzenzele* can also be found on the Government mobile application a PDF edition is available online at www.vukuzenzele.gov.za

3. **Target Audience of the newspaper**

- 3.1. *Vuk'uzenzele* is meant for all South Africans with a specific target audience for the hard copy.
- 3.2. According to the Government Segmentation Model (GSM) the hard copy target audience form mainly part of Segment 1 (Rooted Realists) whereas the *Vuk'uzenzele* mobile application and online version are aimed at Segment 2 (City Seekers), Segments 3 (Safety Suburbs), 4 (Metro Mobiles) and 5 (Cosmopolitan Capital) including those having access to internet and data.
- 3.3. Rooted Realists are more predominant in Kwa-Zulu Natal, Limpopo, Mpumalanga, Eastern Cape and in decreasing numbers in North West, Free State, Gauteng, Western and Northern Cape.
- 3.4. Please find attached **Annexure D – GSM model**.

4. **The current hard copy distribution methodologies and channels**

4.1. **Knock-and-Drop distribution**

- 4.1.1. This is the primary and preferred means of distribution.
- 4.1.2. Research conducted by GCIS indicates that readers/users of the newspaper prefer knock-and-drop as a distribution method. Approximately 94% of the publication is distributed to the target audience through knock-and-drop, with an expected penetration level of 100% of households in specified distribution areas (with the exception of left over copies in order to round off to the total of 850 000 copies per edition).

4.2. **GCIS Head Office, Provincial and District Offices**

4.2.1. Approximately 3% of the print run is distributed to selected distribution outlets.

4.2.2. Provincial and district offices are located in each province. GCIS Officers linked to these offices receive the newspaper and disseminate it during community outreach programmes, events and workshops with the local communities they service. These offices also have Information Resources Centres (IRC) where the public can access information on government programmes.

4.2.3. The GCIS head office is located in Pretoria, it serves as a distribution point for getting the newspaper to individual subscribers including Ministers, Deputy Ministers, Directors-General, media representatives and the GCIS Information Resource Centre (IRC).

4.3. **Activations**

4.3.1. Brand activations are currently playing a key role in increasing awareness levels. Approximately 3% of print run is distributed at taxi ranks. See attached Annexure E.

4.3.2. Other distribution methodologies may include hand-outs, courier, freight transportation, postal services etc.

5. **The Invitation to provide information**

5.1. Prospective bidders are expected to address the following **DISTRIBUTION OBJECTIVES** in their proposals:

5.1.1. ***Effective planning, management and execution of the distribution process:***

5.1.1.1. Address the strategy development aspects, planning, how language breakdown will be developed, counting of stock, distribution of the hard copy within 5 days of printing to the public, proof of delivery methods and monitoring aspects.

5.1.2. ***Effective reach of the primary target market Rooted Realists areas; also, GCIS provincial and district offices:***

5.1.2.1. Demonstrate a national infrastructure capability of handling current and potential future growth of the publication. This infrastructure includes warehouses, appropriate delivery vehicles, materials handling equipment, distribution management technology and / or manual processes as well as human capital across the network.

- 5.1.2.2. Provide information regarding the datasets available to reach Rooted Realists and City Seekers.

- 5.1.3. ***Ensuring that the correct language breakdown is done so that the publication is distributed to the correct target market:***
 - 5.1.3.1. Provide information regarding the use of suitable systems to reach City Seekers and Rooted Realists, which will guide the correct language breakdown per area.

- 5.1.4. ***Maintaining a regular, successful distribution turnaround time for each distribution drive:***
 - 5.1.4.1. Indicate the turnaround time to distribute 850 000 copies per month of the newspaper per distribution methodology.

- 5.1.5. ***Implementation of mechanisms to evaluate the effectiveness and impact of the distribution strategy as well as the distribution processes for the publication:***

- 5.1.6. ***Innovation and Digital broadcasting***
 - 5.1.6.1. Provide information on how the newspaper can be distributed and marketed in an Innovation manner with costings.
 - 5.1.6.2. Provide information on a multi – media approach and the costing thereof.

- 6. **Specific requirements associated with the response to the RFI and Information to be submitted by all bidders:**
 - 6.1. It is a specific requirement that the RFI proposal indicates how at least 30% of the contract will be outsourced to advanced designated groups specifically registered on the Central Supplier Database (CSD) on the National Treasury Website with proof of registration.
 - 6.2. Bids shall be in the form of a proposal in which the prospective bidder will indicate why s/he would be able to execute the contract to the satisfaction of the GCIS and the following aspects will have to be addressed in particular:
 - 6.3. RFI proposals must include a comprehensive company profile. Prospective bidders must furnish as much information as possible.

- 6.4. A detailed outline of the modus operandi and the handling, operation and servicing of the account must be furnished. An indication of how the service provider will execute the work from first engagement with GCIS post appointment and the following phases of distribution of the newspaper:
- Pre
 - During
 - Post
- 6.5. Completion and submission of the case study as per the attached template (**Annexure F**).
- 6.6. Considering that the contract comprises the provision of distribution services for 850 000 newspapers Rooted Realist and City Seekers across the country, an indication of the extent of available infrastructure and capacity to handle the entire contract must be provided as per attached template (**Annexure G**). A detailed breakdown of people, vehicles, sites, materials handling equipment per branch / agent must be submitted.
- 6.7. An indication of how the prospective bidder will ensure involvement of B-BBEE and small business must be included. At least 30 % of the contract to be outsourced to designated groups and proof of registration of outsourced companies on the Central Supplier Database is required as part of the submission.
- 6.8. Have proven ability and/or manifest potential to provide a satisfactory distribution service to the State.
- 6.9. Be able to offer a cost-effective service to the State: in other words, the service should cost the State less than what it would cost to handle the distribution itself in a decentralised manner as discounts based on bulk, volume and frequency would be accrued.
- 6.10. The bidder must be registered as a service provider on the Central Supplier Database (CSD) including outsourced service providers. If you are not registered, proceed to log on [https://secure.csd.gov.za to register and submit proof of registration](https://secure.csd.gov.za/register-and-submit-proof-of-registration). However, at the award stage the bidder must produce proof of registration on CSD, if not the bid proposal will be disqualified and considered non-responsive.
- 6.11. In summary, complete and submit **Annexure C, F and G**.
7. Pricing:

7.1. The pricing schedule for distribution should be structured as follows:

Period	Total print run	Number of editions	Total cost including VAT and any other increases applicable.
1 April 2024 – 31 March 2025	10 2 000 000	12	R
1 April 2025 – 31 March 2026	10 2 000 000	12	R
1 April 2026 – 31 March 2027	10 2 000 000	12	R

7.2. Bids should provide a detailed outline of the total cost for each distribution drive, and all the variables that were considered to quantify the quoted cost, as well as special negotiated tariffs / percentage discounts which are offered.

7.3. Rates per copy will be fixed for the thirty six (36) distribution editions

7.4. The total cost should include VAT and other increases applicable.

7.5. The pricing for a multi- media should be outlined per activity proposed e.g WhatsApp distribution, Online, Social Media platforms etc.

8. Submission of the RFI

8.1. Potential service providers are welcome to communicate in writing to the GCIS to get clarity.

8.2. Deadline for submission of bids: Prospective bidders must submit their bids (information required and all relevant documents and forms attached to this bid) **to GCIS by no later than 11:00 on 09 June 2023.**

8.3. Complete and sign where applicable, all the attached forms in full.

8.4. Deposit information bids in a sealed envelope, for the attention of The Head: Supply Chain Management, with the proposal description, Bid number and closing date in the "Tender Box" at the reception at GCIS headquarters, 1035 Tshedimoseiso House, Cnr Festival and Frances Baard Streets, Hatfield.

9. Enquiries

For information on **bidding procedures and procurement related issues**, please contact: tenders@gcis.gov.za

OR

9.1. **FOR CONTENT RELATED QUERIES ONLY**

Contact Person: Nicolette Prinsloo
Director: Marketing and Distribution
Tel: (012) 473 0203 / 0723352801
Email: nicolette@gcis.gov.za

9.2. **FOR BIDDING PROCEDURES QUERIES ONLY**

Contact Person: Mpho Ramashi
Supply Chain Management
Tel: (012) 473 0194
Email: Mpho@gcis.gov.za

9.2.1. Contact Person: Namane Mahlaba
Supply Chain Management
Tel: (012) 473 0093
Email: namane@gcis.gov.za

Approved

Ms Regomoditswe Mavimbela
Deputy Director General
Content Processing and Dissemination
Date:

Annexure A

BID SPECIFICATIONS FOR THE APPOINTMENT OF A DISTRIBUTION SERVICE PROVIDER FOR ALL GCIS-PRODUCED PRODUCTS AND AD HOC WORK FOCUSING MORE TOWARDS THE NATIONAL, FORTNIGHTLY DISTRIBUTION OF THE GOVERNMENT NEWSPAPER, *VUK'UZENZELE*.

RFB 009 - 2021/2022

The Opportunity: The Department of Government Communication and Information System (GCIS) is inviting service providers to submit proposals on the distribution of all GCIS produced products and ad-hoc work focusing more on the fortnightly, GCIS-produced newspaper, *Vuk'uzenzele*.

The successful bidder will be appointed for a contract period of twenty-three months (23 months) from 1 May 2022 – 31 March 2024.

The distribution contract will cover the April 2022 edition to February 2024 edition (23 editions) . The service provider will be appointed in May 2022 in order to distribute the April 2022 edition and May 2022 edition.

This is an opportunity for a service provider to join GCIS in the execution of marketing tactics and dissemination of publications containing information that helps to improve the lives of millions of South Africans and encourages citizens to be active participants in this democratic society.

Bidders should set out to offer value for money, bearing in mind the importance of public service, the current economic climate and the fact that the funds available are derived from the broader South African public, which includes the business community itself.

For the purpose of evaluating prospective bidders for the tender, the case study Annexure A will focus on the GCIS-produced newspaper, *Vuk'uzenzele*.

1. Background:

1.1. *Vuk'uzenzele* is produced by the GCIS to enhance awareness of government programmes and opportunities for citizens .The newspaper is distributed mainly in communities that have limited access to commercial media. The 16-page, tabloid-format newspaper with a print run of 850 000 copies per edition will be distributed once a month.

1.2. The publication supports GCIS efforts to ensure that citizens are empowered with information about opportunities that they can access and use to improve their lives and those of the communities within which

they live. The publication is a carrier of government communication campaigns and recruitment vacancies including tenders and notices

- 1.3. *Vuk'uzenzele* is available free of charge and is published in all official languages, including Braille. *Vuk'uzenzele* has its own mobile application and a PDF edition is available online at www.vukuzenzele.gov.za
- 1.4. Ad hoc distribution work ranges from products such as Annual Report, Official Guide to South Africa or work briefed in by government departments. The distribution methodologies can differ per product.

2. Target Audience of the newspaper

- 2.1. *Vuk'uzenzele* is meant for all South Africans with a specific target audience for the hard copy.
- 2.2. The primary target market for the hard copy gives preference to communities residing in rural areas. Current research findings indicate that rural areas are more predominant in Kwa-Zulu Natal, Limpopo, Mpumalanga, Eastern Cape and in decreasing numbers in North West, Free State, Gauteng, Western and Northern Cape.
- 2.3. Furthermore it should be indicated that according to the Government Segmentation Model (GSM) the hard copy target audience form mainly part of Segment 1 (Rooted Realists) whereas the *Vuk'uzenzele* mobile application and online version are aimed at Segment 2 (City Seekers), Segments 3 (Safety Suburbs), 4 (Metro Mobiles) and 5 (Cosmopolitan Capital) including those having access to internet and data.

3. Distribution methodologies and channels

3.1. Knock-and-Drop distribution

- 3.1.1. This is the primary and preferred means of distribution.
- 3.1.2. Research conducted by GCIS indicates that readers/users of the newspaper prefer knock-and-drop as a distribution method. Approximately 94% of the publication is distributed to the target audience through knock-and-drop, with an expected penetration level of 100% of households in specified distribution areas (with the exception of left over copies in order to round off to the total of 850 000 copies per edition).
- 3.1.3. Through the use of research tools / systems, it is necessary to have a Geographic Information System (GIS) capable of modelling Census and other associated demographic research data, the appointed distribution service provider must be able to identify the areas and locations of the

target market of the publication. This information is critical and must be used to inform the knock and drop distribution strategy.

3.2. **GCIS Head Office, Provincial and District Offices**

3.2.1. Approximately 3% of the print run is distributed to selected distribution outlets.

3.2.2. Provincial and district offices are located in each province. GCIS Officers linked to these offices receive the newspaper and disseminate it during community outreach programmes, events and workshops with the local communities they service. These offices also have Information Resources Centres (IRC) where the public can access information on government programmes.

3.2.3. The GCIS head office is located in Pretoria, it serves as a distribution point for getting the newspaper to individual subscribers including Ministers, Deputy Ministers, Directors-General, media representatives and the GCIS Information Resource Centre (IRC).

3.3. **Activations**

3.3.1. Brand activations are currently playing a key role in increasing awareness levels. Approximately 3% of print run is distributed at taxi ranks.

3.3.2. Other distribution methodologies may include hand-outs, courier, freight transportation, postal services etc.

4. **The Challenge:**

4.1. Bidders are expected to address the following **DISTRIBUTION OBJECTIVES** in their proposals:

4.1.1. ***Effective planning, management and execution of the distribution process:***

4.1.1.1. The successful bidder should have recognised, market-related experience and proven competence in knock-and-drop as well as physical distribution to outlets. Such experience should have been gained distributing high volumes of printed marketing, advertising and communication material to the same or similar markets of the newspaper, viz. residing in deep rural, rural and peri-urban markets.

4.1.1.2. Experience gained in distribution services to Public Sector organisations is preferred but not an absolute prerequisite.

- 4.1.1.3. The successful bidder should demonstrate a proactive, hands-on approach to the manner in which the work is planned, managed and executed. Formal quality management systems and continuous improvement programmes must form part of the business process of the organisation.
- 4.1.1.4. The successful bidder's services should at all times be available to the GCIS. This means bidders must prove effective continuity and disaster management plans as well as the understanding that GCIS is a priority customer given the markets served and the nature of the product being distributed.
- 4.1.1.5. A dedicated management/project team will be a requirement. Members should avail themselves to attend pre-distribution, post-distribution and operation meetings/workshops.
- 4.1.1.6. At commencement of the contract, GCIS will provide the successful distribution service provider an initial distribution strategy linked to a distribution plan at suburb level. It is a requirement that this data be translated by the appointed service provider into a distribution plan, which will be managed by the service provider and any changes will be approved by the GCIS. It must be noted that this data remains the property of GCIS and will be retained at the end of the contract period.
- 4.1.1.7. Bidders must develop a distribution strategy and plan under the management and approval of the GCIS Distribution Manager during pre-distribution meetings for each edition of the newspaper. This strategy and plan should include distribution via knock-and-drop to homes, GCIS Head Office, Vuk'uzenzele Head Office, GCIS Provincial Offices, GCIS District Offices and Parliament including branded activations.
- 4.1.1.8. In addition bidders must develop a breakdown of the languages, posters and the quantities required per distribution depot for production and delivery purposes by the printers.
- 4.1.1.9. Receipt and counting process of the newspaper on delivery by the printer/s directly at distribution depots, shrink-wrapped in batches of 100 copies each. A print-run verification sheet and Stock Report confirming stock received must be sent to the Distribution Manager on the same day stock was received. GCIS will supply a template for completion post award of the tender.
- 4.1.1.10. Distribution will commence the following day upon receipt of stock from the printer the previous day by 12h00.
- 4.1.1.11. A distribution period of 5 (five) days will be allowed to distribute to bulk points and knock and drop areas.
- 4.1.1.12. Packaging and transportation of the newspaper to the identified distribution outlets to be informed by the specific distribution strategy

and plan agreed between the two parties prior to distribution. Note that shipping/distribution is not allowed prior to the finalisation of the distribution strategy; the strategy must be approved by designated officials from both parties.

- 4.1.1.13. The bidder will be responsible for repackaging the printed material, according to addresses, quantities and languages indicated in the distribution plan approved by the GCIS.
- 4.1.1.14. The distribution for each edition should be completed within 5 working days after the agreed commencement date. It is a requirement that distribution to both areas for knock-and-drop as well as to the selected outlets be executed in line with a specific date per point (in the case of points) and per area (in the case of knock and drop area). These dates will be assigned by the distribution service provider and communicated to GCIS, 3 working days prior to agreed commencement date. No amendments will be accepted after submission of the plan as indicated.
- 4.1.1.15. Currently, promotional posters are printed and distributed per quarter. The successful service provider will be expected to assist the Distribution Manager to distribute and display the posters according to the distribution strategy or otherwise directed by GCIS.
- 4.1.1.16. The successful service provider must provide daily feedback to the Distribution Manager on planned vs actual distribution progress made. Standard reports emailed will be required unless otherwise agreed to.
- 4.1.1.17. The service provider must keep distribution documentation per-edition relating to pre-distribution, during distribution and post distribution at branch/depot level, including the service provider head office. These files must be available for inspection by GCIS officials and kept in good order.
- 4.1.1.18. The distribution service provider will be required to provide adequate proof of delivery for distribution to outlets as well as through knock-and-drop. These documents must be used to develop a presentation which is to be presented to GCIS within 21 working days after the completion of distribution. It is a requirement that proof of delivery must be standardized across the entire distribution network. A copy of the proof of deliveries for knock-and-drop as well as points must accompany this bid.
- 4.1.1.19. The successful service provider must provide an accurate account of all newspapers received and distributed.
- 4.1.1.20. The successful service provider will be required to attend a weekly operations meeting with the GCIS Distribution Manager.
- 4.1.1.21. Where deviations from the agreed distribution plan occur, the service provider will be required to provide resolution within 2 (two) working days

of reporting. These will be tracked by GCIS on an issue log which is then addressed at the weekly operations meeting. However distribution must be completed within the 5 days of distribution.

- 4.1.1.22. One order number will be raised annually. However, the service provider is expected to submit quotations per edition which correspond to the approved distribution strategy.
- 4.1.1.23. GCIS will only pay upon supply of adequate proof of delivery; therefore the service provider is expected to provide all proof of deliveries in the agreed format with the invoice. Submission of the invoice as well as supporting documentation as indicated must take place within 21 days post completion of distribution.
- 4.1.1.24. An on-going plan with respect to managing the risk of dumping must be in place. This plan should involve various aspects i.e. internal communication, tracking of vehicles, physical inspection within the scope of operations as well as to high-risk sites which show potential for dumping i.e. recycling facilities.
- 4.1.1.25. The successful bidder will be required to quality control its own work and manage any sub-contractors in a highly professional manner to ensure alignment to the objectives of the newspaper.
- 4.1.1.26. As per the National Treasury regulation: *"A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an EME that has the capability and ability to execute the sub-contract."*

4.1.2. *Effective reach of the primary target market residing in rural and peri-urban areas; also, GCIS provincial and district offices:*

- 4.1.2.1. The prospective service provider is required to possess a national infrastructure which is capable of handling current and potential future growth of the publication. This infrastructure includes warehouses, appropriate delivery vehicles, materials handling equipment, distribution management technology and / or manual processes as well as human capital across the network.
- 4.1.2.2. It is expected that the prospective service provider is represented in all nine provinces and is able to reach deep rural, rural and peri-urban markets within the stipulated timeframes.
- 4.1.2.3. Under no circumstances will GCIS accept operations conducted out of makeshift warehouses or garages located on private or residential premises. It is expected that the potential service provider maintain a suitable standard of professionalism and security in this regard.

- 4.1.2.4. The service provider should have a pre-existing set of distribution databases containing outlets and areas where the rural and peri-urban markets can be effectively reached. These databases should clearly identify a target market at municipal, suburban and pocket (area within a suburb) level. The type of information, which should be available, is as follows:
- 4.1.2.5. For knock and drop areas:
- Rural and peri-urban breakdown per area
 - Household counts
 - Predominant language
- 4.1.2.6. For bulk drop points:
- Rural and peri-urban breakdown per point
 - Predominant language
 - Physical address
 - Postal address
- 4.1.2.7 For activations / loud hailer points e.g taxi ranks:
- Rural and peri-urban breakdown per area
 - Household counts in the area
 - Predominant language
- 4.1.2.8 Resources which are able to build and maintain databases associated with the distribution of the newspaper will be required.
- 4.1.3. ***Ensuring that the correct language breakdown is done so that the publication is distributed to the correct target market:***
- 4.1.3.1. The successful company should demonstrate a sound understanding of the dynamics of rural and peri-urban market. This should be evidenced through longstanding experience gained by serving the same or similar markets coupled with the use of reliable, accurate and relevant demographic data.
- 4.1.3.2. The potential service provider must make use of a suitable Geographic Information System which is capable of modeling Census as well as other geospatial data which guide and inform the distribution strategy of the newspaper.
- 4.1.3.3. The successful service will be required to transfer knowledge and skills to GCIS officials related to research tools such as Geographical Information Systems (GIS) used to identify and segment target markets.

4.1.4. *Maintaining a regular, successful distribution turnaround time for each distribution drive:*

4.1.4.1. The successful bidder will be required to distribute the publication within the timeframes agreed to in the distribution strategy approved for each distribution drive.

4.1.4.2. The overall time frame for distribution of the publication is 5 ½ (five and a half) working days broken down as follows; a max of 1/2 day for receipt, verification and preparation of stock for distribution thereafter 5 (five) days for actual distribution to points and distribution areas for knock and drop distribution.

4.1.4.3. The service provider must be able to handle current and potential future growth of the publication e.g. increase in the print run, increase in the number of pages, increase in distribution areas or points and as well the increase in the frequency of the publication to a weekly or daily distribution thereof.

4.1.5. *Sustaining a good working relationship between the appointed distribution service provider and GCIS as well as other stakeholders internal and external to government:*

4.1.5.1. The successful company will work closely with the Distribution Manager of the newspaper in order to ensure an extremely high level of service delivery to the target citizens.

4.1.5.2. It is expected that the service provider appoint or construct a dedicated management/project team headed by a hands-on Project Manager. The team should consist of members who are suitably qualified to handle a project of this nature. Ideally, the project team should be focused specifically on the distribution of Vuk'uzenzele. The project team should be able to support any ad-hoc work.

4.1.5.3. The Project Manager is expected to be available at all times and be highly responsive to the current and future distribution needs of the newspaper or ad-hoc work.

4.1.6. *Implementation of mechanisms to evaluate the effectiveness and impact of the distribution strategy as well as the distribution processes for the publication:*

4.1.6.1. It will be required that site visits are regularly conducted as well as checks and cold calls (which may involve participation by senior management, auditors, GCIS regional managers and departmental counterparts) to distribution sites to verify accuracy of registers, reports and operations by partners.

4.1.6.2. The service provider must have a functional monitoring and evaluation system in place, this means that they must be able to account for all copies of the newspaper received by them, stored and handled during the distribution process as well as after the distribution process has been completed. Regular feedback to GCIS on reach and use of the newspaper should be included in the proposal.

4.1.6.3. Make provision for the submission of completed, properly audited reports after each distribution drive including distribution directly to households. These reports are to be presented at a post distribution meeting, which will take place 21 days after the completion of distribution.

4.1.7. ***Innovation including ad hoc marketing and distribution work:***

4.1.7.1. It is required that the successful bidder keep abreast with newspaper and / or physical distribution or marketing best practices and inform GCIS where areas of opportunity exist – without creating operational instability and undermining current successes at any point in time.

4.1.7.2. The bidder should be able to execute or manage the outsourcing of any ad-hoc distribution, printing or marketing work in support of distribution projects. These requirements will be agreed upon per project or campaign. Herewith four examples. Example 1: Freight/bulk collection, transportation, splitting and packaging of stock and delivery to depots. Example 2: Courier work to points. Example 3: Printing of distribution or marketing material in support of a distribution project such as marketing collateral, branding, publications, poster etc. Example 4: Execution of activations or handouts.

5. **Specific Conditions:**

5.1. GCIS reserves the right to increase and decrease the print run, frequency and number of pages at any time throughout the contract period. This means that GCIS has the right to increase or decrease the distribution time frames throughout the contract period.

5.2. GCIS reserves the right to engage with any distribution service provider able to fulfil a specific distribution need where the successful company is unable to do so within the time, cost and quality aspects of the contract or approved distribution strategy per edition.

5.3. All databases and distribution data generated throughout the contract period is and remains the property of GCIS.

5.4. GCIS may require that the successful bidder provide quotations and provide services for knock and drop, bulk distribution, marketing support or ad-hoc work as in point 4.1.7.2 on projects other than Vuk'uzenzele. These will be communicated as and when the need arises.

- 5.5. The service provider will be required to work in conjunction with the Distribution Manager on any marketing activities undertaken by GCIS to promote the newspaper or ad-hoc publications.
- 5.6. It will be expected of the successful bidder to sign a Service Level Agreement (SLA) with GCIS prior to the commencement of distribution. The SLA will contain both performance and conformance penalty clauses.
- 5.7. Maintain strong ethical standards founded on the values of professionalism, honesty, openness and transparency in its work and its liaison with officials from GCIS.
- 5.8. The successful bidder must take out insurance for their own account to cover possible damage, spoilage, storage period, shrinkages and theft of the printed material to be transported and distributed in terms of the contract before the commencement of the contract. The successful bidder **must** have liability insurance for the duration of the contract period of not less than R1 500 000 (one million five hundred thousand rand) cover. Failure to submit a valid proof of insurance cover (not an undertaking to be covered but proof of insurance cover e.g insurance policy schedule) by the successful bidder within 07 (seven) business days after being issued with a letter of appointment will result in the cancellation of the award.
- 5.9. An invite will be sent to the successful Bidders, which includes the date, time and location.
- 5.10. At this stage, the Bidder/s will be granted an opportunity to clarify or elaborate on the initial proposal.
- 5.11. The presentation session is a fact-finding and explanation.
- 5.12. Session only and No negotiations will be entered into.

6. **Specific requirements associated with the response to the bid and information to be submitted by all bidders:**
- 6.1. The GCIS will be receptive to any existing consortium or any consortium being created for the purpose of rendering the required services as indicated in the specifications. Please refer to 4.1.1.26 with regards to sub-contracting.
- 6.2. Bids shall be in the form of a proposal in which the bidder will indicate why s/he would be able to execute the contract to the satisfaction of the GCIS and the following aspects will have to be addressed in particular:

- 6.3. Bid proposals must include a comprehensive company profile. Bidders must furnish as much information as possible. Relevant aspects, which have to be addressed by all bidders, are reflected in the evaluation criteria.
- 6.4. A detailed outline of the modus operandi and the handling, operation and servicing of the account must be furnished. An indication of how the service provider will execute the work from first engagement with GCIS post appointment and the following phases of distribution of the newspaper:
- Pre
 - During
 - Post
- 6.5. Completion and submission of the case study as per the attached template (Annexure B).
- 6.6. Considering that the contract comprises the provision of distribution services for 850 000 newspapers residing in rural and peri-urban areas across the country, an indication of the extent of available infrastructure and capacity to handle the entire contract must be provided as per attached template (Annexure C). A detailed breakdown of people, vehicles, sites, materials handling equipment per branch / agent must be submitted.
- 6.7. An indication of how the bidder will ensure involvement of B-BBEE and small business must be included.

7. Compulsory requirements - Parties wishing to bid must:

- 7.1. Have proven ability and/or manifest potential to provide a satisfactory distribution service to the State.
- 7.2. Be able to offer a cost-effective service to the State: in other words, the service should cost the State less than what it would cost to handle the distribution itself in a decentralised manner as discounts based on bulk, volume and frequency would be accrued.
- 7.3. The bidder must be registered as a service provider on the Central Supplier Database (CSD). If you are not registered, proceed to log on <https://secure.csd.gov.za> to register and submit proof of registration. However at the award stage the bidder must produce proof of registration on CSD, if not the bid proposal will disqualified and considered non-responsive.

8. Pricing:

8.1. The pricing schedule for distribution should be structured as follows:

Period	Total print run	Number of editions	Total cost including VAT and any other increases applicable.
1 May 2022 – 30 April 2023	11 050 000	13	R
1 February 2023 – 29 February 2024	8 500 000	10	R

8.2. Bids should provide a detailed outline of the total cost for each distribution drive, and all the variables that were considered to quantify the quoted cost, as well as special negotiated tariffs / percentage discounts which are offered.

8.3. Rates per copy will be fixed for the twenty-two (23) distribution editions

8.4. The total cost should include VAT and other increases applicable.

8.5. The grand total should be the same as on SBD 3.3 including Vat. Should there be inconsistency between this paragraph 9 and the SBD 3.3, the price offer reflected on SBD 3.3 will be deemed as the offer for this service "appointment of a distribution service provider for all GCIS-Produced Products and ad hoc work focusing more towards the national, fortnightly distribution of the government newspaper, Vuk'uzenzele .It is therefore the responsibility of the prospective bidder to ensure that there is consistency.

9. Bid Evaluation Method

9.1. The proposals will be evaluated in terms of the Preferential Procurement Policy Framework Act (Act 5 of 2000) and Regulation 2017 on the basis of functionality and the 80/20-preference points system.

9.2. The evaluation process will be as follows:

Gate 0: Pre-Qualification Criteria	Gate 1: Functionality (Minimum Score is 70% or more)	Gate 2: Presentations (Only Bidders who meet the minimum functionality score of 70% or more)	Gate 3: Price and B- BBEE Points
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<p>1. The bidder must be registered as a service provider on the Central Supplier Database (CSD). If you are not registered, proceed to log on https://secure.csd.gov.za to register and submit proof of registration.:</p> <p>2. The price to be considered will be the total price offer given in SBD 3.3: Pricing Schedule.</p>	<p>1. Bidders must meet a minimum score of 70% or more.</p> <p>2. Bidders that score 70% or more will progress to the following stage, Gate 2.</p>	<p>1. Bidders who met Gate 1 requirements will be invited to give presentations to the GCIS Evaluation Panel at no cost to GCIS.</p>	<p>1. Bidders who wish to claim points in terms of preferential procurement should submit a valid proof of the Bidder's B-BBEE Status Level of Contribution or a Sworn Affidavit signed by the Commissioner of Oath.</p>
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9.3. Bidders who fail to submit any of the documents listed in the table in paragraph 9.2 above will be disqualified.

9.4. GCIS will assess the functionality of each proposal taking into account the following criteria:

TECHNICAL	WEIGHT	VALUE
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Values: Non-submission = 0, 1 = Poor; 2 = Average; 3 = Acceptable; 4 = Very good; 5 = Excellent

The percentage for functionality will be calculated as follows:

$$\frac{A}{B} \times 100$$

Where:

A = total score of the bidder

B = maximum score, i.e. 500

- 9.5. GCIS will only evaluate bids that comply with the mandatory requirements and are submitted on the specified timeframe.
- 9.6. The evaluation criteria to be used in Gate 1: Functionality:

Aspect	Description	Weight	Value
1. Company profile and sustaining a good working relationship between the appointed service provider, GCIS and other stakeholders internal and external to government.	1.1. A detailed company profile which outlines broad experience gained serving the same or similar markets as those of the <i>Vuk'uzenzele</i> newspaper.	10 (2.5)	
	1.2. Appointment of a project team lead by a project manager who possesses sound experience in handling the operations as well as the client relations aspects of the account.	(2.5)	
	1.3. Management team dedicated to the GCIS account.	(2.5)	
	1.4. 24/7 availability of the dedicated project manager to service GCIS's needs.	(2.5)	
2. Effective planning, management and execution of the distribution process	<u>Operational process:</u>	35	
	1.1. Submission of a comprehensive modus operandi of how the account will be serviced from first engagement post appointment as well as the on-going pre, during and post distribution phases.	(7)	
	<u>Competency :</u>	(7)	
	1.2. Proven competency in the provision of knock and drop distribution services to areas residing in deep rural, rural and peri-urban markets.		
	1.3. Proven competency in the provision of physical (bulk) distribution services residing in deep rural, rural and peri-urban markets as well as urban and metropolitan areas as and when required.		
	1.4. Ability to handle large volumes of printed marketing, advertising and communication material.		
	1.5. Provision of distribution services to public sector organizations.		
	1.6. Ability to handle current and future growth of the publication e.g increase in the print run, number of pages, areas, points and frequency.	(7)	
	<u>Ability to distribute within set timeframes:</u>		
	1.7. Proven ability to develop distribution plans based on a strategy provided by a client.		
1.8. Proven ability to receive, verify, pick& pack 850 000 units per edition within less than a ½ day.			
1.9. Ability to complete the distribution within 5 (five) working days after the agreed commencement date.			
1.10. Ability to provide a specific date of delivery for points identified in the distribution strategy.			

	<p>1.11. Ability to provide a specific date of delivery for areas (at suburb level) identified in the distribution strategy.</p> <p>1.12. Ability to provide the dates in 2.9 and 2.10, 3 (three) working days prior to the agreed commencement date.</p> <p>1.13. Ability to receive, pick, pack, ship and display mobilization posters.</p> <p><u>Operational admin management:</u></p> <p>1.14. Ability to provide daily reports on the planned vs. actual distribution progress made to GCIS Distribution Manager.</p> <p>1.15. Ability to keep distribution documentation e.g. planning sheets, manifests, load sheets, trip sheets, logs, proof of deliveries, back checks, branch reports per edition relating to the pre-distribution, during distribution and post distribution phase at branch level.</p> <p>1.16. Ability to provide adequate proof of deliveries for knock and drop as well as points. Is the proof of delivery standardized across the network? Example of each to be attached.</p> <p>1.17. Evidence of a distribution presentation, invoice, proof of distribution and supporting documents to a client which must be able to be produced and conducted within 21 working days after completion of distribution. Ability of the full project team to attend a post distribution meeting</p> <p>1.18. Proven ability to provide an accurate account of 850 000 copies received and distributed.</p> <p>1.19. Ability to attend a weekly operations meeting with the GCIS Distribution Manager.</p> <p>1.20. Ability to submit quotations per edition to GCIS.</p> <p><u>Monitoring management:</u></p> <p>1.21. Evidence of an on-going plan to manage the risk of dumping.</p> <p>1.22. Evidence of a structured site visit program which is executed by the prospective service provider and will allow participation by GCIS officials as and when required.</p> <p>1.23. Evidence of a functional monitoring and evaluation system which will provide the ability to account for all copies handled by the service provider from the point of receipt to final distribution.</p> <p>Ability to submit properly audited reports after each distribution drive.</p>	(7)	
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<p>3. Correct language breakdown and effective reach of the primary target market residing in deep rural, rural and peri-urban areas, including GCIS Provincial Offices and District Offices</p>	<p>3.1. Evidence of a national infrastructure which is capable of handling both the current and potential future growth of the publication.</p> <p>3.2. Representation by the company in all 9 provinces and evidence of the ability to adequately reach deep rural, rural and peri-urban markets.</p> <p>3.3. Provision of an indication, visuals would be preferred of the type of warehouses used to conduct operations out of.</p> <p>3.4. Evidence of pre-existing distribution databases containing outlets and areas where the deep rural, rural and peri-urban areas can be adequately reached. Do these databases clearly identify a target market at municipal, suburb, pocket (area within a suburb) level.</p> <p>3.5. Ability to provide and make use of the following information when planning distribution:</p> <p>3.5.1. Rural, Deep rural and peri-urban breakdown per area</p> <p>3.5.2. Household counts</p> <p>3.5.3. Predominant language</p> <p>3.5.4. Physical addresses</p> <p>3.5.5. Postal addresses</p> <p>3.6. In-house resources able to build and maintain databases associated with the distribution of the newspaper</p> <p>3.7. Evidence that the prospective bidder possesses a sound understanding of the dynamics of the deep rural, rural and peri-urban market. This should be illustrated through both experience as well as factual data. Does the company have a clear process to filter on the ground experience to the client?</p> <p>3.8. Possess a suitable Geographic Information System which is capable of modelling Census as well as other geospatial data. Recognized systems are MapInfo and ESRI.</p> <p>3.9. Ability to transfer knowledge and skills to GCIS officials in this regard.</p>	<p>35 (4)</p> <p>(4)</p> <p>(2.5)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(6)</p> <p>(2.5)</p>	
<p>4. B-BBEE and small business development.</p>	<p>4.1. Present the extent to which B-BBEE and small business are empowered with sustainable job opportunities and development throughout the value chain.</p>	<p>10</p>	
<p>5. General</p>	<p>5.1. Awareness and practical use of marketing and distribution tactics which will enhance the profile of the newspaper amongst the rural, deep rural and peri-urban market.</p> <p>5.2. Utilisation of existing networks as well as continues expansion through the identification of new distribution and marketing opportunities in line with a specific target audience. Ability and willingness to manage, execute and</p>	<p>10 (2.5) (2.5)</p>	

	support ad-hoc work in support of distribution projects.		
	5.3. Ability to work in conjunction with the GCIS Distribution Manager on any marketing activities undertaken to promote the newspaper.	(2.5)	
	5.4. Evidence of a sound practice of corporate governance founded on the values of professionalism, honesty, openness and transparency	(2.5)	
Total		100	

Values: : Non-submission = 0, 1 = Poor; 2 = Average; 3 = Acceptable; 4 = Very good; 5 = Excellent

10. Second Evaluation Phase

10.1. Gate 2: Presentation Session Functionality Criteria

Aspect	Description	Weight	Value
2. Company profile and sustaining a good working relationship between the appointed service provider, GCIS and other stakeholders internal and external to government.	2.1. A detailed company profile which outlines broad experience gained serving the same or similar markets as those of the <i>Vuk'uzenzele</i> newspaper.	10 (2.5)	
	2.2. Appointment of a project team lead by a project manager who possesses sound experience in handling the operations as well as the client relations aspects of the account.	(2.5)	
	2.3. Management team dedicated to the GCIS account.	(2.5)	
	2.4. 24/7 availability of the dedicated project manager to service GCIS's needs.	(2.5)	
3. Effective planning, management and execution of the distribution process	<u>Operational process:</u>	35	
	3.1. Submission of a comprehensive modus operandi of how the account will be serviced from first engagement post appointment as well as the on-going pre, during and post distribution phases.	(7)	
	<u>Competency :</u>	(7)	
	3.2. Proven competency in the provision of knock and drop distribution services to areas residing in deep rural, rural and peri-urban markets.		
	3.3. Proven competency in the provision of physical (bulk) distribution services residing in deep rural, rural and peri-urban markets as well as urban and metropolitan areas as and when required.		
	3.4. Ability to handle large volumes of printed marketing, advertising and communication material.		
	3.5. Provision of distribution services to public sector organizations.		
	3.6. Ability to handle current and future growth of the publication e.g increase in the print run, number of pages, areas, points and frequency.	(7)	
	<u>Ability to distribute within set timeframes:</u>		
	3.7. Proven ability to develop distribution plans based on a strategy provided by a client.		
3.8. Proven ability to receive, verify, pick& pack 850 000 units per edition within less than a ½ day.			
3.9. Ability to complete the distribution within 5 (five) working days after the agreed commencement date.			
3.10. Ability to provide a specific date of delivery for points identified in the distribution strategy.			

	<p>3.11. Ability to provide a specific date of delivery for areas (at suburb level) identified in the distribution strategy.</p> <p>3.12. Ability to provide the dates in 2.9 and 2.10, 3 (three) working days prior to the agreed commencement date.</p> <p>3.13. Ability to receive, pick, pack, ship and display mobilization posters.</p> <p><u>Operational admin management:</u></p> <p>3.14. Ability to provide daily reports on the planned vs. actual distribution progress made to GCIS Distribution Manager.</p> <p>3.15. Ability to keep distribution documentation e.g. planning sheets, manifests, load sheets, trip sheets, logs, proof of deliveries, back checks, branch reports per edition relating to the pre-distribution, during distribution and post distribution phase at branch level.</p> <p>3.16. Ability to provide adequate proof of deliveries for knock and drop as well as points. Is the proof of delivery standardized across the network? Example of each to be attached.</p> <p>3.17. Evidence of a distribution presentation, invoice, proof of distribution and supporting documents to a client which must be able to be produced and conducted within 21 working days after completion of distribution. Ability of the full project team to attend a post distribution meeting</p> <p>3.18. Proven ability to provide an accurate account of 850 000 copies received and distributed.</p> <p>3.19. Ability to attend a weekly operations meeting with the GCIS Distribution Manager.</p> <p>3.20. Ability to submit quotations per edition to GCIS.</p> <p><u>Monitoring management:</u></p> <p>3.21. Evidence of an on-going plan to manage the risk of dumping.</p> <p>3.22. Evidence of a structured site visit program which is executed by the prospective service provider and will allow participation by GCIS officials as and when required.</p> <p>3.23. Evidence of a functional monitoring and evaluation system which will provide the ability to account for all copies handled by the service provider from the point of receipt to final distribution.</p> <p>3.24. Ability to submit properly audited reports after each distribution drive.</p>	(7)	
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<p>4. Correct language breakdown and effective reach of the primary target market residing in deep rural, rural and peri-urban areas, including GCIS Provincial Offices and District Offices</p>	<p>4.1. Evidence of a national infrastructure which is capable of handling both the current and potential future growth of the publication.</p> <p>4.2. Representation by the company in all 9 provinces and evidence of the ability to adequately reach deep rural, rural and peri-urban markets.</p> <p>4.3. Provision of an indication, visuals would be preferred of the type of warehouses used to conduct operations out of.</p> <p>4.4. Evidence of pre-existing distribution databases containing outlets and areas where the deep rural, rural and peri-urban areas can be adequately reached. Do these databases clearly identify a target market at municipal, suburb, pocket (area within a suburb) level.</p> <p>4.5. Ability to provide and make use of the following information when planning distribution:</p> <p>4.5.1. Rural, Deep rural and per - urban breakdown per area</p> <p>4.5.2. Household counts</p> <p>4.5.3. Predominant language</p> <p>4.5.4. Physical addresses</p> <p>4.5.5. Postal addresses</p> <p>4.6. In-house resources able to build and maintain databases associated with the distribution of the newspaper</p> <p>4.7. Evidence that the prospective bidder possesses a sound understanding of the dynamics of the deep rural, rural and per-urban market. This should be illustrated through both experience as well as factual data. Does the company have a clear process to filter on the ground experience to the client?</p> <p>4.8. Possess a suitable Geographic Information System which is capable of modelling Census as well as other geospatial data. Recognized systems are MapInfo and ESRI.</p> <p>4.9. Ability to transfer knowledge and skills to GCIS officials in this regard.</p>	<p>35 (4)</p> <p>(4)</p> <p>(2.5)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(4)</p> <p>(6)</p> <p>(2.5)</p>	
<p>5. BBB- EE</p>	<p>5.1. Present the extent to which BBB-EE are empowered with sustainable job opportunities and development throughout the value chain.</p>	<p>10</p>	
<p>6. General</p>	<p>6.1. Awareness and practical use of marketing and distribution tactics, which will enhance the profile of the newspaper amongst the rural, deep rural and peri-urban market.</p> <p>6.2. Utilisation of existing networks as well as continues expansion through the identification of new distribution and marketing opportunities in line with a specific target audience. Ability and willingness to manage, execute and</p>	<p>10</p> <p>(2.5)</p> <p>(2.5)</p>	

	support ad hoc work in support of distribution projects.		
	6.3. Ability to work in conjunction with the GCIS Distribution Manager on any marketing activities undertaken to promote the newspaper.	(2.5)	
	6.4. Evidence of a sound practice of corporate governance founded on the values of professionalism, honesty, openness and transparency.	(2.5)	
Total		100	

11. Preferential procurement

Bidders that wish to claim points in terms of preferential procurement must complete the SBD 6.1 form.

The breakdown of points for this phase will be as follows:

Area of evaluation	Points
1. Price	80
2. BBEE Level of Contribution	20
TOTAL	100

Bidders other than EMEs must submit the proof of a valid B-BBEE status level of contributor certificate or valid Sworn Affidavit signed by commissioner of oath thereof, substantiating their B-BBEE rating issued by a Registered Auditor approved by IRBA or a Verification Agency accredited by SANAS.

12. General

- 12.1. CPA applications will be applied strictly according to the specified formula and parameters above as well as the cost breakdown supplied by bidders in their bid documents.
- 12.2. In the event where the supplier's CPA application, based on the above formula and parameters, differs from Contract Management's verification, Contract Management will consult with the supplier to resolve the differences.
- 12.3. An electronic price adjustment calculator will be available on request from Contract Management.

13. Submission of the Bids

- 13.1. Potential service providers are welcome to communicate in writing to the GCIS to get clarity.
- 13.2. Deadline for submission of bids: Prospective service providers must submit their bids (information required and all relevant documents and forms attached to this bid) **to GCIS by no later than 11:00 on 2 March 2022**
- 13.3. Complete and sign where applicable, all the attached forms in full.
- 13.4. Deposit bids in a sealed envelope, for the attention of The Head: Supply Chain Management, with the proposal description, Bid number and closing date in the "Tender Box" at the reception at GCIS headquarters, 1035 Tshedimoseetso House, Cnr Festival and Frances Baard Streets, Hatfield.

14. Disclaimer

- 14.1. GCIS reserves the right not to award the bid for any reasons deemed reasonable guided by the National Treasury and respective prescripts.
- 14.2. GCIS reserves the right to award the bid in part.
- 14.3. GCIS reserves the right to award the required services to multiple service providers.
- 14.4. By submitting the tender documents, the bidder agrees and consents in terms of Section 11(1) of the Protection of Personal Information Act, 2013 (POPIA), to your personal information which you provide to the GCIS being processed by the GCIS and its employees, agents, Cabinet committees, National Treasury, Auditor-General of South Africa and sub-contractors for procurement purposes, in accordance with the POPIA.

15. Enquiries

For information on **bidding procedures and procurement related issues**, please contact: tenders@gcis.gov.za

OR

15.1. FOR CONTENT RELATED QUERIES ONLY

Contact Person: Nicolette Prinsloo

Director: Marketing and Distribution
Tel: (012) 473 0203 / 0723352801
Email: nicolette@gcis.gov.za

15.2. **FOR BIDDING PROCEDURES QUERIES ONLY**

Contact Person: Mpho Ramashi
Supply Chain Management
Tel: (012) 473 0194
Email: Mpho@gcis.gov.za

15.2.1. Contact Person: Namane Mahlaba
Supply Chain Management
Tel: (012) 473 0093
Email: namane@gcis.gov.za

Approved



Mr Tyrone Seale
Acting Deputy Director General
Content Processing and Dissemination
Date: 03/02/2022



government
communications

Department
Government Communication & Information System
REPUBLIC OF SOUTH AFRICA

**INDUSTRY FEASIBILITY STUDY TO DETERMINE THE
FEASIBILITY OF 'KNOCK-AND-DROP' DISTRIBUTION
COMPANIES OUTSOURCING 30% OF THEIR DISTRIBUTION
CONTRACT TO SMALLER CONTRACTORS (SMMES)**

Version: 1.00D

Date: August 2022

Author: GCIS

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List of Acronyms

B-BBEE	Broad-Based Black Economic Empowerment
CIPC	Companies and Intellectual Property Commission
CSD	Central Supplier Database
DRM	Direct Response Media
EME	Exempt Micro-Enterprises
GCIS	Government Communication and Information System
GIS	Geographic Information Systems
GSM	Government Segmentation Model
LSM	Living Standards Measure
MDA	Media Distribution Africa
OTD	On the Dot
QSE	Qualifying Small Enterprises
SAPO	South African Post Office
SMME	Small Medium and Micro Enterprises

1 Executive Summary

1.1. PURPOSE

The industry feasibility study intended to determine the feasibility of subcontracting 30% of the Vuk'uzenzele newspaper tender to smaller SMMEs.

1.2. BACKGROUND

Vuk'uzenzele is a publication produced by GCIS, freely available to the public. The newspaper is used as a mechanism to create awareness about government programmes, employment opportunities and rural development among its readers, particularly the youth. On a monthly, basis 850 000 hard copies of the newspaper are distributed to the primary target market which are communities in rural areas who have limited access to mainstream media.

According to the Government Segmentation Model, these target audiences are classified as Rooted Realists and are mainly found in KwaZulu- Natal, Limpopo, Mpumalanga, and Eastern Cape and in smaller numbers in the North West, Free State, Gauteng, Western Cape and Northern Cape.

Printed copies of Vuk'uzenzele are distributed through the use of three main distribution methods; knock-and-drop distributions (94%), activations (3%) and bulk drop-offs to national and provincial GCIS offices (3%).

1.3. APPROACH

The study conducted surveys, interviews and focus groups with an array of stakeholders (viz. Large Distribution Companies, SMME Distribution Companies, Small Activators, Media Publishers, Depots, Contract Drivers, Runners and Internal GCIS Stakeholders). A total of 302 consultations were conducted.

1.4. FINDINGS

Based on the data collected, the analysis revealed that SMMEs in the distribution industry have the capacity and capabilities to do activations and bulk drops for the Vuk'uzenzele distribution tender. However, when the Master Contractor subcontracts activations and bulk-drops to SMMEs this will likely increase costs due to the higher operating costs of SMMEs. However, depending on which SMMEs the Master Contractor decides to subcontract to, this increase can be contained, or potentially even reversed as they are SMMEs who are more efficient, and will thus price lower.

The findings further indicate that knock-and-drop distribution is currently not feasible for SMMEs because it becomes very expensive. This is because when starting up the SMME must have their own / access to a Geographic Information system (GIS) that is necessary for targeted distribution. In addition, distributing in deep rural areas is also quite costly.

1.5. CONCLUSION

Based on the analysis it was therefore concluded that activations and bulk drops activities presents an area for subcontracting for the Vuk'uzenzele distribution tender to compliant SMMEs.

Compliant SMMEs are those who meet the following subcontracting criteria namely: (a) the subcontracted company must be an Exempt Micro Enterprises (EME) or a Qualifying Small Enterprises

(QSE); (b) the subcontracted company must be at least 51% black-owned, (c) the subcontracted company must be in possession of a valid B-BBEE Certificate or Affidavit indicating the level of black

2 Introduction

This report presents the findings from the Industry Feasibility Study (“the Study” or “the Project”) to determine the feasibility of knock-and-drop distribution companies (“the Distribution Contractor” or “a Large Distribution Company”) outsourcing 30% of the contract to distribute the Vuk’uzenzele publication (“the Distribution Contract”) to smaller contractors. For ease of reference Vuk’uzenzele is also referred to as “Vuk’uzenzele” or “the Newspaper”.

In brief, the purpose of the Study was to determine the operational feasibility of the Distribution Contractor subcontracting 30% of the Distribution Contract; and to highlight subcontracting and subcontractor challenges.

This report sets the context of the Study by outlining the knock-and-drop distribution industry in South Africa, including the key knock-and-drop distributors, as well as the final value chain analysis for Vuk’uzenzele. Thereafter, the report details the key findings and recommendations as per the two key focus areas for the project¹. The report concludes with the way forward and recommendations for GCIS based on the findings of this Study.

The following table provides an outline of the sections contained in this report.

Table 1: Overview of Sections

Sec.	Contents	Description
2	Introduction	Introduces the report, provides an overview of GCIS and an introduction to Vuk’uzenzele. This section also details the project background and provides context on the project focus areas.
3	Knock-and-drop Distribution in South Africa	Outlines the South African knock-and-drop history and context, and the key players for knock-and-drop distribution in South Africa.
4	Vuk’uzenzele Value Chain Analysis	Provides an overview of the Vuk’uzenzele as-is value chain.
5	Key Findings and Recommendations: Compliant Subcontracting	Presents the key findings on the compliant subcontracting of the Vuk’uzenzele contract, and the regulations and key considerations for subcontracting. In addition to the key compliance findings, this section also highlights some of the challenges faced by SMMEs in meeting compliance requirements.
6	Key Findings and Recommendations: Alternative Distribution Strategies	Presents the findings on the alternative Vuk’uzenzele distribution methods that have been identified in the Study, as well as the determination of the capability and capacity implications for GCIS for these alternatives.
7	Bibliography	Provides the sources of data referenced in this Report.

¹ See section 2.4 for more detail on the Project Focus Areas (viz. Core Focus Area and Supplementary Focus Area).

2.1 GCIS Overview

The GCIS was established in May 1998 in terms of Section 7 (subsection 2 and 3) of the Public Service Act, 1994 as amended. The mission of the GCIS is to deliver effective strategic government communication, set and influence adherence to standards and coherence of messages and proactively communicate with the public about government policies, plans, programmes and achievements (GCIS, 2022).

According to GCIS (2021), the primary responsibility of GCIS is to ensure the democratic strength, success and security of the country through rapid, responsive and continuous communication of government's achievements in meeting the mandate to rule given by the citizens of South Africa. It is in light of this that the GCIS is responsible for providing strategic leadership and coordinating a government communication system that ensures that the public is informed and has access to government programmes and policies that benefit them.

2.2 Introduction to Vuk'uzenzele

Vuk'uzenzele is a publication produced by GCIS, freely available to the public. The newspaper is used as a mechanism to create awareness on employment opportunities, rural development and government programmes for its readers, particularly the youth. GCIS has made efforts geared at empowering people with information about available opportunities that can be used to change their lives. It also features news on youth matters, international relations, sports and recreation and events (GCIS, 2022). The Newspaper is distributed in a targeted fashion, based on the Government Segmentation Model.

The 850,000 hard copies distributed each month are available in all nine official languages. The primary target market is communities in rural areas who do not have access to mainstream media. In terms of the GSM, these people are classified as Rooted Realists. Rooted Realists are mainly found in KwaZulu-Natal, Limpopo, Mpumalanga, Eastern Cape and in lower numbers in the North West, Free State, Gauteng, Western Cape and Northern Cape.

Printed copies of Vuk'uzenzele are distributed through the use of three main distribution methods; knock-and-drop distributions (94%), activations (3%) and bulk drop-offs to national and provincial GCIS offices (3%). The knock-and-drop distribution strategy facilitates broader distribution of the Newspaper, making this strategy key to the success of the publication. The Newspaper is also made available online.

2.3 Project Background

The GCIS relies on a variety of platforms to achieve the constitutional mandate. These include both print and electronic media, government products such as the monthly Vuk'uzenzele newspaper, the News Service ("SAnews"); My District Today newsletter; the Public Sector Manager ("PSM") magazine, other printed communication material (e.g., pamphlets) and advertisements (GCIS, 2021).

For years the GCIS has outsourced the distribution of GCIS print products, particularly Vuk'uzenzele, to independent knock-and-drop distribution companies who outsource some parts of the contract (i.e., subcontract) to smaller contractors (GCIS, 2021).

The GCIS, therefore, sought to determine the feasibility of knock-and-drop distribution companies outsourcing a portion of their distribution contract to SMMEs. This would be through a feasibility study to determine if it is feasible and possible to advertise the distribution tender by having a pre-

requirement that 30% of the contract must be outsourced as per the Preferential Procurement Policy Framework Act 2000: Preferential Procurement Regulations 2017 directive (GCIS, 2021).

2.3.1 Purpose of the Study

The purpose of conducting the distribution industry feasibility study (with a particular focus on distribution companies with a knock-and-drop offering) was to (GCIS, 2021):

- Provide insights on the operational feasibility of distribution companies' ability to subcontract 30% of the GCIS distribution contract to SMMEs as proposed; and assist in drawing a conclusion on whether having a clause in the tender brief stating that 30% of the contract must be outsourced is a reasonable pre-requisite or not; and
- Highlight any challenges in meeting the 30% subcontracting pre-requisite as well as any subcontractor challenges (for example, Central Supplier Database ("CSD") compliance issues).

2.3.2 Project Objectives

The objectives of the Vuk'uzenzele distribution industry feasibility study were (GCIS, 2021):

- To conduct an industry analysis on the capacity and capabilities of companies (large and Small, Medium and Micro Enterprises ("SMMEs")) in the knock-and-drop distribution industry using desktop research and/or interviews and other data collection methodologies.
- To conduct a value chain analysis of the Vuk'uzenzele knock-and-drop distribution process;
- To investigate subcontractors'/contract drivers' involvement in the knock-and-drop distribution chain and CSD registrations; and
- To provide insights that will assist in making a determination of whether having a clause in the tender brief that states that 30% of the contract must be outsourced is a reasonable pre-requisite or not.

The GCIS required the Study to deliver on the following outcomes:

- Industry analysis on the capacity and capabilities of local companies (large and SMMEs) in the knock-and-drop distribution industry.
- Value chain analysis of the hardcopy publication knock-and-drop distribution process (including the current distribution of Vuk'uzenzele) and identification of areas of possible involvement of SMMEs.
- Data collection and analysis, which included:
 - Drafting data collection instrument(s)..
 - Conducting interviews with main distribution companies and SMMEs / contract drivers in the knock-and-drop distribution industry (i.e., virtual (video-call) / telephonic in-depth interviews (max. 60 minutes)).
 - Analysing the data collected and providing an industry feasibility study report in MS Word and PowerPoint.

2.3.3 Scope of Services

The scope of work for the Project is as follows (GCIS, 2021):

- The first stage was desktop research of distribution companies with a knock-and-drop offering or capacity to do knock-and drop. The desktop research provided information regarding the estimated number of distribution companies with a knock-and-drop offering across the country, their geographic location, their operational processes etc. It also explored the SMME distribution industry with knock-and-drop capabilities across all 9 provinces.
- The second stage was a value chain analysis of the Vuk'uzenzele distribution process. The value chain analysis was aimed at identifying activities/ areas within the Vuk'uzenzele distribution process that can be subcontracted over and above the knock-and-drop activity.
- The third stage was an industry analysis which included conducting interviews with SMMEs doing knock-and-drop distribution/contract drivers of distribution companies in an effort to explore their capabilities and capacity, their involvement in the knock-and- drop distribution chain, and their CSD status (provide insights to whether or not the SMMEs are registered on the CSD, and if not, what are their challenges etc.).
- Lastly, the industry analysis provided insights that assisted in making a conclusion on whether it will be feasible to subcontract 30% of the Vuk'uzenzele knock-and-drop distribution contract to subcontractors.

2.4 Project Focus Areas

The two focus areas outlined below are based on the purpose, objectives and scope of the Study. These focus areas encompass how the Project was practically structured and approached.

Core Project Focus: Determination of the degree of compliant subcontracting that is feasible

- Determine the current contract decomposition;
- Determine which of the contract components currently meet the subcontracting requirements i.e., are compliant subcontractors; and
- Determine which of the non-compliant components could become compliant, either through substitution or amendment.

Supplementary Project Focus

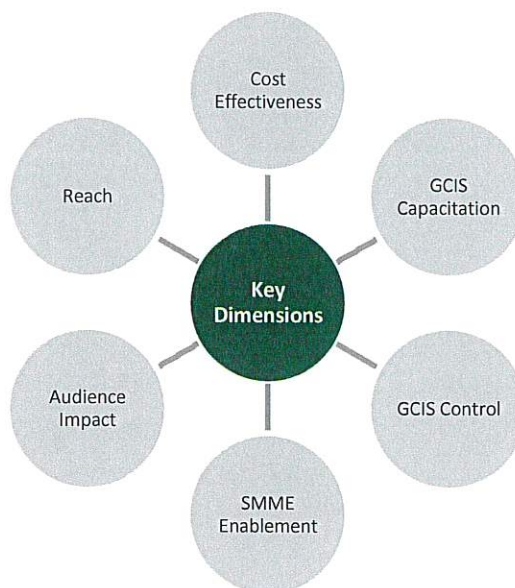
- Identify alternative Vuk'uzenzele distribution methods and partners (“distribution solutions”) that optimise reach and/or SMME development; and
- Determine the capability and capacity implications for GCIS for alternate Vuk'uzenzele distribution solutions.

2.4.1 Project Context: Distribution Decision Framework

At its core, this Study is focused on answering two key questions. Firstly, what level of compliant subcontracting is feasible for the distribution of Vuk'uzenzele. Secondly, what alternative distribution solutions may be considered for the distribution of Vuk'uzenzele. When answering these questions, certain key factors need to be considered; factors that we have embodied in a Distribution Decision Framework. A Decision Criterion is simply a factor/ dimension in the Decision Framework, (e.g., cost effectiveness).

The figure below illustrates the Distribution Decision Framework. This framework is a set of key focus areas that, when used to guide distribution decisions, should optimise the distribution of Vuk'uzenzele.

Figure 1: Distribution Decision Framework



The six areas of the Framework are defined below:

2.4.1.1 Cost Effectiveness

Ensuring that cost-effective distribution solutions are employed to distribute the Vuk'uzenzele is key to GCIS. The Newspaper should thus be distributed within the confines of the budget and, therefore, as cost effectively as possible, while considering other relevant factors. An important consideration for cost is that cost savings or reduction in certain areas may allow for capacity to be increased in other areas.

2.4.1.2 GCIS Capacitation

GCIS Capacitation broadly refers to the internal capacity, capabilities and resources required by GCIS to conduct certain activities, in this case, to oversee the services of a service provider(s) to execute the distribution of the Vuk'uzenzele. In reviewing potential alternative distribution solutions, some alternatives may require additional GCIS capacitation to execute that solution. For example, the current National Distributor model does not require GCIS to develop internal geographic information systems (GIS) capabilities. However, these capabilities would need to be developed by GCIS should the contract be awarded to a distributor who does not possess these capabilities, incurring additional costs and resources for GCIS. GCIS capacitation incorporates several capabilities, including the additional quality assurance and contract management that may be required when contracting with multiple suppliers. Section 7.4 provides more details on the specific GCIS capabilities relevant to this Study.

2.4.1.3 GCIS Control

GCIS control refers to the level of influence that GCIS has on the distribution partner. Typically, due to the nature of the industry, the larger and more dominant players in the industry are less flexible and therefore less likely allow for significant external influence, whereas GCIS would have a higher level of control and influence over more flexible stakeholders such as SMMEs. However, it should be noted

that GCIS control does have a correlation with cost, as the more control exerted by GCIS, the more likely it is that additional capacitation will be required from GCIS.

2.4.1.4 SMME Enablement

SMME Enablement is central to this Study, and to government procurement overall. The contract in its current form has low SMME enablement. While a key objective, it is noted that furthering SMME enablement is likely to require additional GCIS capacitation. As an alternative, GCIS could require primary contractors to enable SMMEs as part of their contractual responsibilities. However, this is likely to significantly increase the contract price.

2.4.1.5 Audience Impact

Audience impact refers to the impact that the distribution has on its intended audience. This dimension requires an evaluation study for adequate assessment. The impact is likely to vary based on the type of distribution partners and distribution methods used.

2.4.1.6 Reach

Reach refers not only to the number of people accessed, but also the appropriateness of the people reached. In order to assess the appropriateness, one needs to assess whether the intended subsegments of the target audience are being reached. Timeframes should also be considered, because while the reach may be reasonable, it is important to ensure that the Vuk'uzenzele is distributed to the target audience within the specified timeframes and frequencies, as per the distribution strategy.

3 Project Methodology and Approach

This section provides insight on the project methodologies and approach adopted for this Project. It also outlines the planned and achieved stakeholder consultations.

3.1 Conceptual Approach

The following was central to the project approach:

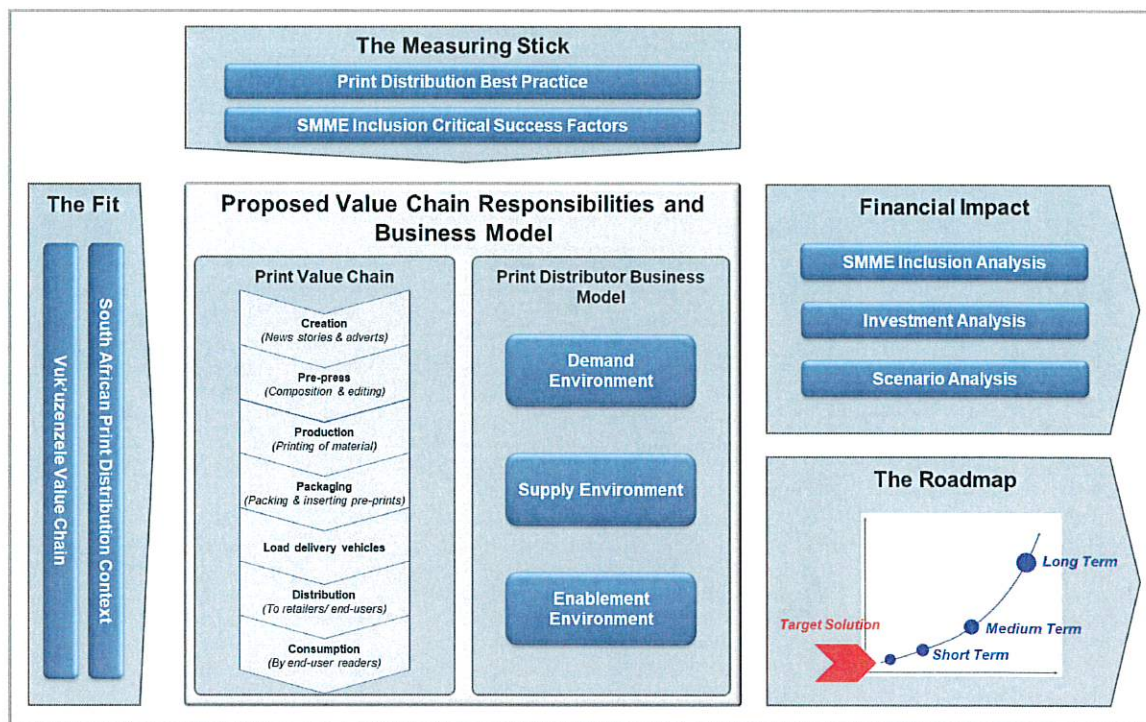
- **Adequate coverage of relevant stakeholders,**
including consultations with the stakeholders relevant to this Project (viz. GCIS, large and small distribution companies, including those that have rural coverage, contract drivers and runners).
- **Following a structured, well-organised approach,**
with clearly defined deliverables, strong project management and governance, well-thought through project plans, and a good understanding of dependencies and risks.
- **The importance of information gathering and consultation,**
with regard to industry and case study research, and consultations with both large companies and SMME's, sub-contractors/ contract drivers and other knock-and-drop industry participants.
- **The necessity of defining key aspects of a feasibility model,**
in order to ascertain feasibility, and to ensure impacts were realistically projected, and aspects such as sustainability were practically considered.
- **Working in a fit-to-purpose fashion,**
Refers to the need to be practically focused, aligning the level of detail and the amount of effort to the required project outcome, e.g., avoiding analysis-paralysis, but also ensuring not to project the impacts superficially either.
- **Leveraging the skills and experience in the project team,**
ensuring that the right people were involved in the right activities. The Project Team possessed a an array of skillsets and experience, thus there was a need to ensure these were utilised appropriately.
- **Creative stakeholder engagement,**
with regard to finding creative ways to make contact with print distributors, particularly SMMEs, given the expectation that SMMEs would likely not be easily contactable; these creative ways included employing social media, and desk-based research (e.g., CSD database, yellow pages, etc.).

Given that the Project needed to be cognisant of the many factors which may influence the success or failure of distributors subcontracting 30% of the contract to SMMEs, it was imperative that the Project proceeded in an orderly fashion, and that the findings and recommendations were carefully thought through, defined, and refined.

For the Project to deliver credible results, it was crucial to tackle the appropriate breadth and depth in information gathering, analysis, best practice formulation, feasibility model formulation and target solution planning. Ultimately the Project focused on the appropriate key project outcomes.

This is summarised in the conceptual approach below:

Figure 2: Conceptual Approach



The first step towards formulating the feasibility of subcontracting 30% of the knock-and-drop distribution contract to SMMEs was to define the **Measuring Stick** against which feasibility would be assessed. This **Measuring Stick** was represented by an understanding of print distribution best practice (in the national and international context, where possible), the critical success factors for SMME inclusion in the print distribution process, and the definition of specific criteria with which to assess feasibility. Key amongst the feasibility criteria used was the criteria relating to the SMMEs **Fit** to the South African Print Distribution Industry Context and the *Vuk'uzenzele* Value Chain.

GCIS conducted a value chain analysis of the current *Vuk'uzenzele* knock-and-drop distribution process. A value chain analysis is a means of evaluating the activities in a specified process in order to understand where opportunities for improvement lie. This allowed for an in-depth analysis of the *Vuk'uzenzele* distribution process in order to identify those activities and areas within the process that can be subcontracted over and above the knock-and-drop activities.

To establish feasibility for the SMMEs and sub-contractors/ contract drivers within the context of this study, the Project adopted the iterative approach of proposing, assessing, and refining SMME solution elements. The **Proposed Value Chain Responsibilities & Model** produced via this approach included the analysis of the demand environment, supply environment and enablement environment components. GCIS conducted a comprehensive industry analysis, which investigated the characteristics, capacity and capabilities of the companies (both large and SMMEs) that form part of the knock-and-drop distribution industry in South Africa. This analysis explored both desktop research and primary research methods.

Project outcomes included **The Financial Impact** on the knock-and-drop distribution companies, in the form of an SMME inclusion analysis, investment analysis and scenario analysis. The financial modelling underpinning determination of financial impact was key to understanding the commercial viability of the proposed inclusion of SMMEs at specific points in the value chain and in the distributor business model. A Roadmap was also described, covering the approach for SMME inclusion in the value chain.

A key outcome for this feasibility study was the conditions under which 30% (or if this is not practical, a lower percentage) of the *Vuk'uzenzele* distribution contract can be sub-contracted to SMMEs.

The Project was undertaken over 8 months, between January 2022 and August 2022. It was structured in 4 phases, as outlined in the next sub-section.

3.2 Activity-based Approach

The following diagram details the key activities undertaken as part of this Study. The figure also indicates the overall project timeline and associated deliverables.

Figure 3: Activity-based Approach

	28 Jan – 04 Feb	07 Feb – 06 Jul	07 Jul – 29 Jul	01 Aug – 31 Aug
	Establish Project Foundation	Conduct Situation Analysis	Propose Solution	Draft Impact & Roadmap
The Measuring Stick	Identify and source documents for relevant case studies, print distribution best practice and SMME inclusion critical success factors	Review sourced documentation Document 3 case studies for SMME inclusion Identify relevant print distribution best practices, based on case studies and other best practice sources Define draft SMME Inclusion Critical Success Factors	Refine draft to produce final version of SMME Inclusion Critical Success Factors	
The Fit	Identify and source documentation on current print distribution players in South Africa and current Vuk'uzenzele value chain and operations Identify stakeholders to be consulted Define ways in which large and SMME print distributors, including contract drivers, can be reached (e.g., from listings, social media, RFIs etc.) Source contact details of stakeholders to be consulted Conduct initial GCIS and stakeholder consultations	Review sourced documentation Identify key players in the current print distribution landscape in South Africa; both large and small, including locations and numbers Review and draft the As-Is Vuk'uzenzele distribution value chain Conduct desktop research on distribution companies with a knock-and-drop offerings around the country; both large and SMME Finalise data collection approach Draft data collection instruments Conduct interviews, surveys and focus groups (e.g. to source input on SMME capabilities and capacity, their involvement in the value chain, their CSD status, issues encountered by large companies in subcontracting etc.) Utilise input from stakeholder consultations to refine the As-Is documentation, to include key opportunities and challenges for SMME inclusion in the current Vuk'uzenzele value chain	Conduct further analysis into relevant literature (if required) Conduct further interviews to gain clarification on responses (if required)	
Target Solution		Define initial hypothesis relating to the feasibility of subcontracting 30% of the distribution process to SMME's (e.g. what are the key drivers of feasibility, key constraints etc.) Define feasible solution guiding principles Identify opportunities for outsourcing portions of the distribution value chain, not limited to the knock-and-drop component	Draft Vuk'uzenzele's To-Be Value Chain Draft proposed Alternative Distribution Solutions Identify key variables in the above that underpin potential Solution Scenarios Derive insights that will assist in determining the feasibility of subcontracting to SMMEs Vuk'uzenzele's distribution process, over and above the knock-and-drop activity Identify potential challenges that could be faced by GCIS in implementing the 30% subcontracting requirement Identify potential challenges that could be faced by the Main Contractor and by SMME's in meeting the 30% subcontracting requirement (e.g. CSD compliance issues)	Determine key requirements to enable feasibility to contract a portion of the distribution process to SMME's; with an indication of potential variance around the 30% subcontract value Finalise findings and recommendations
Financial Modelling	Identify key stakeholders that will be able to provide key financial data	Define a framework for the financial model Identify sources for input data for the financial model	Incorporate key drivers for the proposed Target Solutions in the financial model Incorporate key input in the financial model, refine the model and produce key outcomes Conduct a scenario analysis, based on the above-mentioned scenarios	Finalise financial model
Project Management	Convene and attend project briefing/kick off meeting with GCIS (incl. Marketing and Distribution, Project Sponsor etc.) Confirm/ refine project plan and key milestones Draft Inception Report	Draft bi-weekly progress and management report (including information and/or insights that might emerge from the process) Conduct Sponsor Checkpoint	Draft bi-weekly progress and management report (including information and/or insights that might emerge from the process) Compile Draft Report Conduct Sponsor Checkpoint	Incorporate input from review to produce Final Report Compile reference document/ technical report documenting the project phases, activities and challenges Present Preliminary Findings and Recommendations to GCIS project team Present Final Findings and Recommendations to GCIS project team
Deliverables	Draft Inception Report, incl. detailed Project Plan & Delivery Schedule ▲	Approved Inception Report, incl. detailed Project Plan & Delivery Schedule ▲ Draft Data Collection Framework, incl. Data Collection Tools ▲ Data Collection Tool Workshop ▲ Approved Data Collection Framework, incl. Data Collection Tools ▲ Draft As-Is Report (based on literature review) ▲ Fortnightly Feedback Reporting ▲	Draft Feasibility Study Report (incl. Final As-Is Analysis) ▲ Fortnightly Feedback Reporting ▲	Final Feasibility Study Report (MS Word & with a summary presentation in PowerPoint) ▲ Project Closeout Report (incl. project phases, activities and challenges) ▲ Final Presentation to the GCIS ▲

3.3 Stakeholder Consultations/ Sample Size

To understand the distribution industry and gain insights from key stakeholders, GCIS conducted surveys, interviews and focus groups with an array of stakeholders (viz. Large Distribution Companies, SMME Distribution Companies, Small Activators, Media Publishers, Depots, Contract Drivers, Runners and Internal GCIS Stakeholders).

A total of 302 consultations were conducted, broken down as per the table below:

Table 2: Stakeholder Consultations

#	Stakeholder Type	Consultation Type	Planned Consultations	Achieved Consultations
1	Large companies in the distribution industry with a focus on knock-and-drop offering or capability	Surveys	Up to 14	2
2		Interviews	Up to 8	9
3	Small Distributors	Surveys	Up to 30	53
	Small Activators			
	Media Publishers			
	Depots			
4	CSD Stakeholders (Activators and Delivery Companies)	Surveys	-	160
5	Small Distributors	Interviews	Up to 10	15
6	Small Activator			
7	Depots			
8	Smaller contractors (SMMEs) in the distribution industry with a focus on knock-and-drop offering or capability	Focus Group	Up to 8 Attendees	6
9	Contract drivers of distribution companies	Interviews	Up to 10	8
10		Surveys	Up to 20	10
11	Runners	Interviews	Up to 5	8
12		Surveys	Up to 23	27
13	Other key stakeholders (e.g., the GCIS, the Marketing and Distribution team, industry representatives, etc.)	Interviews	Up to 5	4
	TOTAL		Up to 133	302

4 Knock-and-Drop Distribution in South Africa

This section provides an overview of the knock-and-drop distribution industry in South Africa and details the key players in the knock-and-drop distribution environment.

4.1 The South African Knock-and-Drop History and Context

The oldest knock-and-drop newspaper in South Africa, the Uitenhage Daily News started 45 years ago at a time when Uitenhage was without a local paper. It was established by Gordan Strevett who brought the concept of knock-and-drop from Canada. The idea was to sell advertising space to local businesses to allow for the printing and distribution of the newspaper to be free of charge. The Uitenhage Daily News is reported to be one of the most successful knock-and-drop newspapers in South Africa, and is currently owned by Media24, distributing 30,000 copies each week (News24, 2016).

Definition: Knock-and-drop

A knock-and-drop newspaper is referred to as a free sheet, which is defined as a free newspaper that gives local news and information, in which local businesses can advertise (Cambridge Dictionary, n.d.). The method of distribution of these free sheets (delivered door-to-door) and the fact they are free has given rise to the term “knock-and-drop”. While free sheets started off as local publications, they have, over time expanded to include newspapers with broader distribution, though many free sheets are still localised. Knock-and-drop, as a concept, incorporates the distribution of other print material (e.g., pamphlets) through similar means as knock-and-drop newspapers.

In the last quarter of 2019 nearly 80 different knock-and-drop newspaper titles in South Africa reported circulations above 30,000 copies per week. This represents over 3,5-million weekly knock-and-drop newspapers; arguably a cornerstone of the printing industry (Finlay, 2020).

The largest community titles are owned by the same large media houses that own or have relationships with the companies that own the printing presses. This network shields small titles from market shocks. According to early reports from the South African National Editors’ Forum (SANEF) on the impact of Covid-19 on journalism, the local and ‘free’ newspaper market is often overlooked by researchers. A large portion of the country’s newsprint volume, which represents over 200 small and mostly independently owned community newspapers, were adversely affected by the short-term loss of revenue caused by the pandemic, with around 80 publications having to close down. While the community papers owned by larger media companies were also affected by decreased revenue, the organisational and financial ownership structures provided a buffer which made them less vulnerable to immediate closure (Finlay, 2020).

The majority of South Africa’s leading retailers use knock-and-drop distribution extensively. In 2003, more than R114 million was spent on this distribution channel. This amounted to a 41% increase on the previous year’s R81 million (Robinson H., 2004).

The Homemakers Fair Media Group, publishers of Homemakers Fair and homeTALK have been using knock-and-drop distribution for the past 22 years. These magazines are distributed to more than one million South African homes.

Internationally and nationally, knock-and-drop is regarded as a medium offering significant cost efficiency and measurability. Research on Homemakers Fair and homeTALK has ascertained that 70% of recipients read the publications right away, 7% keep copies for future reference while less than 5% regard it as "junk mail" (Robinson H., 2004).

There are numerous knock-and-drop companies in South Africa. Given the challenges with the local mail service and expensive courier services, many businesses make use of knock-and-drop companies for home delivery, including local community newspapers.

4.2 Key Knock-and-Drop Distributors

The key knock-and-drop distributors that this section focuses on are those that have the apparent capabilities to bid for a nationwide Vuk'uzenzele distribution contract. The nationwide distribution of Vuk'uzenzele is a complex logistical operation that balances the requirement of reaching a specific demographic profile, including people residing in remote locations, with affordable distribution to these remote locations. In order to meet these requirements, the national distributor needs the ability to distribute Vuk'uzenzele to its target audience in a cost-effective manner (e.g., achieve the economies of scale to cross-subsidise the more costly distribution routes).

The two main capabilities required to service the current Vuk'uzenzele contract are:

- a Geographical Information System ("GIS") that can predict with reasonable accuracy the likelihood of finding a certain demographic profile, as per the Government Segmentation Model ("GSM")², and qualified by race, language and Living Standards Measure ("LSM"), within a certain suburb; and
- a national distribution network of own or subcontracted depots, drivers and runners that can deliver to private residences in all targeted suburbs in line with a service level agreement.

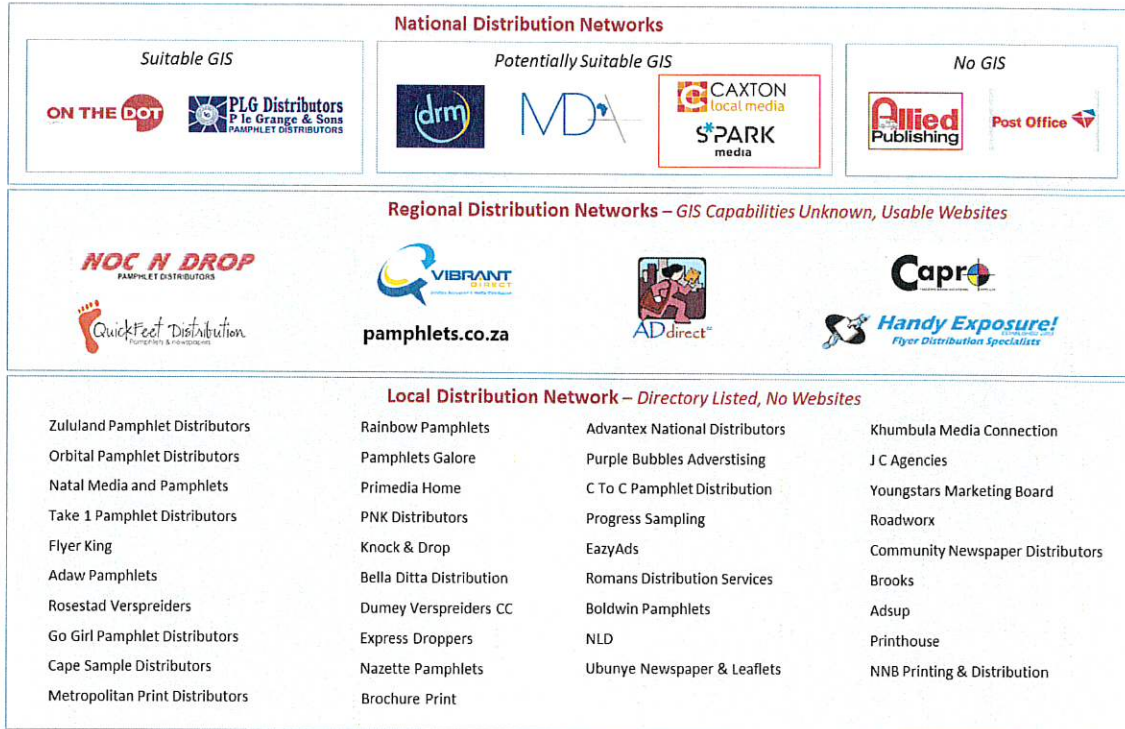
These two capabilities are typically found in knock-and-drop newspaper, pamphlet and leaflet distribution companies that market their ability to reach a narrow target market to large corporate advertisers and knock-and-drop newspaper publishers.

The development and maintenance of GIS data is both a highly technical and very expensive undertaking, requiring the on-going development and commissioning of market research projects. The development and maintenance of this data across the entire country, as opposed to only within a region or locality, is particularly expensive and is a key barrier to entry for national knock-and-drop distributors.

The distributor landscape in South Africa is depicted in the diagram below. The diagram also indicates likely coverage of the abovementioned capabilities.

² The Vuk'uzenzele is distributed in line with the Government Segmentation Model (GSM), specifically targeted at Rooted Realists (segment 1), City Seekers (segment 2), and a smaller proportion to Safely Suburban (segment 3). These segments comprise of people who reside predominantly in rural/ remote areas, and urban to a lesser extent, with lower educations and higher unemployment levels.

Figure 4: South Africa's Distributor Landscape



As depicted on the figure above, the national distributors includes On the Dot (OTD), PLG distributors, DRM, MDA, Caxton, Allied publishing and the South African Post Office. There are also a number of regional distributors which Quickfeet distribution, Vibrant Direct, Noc N Drop, Ad Direct Capro amongst others.

Lastly, there are also several local distributors which encompasses Flyer King, Natal media and pamphlets, pamphlets galore, progress sampling community newspaper distributors, Rainbow Pamphlets amongst others.

5 Vuk'uzenzele Value Chain Analysis

As mentioned previously, Vuk'uzenzele is a publication produced by GCIS, freely available to the public. The newspaper is used as a mechanism to create awareness on employment opportunities, rural development and government programmes for its readers, particularly the youth. GCIS has made efforts geared at empowering people with information about available opportunities that can be used to change their lives. It also features news on youth matters, international relations, sports and recreation and events (GCIS, 2022). The Newspaper is distributed in a targeted fashion, based on the GSM.

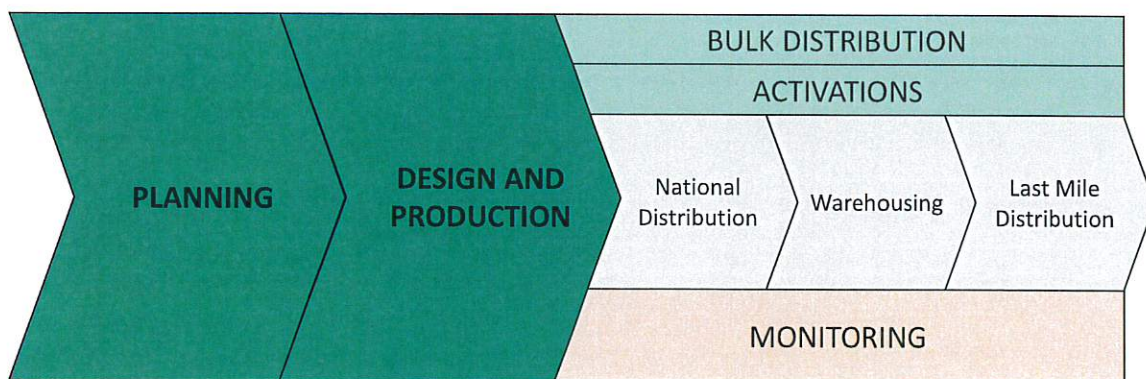
The 850,000 hard copies distributed each month are available in all nine official languages. The primary target market is communities who do not have access to mainstream media. These include communities found in KwaZulu- Natal, Limpopo, Mpumalanga, Eastern Cape and in lower numbers in the North West, Free State, Gauteng, Western Cape and Northern Cape.

The printed copies of Vuk'uzenzele are distributed through the use of three main distribution methods; knock-and-drop distributions (94%), activations (3%) and bulk drop-offs to national and provincial GCIS offices (3%). The knock-and-drop distribution strategy facilitates broader distribution of the Newspaper, making this strategy key to the success of the publication. The Newspaper is also made available online.

The Value Chain outlines the activities executed by stakeholders such as GCIS and the Large Distribution Company contracted to distribute Vuk'uzenzele. The national distributor is responsible for the contract, and multiple Depots, Contract Drivers, and Runners.

The following figure depicts the Vuk'uzenzele Value Chain, from the Planning Stage to the Last Mile Distribution.

Figure 5: Vuk'uzenzele Value Chain



The key components of the Value Chain are expanded on in the sections below.

5.1 Planning

Planning for the production and distribution of Vuk'uzenzele begins with GCIS identifying the target audience, drafting a high-level language breakdown, and determining the overall methods of distribution i.e., knock-and-drop, activations, and bulk distribution.

5.2 Design and Production

The design and production element of the Value Chain refers to the Vuk'uzenzele content creation and printing processes. This involves GCIS liaising with the contracted printer to ensure the correct number of copies per language are printed.

5.3 Knock-and-drop Distribution

The knock-and-drop distribution includes the national delivery of the Vuk'uzenzele to the depots and the last mile distribution, which is the door-to-door delivery of the Newspapers to each reader's home. Key to knock-and-drop distribution is the use of complex GIS systems which are capable of modelling Census and other associated demographic data – an integral capability of the Large Distribution Company (GCIS, 2021). Last mile delivery is accomplished by drivers, each working with a team of runners.

The sections that follow briefly describe the national distribution, warehousing and last mile distribution stages of the value chain.

5.3.1.1 National Distribution

The national distribution includes the delivery of stock from the printers to the specified depots across the country. The primary contractor is currently responsible for the delivery of the stock.

5.3.1.2 Warehousing

Warehousing refers to the locations across the country (i.e., the Depots) that will receive, sort and store the stock. Depots are either owned by the Large Distribution Company or subcontracted by them. Third party depots are typically regional players.

5.3.1.3 Last Mile Distribution

As described previously, the last mile distribution refers to the point of collection of the newspapers from depots by the Contract Drivers, up to the delivery of the newspapers to recipients' homes (i.e., door-to-door, or knock-and-drop delivery).

5.4 Bulk Distribution

This distribution methodology refers to the delivery of newspapers to select distribution outlets such as GCIS Provincial Offices, GCIS Head Office, and District Offices. In the context of Vuk'uzenzele, bulk distribution represents approximately 3% of the total print run.

Vuk'uzenzele is disseminated through community outreach programmes, events, and workshops within the targeted local communities.

5.5 Activations

Vuk'uzenzele brand activations currently play a key role in increasing awareness levels of the publication, as well as awareness of GCIS, and are typically conducted through loud hailer activations at local taxi ranks located across the different provinces. Activations account for 3% of the total print distribution run and are effective in reaching the primary target market due to a large portion of these individuals making use of public transportation.

5.6 Monitoring

Monitoring and quality control occurs throughout the Value Chain, with each stakeholder having their own set of responsibilities. Monitoring is done to ensure the successful delivery of Vuk'uzenzele as per the Distribution Strategy, as well as to maintain an up-to-date and accurate paper trail.

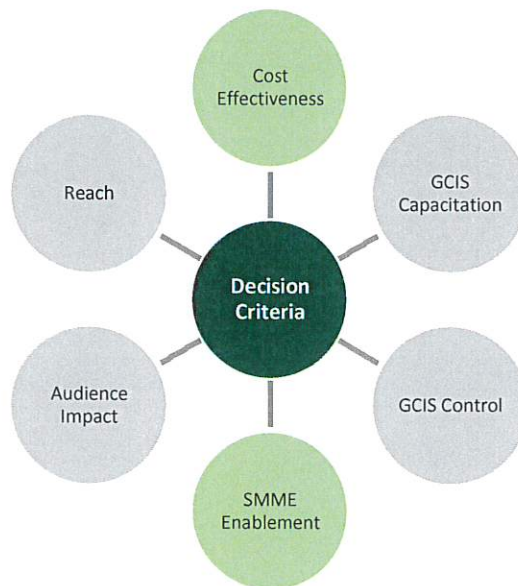
6 Key Findings and Recommendations: Compliant Subcontracting

This section presents the key findings and recommendations for the core project focus area, namely: the determination of the degree of compliant subcontracting that is feasible for the distribution of Vuk'uzenzele.

6.1 Distribution Decision Framework

As previously mentioned, the Distribution Decision Framework defined for this Study, illustrated below, is a set of key focus areas that, when used to guide distribution decisions, should optimise the distribution of Vuk'uzenzele. The two key elements, Cost Effectiveness and SMME Enablement, relevant to the Core Project Focus, are highlighted in green.

Figure 6: Distribution Decision Framework



6.2 Regulatory Requirements for Subcontracting

This section provides an overview of the mandatory requirements for subcontracting, as per government contracting regulations.

It is noted upfront that the analysis in this section relies on the Preferential Procurement Regulations, 2017, which is undergoing review and revision following an adverse ruling by the Constitutional Court. Readers of this section should therefore note that the findings in this section are subject to pending changes to these regulations.

Definition: EME and QSE

In terms of the Generic Codes of Good Practice, an enterprise, including a sole propriety, with annual total revenue of R10 million or less qualifies as an EME, while a QSE refers to any enterprise with annual total revenue of between R10 million and R50 million (National Treasury, 2020).

The table below highlights the subcontracting requirements as per the Preferential Procurement Regulation of 2017.

Table 3: Regulatory Requirements for Compliant Subcontracting

#	Requirement	Specific Clause	Source
1	The EME/QSE is required to meet either of the stipulated requirements e.g., the EME/QSE is required to be at least 51% black owned.	"When an organ of state decides to apply the subcontracting provision as specified in Regulation 4(c) all tenders above the prescribed maximum threshold for quotations must be advertised through an open competitive bidding process subject to potential tenderers meeting the 30% minimum <u>subcontracting requirement to EMEs or QSEs that are 51% owned by the following enterprises:</u> (i) Black people (ii) Black people who are youth (iii) Black people who are women (iv) Black people with disabilities (v) Black people living in rural or underdeveloped areas or townships (vi) Cooperatives which are 51% owned by Black people (vii) Black people who are military veterans"	Implementation Guide-preferential Procurement Regulation 2017 APPLICATION OF PRE-QUALIFICATION CRITERIA FOR PREFERENTIAL PROCUREMENT (Regulation 4) (5.14.4)
2	The minimum requirement is for the EME/QSE to be in possession of a B-BBEE Certificate or Affidavit.	"The regulation states that if feasible to contract above R 30 million, an organ of state must apply subcontracting to advance designated groups."	Implementation Guide-preferential Procurement Regulation 2018, SUBCONTRACTING AS A CONDITION OF TENDER FOR PROCUREMENT ABOVE R 30 MILLION (Regulation 9) (14.1)
3	The primary contractor is required to select a supplier from a list of suppliers registered on the CSD i.e., the supplier is required to be registered on the CSD.	"The Institution must make available the list of suppliers registered on the CSD to provide the required goods or services in respect of the applicable designated groups mentioned in the relevant tender from which the tenderer must select a supplier."	Implementation Guide-preferential Procurement Regulation 2018, SUBCONTRACTING AS A CONDITION OF TENDER FOR PROCUREMENT ABOVE R 30 MILLION (Regulation 9) (14.19)

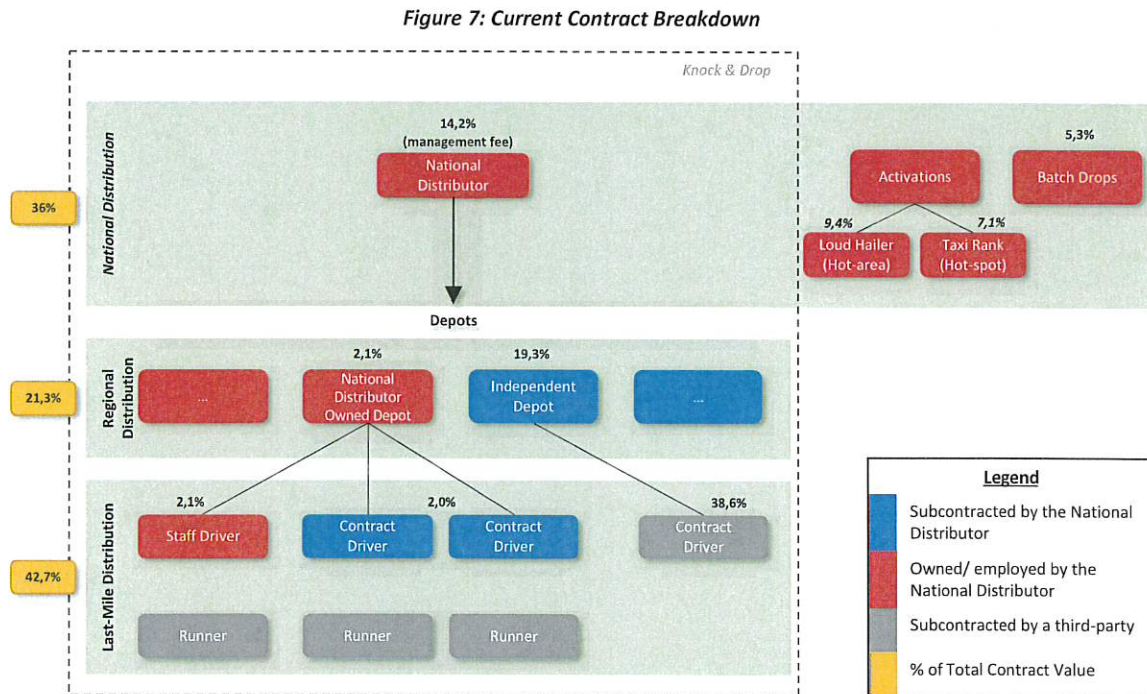
The above requirements for an organisation to qualify as a compliant subcontractor may be stated, simply as follows:

- The subcontracted company must be an Exempt Micro Enterprises (EME) or a Qualifying Small Enterprises (QSE);
- The subcontracted company must be at least 51% black-owned;

- The subcontracted company must be in possession of a valid B-BBEE Certificate or Affidavit indicating the level of black ownership; and
- The subcontracted company must be registered on the government’s Central Supplier Database (CSD).

6.3 Current Contract Breakdown

The figure below illustrates the decomposition of the current Vuk'uzenzele knock-and-drop distribution.



With regard to the current contract, distribution activities at a National level accounts for 36% of the contract value, while Regional Distribution and Last-Mile Distribution account for 21% and 43%, respectively.

The areas highlighted in red indicate the elements that currently accrue to the National Distributor (e.g., 14.2% of the contract value for management fees, 4% for National Distributor Owned Depots, 2% for Staff Drivers, 9.4% for loud hailer activations, 7.1% for taxi rank activations, and 5.3% for batch drops), while the areas highlighted in blue are those that are subcontracted by the National Distributor, such as Independent Depots and Contract Drivers. Independent Depots enlist the services of Contract Drivers who account for 39% of the contract value. These Contract Drivers along with Runners depicted in the Last-Mile Distribution level, are areas that are subcontracted by third parties (identified by the grey colour) and are therefore not susceptible to compliant subcontracting.

6.4 Degree of Compliant Subcontracting

A key focus of this Project was to determine the decomposition of the current Vuk'uzenzele distribution contract and further determine which of the contract components currently meet the subcontracting requirements i.e., are compliant subcontractors. These findings are presented in the sub-sections that follow, as well as the key compliance findings for SMMEs, Contract Drivers and

Depots. This section also details the challenges in meeting the compliance requirements, and concludes with recommendations.

6.4.1 Summary Findings

In determining the degree of compliant subcontracting on the Vuk'uzenzele distribution contract, four different scenarios were considered and are summarised in the table below.

Table 4: Degree of Compliant Subcontracting: Summary Findings

Scenarios	Subcontracting %	Compliant Subcontracting %
Current Contract	21%	1.3% to 7.6%
Generic National Contract	19%	1.2% to 7.6%
Generic National Contract with Maximum Subcontracting	41%	22% to 29%
Generic National Contract with SMME Support	41%	22% to 38%

As indicated above, each of the scenarios incorporate a level of subcontracting, within which a portion qualifies as compliant. The measure of extent is the percentage of the Vuk'uzenzele distribution contract. For instance, in the first scenario above, 21% of the current contract value is subcontracted.

The Current Contract scenario depicts the status quo, with 21% of the contract value subcontracted, and a relatively low level of compliant subcontracting. When other National Distributors are considered (the Generic National Contract) the degree of subcontracting and compliant subcontracting does not change much. In the third scenario, the level of subcontracting is increased by subcontracting activations and bulk drops – services currently provided by the National Distributor. This increases the level of subcontracting and compliant subcontracting substantially. In the fourth scenario the level compliant subcontracting is increased further by providing support to SMMEs to grow and formalise their businesses. This last scenario, while attractive from an SMME enablement perspective, will increase direct (viz. GCIS) or indirect (viz. contract) costs.

The Study's recommendation relative to these scenarios is included in section 6.5 below.

6.4.2 Detailed Findings

The sections that immediately follow this one provide further details on the above scenarios.

6.4.2.1 Scenario A: Current Contract

The table below provides an overview of the decomposition of the current contract, indicating the percentage of the contract value that accrues at each of the three distribution levels (i.e., National Distribution, Regional Distribution, and Last Mile Distribution) and the extent of compliant subcontracting that is possible.

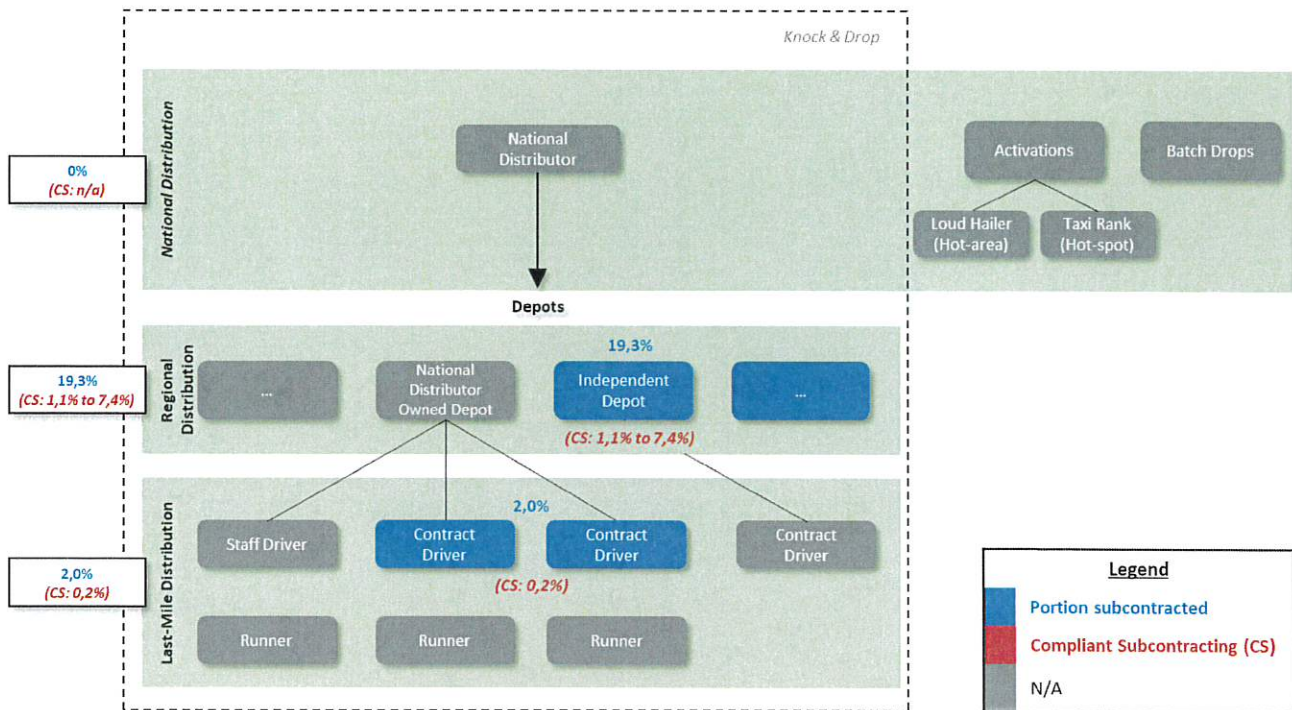
Table 5: Scenario A (Current Contract) – Compliant Subcontracting

Scenario A: Current Contract	% of Contract Value	Compliant Subcontracting
National Distributor	36.0%	n/a
<i>Management</i>	14.2%	n/a
<i>Hot-spot Activations</i>	7.1%	n/a
<i>Hot-area Activations</i>	9.4%	n/a
<i>Batch Drops</i>	5.3%	n/a
Regional Distribution	21.3%	1.1% to 7.4%
<i>National Distributor Depot</i>	2.1%	n/a
<i>Independent Depot</i>	19.3%	1.1% to 7.4%
Last Mile Distribution	42.7%	0.2%
<i>National Distributors – Own Drivers</i>	2.1%	n/a
<i>National Distributors – Contract Drivers</i>	2.0%	0.2%
<i>Independent Distributors – Contract Drivers</i>	38.6%	n/a
Total	100%	1.3% to 7.6%

As can be seen above, in the case of the first scenario, viz. the current contract, it was determined that 21% of the current contract value is subcontracted and the compliant subcontracting ranges between 1.3% to 7.6%. The range accounts for certain unknowns relating to the four subcontracting compliance criteria for independent depots and contract drivers.

The figure below presents this information graphically, per the structure of the contract. The blocks shaded in blue indicate the points in the Vuk'uzenzele value chain which are currently subcontracted, and text in blue indicates the portion subcontracted (%) at that point. The red text indicates to the *compliant subcontracting (CS)* as a percentage of the contract value.

Figure 8: Scenario A (Current Contract) – Compliant Subcontracting



6.4.2.1.1 Cost Implications: Scenario A

Scenario A outlines the level of subcontracting as per the current contract and the value that accrues to each stakeholder type within the Vuk'uzenzele Value Chain. Given that this is the scenario of the current contract, there are no additional cost implications with this scenario when considered against the status quo.

6.4.2.2 Scenario B: Generic National Contract

The table below provides an overview of the decomposition of the Generic National Contract (Scenario B), indicating the percentage of the contract value that accrues at each of the three distribution levels (i.e., National Distribution, Regional Distribution, and Last Mile Distribution) and the extent of compliant subcontracting that is possible.

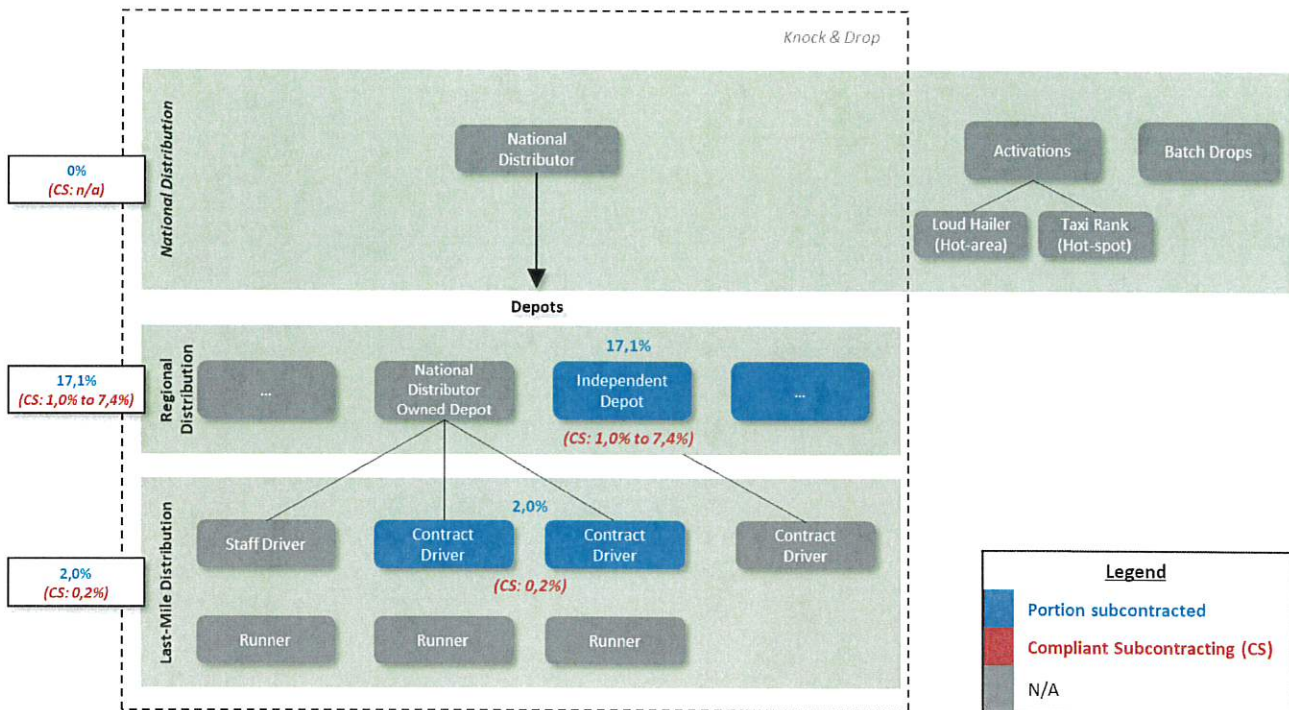
Table 6: Scenario B (Generic National Contract) – Compliant Subcontracting

<u>Scenario B: Generic National Contract</u>	% of Contract Value	Compliant Subcontracting
National Distributor	36.0%	n/a
<i>Management</i>	14.2%	n/a
<i>Hot-spot Activations</i>	7.1%	n/a
<i>Hot-area Activations</i>	9.4%	n/a
<i>Batch Drops</i>	5.3%	n/a
Regional Distribution	21.3%	1.0% to 7.4%
<i>National Distributor Depot</i>	2.1%	n/a
<i>Independent Depot</i>	19.3%	1.0% to 7.4%
Last Mile Distribution	42.7%	0.2%
<i>National Distributors – Own Drivers</i>	2.1%	n/a
<i>National Distributors – Contract Drivers</i>	2.0%	0.2%
<i>Independent Distributors – Contract Drivers</i>	38.6%	n/a
Total	100%	1.2% to 7.6%

In the second scenario (i.e., the Generic National Contract), where other companies with National Distributor capabilities were considered, it was found that the degree of subcontracting to independent depots on average would decrease to 19%. This is due to other National Distributors owning significantly more depots than the current distributor; resulting in less subcontracting to independent depots. In terms of the degree of compliant subcontracting, however, this would change marginally (1.2% to 7.6%) compared to the current contract (1.3% to 7.6%).

The figure below presents this information graphically, per the structure of the contract. The blocks shaded in blue indicate the points in the Vuk'uzenzele value chain which can be subcontracted, and text in blue indicates the portion subcontracted (%) at that point. The red text indicates to the *compliant subcontracting (CS)* as a percentage of the contract value.

Figure 9: Scenario B (Generic National Contract) – Compliant Subcontracting



6.4.2.2.1 Cost Implications: Scenario B

Scenario B outlines the level of subcontracting which may be achieved under a Generic National Contractor (i.e., the current contract structure held by any of the candidate national distributors).

Other than variations in contracting from one period to another, and from one bid to another, the cost implications for scenario B is not expected to be different to scenario A.

6.4.2.3 Scenario C: Generic National Contract with Maximum Subcontracting

The table below provides an overview of the decomposition of the Generic National Contract with Maximum Subcontracting (Scenario C), indicating the percentage of the contract value that accrues at each of the three distribution levels (i.e., National Distribution, Regional Distribution, and Last Mile Distribution) and the extent of compliant subcontracting that is possible.

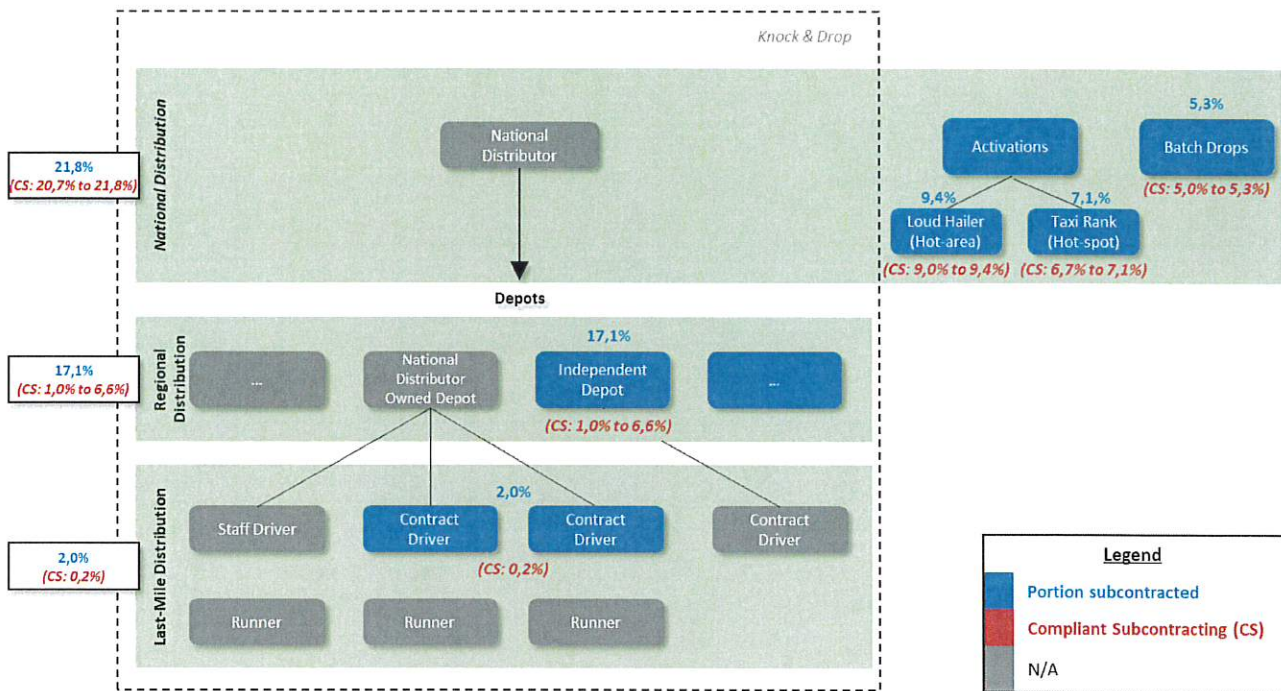
Table 7: Scenario C (Generic National Contract with Maximum Subcontracting) – Compliant Subcontracting

<u>Scenario C: Generic National Contract with Maximum Subcontracting</u>	% of Contract Value	Compliant Subcontracting
National Distributor	36.0%	20.7% to 21.8%
<i>Management</i>	14.2%	n/a
<i>Hot-spot Activations</i>	7.1%	6.7% to 7.1%
<i>Hot-area Activations</i>	9.4%	9.0% to 9.4%
<i>Batch Drops</i>	5.3%	5.0% to 5.3%
Regional Distribution	21.3%	1.0 to 6.6%
<i>National Distributor Depot</i>	2.1%	n/a
<i>Independent Depot</i>	19.3%	1.0% to 6.6%
Last Mile Distribution	42.7%	0.2%
<i>National Distributors – Own Drivers</i>	2.1%	n/a
<i>National Distributors – Contract Drivers</i>	2.0%	0.2%
<i>Independent Distributors – Contract Drivers</i>	38.6%	n/a
Total	100%	22% to 29%

In the third scenario, namely the Generic National Contract where the degree of subcontracting is maximised, it was found that the percentage of subcontracting would increase significantly (up to 41%) and of that the percentage of compliant subcontracting would increase to 22% to 29%. In this scenario, it is proposed that the bulk drops and activations be outsourced to SMMEs. Research conducted indicates that there are a significant number of SMMEs that could provide these subcontracted services. Surveys conducted with SMMEs, sourced through a limited search of the CSD, elicited responses from 160 Marketing/ Activator and Delivery SMMEs that indicated the ability to do bulk drops, hot-spot activations and hot-area activations, respectively.

The figure below presents this information graphically, per the structure of the contract. The blocks shaded in blue indicate the points in the Vuk'uzenzele value chain which can be subcontracted, and text in blue indicates the portion subcontracted (%) at that point. The red text indicates to the *compliant subcontracting (CS)* as a percentage of the contract value.

Figure 10: Scenario C (Generic National Contract with Maximum Subcontracting) – Compliant Subcontracting



6.4.2.3.1 Cost Implications: Scenario C

Scenario C highlights the potential changes in the cost of distribution if the National Contractor subcontracted Activations and Bulk Drops to compliant³ SMMEs. Due to the higher operating costs of SMMEs, the overall cost of distribution will likely increase to account for the subcontracted portions of the contract. However, depending on which SMMEs the Master Contractor decides to subcontract to, this increase can be contained, or potentially even reversed. An increase of 14% in the contract cost is estimated based on median prices quoted by SMMEs for activations and bulk drops. Use of median prices translate into distribution costs for the average SMME. Some SMMEs will be more efficient, and will thus price lower, and others will be less efficient, and will price higher.

The following table indicates the cost implications for moving from scenario A (current) to scenario C.

Table 8: Scenario C - Cost Implications

Cost Item	Scenario A		Scenario C			Cost Implications
	Portion of Contract Cost	Cost per copy	Cost per copy	Percentage Increase	New Cost (as portion of Scenario A contract cost)	
GCIS Total Contract Costs	100%	N/A	N/A	14%	114%	The total contract cost is likely to be higher given the higher costs associated with contracting with SMMEs overall. Based on median prices quoted by SMMEs for activations and bulk drops, it is estimated that this increase in the contract cost will equate to 14% of the total contract cost. However, should the Master Contractors utilise SMMEs pricing

³ Compliant entities refer to those who meet all four (4) of the regulatory subcontracting criteria, as detailed in section 6.2.

Cost Item	Scenario A		Scenario C			Cost Implications
	Portion of Contract Cost	Cost per copy	Cost per copy	Percentage Increase	New Cost (as portion of Scenario A contract cost)	
						below median prices, this increase could be contained, or even reversed.
Master Contractor Management Costs	14.2%	N/A	Additional 5% on the cost of activations and bulk drops	1.8%	14.4%	The management cost (%) charged by the Master Contractor is likely to increase for activations and bulk drops, as the Master Contractor will need to manage SMMEs for these distribution methods. It is estimated that this will add 1,8% to the total contract cost (5% of the total cost of activations and bulk drops = 5% x 36%)
Knock and Drop	64%	R0,39	R0,39	0%	64%	No change in the cost for this portion of the distribution of Vuk'uzenzele.
Activations (Taxi Rank)	7%	R1,88	R0,67 to R19,90 (median value R3,00)	60%	11%	Based on the median value anticipated for SMME costs for taxi rank activations, this cost will likely increase by 60%. However, there is a possibility that this cost could be lower, depending on which SMMEs the Master Contractor chooses to subcontract to.
Activations (Loud Hailer)	9.43%	R5,02	R1,10 to R41,19 (median value R5,00)	-0.3%	9.40%	Based on the median value anticipated for SMME costs for loud hailer activations, this cost will likely decrease by 0,3%. However, there is a possibility that this cost could be higher, depending on which SMMEs the Master Contractor chooses to subcontract to.
Bulk Drops	5%	R0,87	R0,60 to R7,56 (average value R2,47)	183%	15%	Based on the weighted average value anticipated for SMME costs for bulk drops, this cost will likely increase by 183%. However, there is a possibility that this cost could be lower, depending on which SMMEs the Master Contractor chooses to subcontract to.

6.4.2.4 Scenario D: Generic National Contract with SMME Support

The table below provides an overview of the decomposition of the Generic National Contract with SMME Support (Scenario D), indicating the percentage of the contract value that accrues at each of the three distribution levels (i.e., National Distribution, Regional Distribution, and Last Mile Distribution) and the extent of compliant subcontracting that is possible.

Table 9: Scenario D (Generic National Contract with SMME Support) – Compliant Subcontracting

Scenario D: Generic National Contract with SMME Support

National Distributor

Management

Hot-spot Activations

Hot-area Activations

Batch Drops

Regional Distribution

% of Contract Value	Compliant Subcontracting
36.0%	20.7% to 21.8%
14.2%	n/a
7.1%	6.7% to 7.1%
9.4%	9.0% to 9.4%
5.3%	5.0% to 5.3%

21.3%

1.0% to 14.8%

Scenario D: Generic National Contract with SMME Support

National Distributor Depot
Independent Depot

Last Mile Distribution

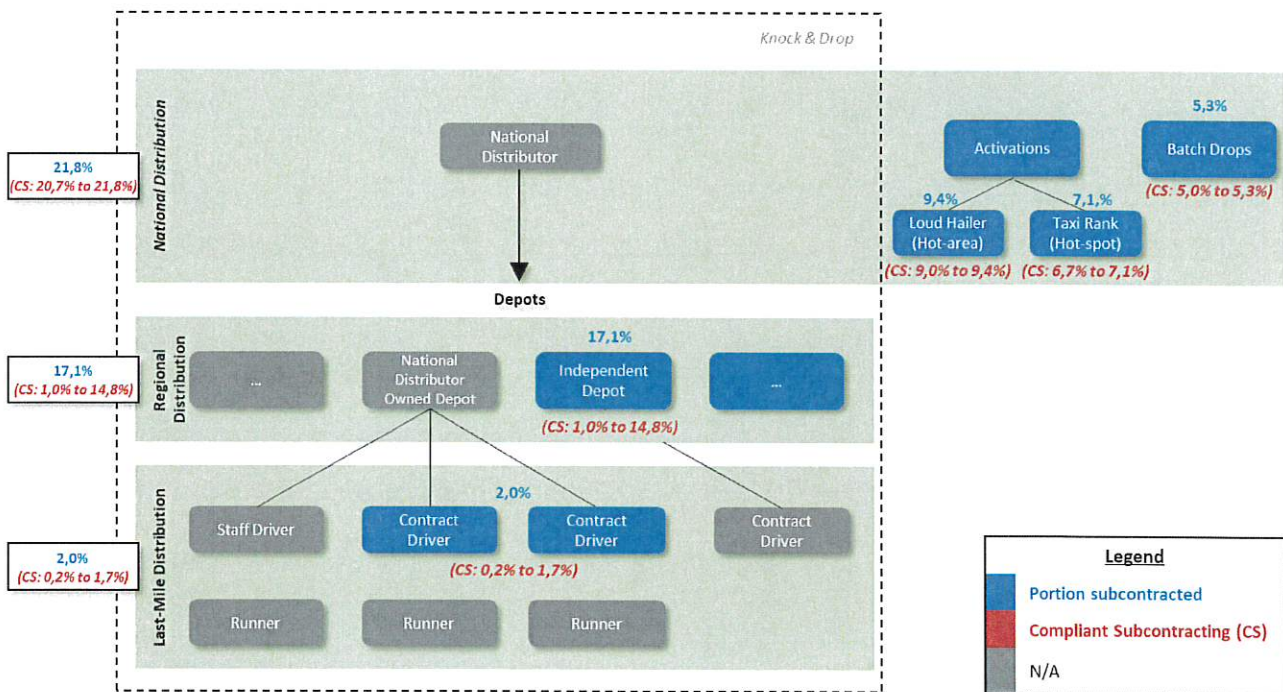
National Distributors – Own Drivers
National Distributors – Contract Drivers
Independent Distributors – Contract Drivers

Total

% of Contract Value	Compliant Subcontracting
2.1%	n/a
19.3%	1.0% to 14.8%
42.7%	0.2% to 1.7%
2.1%	n/a
2.0%	0.2% to 1.7%
38.6%	n/a
100%	22% to 38%

Similarly, in the fourth scenario (i.e., Generic National Contract with SMME Support), where support is provided to SMMEs to help them meet the compliance criteria and formalise their businesses, the degree of compliant subcontracting has the potential to increase to a range of up to 22% to 38%. A key consideration for this scenario though is the significant cost and effort that is likely to be required for the level of SMME support required. This support would either have to be provided by GCIS, with direct cost implications, or by the National Distributor, with an impact on the contract price.

Figure 11: Scenario D (Generic National Contract with SMME Support) – Compliant Subcontracting



6.4.2.4.1 Cost Implications: Scenario D

To understand the extent of the additional costs that would be introduced by Scenario D, it is key to note that Scenario D builds on Scenario C. Thus Scenario D would include an increase of 14% in the contract costs for Scenario A; this accounts for the increased costs associated with subcontracting activations and bulk drops. Scenario D would involve other additional costs to achieve subcontracting compliance for Independent Depots and Contract Drivers.

Depending on how support is provided in achieving compliance for the Independent Depots and Contract Drivers, this may include either of the following:

- i) The additional costs for the support that the National Distributor would be required to provide to SMMEs, *or*
- ii) The additional costs/ capabilities required in order for GCIS to provide the support directly to the smaller contractors.

While it is not possible to estimate the costs to achieve the abovementioned compliance without designing and planning for the compliance support activities, it is expected that these costs will be significant.

6.4.3 Recommended Scenario

Considering the four scenarios presented above, the most feasible option, to achieve a level of compliant subcontracting with lower additional cost implications, would be *Scenario C (Generic National Contract with Maximum Subcontracting)*. GCIS should consider requesting that the National Contractor subcontract the activations and bulk drops segments of the Vuk'uzenzele distribution contract to those SMME subcontractors that meet the four (4) compulsory requirements for compliant subcontracting.

Scenario C increases the level of compliant subcontracting significantly from the status quo, with attendant SMME enablement benefits. Scenario C achieves this with lower additional contract cost implications than Scenario D, and with virtually no additional GCIS capacitation requirements.

This would allow GCIS to mandate between 22% and 29% compliant subcontracting, which is the potential range of subcontracting indicated to be feasible by the findings of this Study, under the Generic National Contract with Maximum Subcontracting scenario. It is recommended that, to avoid potentially excluding otherwise compliant bids, GCIS select a percentage towards the lower end of this range.

6.4.4 Key Subcontracting Compliance Findings

As indicated above, for subcontracting to be compliant, it needs to meet 4 key criteria, viz.

- The subcontracted company must be an Exempt Micro Enterprises (EME) or a Qualifying Small Enterprises (QSE);
- The subcontracted company must be at least 51% black-owned;
- The subcontracted company must be in possession of a valid B-BBEE Certificate or Affidavit indicating the level of black ownership; and
- The subcontracted company must be registered on the government's Central Supplier Database (CSD).

The entities needing to meet these criteria in the context of this feasibility study are SMMEs that are able to provide activation and batch drop services, independent depots, and contract drivers. This section unpacks the extent to which each of these entities meet the subcontracting compliance criteria.

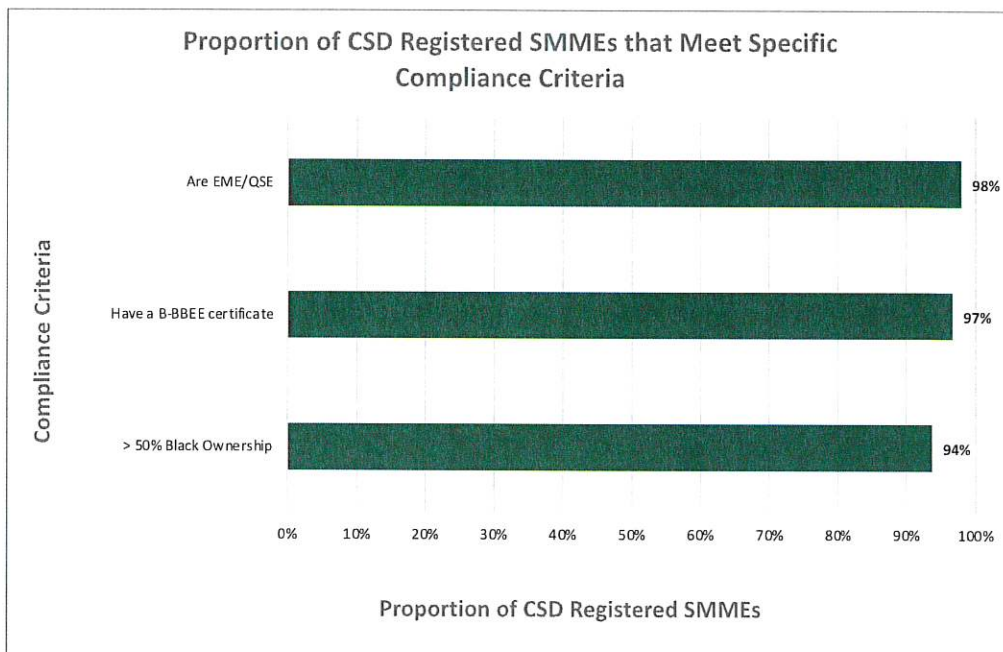
The information included below was instrumental in assessing the level of subcontracting compliance for the 4 scenarios outlined in this section.

6.4.4.1 SMMEs

The figure below illustrates the proportion of SMMEs registered on CSD that meet specific compliance criteria, namely whether the business is an EME or QSE, whether the business is in possession of a B-BBEE certificate or affidavit and whether the business is more than 50% black owned.

SMMEs that are registered on CSD are of particular interest as procurement regulations flag CSD as a source for subcontractors for contracts that have a subcontracting requirement. In this Study, we specifically examine CSD-registered SMMEs as potential activations and batch service providers, subcontracted either to GCIS or a National Distributor.

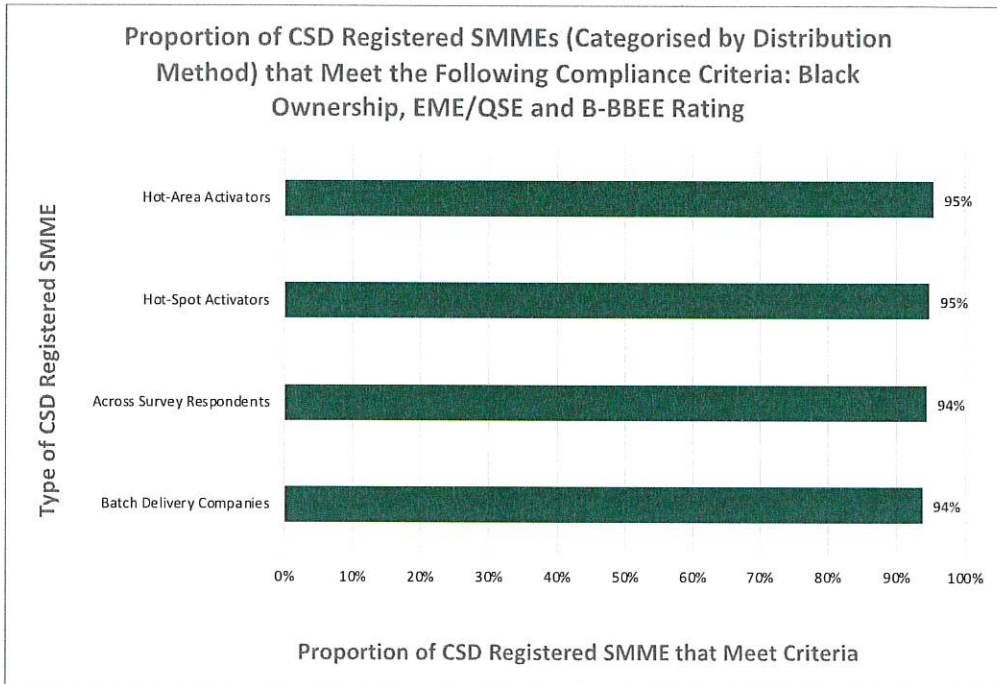
Figure 12: Proportion of CSD Registered SMMEs that Meet Specific Compliance Criteria



Source: GCIS CSD Business Survey (n = 160)

The figure below illustrates the proportion of CSD-registered SMMEs, categorised by the method of distribution adopted by the business, that meet specific compliance criteria.

Figure 13: Proportion of CSD Registered SMMEs that Meet Specific Compliance Criteria – by Distribution Method

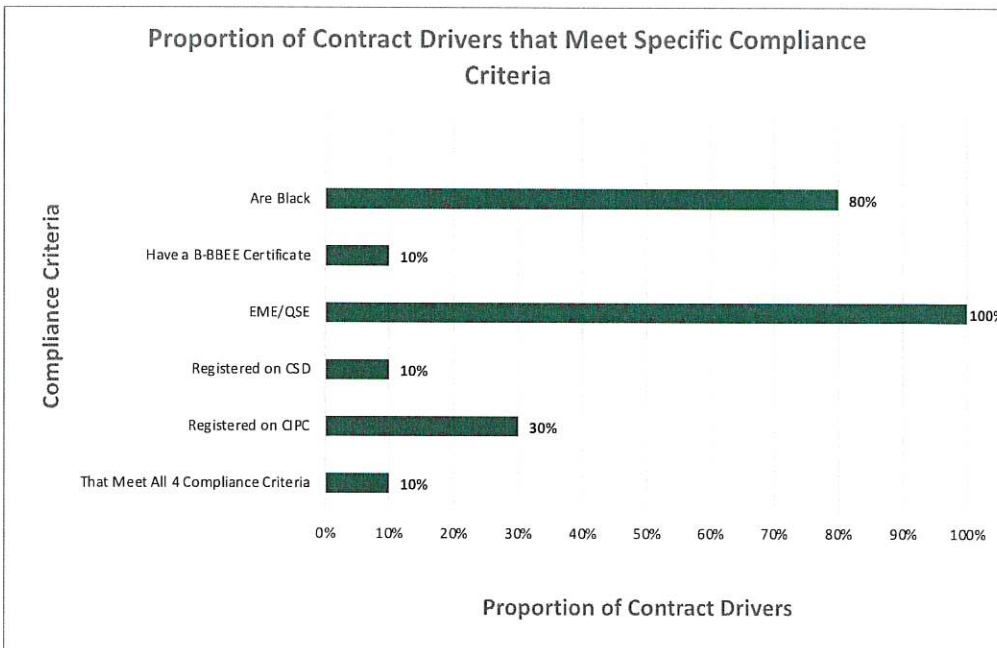


Source: GCIS CSD Business Survey (n = 160)

6.4.4.2 Contract Drivers

The figure below illustrates the proportion of contract drivers that meet the specific criteria required to be recognised as compliant subcontractors.

Figure 14: Proportion of Contract Drivers that Meet Specific Compliance Criteria



Source: GCIS Contract Driver/ Runner Survey (n = 37)

6.4.4.3 Depots

The level of subcontracting compliance for independent depots was assessed based on the list provided by GCIS of depots currently distributing Vuk'uzenzele. Each of these depots were investigated to establish the identity of the company running the depot, and the company's meeting of each of the 4 subcontracting compliance requirements. This information was sourced through Google, CIPC and CSD enquiries. Given that some information was not available, two boundary scenarios were established, which translated into a range of likely compliance. The level of compliance was stated as a percentage of compliant subcontracting for independent depots, against the total depot contract value. The scenarios accounted for variations in the number of independent depots, based on the various candidate National Distributors.

6.4.5 Challenges Meeting Compliance Requirements

As part of the Study into determining the feasibility of subcontracting, stakeholders (viz. contract drivers and runners) were asked to provide input on the challenges they face with regards to becoming formalised delivery businesses. Establishing as a formal business, i.e., registering on CIPC is a key pre-requisite for meeting the subcontracting compliance criteria, e.g., registration on CSD.

Key challenges noted by contract drivers regarding their registration on CSD included financial constraints, a lack of knowledge of the CSD, and their businesses not being registered on CIPC or SARS.

In a consultation with a contract driver, the following was noted:

"I don't have information on how to formally register [on CSD] and run the financial side of business... I am not well connected to get information from relevant people on how to grow my business."

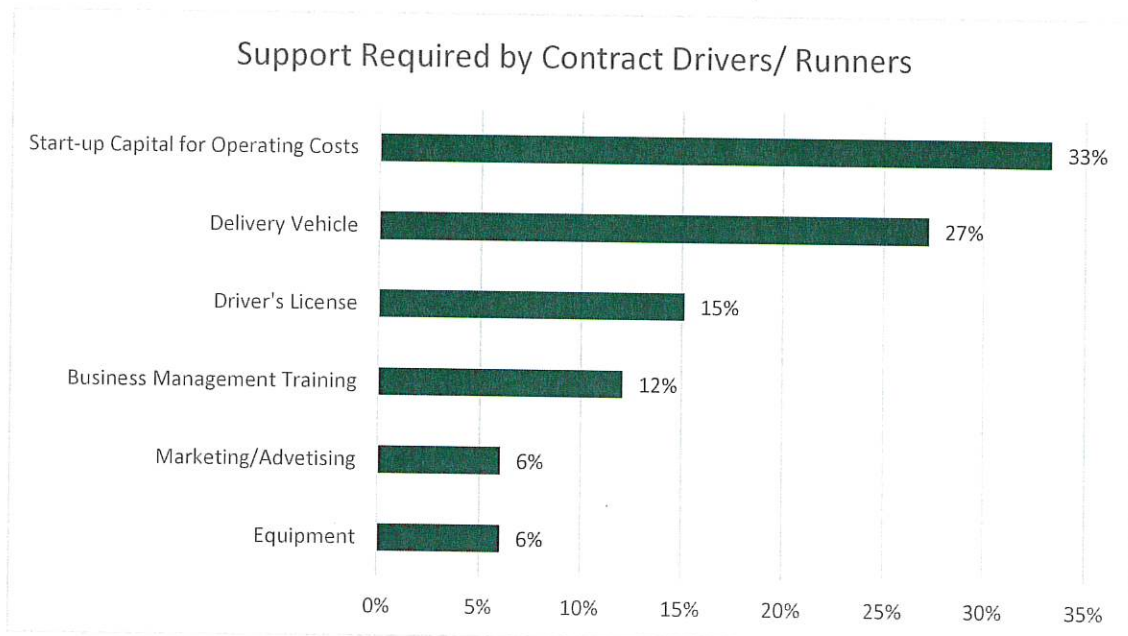
Contract Driver Interview, 2022

Several small depots/ warehouses that responded to the survey also cited a lack of financial means to be able to register their businesses on the CSD. One respondent noted that their business is not registered on the CSD due to the business not being tax compliant.

A key finding regarding business formalisation was that contract drivers were reluctant to formalise their businesses due to the fear of needing to pay income tax on their earnings. Given that it is highly unlikely that contract drivers would be required to pay income tax based on their average earnings small contract driver businesses (i.e., most would be eligible for PAYE exemptions), it is apparent from this finding that there is a need for increased education and awareness on formal business ownership, particularly regarding regulatory requirements, for the drivers.

The figure below highlights the main challenges indicated by contract drivers and runners when asked what support they would require establishing their own formal delivery businesses. The need for start-up capital (33%) and a delivery vehicle (27%) account for over half of the responses. 15% Of respondents said they require support in acquiring a driver's license, and 12% noted the need for formal business management training. Marketing/ advertising and equipment both accounted for 6% of the responses.

Figure 15: Support Required by Contract Drivers/ Runners



Source: GCIS Contract Driver/ Runner Survey (n = 37)

6.5 Recommendations

Based on the findings presented in the previous sections, it is recommended that, in the next iteration of the Vuk'uzenzele distribution contract, GCIS consider requesting that the master contractor subcontract the activations and bulk drops segments of the contract to SMME subcontractors that meet the following four (4) compulsory requirements for compliant subcontracting:

- The subcontracted company must be an Exempt Micro Enterprises (EME) or a Qualifying Small Enterprises (QSE);
- The subcontracted company must be at least 51% black-owned;
- The subcontracted company must be in possession of a valid B-BBEE Certificate or Affidavit indicating the level of black ownership; and
- The subcontracted company must be registered on the government's Central Supplier Database (CSD).

This will allow GCIS to mandate between 22% and 29% compliant subcontracting, which is the potential range of subcontracting indicated to be feasible by the findings of this Study, under the Generic National Contract with Maximum Subcontracting scenario. It is recommended that, to avoid potentially excluding otherwise compliant bids, that GCIS select a percentage towards the lower end of this range.

Additional SMME enablement may be possible in the event of independent depots and contract drivers being provided with enterprise development and formalisation support (e.g., assisting with tax compliance, CSD registration, etc.).

Depending on the level of SMME support that either GCIS is able to provide, or which GCIS requests that the master contractor provides, the level of subcontracting that is feasible may increase to up to 38%; as per the Generic National Contract with SMME Support scenario.

7 Key Findings and Recommendations: Alternative Distribution Strategies

This section presents the key findings and recommendations for the supplementary project focus area, namely:

- the identification of alternative Vuk'uzenzele Distribution methods that optimise reach and/or SMME development; and
- determination of the capability and capacity implications for GCIS for alternate Vuk'uzenzele distribution methods.

The above focus areas have been addressed through:

- i. the identification of alternative distribution solutions, defined as a combination of a distribution method and a distribution partner; and
- ii. the assessment of each of these alternative distribution methods using the Distribution Decision Framework outlined in section 2.4.1.

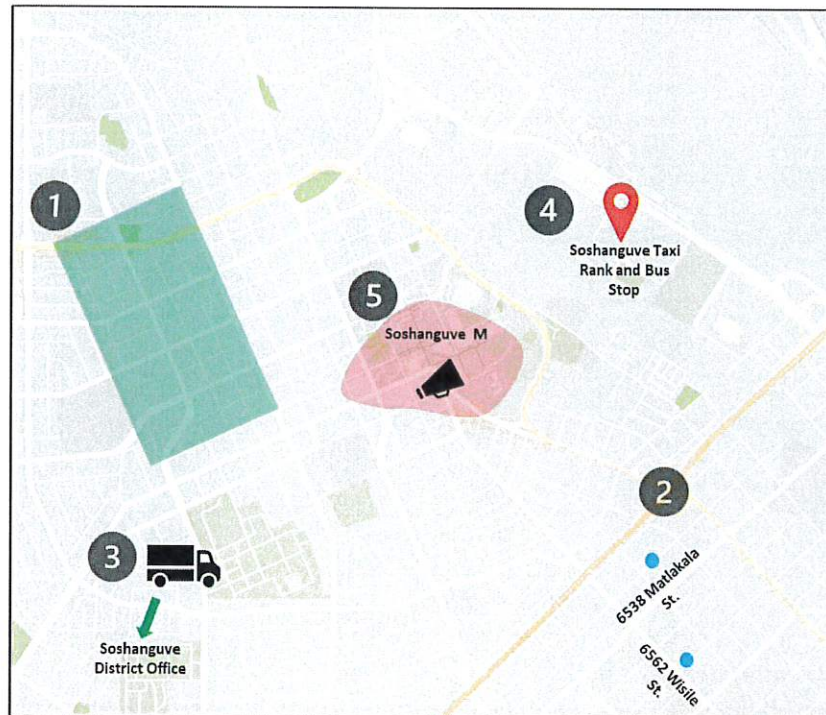
This section lists the alternative distribution solutions identified by this Study and outlines the assessment of these solutions against the Distribution Decisions Framework. The alternative distribution solutions have been assessed on key dimensions from the Framework, some on an absolute basis (e.g., cost) and some on a relative basis (e.g., GCIS capacitation).

The assessment findings provide a point of reference (collectively referred to as “the Alternative Distribution Model”) against which GCIS can make decisions on which alternative distribution solutions to implement when. Specific decisions that GCIS makes will depend on the specific prevailing conditions (e.g., the extent of available budget) and the weight that these conditions place on particular decision dimensions (e.g., cost effectiveness vs. SMME enablement).

7.1 Distribution Methods

Five main distribution methods have been identified in this Study, namely; Saturation Distribution, Unit Drops, Batch Drops, Hot-area Distribution and Hot-spot Distribution. These distribution methods are defined below. Additionally, the figure below provides an illustrative example of each of these alternative distribution methods.

Figure 16: Alternative Distribution Methods Defined



1. **Saturation Distribution:** The delivery of newspapers/ leaflets to every address on a street in a specified area.
2. **Unit Drops:** The delivery of newspapers/ leaflets to specific addresses on a street in a specified area.
3. **Batch Drops:** The delivery of a batch of newspapers/ leaflets (e.g., 2000 copies) to a specific location.
4. **Hot-spot Distribution:** The distribution of newspapers/ leaflets in a targeted point location (e.g., a taxi rank) by a group of people recruited to promote the newspaper/ leaflet.
5. **Hot-area Distribution:** The distribution of newspapers/ leaflets in a targeted area (e.g., the streets around a taxi rank or in an area with high levels of activity) by a group of people recruited to promote the newspaper/ leaflet. This form of distribution includes travelling in a branded vehicle with sound system capabilities.

7.2 Distribution Partners

In addition to the distribution methods defined above, the distribution partners that have been identified in the Study to potentially execute the distribution methods are defined below:

- **National Distributors:** National Distributors are companies that are able to distribute newspapers/ leaflets nationally. They are typically large companies that have established planning and geographical information systems (GIS) capabilities and national distribution management and logistics networks.
- **Regional Distributors:** Regional Distributors are companies that are able to distribute newspapers/ leaflets over a significant regional area. They usually have strong distribution networks across multiple suburbs in large cities or towns within a specific province.

- **Community Newspapers:** These are community-based newspaper publishers; typically undertaking their own distribution with a circulation of less than 15 000 copies per month;
- **SA Post Office (SOC):** The South African Post Office is the national postal service provider, wholly owned by the South African government. The Post Office has a range of capabilities including a nationwide physical branch network, branch delivery services, a postal delivery database and speed services couriers;
- **Subscription Distributors:** Small distribution companies that deliver newspapers to specific addresses in a geographical area based on a subscription model (e.g., to individual houses who have bought a monthly subscription for a newspaper such as the Sunday Times);
- **SMME Newspaper/ Leaflet Distributors:** Small companies that deliver printed material such as newspapers and/or leaflets to homes and businesses. These companies may also distribute leaflets in densely populated areas such as Central Business Districts (CBDs);
- **SMME Delivery Companies:** Small delivery companies or contractors that transport goods/packages from one location to another. These companies are typically regional or local; and
- **SMME Activators:** Small promotion or advertising agencies that specialise in increasing brand awareness through marketing and advertising campaigns, such as activations. This may involve distributing pamphlets or newspapers in single (with individuals handing out the items to passers-by) or in larger locations using loud hailers.

7.3 Distribution Solutions

This section presents a high-level view of the alternative distribution solutions that may be considered by GCIS for the distribution of Vuk'uzenzele.

7.3.1 Distribution Solutions Which Were Assessed

As indicated above, an Alternative Distribution Solution (or simply "Distribution Solution") refers to a particular Distribution Partner (from the list above) distributing Vuk'uzenzele using a specific Distribution Method (also from the list above). The table below indicates (by means of a tick) the specific Distribution Solutions (a combination of a Distribution Partner and a Distribution Method) considered by this Study. Cells highlighted in grey indicate those combinations not considered relevant.

Table 10: Assessed Distribution Solutions

	National Distributor	Regional Distributor	Community Newspaper	SMME Subscription/Leaflet Distributor	SMME Delivery Companies	SA Post Office (SOC)	SMME Activators
Saturation Distribution	✓						
Unit Drops							
Batch Drops	✓					✓	
Hot-spot Activations	✓						✓

	National Distributor	Regional Distributor	Community Newspaper	SMME Subscription/Leaflet Distributor	SMME Delivery Companies	SA Post Office (SOG)	SMME Activators
Hot-area Activations	✓						✓

7.3.2 Summary Assessment

Key Decision Criteria were examined for each Distribution Solution was analysed to provide a view of how the Distribution Solutions stack up against each other. Decision Criteria that were analysed include Cost and Additional GCIS Capacitation. Additionally, other key Decisions Criteria that were considered in the analysis include Reach and SMME enablement.

The figure below outlines the summary assessment of the Alternative Distribution Solutions considered.

Conventions Used in the Figure

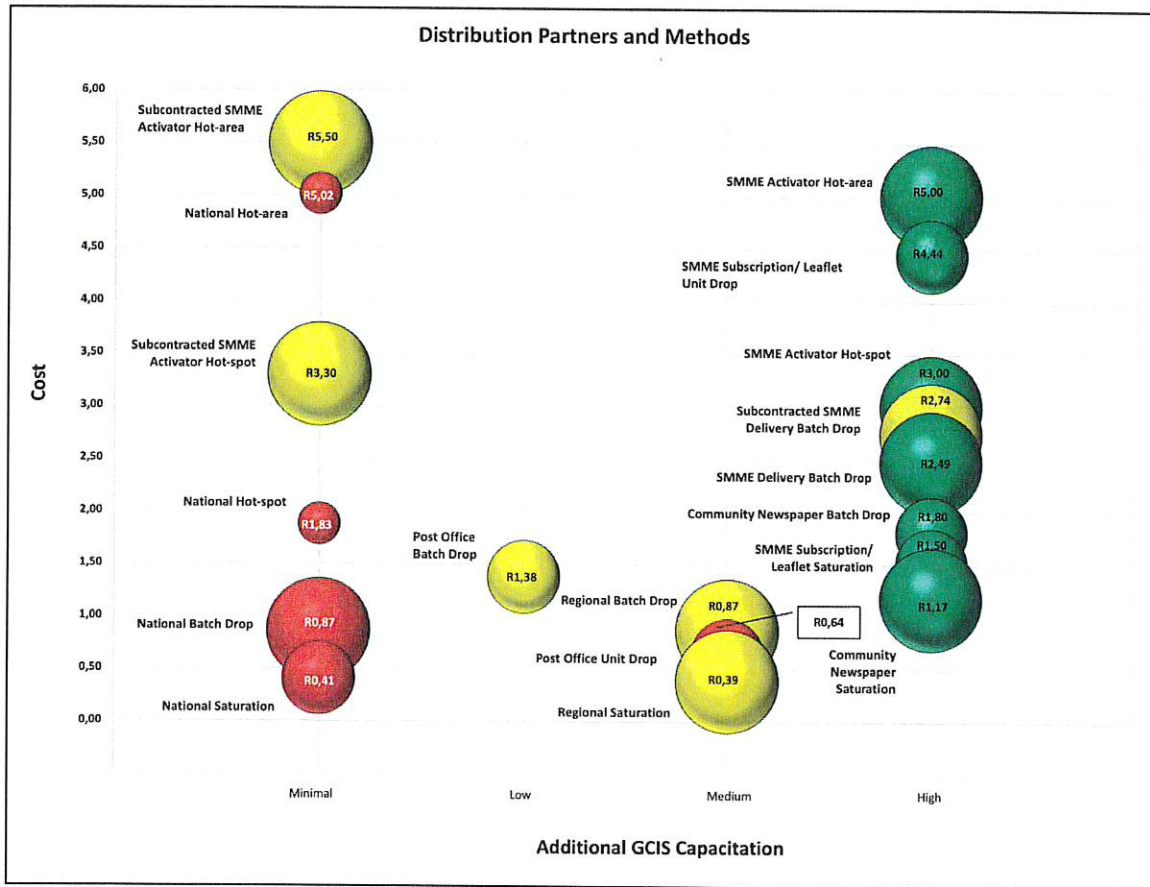
In the figure below the Distribution Solutions are depicted as bubbles/ coloured circles.

The horizontal and vertical axes indicate the resources required for each Distribution Solution. The horizontal axis indicates the additional GCIS capacity required, and the vertical axis the cost, of the Distribution Solution. The other dimensions reflected in the figure, namely the colour and size of the bubbles indicate the extent of benefits associated with the Distribution Solution.

The **colour** of each bubble represents the degree of SMME enablement, where red, yellow and green represent low, medium and high SMME enablement respectively. The **size** of each bubble represents the Reach, where the larger the bubble, the higher the Reach. In order to analyse the Reach for each distribution solution, factors such as volume (i.e., number of copies distributed), timeframes (i.e., how quickly the copies are distributed) and target audience (i.e., whether Vuk'uzenzele reaches its target audience) were considered.

In the figure, the **cost per copy** for the distribution of Vuk'uzenzele increases along the **vertical axis** of the graph while the **Additional GCIS Capacitation** increases as you move towards the right-hand side of the **horizontal axis**. This indicates that the distribution solutions that are aggregated at the bottom of the graph, towards the left-hand side (e.g., Natural Saturation and National Batch Drop) are less resource intensive, while those that are situated higher on the graph, towards the right-hand side of the graph (e.g., SMME Activator Hot-area and SMME Subscription/Leaflet Unit Drop) are considered more resource intensive.

Figure 17: Distribution Solutions



By depicting each Distribution Solution as above, the figure allows each Distribution Solution to be understood in the context of key Decision Criteria, viz., the resourcing required (cost, additional GCIS capacitation) and anticipated benefits (reach, SMME enablement). For instance, the National Saturation Distribution Solution has low resourcing requirements, both cost and additional GCIS capacitation, though this comes with a low level of SMME enablement and a medium level of reach.

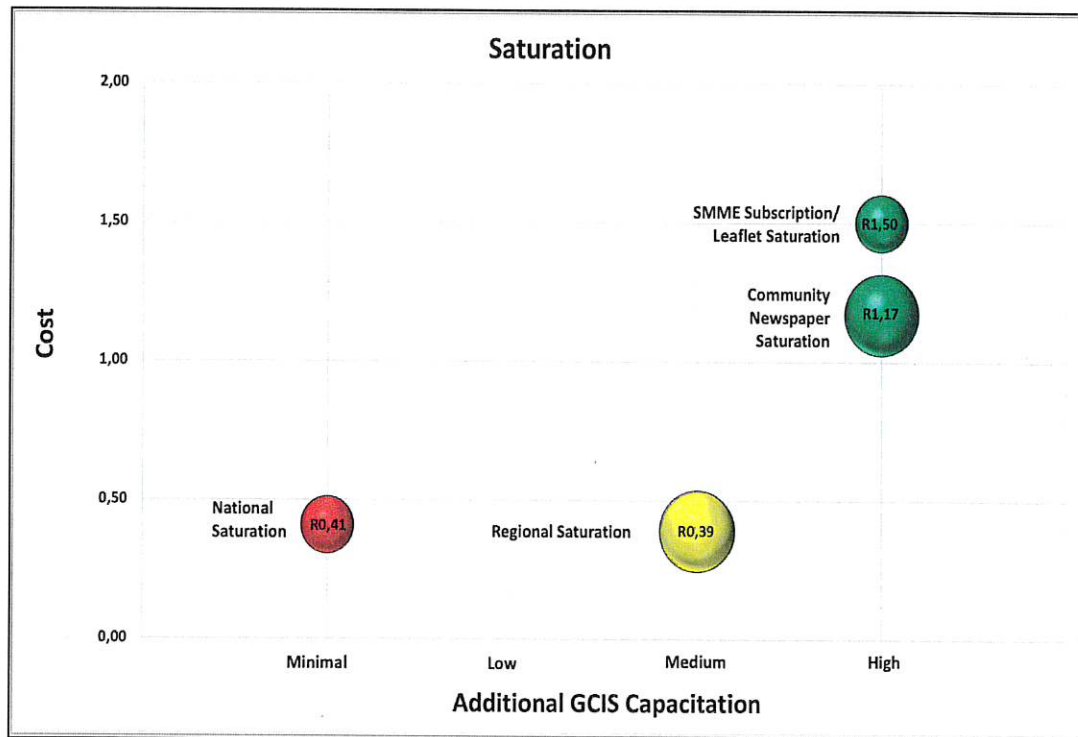
As indicated at the start of this section, the above figure (as a component of the Alternative Distribution Model) will enable GCIS to make informed decisions when considering Alternative Distribution Solutions for the distribution of Vuk'uzenzele, taking into consideration the 4 key Decision Criteria.

The sub-sections that follow expand on the above summary assessment, including by Distribution Method (Saturation Distribution, Batch Drops and Activations) and by Distribution Partner.

7.3.2.1 Saturation Distribution

The figure below illustrates the assessment of Distribution Solutions for Saturation Distribution, where each bubble represents a Distribution Solution.

Figure 18: Distribution Solutions – Saturation



National Saturation (i.e., Saturation Distribution by a National Distributor) is the least resource-intensive solution evidenced by the relatively low cost (R0,41 per copy) and minimal additional GCIS capacitation required. The lower costs incurred through this solution may be attributed to the National Distributors' ability to achieve economies of scale. For example, these companies are able to identify areas that are more expensive to deliver to against those that are less expensive and are able to deliver multiple items at a time, thus reducing the costs for distribution. Companies with the capabilities of a National Distributor are generally large with revenues of over R50 million and have the capacity to undertake saturation distribution independently. This results in low SMME enablement as indicated by the colour of the bubble (red). The medium size bubble indicates a mid-level of reach given that the extensive national distribution may be limited in its reach of specific communities by the distribution network that the National Distributor has access to.

Regional Saturation may be considered a more cost effective alternative to National Saturation in that the cost per copy decreases to R0,39 due to the exclusion of the National Distributor overhead and management costs should GCIS contract Regional Distributors directly. Additionally, Regional Distributors possess greater knowledge of their particular regions and target markets. This may allow for increased reach to the target audience in each region. However, this solution requires additional GCIS capacitation in the management of multiple contractors.

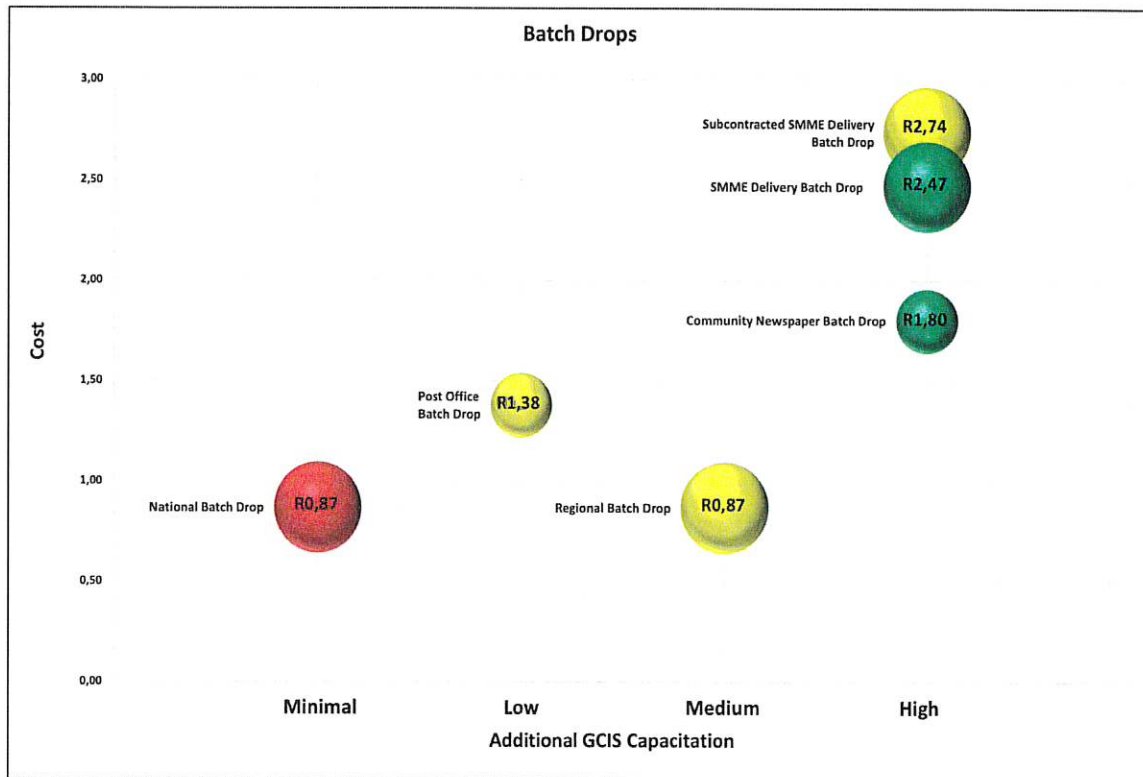
Situated toward the top of the graph, on the right-hand side, are **SMME Subscription/ Leaflet Saturation** and **Community Newspaper Saturation**, which are more resource intensive. The green bubbles indicate that both these solutions will lead to higher SMME enablement, however, this may come at a high cost per copy for distribution and with high additional GCIS capacitation. GCIS would require additional capabilities to contract with multiple contractors in the regions as well as to manage and quality assure multiple contractors (as opposed to just one National Distributor). Furthermore, GCIS may be required to acquire their own GIS and planning capability. An advantage that these solutions provide is extended and more targeted reach, including the benefit of Community

Newspapers having trusted networks and good knowledge of the audience in their respective communities.

7.3.2.2 Batch Drops

The figure below illustrates the assessment of Distribution Solutions for Batch Drop Distribution, where each bubble represents a Distribution Solution.

Figure 19: Distribution Solutions – Batch Drops



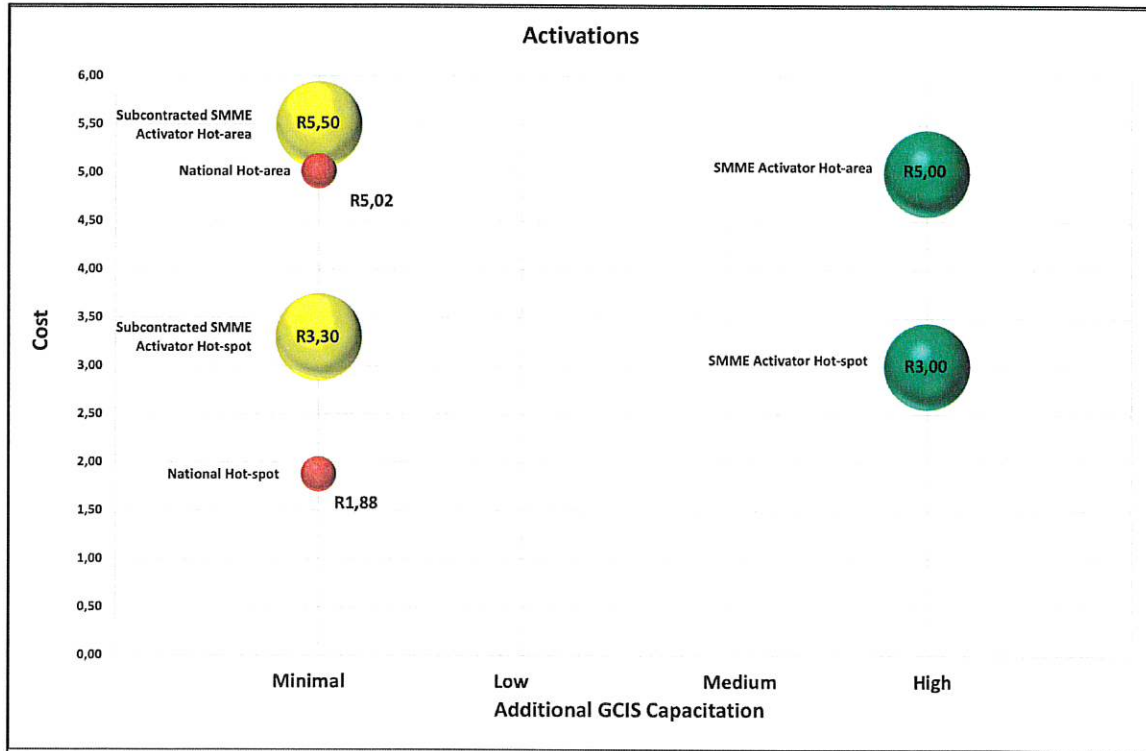
Compared to Saturation Distribution, Batch Drop solutions offer the potential for improved reach. This is primarily due to the expectation that batch drops provide the potential to reach readers, in bulk, that may not be as easily reachable through other means. Compared to other Distribution Solutions depicted in the figure, **National Batch Drops** and **Regional Batch Drops** have the lowest costs at R0,87 due to minimal overhead and management costs. An alternative to these solutions is the **Post Office Batch Drops**, which would require low additional GCIS Capacitation while delivering medium-level SMME enablement but may be limited by low reach and an increased cost of R1,38 per copy.

The remaining distribution solutions, situated towards the top-right corner of the figure above, offer increased SMME enablement but are more resource intensive compared to the solutions covered in the previous paragraph. The costs range from R1,80 for **Community Newspaper Batch Drop** to R2,74 for **Subcontracted SMME Delivery Batch Drop**. These solutions would require high additional GCIS Capacitation, as GCIS would be required to manage and quality assure multiple contractors.

7.3.2.3 Activations

The figure below illustrates the assessment of Distribution Solutions for Activations, where each bubble represents a Distribution Solution.

Figure 20 : Distribution Solutions – Activations



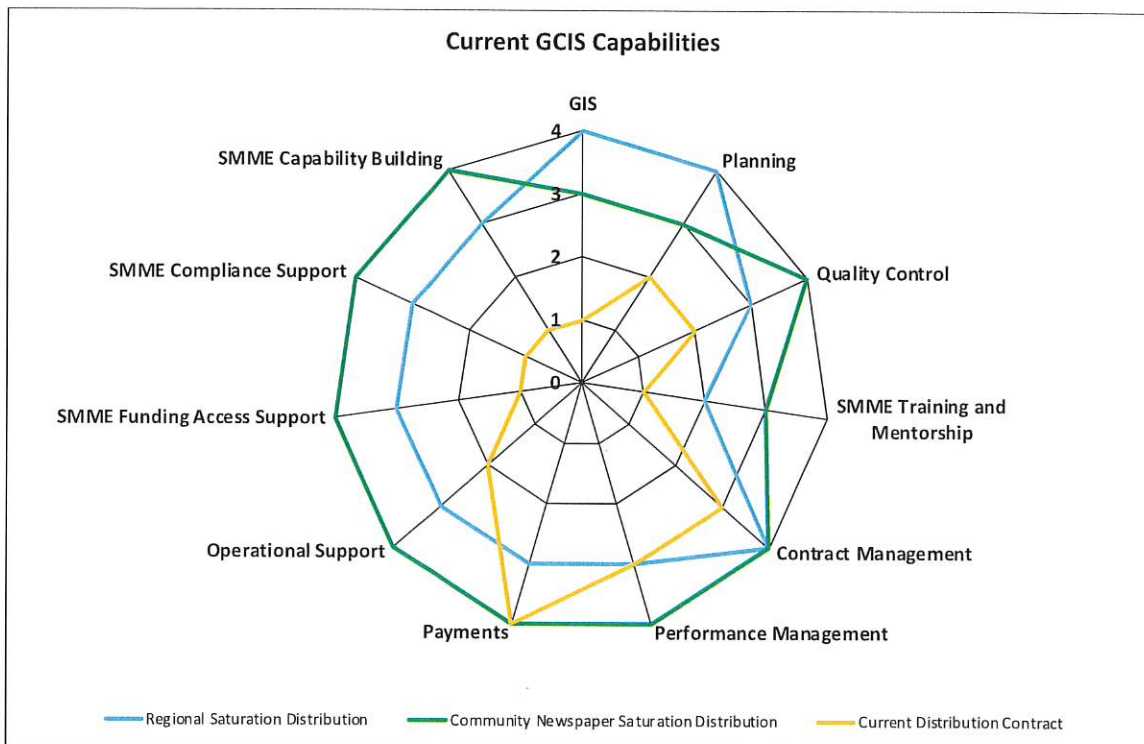
Among the distribution solutions covered by this Study activations present the most pragmatic subcontracting options for short term implementation. The current National Distributor for the Vuk'uzenzele currently undertakes activations itself; so without subcontracting. However, this is something that may be subcontracted to smaller businesses that would translate to increased SMME enablement.

The **National Hot-spot** and **SMME Activator Hot-spot** are the least expensive solutions at R1,88 and R3,00 per copy, respectively. The costs for the SMMEs that are provided in the figure are the median costs from the quotes that were gathered from Activation companies during data collection. For Hot-spot Activations, the quotes ranged from R0,67 to R19,90, while the quotes for Hot-area Activations ranged from R1,10 to R41,19. These ranges indicate that if GCIS were to contract directly to SMMEs, Hot-spot Activations could go as low as R0,67 while Hot-area Activations could go as low as R1,10. These ranges indicate that Activations could be subcontracted by National Distributors to SMMEs at a cost that aligns to current costing, and that may potentially be lower than current costs.

7.4 Current GCIS Capabilities

The level of GCIS capabilities required to support specific Distribution Solutions will be important for consideration of which distribution alternative(s) to pursue, as well as the timing thereof (i.e., when they may be implemented). While an in-depth analysis of current and future GCIS capabilities is outside the scope of this Study, this sub-section demonstrates this concept through some illustrative examples⁴.

Figure 21: Illustrative Example – Current GCIS Capabilities



The radar diagram above indicates illustrative levels of GCIS capability required for 3 Distribution Solutions using the Capability Maturity Model method of depicting capabilities.

As indicated, the shaded amber area represents the current GCIS capabilities as per the current Vuk'uzenzele distribution contract (i.e., the National Distributor model). The capabilities that GCIS is assumed to have currently, as required for the current distribution contract, are include:

- Contracts Management;
- Payments;
- Performance Management;
- Quality Control; and
- Planning.

These capabilities would still be required, though to a greater extent with alternative distribution solutions, for example, Regional Saturation Distribution or Community Newspaper Saturation Distribution Models (indicated by the blue and green lines).

⁴ The example presented below was produced by the project team independently of GCIS, purely for illustrative purposes.

The capabilities assumed to currently not yet have been developed within GCIS (given that these capabilities are not required for the current distribution contract) that would need to be developed for Alternative Distribution Solutions, include:

- GIS Capabilities;
- SMME Training and Mentorship;
- Operational Support;
- SMME Compliant Support; and
- SMME Capacity Building.

As mentioned previously, the above example was produced purely for illustrative purposes and to provide a conceptual understanding of the types of additional capabilities which would be required for alternative forms of distribution.

7.5 Alternative Distribution Solutions: Cost Findings

This section provides the cost findings for each of the distribution methods and partners. The costs below are indicated as the cost per copy, in Rands. The sources and description of the calculation used to determine each cost has been included in the *Source* column.

7.5.1 Saturation Distribution

The table below provides the cost findings for Saturation Distribution per distribution partner.

Table 11: Cost Findings – Saturation Distribution

Distribution Partner	Cost (per copy)	Source
National Distributor	R0,41	<ul style="list-style-type: none"> • <i>Vuk'uzenzele Tender Costing Quotation (2023)</i> – the tender costing for the current National Distributor was analysed to calculate the cost per copy for Knock-and-drop. • A 5% overhead was included to cover the management cost for the National Distributor, given that the bulk of the knock-and-drop (saturation) distribution is outsourced to independent depots. • The 5% management cost figure above is based on the typical management fee that is expected for ad-hoc projects) which is considered closer to the management effort for just the knock-and-drop.,
Regional Distributor	R0,39	<ul style="list-style-type: none"> • <i>Vuk'uzenzele Tender Costing Quotation (2023)</i> – the tender costing for the current National Distributor was analysed to calculate the cost per copy for Knock-and-drop.
Community Newspaper	R1,17	<ul style="list-style-type: none"> • <i>Community Newspaper Consultation Data</i> – the quotes provided by community newspapers were analysed. The cost per copy was calculated using the average costs sourced from Community Newspaper consultations.
SMME Subscription/	R1,50	<ul style="list-style-type: none"> • <i>Business Survey Data</i> – the quotes provided by companies who responded to the Business survey were analysed. The cost per copy

Distribution Partner	Cost (per copy)	Source
Leaflet Distributor		was calculated based on the rand values quoted, weighted by the number of respondents that indicated each specific amount.

7.5.2 Unit Drops

The table below provides the cost findings for Unit Drops per distribution partner.

Table 12: Cost Findings – Unit Drops

Distribution Partner	Cost (per copy)	Source
SA Post Office	R0,64	<ul style="list-style-type: none"> SA Post Office Postal Rates – the rates provided by the SA Post Office were analysed. The rate for National (street delivery) postal was used.
SMME Subscription/ Leaflet Distributor	R4,44	<ul style="list-style-type: none"> SMME Subscription/ Leaflet Interview Data – the costs provided during interviews were analysed. The cost per copy was calculated as an average of indicated costs.

7.5.3 Batch Drops

The table below provides the cost findings for Batch Drops per distribution partner.

Table 13: Costs Findings – Batch Drops

Distribution Partner	Cost (per copy)	Calculation/ Source
National Distributor	R 0,87	<ul style="list-style-type: none"> Vuk'uzenzele Tender Costing Quotation (2023) – the tender costing the current National Distributor was analysed to calculate the cost per copy for Bulk Drops
Regional Distributor	R 0,87	<ul style="list-style-type: none"> Vuk'uzenzele Tender Costing Quotation (2023) – the tender costing the current National Distributor was analysed to calculate the cost per copy for Bulk Distributions. In the absence of more specific information it was assumed that the bulk drop costs for regional distributors would be similar to that for national distributors.
Community Newspaper	R 1,80	<ul style="list-style-type: none"> Community Newspaper Interviews – The costs for distribution provided by Community Newspapers that were interviewed were analysed. The cost per copy was calculated using the median of the values.
SA Post Office	R 1,38	<ul style="list-style-type: none"> SA Post Office Postal Rates – the rates provided by the SA Post Office were analysed and the bulk drop cost then calculated.

Distribution Partner	Cost (per copy)	Calculation/Source
SMME Delivery Company (contracted to GCIS)	R 2,49	<ul style="list-style-type: none"> SMME Survey Data – The quotes obtained from delivery companies were analysed. The cost is based on the sum of the weighted average for each of the distribution scenarios that were provided to the service providers, divided by the weighted average for the number of copies distributed.
SMME Delivery Company (contracted to National Distributor)	R 2,74	<ul style="list-style-type: none"> SMME Survey Data – The quotes obtained from delivery companies were analysed. The cost is based on the sum of the weighted average for each of the distribution scenarios that were provided to the service providers, divided by the weighted average for the number of copies distributed. A 5% overhead was included to cover the management cost for the National Distributor.

7.5.4 Hot-spot Activations

The table below provides the cost findings for Hot-spot Activations per distribution partner.

Table 14: Cost Findings – Hot-spot Activations

Distribution Partner	Cost (per copy)	Source/Calculation
National Distributor	R 1,88	<ul style="list-style-type: none"> Vuk'uzenzele Tender Costing Quotation (2023) – the tender costing for the current National Distributor was analysed to calculate the cost per copy for Hot-spot Activations.
SMME Activator (Contracted directly to GCIS)	R 3,00	<ul style="list-style-type: none"> Activations Survey Data – The quotes provided by companies who responded to the Activations survey were analysed. Quotes were based on the specific requirements of Hot-spot Activations. The cost per copy was calculated using the median of the values.
SMME Activator (Subcontracted to the National Distributor)	R 3,30	<ul style="list-style-type: none"> Activations Survey Data – The quotes provided by companies who responded to the Activations survey were analysed. Quotes were based on the specific requirements of Hot-spot Activations. The cost per copy was calculated using the median of the values. A 5% overhead was included to cover the management cost for the National Distributor.

7.5.5 Hot-area Activations

The table below provides the cost findings for Hot-area Activations per distribution partner.

Table 15: Cost Findings – Hot-area Activations

Distribution Partner	Cost (per copy)	Source/ Calculation
National Distributor	R 5,02	<ul style="list-style-type: none"> Vuk'uzenzele Tender Costing Quotation (2023) – the tender costing for the current National Distributor was analysed to calculate the cost per copy for Hot-area Activations.
SMME Activator (Contracted directly to GCIS)	R5,00	<ul style="list-style-type: none"> Activations Survey Data – The quotes provided by companies who responded to the Activations survey were analysed. Quotes were based on the specific requirements of Hot-area Activations. The cost per copy was calculated using the median of the values.
SMME Activator (Subcontracted to the National Distributor)	R5,50	<ul style="list-style-type: none"> Activations Survey Data – The quotes provided by companies who responded to the Activations survey were analysed. Quotes were based on the specific requirements of Hot-area Activations. The cost per copy was calculated using the median of the values. A 5% overhead was included to cover the management cost for the National Distributor.

7.6 Cost Analysis: Saturation vs Batch Distribution

The cost findings for Saturation Distribution (known as Knock-and-Drop per the current Vuk'uzenzele distribution strategy) and Batch Drops (known as Bulk Drops per the current Vuk'uzenzele distribution strategy), as discussed in sections 7.5.1 and 7.5.3 respectively, highlight the difference in the cost of distribution for each method. Saturation Distribution shows a cost of between R0,39 – R1,50 per copy, while Batch Drops have a cost of between R0,87 – R2,74 per copy.

Saturation Distribution, or Knock and Drop Distribution, benefits from a delivery system that is able to achieve economies of scale, allowing for lower prices when compared to Batch Drops. In the case of Saturation Distribution, economies of scale are achieved by the National Distributor leveraging its existing distribution services, networks, and delivery roster, to deliver Vuk'uzenzele door-to-door at a lower cost. For example, the National Distributor may deliver other clients' newspapers/ leaflets along similar routes as Vuk'uzenzele, resulting in economies of scale and cost savings.

Batch Drops have proven to be more costly than Saturation Distribution due to the unique Batch delivery locations of Vuk'uzenzele; namely, GCIS district and provincial offices. These locations are specific to Vuk'uzenzele (i.e., the distributor would not typically deliver other parcels to these locations and would thus not benefit from the economies of scale of using the same trucks and drivers used to deliver other newspapers/ leaflets - as is the case for saturation distribution).

7.7 Key Cost Drivers for SMMEs

As illustrated in the cost findings tables in section 7.5, SMMEs would generally charge a higher price per copy to distribute Vuk'uzenzele than the larger National Distributors. National Distributors are able to leverage the transportation of large volumes, a vast client roster, large scale equipment, and negotiating power in order to secure more favourable costs and charge a lower cost per copy for the distribution of Vuk'uzenzele. Taking this into account, a key cost driver for SMME distribution companies is the small scale of their operations and their less established resources. SMMEs lack the

volume and negotiating power to leverage economies of scale to achieve lower costs in all areas of the distribution process and for all distribution methods, compared to their larger counterparts.

The drivers of higher costs for small distributors, compared to large distributors, include factors that apply to all SMMEs, across sectors. As a general rule, smaller businesses typically do not have the resources, do not have the access to markets and to suppliers, and do not have the negotiating clout, to achieve the scale that allows their larger counterparts to achieve significantly lower costs.

7.8 How Distribution Partners Compare to Each Other

This section details the comparison of distribution partners against the Distribution Decision Framework as discussed in section 2.4.1.

The findings are presented in the form of a heatmap (using red, amber and green) in the table below, measuring the various distribution partners against key Decision Criteria; viz. Cost Effectiveness, GCIS Capacitation, GCIS Control, SMME Enablement, and Reach. The elements were assessed using a scale of Min (Minimal), Low (L), Medium (M), and High (H).

Table 16: Partner Comparison Against Decision Framework

Distribution Partner	Cost Effectiveness	GCIS Capacitation	GCIS Control	SMME Enablement	Reach
National Distributors	R0,41 – R5,02	Min.	L	L	M
Regional Distributors	R0,39 – R0,87	M	M	M	H
Community Newspapers	R1,17 – R1,80	H	M	H	H
SA Post Office (SOC)	R0,64 – R1,38	M	L	L	M
Paid Subscription Distributors	R1,50 – R4,44	H	M	H	M
SMME Newspaper/Leaflet Distributors	R1,50 – R4,44	H	M	H	M
SMME Delivery Companies	R2,49 – R2,74	H	H	H	H
SMME Activators	R3,00 – R5,50	M	H	H	H

As shown above, the **National Distributor** is a cost-effective distribution partner with minimal GCIS capacitation required, however, GCIS control and SMME enablement have been rated as low. This is due to the size and dominance of established National Distributors, with their preferred internal processes and procedures, making them less susceptible to influence by contracting partners such as GCIS. As indicated previously, National Distributors are expected to have medium (moderate) reach to the Vuk'uzenzele target audience.

Regional Distributors are a cost-effective distribution partner, with high reach to the Vuk'uzenzele target audience for the relevant distribution methods. GCIS capacitation, GCIS control and SMME enablement were all rated as medium (moderate).

Community Newspapers

were rated as medium with regards to their cost-effectiveness and GCIS control. This distribution partner would require a high level of additional GCIS capacitation; however, Community Newspapers offer a high level of SMME enablement, given that most of the community newspaper outlets are SMMEs, as well as high Reach to the Vuk'uzenzele target audience.

The **South African Post Office** offers a cost-effective rate on distribution that will require moderate (medium) GCIS capacitation, however, GCIS control and SMME enablement have been rated as low. This is due to the SA Post Office being a large state-owned entity with their own internal processes and procedures, making them less susceptible to influence by contracting partners such as GCIS. The SA Post Office is expected to have moderate (medium) reach to the Vuk'uzenzele target audience across the relevant distribution methods.

Paid Subscription and SMME Newspaper/ Leaflet Distributors both offer moderate cost effectiveness, GCIS control, and reach to the Vuk'uzenzele target audience. SMME enablement and additional GCIS capacitation required has been rated as high.

SMME Delivery Companies and **SMME Activators** are the least cost-effective distribution partners, however, they offer a high level of GCIS control, SMME enablement and reach to the Vuk'uzenzele target audience. SMME delivery companies will require high GCIS capacitation, while SMME Activators will require moderate (medium) GCIS capacitation.

7.9 How Distribution Methods Compare to Each Other

This section outlines the comparison of distribution methods against the Distribution Decision Framework.

The findings are presented in the form of a heatmap (using red, amber and green) in the table below, measuring the various distribution partners against key Decision Criteria; viz. Cost Effectiveness, GCIS Capacitation, SMME Enablement, and Reach. The elements are measured using a scale of Low (L), Medium (M), and High (H).

Table 17: Method Comparison Against Decision Framework

Distribution Method	Cost Effectiveness	GCIS Capacitation	SMME Enablement	Reach
Saturation Distribution	R0,39 – R1,50	M	M	H
Unit Drops	R0,64 – R4,44	H	M	M
Batch Drops	R0,87 – R2,74	M	M	M
Hot-spot Activations	R1,88 – R3,30	H	H	H
Hot-area Activations	R5,00 – R5,50	H	H	H

When compared to the other alternative distribution methods, **Saturation Distribution** is relatively low cost, requiring a moderate (medium) level of GCIS capacitation and contributing a moderate (medium) level towards SMME enablement overall. The reach is also considered high with this distribution method.

The **Unit Drop** distribution method is also considered to be cost-effective, however this method requires a high level of GCIS capacitation. The Unit Drop method has been rated medium for SMME enablement and will have a moderate (medium) Reach to the target audience.

Batch Drops are considered a cost-effective method of distribution. Moderate (medium) GCIS capacitation will be required, and this method will have a moderate (medium) contribution towards SMME enablement. Batch Drops will also have a moderate (medium) Reach to the Vuk'uzenzele target audience.

Hot-spot Activations are considered to be moderately cost effective, and this will require a high level of GCIS capacitation. However, SMME enablement and Reach are both considered high for Hot-spot Activations.

Hot-area Activations is the least cost-effective form of distribution and requires a high level of GCIS capacitation. However, SMME enablement and Reach are both considered high for Hot-area Activations.

7.10 Summary of Key Findings

As noted above, the assessment of Alternative Distribution Solutions outlined in this report provides a point of reference, referred to as an Alternative Distribution Model, that will assist GCIS decide on which distribution solutions to consider for implementation, when. While the model will help guide the decision GCIS makes, the decision itself will depend on prevailing circumstances at any point in time.

The table below provides a summary of findings for each of the Distribution Solutions that are susceptible to subcontracting. The figure that follows the table provides a conceptual comparison of the Alternative Distribution Solutions.

Given the current circumstances faced by GCIS, in alignment to the current weak economic outlook and the budgetary constraints faced by government, we anticipate that increased GCIS capability in the near term would not be feasible. For this reason, we have greyed out those distribution solutions requiring significant increased GCIS capacitation in both of the figures that follow below.

Table 18: Summary of Key Findings

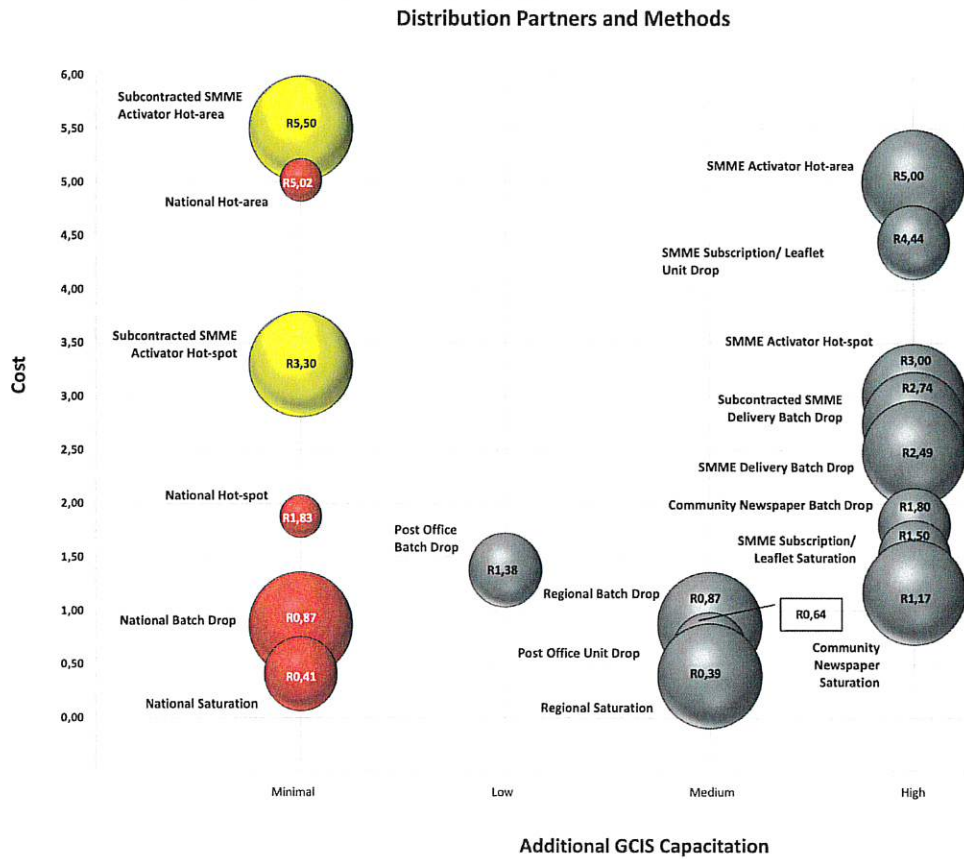
	National Distributor	Regional Distributor	Community Newspapers	SMME Subscription/ leaflet Distributor	SMME Delivery Companies	SA Post Office	SMME Activators
Saturation Distribution	- Cost: R0,41 - Med Reach - Low SMME enablement - Minimal additional GCIS capacitation	- Cost: R0,39 - High reach - Med SMME enablement - Med Additional GCIS Capacitation	- Cost: R1,17 - High reach - High SMME enablement - High additional GCIS capacitation	- Cost: R1,50 - Medium reach - High SMME enablement - High additional GCIS capacitation			
Unit Drops				- Cost: R4,44 - Medium reach - High SMME enablement - High additional GCIS capacitation		- Cost: R0,64 - Med reach - Low SMME enablement - Med additional GCIS capacitation	
Batch Drops	- Cost: R0,87 - High reach - Low SMME enablement - Minimal additional GCIS capacitation	- Cost: R0,87 - High reach - Med SMME enablement - Med Additional GCIS capacitation	- Cost: R1,80 - Med Reach - High SMME enablement - High additional GCIS capacitation		Contracted to GCIS: - Cost: R2,49 - High reach - High SMME enablement - High additional GCIS capacitation Contracted to Nat. Distr.: - Cost: R2,74 - High reach - Med SMME enablement - High additional GCIS capacitation	- Cost: R1,38 - Medium reach - Low SMME enablement - Low additional GCIS capacitation	
Hot-spot Activations	- Cost: R1,88 - Low reach - Low SMME enablement - Minimal additional GCIS capacitation						Contracted to GCIS: - Cost: R3,00 - High reach - High SMME enablement - High additional GCIS capacitation

	National Distributor	Regional Distributor	Community Newspapers	SMME Subscription/ leaflet Distributor	SMME Delivery Companies	SA Post Office	SMME Activators
							Contracted to Nat. Distr.: - Cost: R3,30 - High reach - Med SMME enablement - Minimal additional GCIS capacitation
Hot-area Activations	- Cost: R5,02 - Low reach - Low SMME enablement - Minimal additional GCIS capacitation						Contracted to GCIS: - Cost: R5,00 - High reach - High SMME enablement - High additional GCIS capacitation
							Contracted to Nat. Distr.: - Cost: R5,50 - High reach - Med SMME enablement - Minimal additional GCIS capacitation

The below bubble chart outlines a comparative view of the alternative distribution solutions. As indicated above, the solutions (represented by bubbles) which would require additional GCIS capacitation have been shaded out in grey.

As indicated in the figure below, the alternative distribution solutions GCIS should consider in the short term (the bubbles that appear in yellow below) are the Hot-spot and Hot-area Activations, subcontracted to SMMEs by National Distributors. Note that the red bubbles relate to distribution solutions active under the current Vuk'uzenzele distribution contract; and the grey bubbles to solutions that require additional GCIS capacitation.

Figure 22: Assessed Distribution Solutions



7.11 Way Forward

The Alternative Distribution Model presented in this section provides a guide for GCIS in making decisions on which alternative distribution methods and partners to pursue, and when. As mentioned, the particular decisions that GCIS takes will depend on prevailing circumstances at the time of making the decision. GCIS is encouraged to use this Model to support such decisions going forward.

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Annexure B: CASE STUDY/PRICING SCENARIO 2021

CLIENT	GCS
CAMPAIGN	Vukuzenzele
TARGET AUDIENCE	Mainly - GSM Segment 1: Rooted Realist (Rural areas)
LAST PRINTING DATE	08 November 2021
DELIVERY TO DEPOTS BETWEEN 08h00 and 17h00	Up until 09 November at 12h00 midday.
SUBMISSION OF DISTRIBUTION DATES PER POINT OR PER AREA	2021/11/05 (3 days prior to distribution)
DISTRIBUTION DATES	10 November 2021 - 16 November 2022 (Max 5 working days - no distribution on public holidays or weekends) *Note final distribution will not necessarily start on a Monday during the contact period.
POST DISTRIBUTION MEETING	15 December 2021
ITEMS TO BE DISTRIBUTED	
QUANTITY	850 000
TYPE	News paper
SIZE	Tabloid
MASS	50 grams per news
DELIVERY AREA	Nationwide
Special note: The 850 000 consist of 11 official languages, partially translated, 16pages 50 (" twice a year)	
Special note:	Posters
	280g
DELIVERY AREA	Nationwide
PACKING CONFIGURATION FOR DELIVERY TO DEPOTS	
	1) 850 000 newspapers packed in shrink-wrapped packs of 100 units each as per breakdown per depot.
	2) max 20 000 - newspaper per pallet or as per breakdown per depot
	1) 50 x Posters flat on pallet or in tubes
	A1
	Nationwide
	Nationwide
MATERIAL DELIVERY POINTS	
	All distribution depots (e.g 30 depots will receive stock from printer)

DELIVERY AREA		DISTRIBUTION/OUTLETS						
	RURAL / PERI URBAN SPLIT	Total Pallets Per province	Branches per province	Average Pallets per branch	Number of outlets	Average quantity per outlet	Total Quantity	Posters
Outlets - Bulk								
Outlets - EASTERN CAPE (REG)	90 / 10		4	1	6	735.50	4413	6
Outlets - FREE STATE (REG)	90 / 10		2	1	4	222.00	888	4
Outlets - GAUTENG (REG)	90 / 10		4	1	9	452.22	4070	9
Outlets - KWA-ZULU NATAL (REG)	90 / 10		3	1	4	200.00	800	4
Outlets - LIMPOPO (REG)	90 / 10		4	1	5	524.20	2621	5
Outlets - MPUMALANGA (REG)	90 / 10		2	1	3	495.00	1485	3
Outlets - NORTH WEST (REG)	90 / 10		3	1	7	482.86	3380	7
Outlets - NORTHERN CAPE (REG)	90 / 10		3	1	6	232.83	1397	6
Outlets - WESTERN CAPE (REG)	90 / 10		4	1	6	812.33	4874	6
Homes - Knock and Drop								
Homes - EASTERN CAPE (REG)	90 / 10	7	6	3	137507	1.00	137507	
Homes - FREE STATE (REG)	90 / 10	2	2	1	42562	1.00	42562	
Homes - GAUTENG (REG)	90 / 10	4	5	1	64610	1.00	64610	
Homes - KWA-ZULU NATAL (REG)	90 / 10	8	6	3	152667	1.00	152667	
Homes - LIMPOPO (REG)	90 / 10	10	4	4	195320	1.00	195320	
Homes - MPUMALANGA (REG)	90 / 10	6	3	3	106550	1.00	106550	
Homes - NORTH WEST (REG)	90 / 10	4	2	3	66634	1.00	66634	
Homes - NORTHERN CAPE (REG)	90 / 10	2	3	1	12964	1.00	12964	
Homes - WESTERN CAPE (REG)	90 / 10	2	4	1	20268	1.00	20268	
Activations				9			27 000	
							850 000	

CHARGES* please note that the rate per copy per distribution methodology will be used during the tender period on Yukuzanzale to avoid inflated rates when there are quantity changes per edition and to work out the value of each copy.

Activity	Specification	Charge incl VAT
RECEIVE, VERIFY, SPLITTING & PACKAGING, STORE	Receive, verify, split & package in less than 1/2 day and store copies at depots for a period of max 5 days Prepare : 1) 50 shipments to outlets, shrink-wrapped packs of 100 need to be repacked to be delivered to the outlet in correct quantities and language breakdown , average kg delivery per outlet calculates to 50kg. Volumetric weight of the poster in the tube is 350g 2) Knock and drop copies per language, per area and per day.	
FINAL DISTRIBUTION :		
OUTLETS	Total cost from branch to final outlet as per distribution plan	
POSTERS	Cost of delivery if not included in the above cost already	
HOMES	Final distribution cost from branch to final knock and drop area as per distribution plan	
Activations x 9 per edition (separate from Loud Hailer) Loud Hailers x 9 per edition (separate from activations) in total 18 different points, 2 per province, 1 x activation and 1 x loud hailer per province.	9 x brand activations (1 per province per edition) at high convergence points e.g we prefer taxi ranks (Keep in mind the Yuk quantities to be handed out per point and refer to Annexure D for activation brief in order to quote correctly) 9 x Loud Hailers at high convergence points e.g we do prefer taxi ranks.	
MANAGEMENT OF PROJECT OR ANY OTHER ITEM NOT COVERED	Please state :	
TOTAL CHARGE		

Government Segmentation Model | GSM 2nd Edition

% of SA Adult Population:



Rooted Realists
48%



City Seekers
25%



Safely Suburban
10%



Metro Mobiles
11%



Cosmopolitan Capital
6%

27.8 Million People

They are mostly unemployed, with low education levels. Some try to remain positive and acknowledge that they have come a long way. However, their optimism is challenged by difficult financial circumstances and most rely on government grants. They long for financial independence, permanent employment and improved living conditions.

14.4 Million People

People in this segment are city dwellers who are familiar with the demands of a competitive urban life. They are generally hopeful, ambitious, career-oriented and constantly looking for opportunities to improve their lives and that of their families. Despite the day-to-day challenges they continue looking for job opportunities because they see this as the answer to a better future.

5.9 Million People

Safely Suburbans are of the view that their quality of life has declined. They identify their lack of appropriate education as an obstacle to accessing employment or getting better jobs. For this segment, the high cost of living, labour cost and investment are critical areas of concern. They are safety conscious and highly protective of their physical, social and economic environment.

6.1 Million People

Metro Mobiles are interested in keeping a particular lifestyle. They are on the lookout for ways to improve their lives, be it financial aid to start a business or upskilling themselves. These people see themselves as inspirational, role models and influencers. They are concerned about drugs, unemployment, corruption, crime, the economy and basic service delivery.

3.6 Million People

These people are mostly affluent, professional and independent. They have the highest amount of disposable income, highest proportions of tertiary education, employment. They are influential, business-focused and concerned about anything that would negatively impact the economy and consequently their independence and their net worth.

Live:

Non-metro traditional settlements (63%), 30% non-metro urban informal settlements. Eastern Cape 24%, Limpopo 20%, KZN 18%, Mpumalanga 11%.

Metro (91%) and mainly in informal (52%) and formal (43%) settlements. Gauteng (47%), KZN (17%), Western Cape (15%) and Eastern Cape (15%).

The majority (81%) live in non-metro urban and mainly in formal dwellings. Western Cape 18%, KZN 15%, Mpumalanga 12%, North West 11%.

They live in metro areas and mainly in formal dwellings. Gauteng (44%), Western Cape (22%) and KZN (19%).

100% Metro. Gauteng 62%, Western Cape 22%, KZN 9%.

Age:

30% are 18-34 yrs, 15% are 35-49 yrs and 14% are older than 50.

34% are 18 - 34 yrs, one-fifth are 35 - 49 yrs old and 13% are 50+ years.

18 - 34 year olds make up 30%, one-fifth are 35 - 49 yrs and a fifth are 50 yrs+.

18 - 34 year olds 31%, 22% are between 35 - 49 yrs old and 21% are 50 yrs+.

26% are 18 - 34 yrs old, 25% 35 - 49 yrs old and 26% are 50 yrs+.

Gender:

Females 52%, males 48%.

Females 49%, males 51%.

Equal male and female split.

Females 51%, males 49%.

Female (52%), male (48%)

Race:

94% Black, 5% Coloured.

Predominantly Black 90%, Coloured 9%

Black 52%, White 29%, Coloured 15%.

Black 54%, 21% Coloured, White 13%.

White 51%, Black 34%, and Indian 9%.

Home Language:

93% speak an African language - Isizulu 28%, Isixhosa 17%, Sepedi 15%.

Majority speak African languages (87%) - Isizulu 34%, Isixhosa 19%, Sesotho 11%.

Largest proportion speak Afrikaans (30%) followed by English 20%.

English 34%, Afrikaans 22%, Isizulu 20%.

Mainly English (47%), Afrikaans (17%) and Isizulu (11%).

Education:

One-in-ten have not completed high school, 4-in-10 have some high school education, 29% completed matric.

40% High school completed and 37% did not complete high school.

High Education levels: 36% completed high school, 21% completed higher education.

43% completed high school, 22% did not complete high school and 14% completed higher education.

High education levels: 33% have matric and 38% have higher education.

Employment:

High unemployment - about one-in-ten have fulltime employment.

High unemployment - 42% are unemployed

29% full time employment, 12% self-employed, 23% unemployed.

27% employed full time, 13% self-employed and 26% unemployed.

43% employed full time, 18% self-employed and 10% unemployed.

Annual Household Income:

Low income - 45% (R0 - R39 504), 31% (R39 505 - R65 320), and 25% (R65 321 - R138 821).

Low income - 20% (R0 - R39 504), 38% (R39 505 - R65 320), and 42% (R65 321 - R138 821), 25% (R65 321 - R138 821).

Majority (85%) in middle income bracket - R138 822 - R472 501, 25% (R65 321 - R138 821).

Middle income - 35% (R138 821 - R237 593), 65% (R237 594 - R472 501)

Upper income - 41% (R472 502 - R616 852), 32% (R616 853 - R798 172), 19% (R798 173 - R1 053 843) and 8% above



government communications

Department:
Government Communication and Information System
REPUBLIC OF SOUTH AFRICA

Private Bag X745, Pretoria 0001. Tshedimoseiso House, cnr Frances Baard and Festival streets, HATFIELD, Pretoria 0028
Tel: (+27 12) 473-0000/1 Fax: (+27 12) 473 0593 Website: www.gcis.gov.za. Coordinates: 25.746096 28.232331

SUBJECT: ANNEXURE D- ACTIVATIONS AND LOUD HAILER FOR DISTRIBUTION TENDER

1. HOW MANY ACTIVATIONS PER EDITION?

1.1. One (1) per edition, per province. (9 activations per edition)

2. WHAT DOES THE ACTIVATION ENTAIL?

2.1. Number of promoters per activation (x 8).

2.2. Branded uniforms (t-shirt/ bib and cap).

2.3. 2000 x copies of Vuk'uzenzele per activation. (Total of 18 000 copies per edition)

2.4. Activations at taxi ranks in rural areas unless otherwise indicated by GCIS.

3. HOW MANY LOUD HAILERS PER EDITION?

3.1. One (1) per edition, per province. (9 Loud hailers per edition)

4. WHAT DOES THE LOUD HAILER ENTAIL?

4.1. 1 x branded vehicle = two flags, two vehicle decals, triangular branded frame on the back + 1 x driver with branded bib/ t-shirt and cap + 1 x promoter with branded bib/t-shirt and cap.

4.2. Sound system capabilities with microphone, speakers, music, cordless (on vehicle).

4.3. 1000 x copies of Vuk'uzenzele per loud hailer per province at taxi ranks unless otherwise indicated by the GCIS.



5. DURATION OF THE ACTIVATION

- 5.1. KM >>> 100km radius of nearest depot.
- 5.2. Minimum five (5) hours shift during peak commuter periods e.g. 6am to 11am or 2pm to 7pm unless copies handed out are depleted.

6. ABILITY TO BE FLEXIBLE

- 6.1. E.g. Activations may be moved for strategic reasons to Parliament or other requirements from time to time.
- 6.2. E.g. All 9 activations to be combined to one major roadshow in one province.

7. POST ACTIVATION REPORT

- 7.1. Presentation
- 7.2. Photo's
- 7.3. Accounting for all copies handed out.

8. RESEARCH

- 8.1. Ability to conduct ad-hoc research during activations with consumers.
- 8.2. Research report + analysis post activations.

9. GENERAL

- 9.1. Procurement + branding + printing of all promotional elements; to be re-ordered every 3 months to ensure it is in good condition.
- 9.2. The activation and loud hailer take place at two different areas per province.
- 9.3. In total 18 area/points per edition broken down as 9 x activations (18 000 x Vuk'uzenzele copies) and 9 loud hailers (9 000 x Vuk'uzenzele copies) with a total of 27 000 copies.

Annexure B - CASE STUDY/PRICING SCENARIO 2021

CLIENT	GCIS		
CAMPAIGN	Yukuzenzele		
TARGET AUDIENCE	Mainly - GSM Segment 1: Rooted Realist (Rural areas)		
LAST PRINTING DATE	08 November 2021		
DELIVERY TO DEPOTS BETWEEN 08h00 and 17h00	Up until 09 November at 12h00 midday.		
SUBMISSION OF DISTRIBUTION DATES PER POINT OR PER AREA	2021/11/05 (3 days prior to distribution)		
DISTRIBUTION DATES	10 November 2021 - 16 November 2022 (Max 5 working days - no distribution on public holiday's or weekends) *Note that distribution will not necessarily start on a Monday during the contact period.		
POST DISTRIBUTION MEETING	15 December 2021		
QUANTITY	TYPE	SIZE	MASS
850 000	Newspaper	Tabloid	50 grams per news
<i>Special note: The 850 000 consist of 11 official languages, partially translated, 16pages</i>			
50 (twice a year)	Posters	A1	280g
PACKING CONFIGURATION FOR DELIVERY TO DEPOTS			
	1) 850 000 newspapers packed in shrink-wrapped packs of 100 units each as per breakdown per depot.		
	2) max 20 000 - newspaper per pallet or as per breakdown per depot		
	1) 50 x Posters flat on pallet or in tubes		
MATERIAL DELIVERY POINTS	All distribution depots (e.g 30 depots will receive stock from printer)		

DISTRIBUTION OUTLETS

DELIVERY AREA	RURAL / PERI URBAN SPLIT	Total Pallets Per province	Branches per province	Average Pallets per branch	Number of outlets	Average quantity per outlet	Total Quantity	Posters
Outlets - Bulk								
Outlets - EASTERN CAPE (REG)	90 / 10		4	1	6	735,50	4473	6
Outlets - FREE STATE (REG)	90 / 10		2	1	4	222,00	888	4
Outlets - GAUTENG (REG)	90 / 10		4	1	9	452,22	4070	9
Outlets - KWA-ZULU NATAL (REG)	90 / 10		3	1	4	200,00	800	4
Outlets - LIMPOPO (REG)	90 / 10		4	1	5	524,20	2621	5
Outlets - MPUMALANGA (REG)	90 / 10		2	1	3	495,00	1485	3
Outlets - NORTH WEST (REG)	90 / 10		3	1	7	482,86	3380	7
Outlets - NORTHERN CAPE (REG)	90 / 10		3	1	6	232,83	1397	6
Outlets - WESTERN CAPE (REG)	90 / 10		4	1	6	812,33	4874	6
Homes - Knock and Drop								
Homes - EASTERN CAPE (REG)	90 / 10	7	6	3	137507	1,00	137507	
Homes - FREE STATE (REG)	90 / 10	2	2	1	42562	1,00	42562	
Homes - GAUTENG (REG)	90 / 10	4	5	1	64610	1,00	64610	
Homes - KWA-ZULU NATAL (REG)	90 / 10	8	6	3	152657	1,00	152657	
Homes - LIMPOPO (REG)	90 / 10	10	4	4	195320	1,00	195320	
Homes - MPUMALANGA (REG)	90 / 10	6	3	3	106550	1,00	106550	
Homes - NORTH WEST (REG)	90 / 10	4	2	3	66634	1,00	66634	
Homes - NORTHERN CAPE (REG)	90 / 10	2	3	1	12964	1,00	12964	
Homes - WESTERN CAPE (REG)	90 / 10	2	4	1	20268	1,00	20268	
Activations								
				9			27 000	
							850 000	

CHARGES* please note that the rate per copy per distribution methodology will be used during the tender period on Vuikuzarese to avoid inflated rates when there are quantity changes per edition and to work out the value of each copy.

Activity	Specification	Charge incl VAT
RECEIVE, VERIFY, SPLITTING & PACKAGING, STORE	Receive, verify, split & package in less than 1/2 day and store copies at depots for a period of max 5 days Prepare : 1) 60 shipments to outlets, shrink-wrapped packs of 100 need to be repacked to be delivered to the outlet in correct quantities and language breakdown , average kg delivery per outlet calculates to 50kg. Volumetric weight of the poster in the tube is 390g 2) Knock and drop copies per language, per area and per day.	
FINAL DISTRIBUTION :		
OUTLETS	Total cost from branch to final outlet as per distribution plan	
POSTERS	Cost of delivery if not included in the above cost, already as per distribution plan	
HOMES	Final distribution cost from branch to final knock and drop area as per distribution plan	
Activations x 9 per edition (separate from Loud Hailer) Loud Hailers x 9 per edition (separate from activations) in total 18 different points, 2 per province, 1 x activation and 1 x loud hailer per province.	9 x brand activations (1 per province per edition) at high convergence points e.g we prefer taxi ranks (keep in mind the Vuik quantities to be handed out per point and refer to Annexure D for activation brief in order to quote correctly) 9 x Loud Hailers at high convergence points e.g we do prefer taxi ranks.	
MANAGEMENT OF PROJECT OR ANY OTHER ITEM NOT COVERED	Please state :	
TOTAL CHARGE		

