



**ANALYSIS OF ADSPEND PLACEMENTS WITHIN THE ADVERTISING AND
MARKETING INDUSTRY**



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TABLE OF ACRONYMS

AATI	Adjusted Advertising Transformation Index
Adex	Advertisement Expenditure
AMPS	All Media and Products Survey
ATI	Advertising Transformation Index
ATL	Above the Line
BEE	Black Economic Empowerment
BTL	Below the Line
CAGR	Compounded Annual Growth Rate
DoC	Department of Communications
LSM	Living Standards Measure
NAIL	New African Investment Limited
PBS	Public Broadcasting Services
SAARF	South African Advertising Research Foundation
SABC	South African Broadcasting Corporation
SOA	Share of Audience
SOV	Share of Value
TOR	Terms of Reference



EXECUTIVE SUMMARY

Introduction

The Department of Communications (DoC) commissioned Z-Coms to undertake an analysis of adspend placements within the Advertising and Marketing Industry. The study is a replication of the advertising transformation index (ATI) study of 2002, undertaken to track the status of the advertising spending patterns in the media industry. This study is intended to track progress in the industry since the previous survey. The study is part of the process of monitoring the patterns of advertising expenditure within the Advertising and Marketing Industry.

The findings of the 2002 ATI study revealed that there is bias towards higher LSMs in the patterns of advertising spend. The ATI report analysed the skewed trends in adspend, and established the context and the basis on which the spending is skewed. Similarly, this report includes an analysis of the Above the Line (ATL) category of advertising spend in order to identify whether there has been any shifts in the patterns of spending on ATL, and what the nature of those shifts have been where applicable.

The terms of reference specified that the study should report on the analysis of advertising patterns for both the Private Sector (Industry) and the Government (Public). Also, in order to fulfil the requirements of the terms of reference (TOR) the same report items as presented in the baseline report of 2002 were reproduced and the same variables that were used in the 2002 baseline report



were used. To this end, the 2002 ATI report was used as a baseline and in designing the structure of this report.

Data gathering activities comprise of acquiring data from AC Nielson (Adex 2001, Adex 2002, and Adex 2003) and from SAARF (AMPS 2002B, and AMPS 2003B). Verification of data was done in order to avoid results skew due to data inaccuracy.

Industry Overview

The Media Industry experienced healthy growth rates between 2001 and 2003. The highest adspend growth was in the Television media. Magazine had the lowest growth during the period. However, the trends observed from 2001 to 2003 reveal that Public Broadcasting Services (PBS) radio stations' audience growth rates are generally stagnant. One of the few exceptions is Radio Metro, which belongs to the SABC's Public Commercial Broadcasting Services division. Television increased its share of adspend, while Magazine's share of adspend declined significantly. Newspaper and Radio's market share changed only slightly.

Spending Profile Versus Population Profiles

The study revealed that the Black population has good access to Television and Radio media, but has little access to cinema medium. Access to magazines and newspapers in the Black population especially in the rural areas is still somewhat low, but better in urban areas. Radio and outdoor have the highest reach within the Black population as a whole. Of the 4 major media types (namely TV, Radio, Newspaper and Magazine, referred to as "Big4" in this report), Magazine is the least representative of the South African population



while Radio provides the closest match between audience and population profiles.

Assuming an ideal world in which all adults are equal and factors such as employment, education and income status were not critical in determining where advertisers spend their money, the profile of media spending within a medium should match the audience profile. But this is not the case, and hence the anomalies between the two profiles exist.

This study reveals that advertising spending profiles in all major media were skewed towards the White population. The Private Sector tends to invest its money on the population groups that will provide the best return on its advertising investments. The majority of the Black population have low disposable income, and hence, advertisers tend to skew their adspend towards those who have a high disposable income, majority of which are White. Spending profiles on all the four major media are skewed towards the White population, as they tend to fall on the higher LSMs compared to the Black population. Radio is more representative because radio is easily accessible to the broad spectrum of the population and also easily available compared with other media.

Advertising Transformation Index.

There has been some slight migration from lower LSMs, particularly out of LSM1 and 2 to higher LSMs. This is likely driven by improved attention to rural development, better pension payouts and a greater level of welfare spending.

There is clearly a link between income levels and urbanisation. The majority of low LSMs (i.e., LSM 1-5) reside in the rural areas, while the majority of higher LSMs (i.e., LSM 6-10) are found in urban areas.



The study shows that there is not a strict delineation of media according to race, with most media having representation across all racial groups. But, media owners ultimately make the decision on what audience profile they seek, and put measures into place to attract the targeted audience.

The study revealed that Black audience are under-supported with advertising. But this is because of economic realities, rather than racially motivated decisions. Business and high-income audiences command a premium in the market, and advertisers are willing to pay the premium.

The study indicates the skew in the ratings of various radio stations, with regional stations targeted at high-income groups getting a disproportionate amount of advertising. Pay television is a premium service in many respects and therefore commands a premium adspend. The high-end magazines attract a much higher premium than the low-end ones, thus leading to a stronger skew than in other media. The newspaper market follows the general trend in other media, with business and Afrikaans titles leading the way. Business media are attractive to advertisers because they attract high-end readers and listeners with little leakage. They, therefore, command high ratings in newspapers, radio and magazines.

The ATI focused exclusively on advertising spend versus audiences. We have developed the Adjusted Advertising Transformation Index (AATI), which takes into account the LSM profile of the different stations and titles. Unlike the ATI, the AATI assumes that all adults are not equal and do not have (or are not allocated) equal value to advertisers.

Government Spending

Government spending on Above The Line Advertising increased dramatically between 2001 and 2003, and it increased spending in all media, with exception



of Outdoor that decreased by almost half. Government increased adspend for all population groups, but mostly to media targeted at the Black population. In spite of this increase in spending on media targeted at the Black population, Government spending is still skewed towards the White population. However, Government has done a slightly better job than the Private Sector advertisers in terms of reducing the gap between the audience and the spending profiles.

Government advertising spending is still skewed towards the higher LSMs. Because lower LSMs are mainly Blacks in rural areas, it could therefore be concluded that Government is under spending on Blacks living in rural areas. Due to the fact that Government spending should mainly be driven by the most effective and efficient media to reach the population targeted, the skew should be minimal in a worst-case scenario. However, the study found that gaps between Government advertising spending profile and audience profile though narrowing still exist. This could be partly due to the legacy of the past. However, in Radio, the Government has successfully bridged the gap. This also does not take into account that much of government communication with citizens, especially poorer sections of society, is in forms that are not included in this study and would be classified in the commercial world as “Below The Line”.

Conclusion

The growth of 27% in adspend from 2001 to 2003 on products measured by AMPS indicates a healthy steady growth in the industry. In terms of where this growth is allocated is an area of concern for this report. The study revealed that the spending for both Government and the Private Sector is skewed toward the higher LSMs, which are dominated by the White population. It is clearly understood that the Private Sector targets people or population groups with high disposable income, who are most likely to be from the White population group.



1 INTRODUCTION

1.1 Background

The Department of Communications (DoC) commissioned Z-Coms to undertake an analysis of adspend placements within the Advertising and Marketing Industry. The study is a replication of the advertising transformation index (ATI) of 2002, undertaken to track the status of the advertising spending patterns in the media industry. This study is intended to track the progress in the industry since the previous survey, and it is part of the process of monitoring the patterns of advertising expenditure within the Advertising and Marketing Industry.

The findings of the 2002 study revealed that there is a bias towards higher LSMs in the patterns of advertising spends. It found that advertisers spend most of their adspend on the higher income population, and pay little attention to the lower income population. The question that this study asked with respect to advertising is what the primary purpose of advertising is. When observing the skewed trends in terms of adspend, this study set out to establish the context and the basis on which advertisers make their decisions.

1.2 Reviewing Terms of Reference

This study is intended to provide the Department of Communications (DoC) with an analysis of the Above the Line (ATL) category of advertising spend, in order to identify whether there has been any shift in the patterns of spending on ATL, and what the nature of those shifts have been where applicable.

The purpose of the study as stated in the terms of reference is as follows:



-
- To conduct a survey of Above the Line (ATL) advertising spend for the period from August 2002 to October 2003. This should exclude Below the Line (BTL) promotions
 - Analysis to focus on Television, Radio, Magazines, Outdoors and Newspapers.
 - Comparative analysis with the ATI 2002 report.

The terms of reference specified that the study should report on the analysis of advertising patterns for both the industry and Government. Industry refers to Private Sector adspend excluding self-promotion. The analyses used the same variables as those in the 2002 baseline study, in order to enable comparison with the 2002 ATI surveyed. Also, in order to enable a sound comparison between this report and the ATI report conducted in 2002, the study covered the period from January 2002 to December 2003. The 2002 baseline survey analysed the industry for the period 2001.

1.3 Arrangement of the Report

The report covers a wide range of issues related to the spending patterns of the Private Sector and the Government as well as a comparison between the Government spending patterns with those of the Private Sector. Chapter 2 covers the Research Methodology applied in the study. It covers issues such as Data Gathering, Data Analysis, and Data Verification. Chapter 3 provides a background on Advertising Research including Relative Reach by Media. Chapter 4 covers the Analysis of Above the Line Adspend. Profiles of Media Advertising Spending versus Population are covered in Chapter 5. Chapter 6 deals with the Advertising Transformation Index. Government Spending, including comparison of Government spending patterns with those of the Private Sector is covered in Chapter 7. Chapter 8 is a conclusion of the study,



which provide an overview of the findings and the conclusion reached from the results of the analysis.

2 METHODOLOGY

In order to fulfil the requirements of the terms of reference (TOR) the same report items as presented in the baseline report of 2002 were reproduced and the same variables that were used in the 2002 baseline report were used. To this end, the 2002 ATI report was used as a baseline and in designing the structure of this report.

The following activities detailed in the section below characterise the work programme followed in the delivery of the required output in terms of the TOR. The work programme includes data gathering, data verification and data analysis.

2.1 Data Gathering

Data gathering activities comprise of acquiring data from AC Nielsen (Adex 2001, Adex 2002, and Adex 2003) and from SAARF (AMPS 2002B, and AMPS 2003B). The following activities were carried out:

- Tabulation of Above the Line (ATL) raw data from Nielsen Media Research, from January 2002 to December 2003, separating out adspend by required category (Government, parastatals and Private Sector clients).
- Self-promotion and recruitment advertising spend were excluded from the data.



-
- Data were classified into four media types, namely:
 - Television, by channels,
 - Radio by stations,
 - Magazines by titles, and
 - Newspapers by titles.

2.2 Analysis of Data

It is always valuable to have a critical analysis of data gathered to ensure data accuracy, hence, data validity is vital to consider before any statistical analysis can be done. The following tasks were therefore carried out:

- Analysis of survey data, by category and according to LSMs and race groups.
- Comparison of gathered data with ATI 2002 Report.
- Identify variance between the 2002 data and the current data.
- Analysis of variance between 2002 study and current study, identification of data that has shifted over the period under review.
- Tabulation and graphic representation of results.
- Conclusions on the data gathered.

2.3 Verification of Data

Verification of data is done in order to avoid results skew due to data inaccuracy. Items from the 2002 baseline report were reproduced in order to



verify data and ensure that there are no discrepancies in the information. The ATI 2002 report used 2001 data. The data for 2001 to 2003 was sourced and verified. It was on the basis of the AMPS and Adex data verified as correct that this report was compiled. Data verification was done by observing the trends for the years under review to ensure that there are no spurious data points or suspicious spikes that may indicate abnormal growth or decline in adspend and audience numbers.



3 BACKGROUND ON ADVERTISING RESEARCH

It is generally known that marketing management applies four instruments in its marketing mix: Product, Price, Marketing communication and Distribution. Marketing communication comprises activities such as: media advertising, personal selling supplementary marketing communication methods and publicity¹. "Advertising may be defined as the controlled, non-personal, outward communication through various media pertaining to a product, service or idea directed at a specific target audience or market with the objective of informing and/or reminding and/or persuading it to take a particular course of action"². The importance of advertising is reflected in enormous sums of money spent by advertisers on promoting their products. Since 1993, total advertising spend has been in excess of R5billion. When considering the 2003 figures, total adspend is in excess of R9billion. This is a true indication of the importance of advertising (Marketing communication) in the marketing mix.

Advertisers look at the value chain that starts with marketers identifying a consumer need that is not totally fulfilled by current offerings and establishes that the need is shared amongst a large enough group of people that have the means to purchase a brand offering. Secondly, it is determined that above-the-line (ATL) advertising can play a role in the promotion of a brand. Then the marketer and agency develop creative concepts based on the consumer insights and key purchasing motivators. These have been established with the help of research. Having done the concept development, marketers then brief advertising agencies to develop an advertising campaign. A media-planning

¹ J H Martins: *Advertising research*

² *Marketing research, a SA approach. 1996 UNISA.*



agency then places advertising in media of choice in order to reach the identified potential consumers.

Marketers seek to maximise share of mind of the targeted market segments, and not necessarily the cheapest buy. A communication plan is developed (in conjunction with creative) to meet client's objectives usually within a prescribed budget. Then a communication plan is agreed to by all parties and executed in the market place. This process leads to the marketer using their advertising budget to achieve the goal of reaching targeted consumers.

Advertising concerns itself with two aspects that call for a closer look. These are advertising research and media research. "Advertising research is a systematic, objective collection, analysis and interpretation of information for decision making on advertising strategy which comprises the planning, creative development, pre-testing and post-testing of advertising and evaluation of advertising campaigns"³. This statement shows the focus of advertisers when dealing with advertising research.

In dealing with media research we concern ourselves with audience size, audience composition by demographic characteristics, cumulative audience, media duplication, repetition and frequency of exposure, cost of audience provided, product usage by audience, and audience distribution.

The secondary data obtained from Nielsen Media (Adex) and SAARF (AMPS) give a good indication of how and where the marketers spend their advertising budgets. Most marketers have viewed the markets purely from a target market point of view neglecting the political dynamics of South Africa. For that reason there is always a skew between the volume of adspend and the audience size for specific media outlets. Demographic profiles of media outlets do affect the adspend allocated by marketers to that specific media outlet, as demographics tend to be linked to lifestyle and available disposable income

³ *Advertising research: JH Martins 1996*



This report focuses on the adspend placement within the advertising and marketing industry. This forms part of a Government initiative that is focusing on the trends in advertising spend taking into account the demographic profiles for each media outlet. The result of this study in our view is whether the Government should consider any policy initiatives that could further stimulate the industry in the direction of transformation.

3.1 Relative Reach of Various Media

There are unique strategies that are used to reach audiences of different media. It is generally cheaper to reach a broad audiences base through radio than television. A comparison between the three years under review (2001 to 2003) was made in order to assess the reach of various radio stations. In theory, the higher the reach, the higher the adspend. However there is a second variable that is important to marketers, and that is affordability or income level that defines the disposable income of certain market segments. We focus on the radio medium as an example to illustrate the glaring skew on advertising spend.

3.1.1 Relative Reach for Various Radio Stations

The relative reach of various radio stations was measured against all adults. Analysis of trends was done using AMPS 2001B, AMPS 2002B and AMPS 2003B data. The data shows that there is a big difference in reach between most SABC's Public Broadcasting Services (PBS) radio stations and private regional stations. Exhibit 3.1 shows the "Any Listenership Yesterday" audience in thousands.

The trends observed in the last 3 years are quite revealing. As shown in Exhibit 3.1 the PBS radio stations' audience growth rates are generally stagnant.

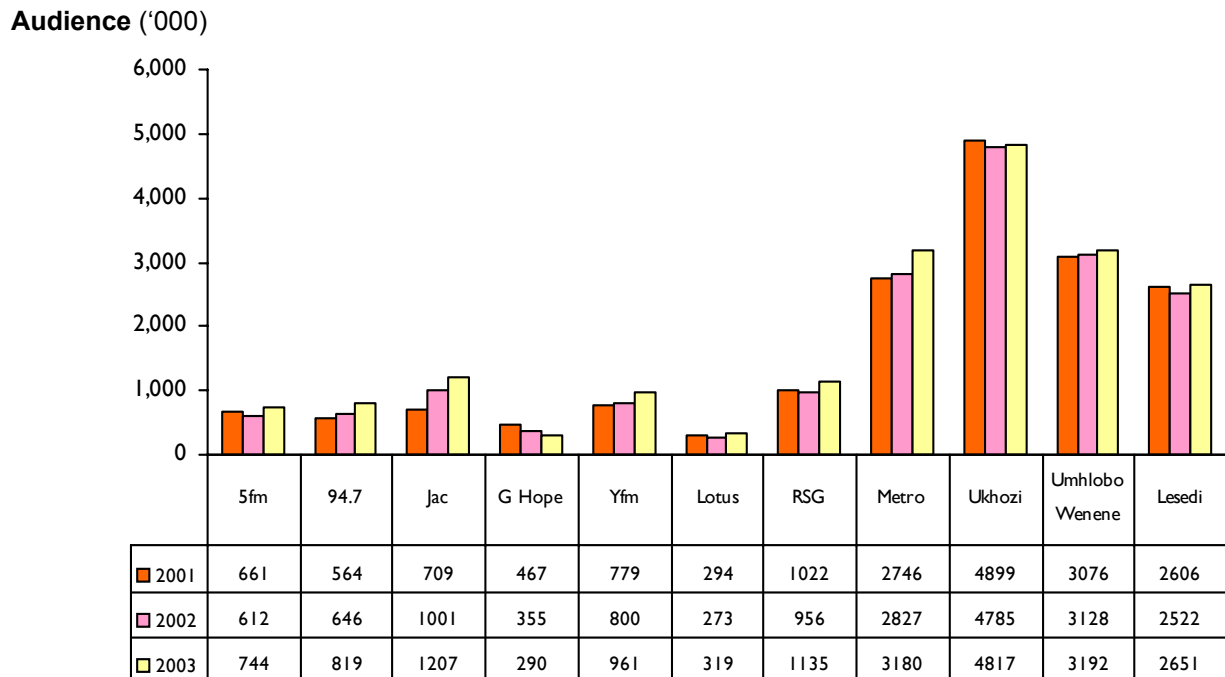


Meanwhile, private radio stations such as Jacaranda and 94.7 Highveld Stereo show healthy growth rates over the same period.

It is virtually impossible to perfectly balance spend levels to size of audience as the base cost and rate card structures are factors that cannot be controlled. Each media owner sets rates that they believe the market can bear, without negatively influencing the level of demand. This is a fine balancing act for any media owner and one that in the South African market is not a transparent process.

It becomes increasingly more complex to balance spend when the base costs of buying Audiences varies so dramatically.

Exhibit 3.1: Any Listenership Yesterday Radio Audience



Source: AMPS 2001B, AMPS 2002B & AMPS 2003B



3.2 Conclusion

The Market is the key driver in determining the allocation of advertising investment by Private Sector. Marketers seek to maximise share of mind of the targeted market segments, and not necessarily the cheapest buy. Hence, communication plan is developed to meet client's objectives usually within a prescribed budget.

Advertising research is defined as "...a systematic, objective collection, analysis and interpretation of information for decision making on advertising strategy, which comprises the planning, creative development, pre-testing and post-testing of advertising and evaluation of advertising campaigns"⁴. Media research on the other hand concerns with audience size, audience composition by demographic characteristics, cumulative audience, media duplication, repetition and frequency of exposure, cost of audience provided, product usage by audience, and audience distribution. Both these are critical considered in allocation of adspend.

The trends reveal that PBS radio stations' audience growth rates are generally stagnant. The exception is Radio Metro, which belongs to the SABC's Public Commercial Broadcasting Services division. It can be argued that, if Metro or 5FM were split into regional services with some of the programming (particularly the off-peak times) syndicated, the performance may be enhanced.

^{4 4} *J H Martins: Advertising research and⁴ Marketing research, a SA approach.1996 UNISA.*



4 ANALYSIS OF ABOVE THE LINE ADSPEND

4.1 Definitions and Exclusions

In terms of the brief for this report, it was expected that only ATL advertising spend should be considered. In addition Below-the-Line (BTL) spending is not easily available and is not measured by neither AMPS nor Adex.

According to AC Nielsen “the combination of Below-the-Line and non-measurable media could potentially be as high as the measured Above-the-Line portion, i.e. we are possibly only capturing half of the communication spending”⁵

This BTL spend may be directed to the lower LSM groups as access to ATL media is limited and may result in a very different spending profile if this data could be captured. The detailed analysis has been done using Adex data exclusive of self-promotion (i.e. spending within own media vehicle). Nielsen Media states that the spending levels include pro-bono advertising.

As required by the DoC, all self-promotions are excluded. In terms of the method used by AC Nielsen Media, everything is tracked at rate card levels i.e. volume discounts/compensatory spots/added value/agency discounts are not taken into account.

The following analysis based on the “Big 4” media types is representative of over 80% of the media spending (excluding self-promotion), i.e. media covered in AMPS research. The Big 4 media types refer to all Television, Radio, Magazines and Newspapers. All recruitment, classifieds and notices also fall outside of measured spend.

⁵ *ATI Report 2002: AC Nielsen*



Unfortunately it is not possible to profile all media types either because the Adex data has not been collected in such a way to provide breakouts or the AMPS question is too broad. Cinema, Internet, K&D, Outdoor have been excluded for this reason. Although Adex captures free sheet newspapers that are currently not measured in AMPS and are therefore excluded from the exercise. In addition, community radio stations adspend were not captured by Adex in 2001 and were, therefore excluded from the analysis. However in 2002, Adex started measuring community radio stations. The value of those community radio stations that were measured by Adex in 2003 was R6.9million. It would be valuable to track the adspend in the community radio sector in the future studies.

Whilst Outdoor is an important medium for reaching the population, particularly in rural areas, it has limitations in terms of segmentation in AMPS. SAARF does not measure the race breakdown for this medium because it is difficult to do so. A typical billboard will reach anyone who passes it and it is not easy to determine the profile of the people who are reached by the billboards. In addition AMPS has not broken down Outdoor by LSM due to the difficulty in performing the audience measurement in this media outlet. Outdoor was included as far as media adspend measurement is concerned but excluded in the analysis as far as the AMPS data overlay is concerned. Exclusion of Outdoor and other excluded media from the detailed analysis is unfortunate as a significant volume of advertising budget is spent in these media.

For the purpose of calculating spending gap that exist within population groups in this report we will define Blacks population as the combination of Black, Coloured and Indian people.

As mentioned earlier, Adex does not measure Below-the-Line spending (BTL). The combination of Below-the-Line and non-measurable media could potentially be as high as the measured Above-the-Line portion i.e., we are possibly only



capturing half of the communication spending⁶. The detailed analysis has been done using Adex data exclusive of self-promotion (i.e. spending within own media vehicle). The spending levels include pro-bono advertising. Everything is tracked at rate card levels i.e. volume discounts/compensatory spots/added value/agency discounts are not taken into account. The following analysis based on the “Big 4” media types is representative of 83%, 85%, and 81% of the total media spending (excluding self promotion) for 2001, 2002 and 2003 respectively.

4.2 Status of Adspend from 2001 to 2003

There is a significant growth in the advertising industry in the past three years. The overall industry has shown a compounded annual growth rate (CAGR) of 13.5%⁷ in the past three years. Exhibit 4.1 illustrates three types of measurements that indicate nominal growth:

- Total Adex 2001 to 2003
- Total Adex excluding self promotions and
- Total Adex excluding self-promotions and overlaying the AMPS data.

Adspend in the four media outlets: TV, radio, magazines and newspapers were analysed separately to provide insight into the trends in these media. The detailed calculations were based on the data, which are measured by both AC Nielsen (Adex) and SAARF (AMPS). Television growth of 17.4% was the highest of the four. Radio and newspaper growth rates of 13.9% and 12.7% respectively, were close to the average and magazines had the lowest growth rate at 3.8%. The drop in magazine Adspend could be attributed to the gains in the newspapers and television adspend. Also, the closure of few magazines

⁶ ATI 2002 report, AC Nielson,

⁷ Z-Coms analysis using calculations from AMPS and Adex.

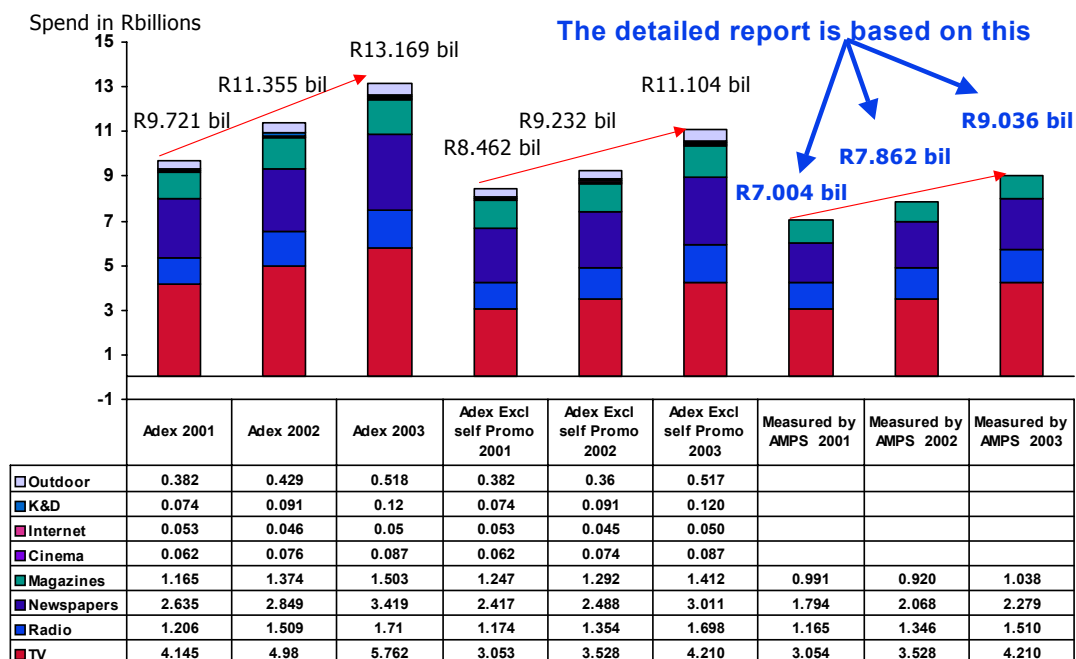


and introduction of more newspaper titles can be taken to account for the lower growth in magazine adspend.

The fact that the adspend has grown from R7bn to R9bn in three years is a good indication of overall economic conditions in the country. As the economy grows, so will marketers increase their adspend as they have more products to take to market and are looking for to influence more consumers.

There has been slow growth in radio share of the advertising market in the last three years. Exhibit 4.1 displays the patterns experienced by various media outlets in terms of their share of adspend. We chose to use Amps measured media outlets so that we can overlay population data on Adex data.

Exhibit 4.1: SA Adspend 2001 to 2003 Medium



Source: ACNielsen – Adex 2001, 2002 & 2003, and AMPS 2001B, 2002B, & 2003B

Exhibit 4.2 shows share of adspend for TV, Radio and Newspaper and Magazine. Television increased its advert share, while Magazine’s advert share declined significantly. Newspaper and Radio’s market share changed only slightly. The increase in ad avenue for TV is directly linked to the decrease in

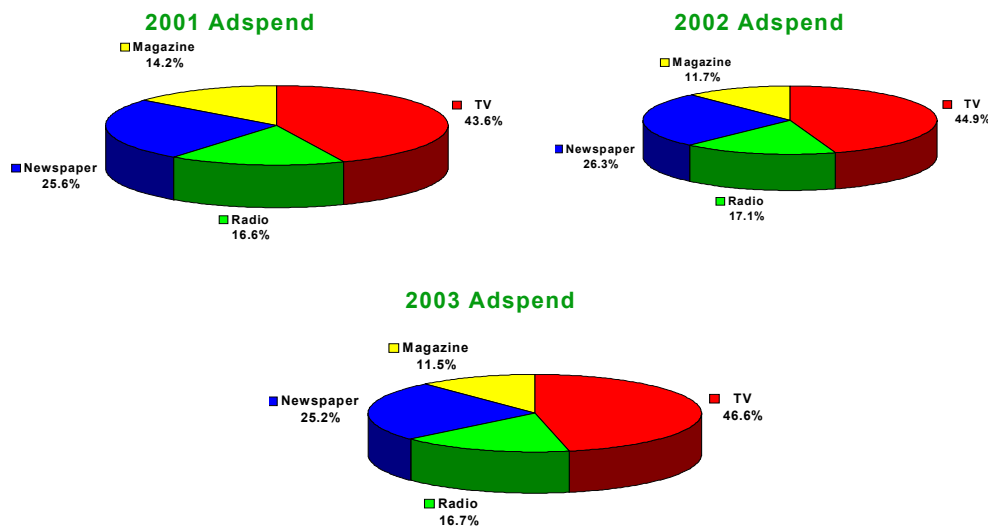


magazine adspend decline. It is not surprising that television is growing more than other media outlets due to increased TV channels, for example, introduction of e.tv and increased popularity of DSTV.

According to AMPS 2004A there are 7.1 million television sets in South Africa. There is potential for growth in the number of TV sets based on the total number of 11.2⁸m households. This gap will be reflected in growth in TV adspend. This is linked to which channel will grow audiences, for example, if DSTV continues to grow, we will see a marked growth in TV adspend.

Magazine adspend decreased due to a few magazines closing down in the past two years. Therefore the magazine adspend is more likely to decrease as the audience for magazines is more focused on interest groups.

Exhibit 4.2: 2001 to 2003 Adspend Distribution by Media Types



Source: Adex 2001, Adex 2002, Adex 2003,

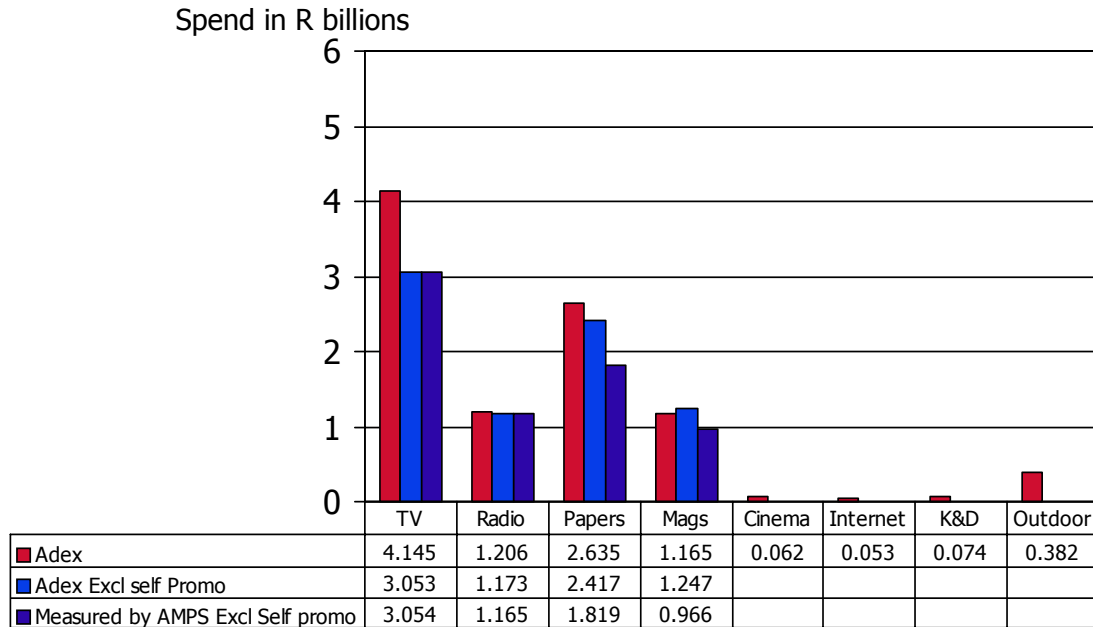
4.3 Measuring Adspend by Advertising Medium

The adspend on each of the media over a period of three years under review reveals information on what advertisers perceive as attractive advertising media.



and which population or income group is a better target from the point of view of the marketers.

Exhibit 4.3: SA Adspend 2001 by Medium - What We Are Measuring



Source: ACNielsen – Adex 2001 & AMPS 2001B

In order to ascertain the extent of the split in the advertising spend between various media, it is critical to look at the data that displays the different media used in advertising. The level of advertising on Internet, Cinema and Knock and Drop is relatively small in comparison to other media. For this reason we have concentrated on the TV, Radio, Newspapers, and Magazines. Television leads Magazines by 216%, Newspapers by 68%, and Radio by 162%. Although Radio covers larger audiences, it seems that advertisers still prefer to spend more on advertising on Newspapers and TV in comparison.

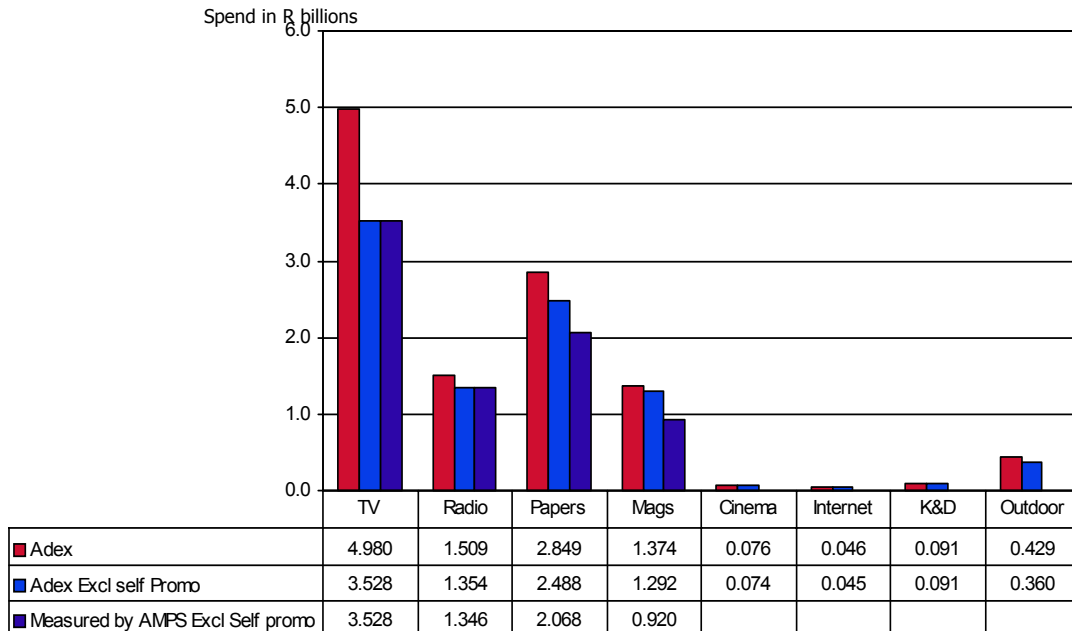
Both 2002 and 2003 show growth in adspend as discussed above. TV as measured by AMPS show that there has been a movement from R3.045 billion in 2001, R3.528 billion in 2002 and R4.210 billion in 2003. Growth of this nature

⁸ Number of households according to census 2001



is not unexpected despite the competition with other media. Exhibit 4.3 to Exhibit 4.5 shows adspend on all the media outlets.

Exhibit 4.4: SA Adspend 2002 by Medium - What We Are Measuring

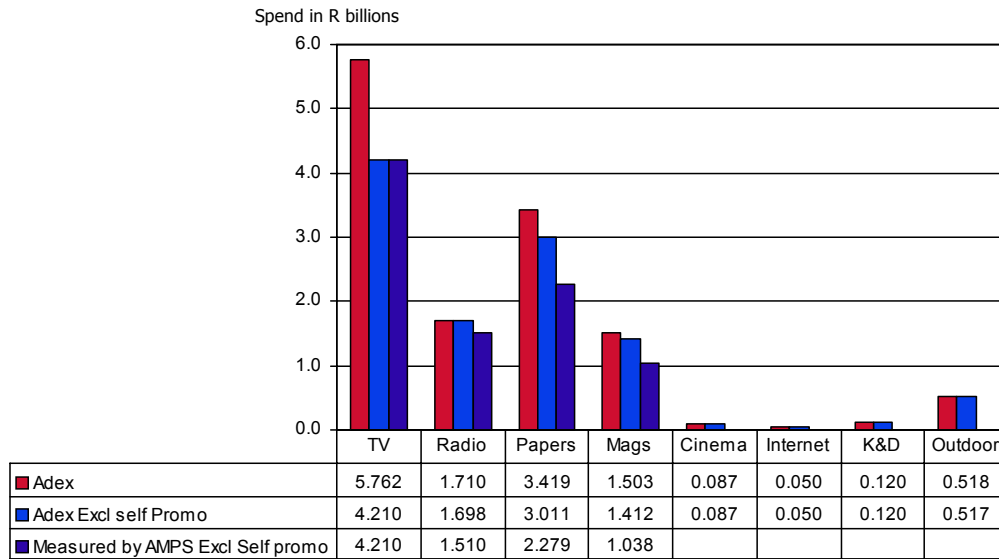


Source: ACNielsen – Adex 2002 & AMPS 2002B

There has been a marked growth in Newspaper adspend. This could be due in part to the introduction of new newspapers, thus expanding available Newspaper advertising platforms.

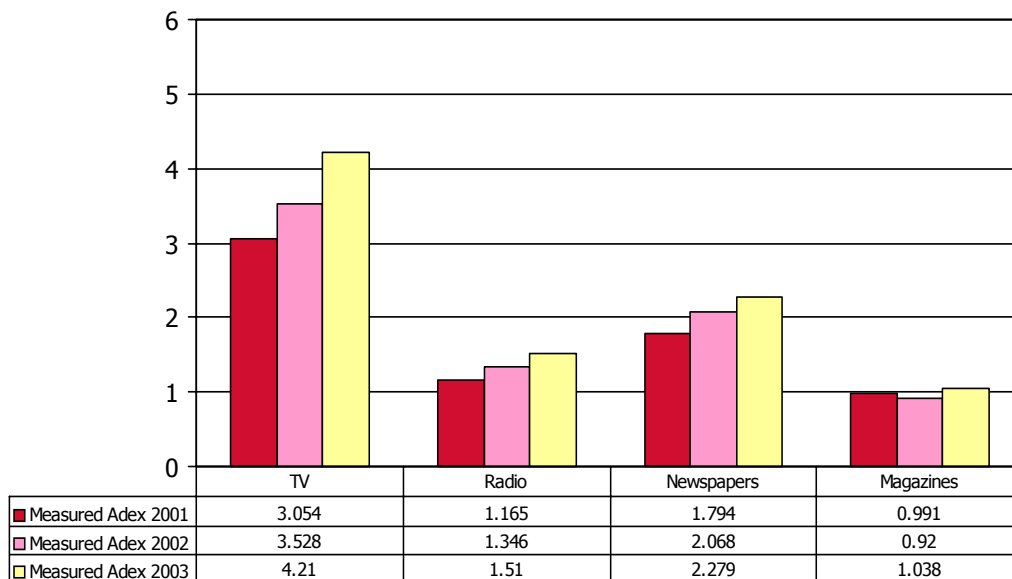


Exhibit 4.5: SA Adspend 2003 by Medium - What We Are Measuring



Source: ACNielsen – Adex 2003 & Amps 2003B

Exhibit 4.6: Measured Adspend (Rbn) by Medium



Source: AMPS 2001B, AMPS 2002B & AMPS 2003B



4.4 Conclusion

The Advertising and Marketing Industry experienced healthy growth rates between 2001 and 2003. All the media experienced good growth in term of adspend. This is a reflection of the economy over the period under review. The highest adspend growth was in the Television medium, while Magazine medium had the lowest growth during the period.

The trends observed from 2001 to 2003 reveal that PBS radio stations' audience growth rates are generally stagnant. Television increased its share, while Magazine's share declined significantly. Newspaper and Radio's market share changed only slightly. This is due to the current high penetration levels of these media.



5 PROFILE OF MEDIA ADVERTISING SPENDING VERSUS POPULATION

5.1 Introduction

Historically, demographic profiles have been used by advertisers in South Africa to define their target advertising market. The South African Advertising Research Foundation (SAARF) measured AMPS 2001B, 2002B and 2003B databases were used to analyse the demographic profile of each medium. The standard population breakdown by race group is: Black, Coloured, Indian and White. AMPS measures adult population, i.e. people above 16 years of age for each medium.

Measurements were done against the following media classification:

1. Adults who have watched television over the past 7 days.
2. Adults who have listened to radio over the past 7 days.
3. Adults who read any newspaper, daily, weekly.
4. Adults who read any magazine in the past week, fortnight, or month.
5. Adults who visited a cinema over the past 6 weeks, and
6. Adults who have seen outdoor advertisements over the past 7 weeks.

In order to obtain the adspend for each media for each racial group, AMPS data for each medium is overlaid over Adex data. Adspend for each media within each racial category is then added together in order to obtain Adspend for each racial group.



5.1.1 The Objective of the Measurement

The objective is to identify the percentage audience for each racial group within each media and compare it with the related adspend. In an ideal world, in which only a number of people count, the percentage audience for a particular population group should match its corresponding adspend. However, there are various economical factors that determine adspend allocation, such as income and lifestyle that introduce anomalies in the distribution of adspend between various population groups. It is important to identify and measure those anomalies, in order to establish whether there is a prevailing trend in the 2001 to 2003 period.

5.1.2 Population Profile Trends

Population growth shows a marginal change over the three years, with Black population percentage slightly increasing, with White and Indian population percentage slightly declining. The Coloured population percentage remained the same over the period. Black population increased from 74.6% in 2001 to 75.0% in 2003, while White population declined from 14.3% to 14.1%, and Coloured declined from 8.5% to 8.4% over the same period. Indian population percentage remained unchanged at 2.6 over this period.

There are other socio-economic factors that contribute to population decline especially for the economically active age group. For the purpose of this analysis we have therefore not quantified the impact of these factors, as this is not the focus of this analysis. We kept our focus on trends in advertising spend. Exhibit 5.1 shows adult population profile trends between 2001 and 2003.



5.2 Audience Profile for Electronic Media versus the Population Profile

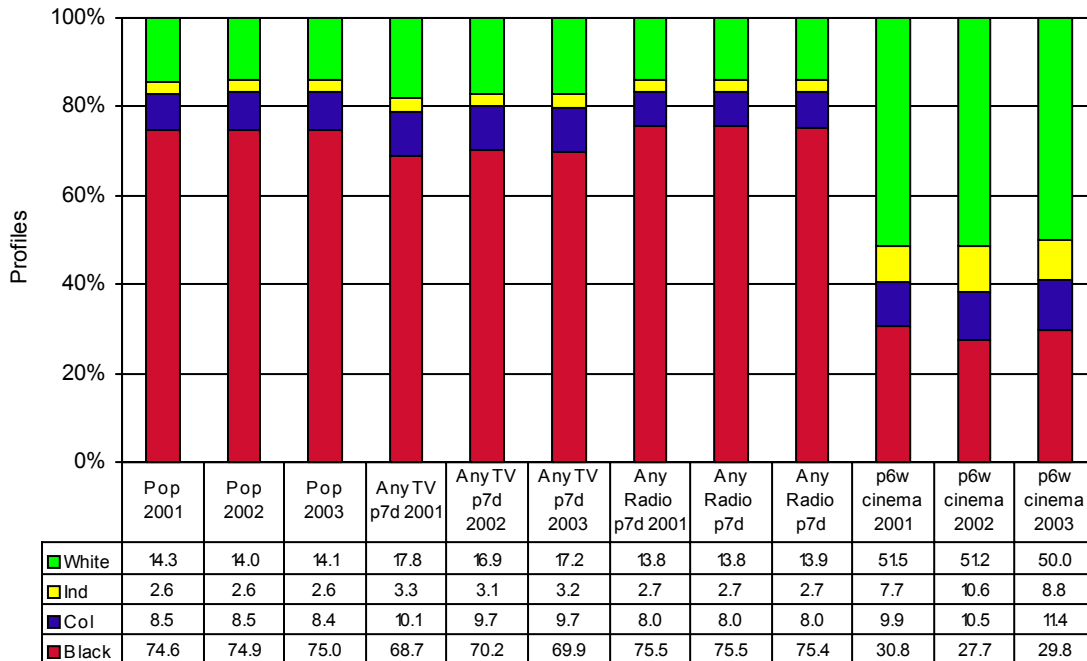
Electronic media refers to Television, and Radio, and for the purposes of this report, Cinema is included as part of electronic media. Of the three media, Radio is the easiest to access in terms of affordability and availability, and hence is more reflective of the population profile.

Although television is dominated by Black audiences due to the fact that the proportion of Black population is much higher than the rest, there is still a significant gap in terms of the number of households compared to the number of television sets recorded by AMPS and other statistical data. There are about 11.2m households and about 7.1m⁹ television sets in South Africa. The majority of households that contribute to this gap are Black, largely due to affordability of television sets, and also due to limited television reach in many areas where Blacks reside.

⁹ Amps 2004A



Exhibit 5.1: Audience Profile of Media versus Population: 2001 to 2003



Source: AMPS 2001B, AMPS 2002B & AMPS 2003B

Exhibit 5.1 above shows electronic media audience profiles. Cinema has the least proportional media, with Black people, who form about 75% percent of the population accounting for only 30% of the audience. All other population groups have higher percentage audience than their population percentage.

5.2.1 TV Audience Profile

TV audience had a slight change over the three years. The total Percentage of Black audiences increased slightly, while all the other population groups, i.e. Coloured, Indian and White audiences declined slightly over the period. Exhibit 5.1 shows that Black audience increased from 68.7% in 2001, to about 69.9% in 2003, while White audiences declined from 17.8% in 2001 to 17.2% in 2003.



Coloured audiences declined from 10.1% to 9.7% and Indian audiences from 3.3% to 3.2% over the same period. The Television audience profile is primarily driven by programming. Certain programmes draw more audiences than others. Analysis of which programme draws which audience would be useful, but it is outside the scope of this report.

5.2.2 Radio Audience Profile

Exhibit 5.1 shows that Radio audiences reflect very closely the percentage of the population groups in terms of racial distribution. To a large extent, the audience percentage remained stagnant over the past three years, with Blacks dominating at about 75% of the audience, followed by White who account for almost 30% of the audience, then Coloured representing about 8% of the audience, and finally Indians accounting for just below 3% of the audience. It should be noted that though the radio audience is representative, even radio does not reach everyone – the total weekly radio audience is 27,4¹⁰ million out of a population of 30,3 million people 16 years or older.

5.2.3 Cinema Audience Profile

Exhibit 5.1 shows that 50% of cinema audiences are White, although they only account for about 14% of the population. But White audiences declined from 51.5% in 2001, to 50.0% in 2003. Coloured cinema audiences increased from 9.9% in 2001, to 11.4% in 2003. Indian cinema audiences also increased from 7.7% in 2001 to 8.8% in 2003. Blacks who account for about 75% of the population accounted for less than 30% of the cinema audience, and declined from 30% in 2001, to 29.8 in 2003. Also, in 2002, Black audiences reached a low of 27.7%. Shortage of cinema infrastructure in townships and rural areas as well as low disposable income levels is the main contributing factor to these

¹⁰ Amps 2003B



anomalies. There are other factors that have affected cinema audience, e.g. television viewership.

5.3 Readership Profile for Print Media versus the Population

Print media consists of Newspapers and Magazines. Of the two media, Newspaper readership is the most evenly distributed in line with population groups, while Magazines is the least access outlet. For the purpose of discussion, Outdoor is included in section 5.3.3. Newspaper, Magazine and Outdoor profiles are discussed below.

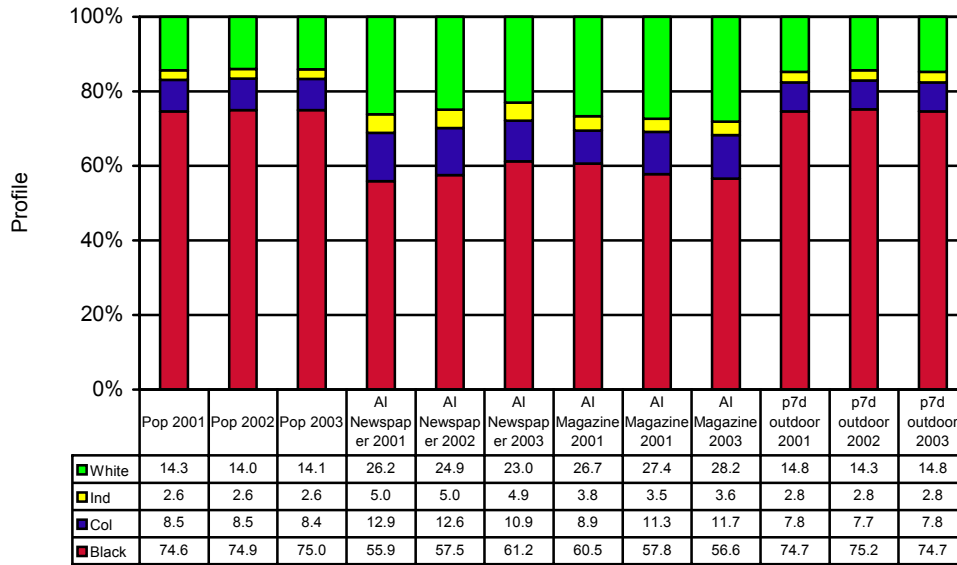
5.3.1 Newspaper Readership Profile

Although 75% of the population is Black, they only account for about 61.2% of the newspaper readership in 2003. However, the readership grew from 55.9% in 2001, while other population groups declined over the same period. White readership declined from 26.2% in 2001 to 23.0% in 2003, Coloured declined from 12.9% to 10.9%, and Indian declined from 5.0% to 4.9%. There is no obvious reason for this decline except that most people listen to radio and watch TV news. Some people find no need for newspaper especially during the week.

5.3.2 Magazine Readership Profile

The percentage of white readers increased from 23.0% in 2001, to 27.4% in 2003. Coloured readership increased during the same period from 10.9% to 11.3%. However the percentage of Indian and Black readership declined from 3.8% to 3.6% and from 60.5% to 56.6% respectively.

Exhibit 5.2: Audience Profile of Media versus Population: 2001 to 2003



Source: AMPS 2001B, AMPS 2002B, and AMPS 2003B

The shelf life of a magazine is longer than that of newspapers. This is particularly true in some Black Communities where there is a lot of sharing of magazines. The decline is caused by the movement of readers from one market segment to the next, thus resulting in reduced uptake. This leads advertisers to take a pessimistic view on the magazine outlet.

There are those magazines, which address the business sector and thus attract good adspend.

5.3.3 Outdoor Profile

Because Outdoor is easily accessible by everyone, due to general mobility of people the percentage of those who see outdoor matches the population very closely. Also, the number of those who saw outdoor remained unchanged in 2001 and 2003, there were some minor changes in 2002. Blacks account for 74.9%, Coloured 7.8%, Indian 2.8% and White 14.8% of those who see outdoor. Outdoor accounts for a small percentage of the total adspend. It grew

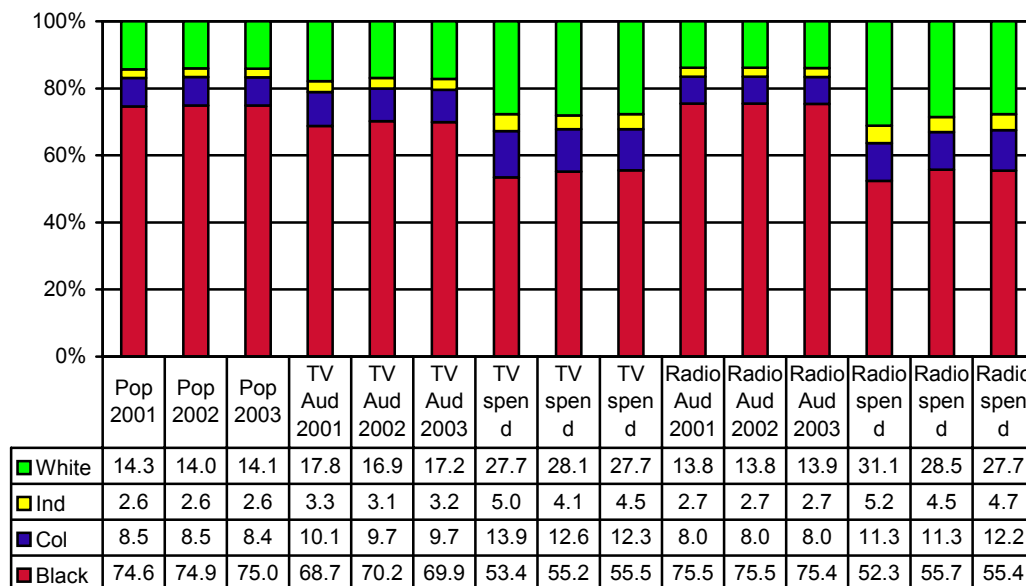


from R382 million in 2001 to R517 million in 2003. (See Exhibit 4.1SA Adspend 2001 to 2003)

5.4 Audience Profile for Electronic Media versus the Adspend Profile

In an ideal world, there should always be a match between population/audience profiles and adspend profile. An important aspect of this exercise was to establish if there is any correlation between audience and adspend for specific media, and also to identify trends. However, there are various anomalies, which may affect the profiles resulting in differences between the two profiles. Exhibit 5.3 and Exhibit 5.4 below shows the Audience Profiles versus Spending Profiles.

Exhibit 5.3: Audience Profiles of Media vs. Spending Profiles: 2001 to 2003



Source: AMPS 2001B, AMPS 2002B, and AMPS 2003B



5.4.1 TV Adspend Profile

Although Black population constitute 69.9% of the total television audience, only 55.5% of adspend was spent on them. However, adspend targeted at Black population has grown from 53.4% in 2001. On the other hand, although White population account for only 17.2 % of the TV audience, 27.7% of the total adspend was focused on them, which is almost a 10.5 percentage points difference. This is a significant skew of 61%. This may be so because of the fact that although there are fewer white people than Black people, the economic scale is still skewed towards the White population. Adspend targeted at Coloured population declined from 13.9% in 2001 to 12.3% in 2003. Also, Adspend targeted at Indian population declined from 5.0% in 2001 to 4.5% in 2003.

The cause for the decline is that we are not seeing a significant increase of people in higher LSMs, which is the main driver for increased adspend.

5.4.2 Radio Adspend Profile

Like TV adspend, Radio adspend is skewed towards White audience. Although White population is 13.9% of the total Radio audience, 27.7% of adspend was spent on them in 2003, down from 31.1% in 2001. Whilst for Black population that accounts for 75.4% of the audience, only 55.4% of the total adspend was spent on them in 2003. However, adspend on Black population increased from 52.3% in 2001, which is a 3% increase. Adspend on Indian population declined from 5.2% in 2001 to 4.7% in 2003, and Coloured population increased from 11.4% in 2001 to 12.3% in 2003.



5.5 Audience Profile for Print Media versus the Adspend Profile

Print media analysed in this section are Newspaper and Magazine. Outdoor is not included as it is not easy to assign population group for a specific Outdoor advertisements. Although Outdoor contribute about R0.517 billion in 2003, it is generally equally distributed to all population groups as shown above. Hence, its exclusion will have a minimum impact to the overall results.

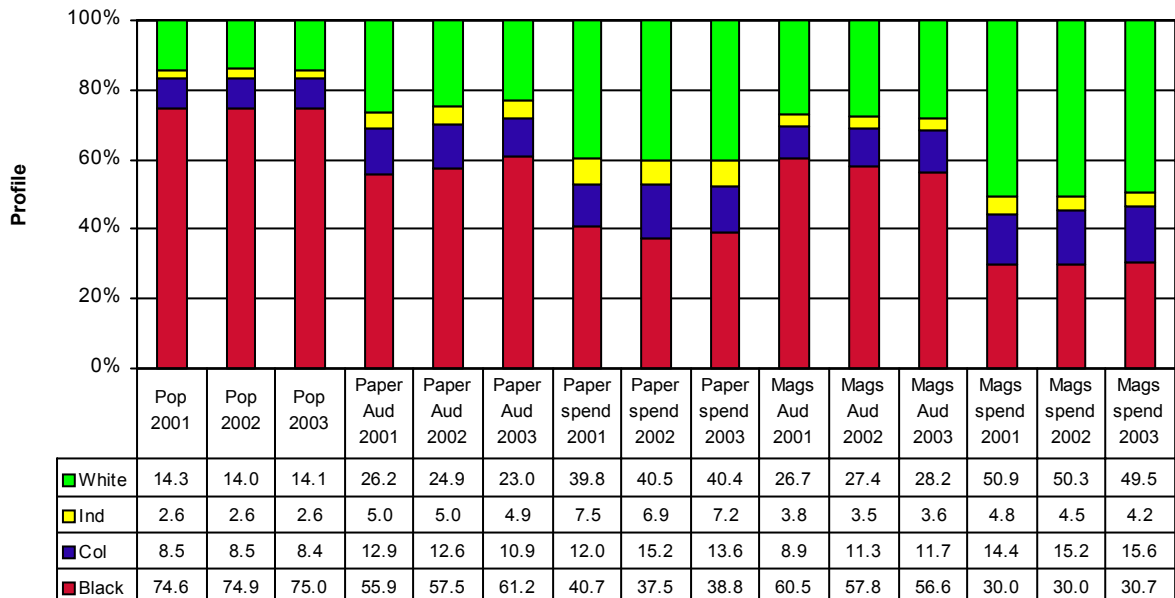
5.5.1 Newspaper Adspend Profile

Newspaper adspend profile is skewed towards White readership compared with Black readership. Although 40.7% of the readership is Black, only 38.8% of the newspaper adspend was spent on Black readership in 2003.

Also, adspend targeted at Black population declined from 40.7% in 2001 to 38.8% in 2003. Adspend targeted at Whites increased from 39.8% in 2001 to 40.4% in 2003. Adspend targeted at Coloureds increased from 12.0% in 2001 to 13.6% in 2003, and adspend targeted at Indians declined slightly from 7.5% in 2001 to 7.25 in 2003.



Exhibit 5.4: Audience Profiles of Media vs. Spending Profiles: 2001 to 2003



Source: Adex 2001, Adex 2002, Adex 2003, AMPS 2001B, AMPS 2002B & AMPS 2003B

5.5.2 Magazine Adspend Profile

Magazine has the most skewed adspend of the media analysed. Although White Magazine readership was only 28.2% in 2003, it attracted 49.5% of adspend in 2003, a decline from 50.9% in 2001. Black readership, which was 56.6% of the total Magazine readership in 2003, received 30.7% of the adspend, which was a slight increase from 30.0% in 2001. Coloured adspend increased from 14.4% in 2001 to 15.6% in 2003, and Indian declined slightly from 4.8% in 2001 to 4.2% in 2003.



5.6 Conclusion on Audience and Adspend Profile versus Population Profile

The Black population has relatively good access to Television and Radio, but in comparison, there is little access to Cinema by Black audiences, especially in rural areas. There is better access to Magazines and Newspapers in the Black population in the urban areas, but still somewhat low due to literacy problems. Radio and Outdoor are the best media for accessing the Black population as a whole.

Of the 4 major media types, Magazines are the least representative of the South African population while Radio provides the closest match.

The way in which advertisers spend within each medium must be limited by the opportunities presented by that medium. Assuming an ideal world in which all adults in are equal and factors such as employment/education and income status were not critical in determining where advertisers spend their money, the profile of media spending within a medium should match the audience profile the same medium attracts. But this is not the case, and hence the anomalies between the two profiles.

Spending profiles in all major media were skewed towards the White population. This is most so on the Magazine Medium. Radio Medium spending profile has the best match of the audience profile.

The primary reason for the skew is due to the fact that the Private Sector is driven by profits rather than by reaching the highest population. Hence, Private Sector tends to invest its money on the population groups that have high disposable income, and can provide the best return on its advertising investment. The Black population has the lowest disposable income level, and hence, advertisers tend to skew their adspend away from them, and towards White population.



6 THE ADVERTISING TRANSFORMATION INDEX

6.1 Introduction to the ATI Approach

The previous ATI study was premised on the assumption that all adults are equal, i.e. they offer the same value to an advertiser regardless of LSM status, education and employment. Under this assumption, the amount spent in advertising on a particular station or title would then exactly match the total audience size in terms of the proportion of the total cake. For instance, if a radio station had 20% of the audience, it must attract 20% of the advertising spend, otherwise, it is under or over invested in by advertisers¹¹. A high-level view of spending by advertisers targeted at Black audiences in different media, suggests that the spending does not match the available Black audience.

If the spend reflected the audience size, the index in Exhibit 6.1 graph would be at 100 in all instances. This illustrates the following:

- Black consumers are under-supported with advertising within the Big 4 media.
- Magazines fall behind the other media in that spending against Black audiences is lower than the proportion of Black people accessing the medium.
- We believe that the under-support of Black consumers in the magazine market is due to:

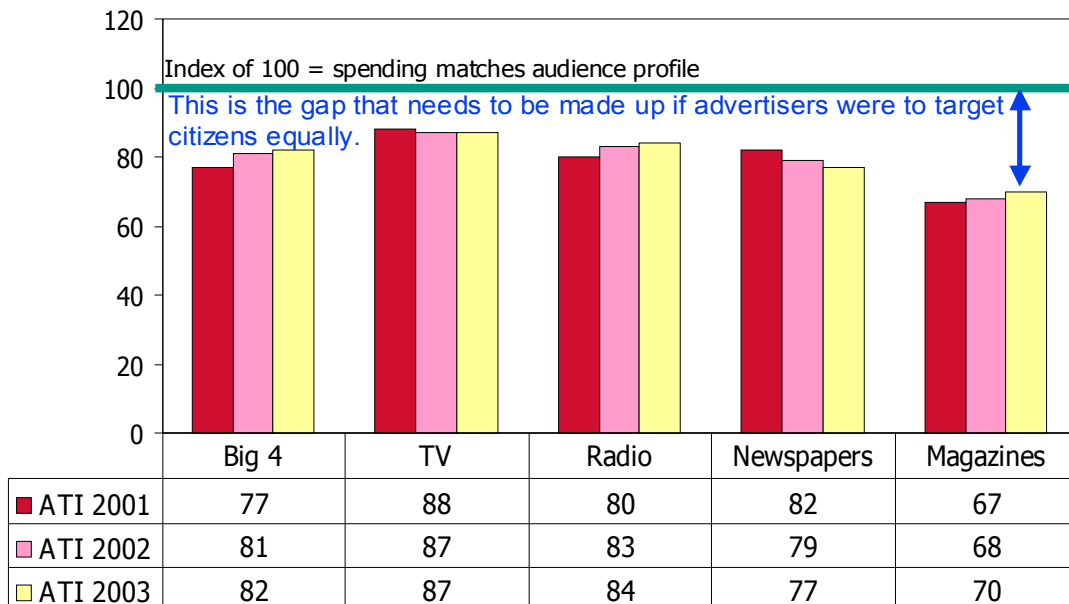
¹¹ Z-Coms has developed an Index that takes LSMs and, therefore, income levels and educational status into account. This will be applied later to the study in order to form a clearer picture.



- the significant segmentation of audiences in this market via focused titles, with the high-profile titles targeted at White audiences, and high-circulation low-profile magazines targeted at Black audiences.
- the fact that the level of Black readership is exaggerated by sharing of magazines and the suspicion, based on anecdotal evidence, that magazines have a longer shelf life in Black homes.

Exhibit 6.1: Index of 2001 to 2003 Black Spending Against Black Audience

Index



Note: Black = sum of Black ,Coloured and Indian audiences and spending.

Source: Adex 2001, Adex 2002, Adex 2003, AMPS 2001B, AMPS 2002B & AMPS 2003B

The following Exhibit 6.2 graphically illustrates the problem in a different way.

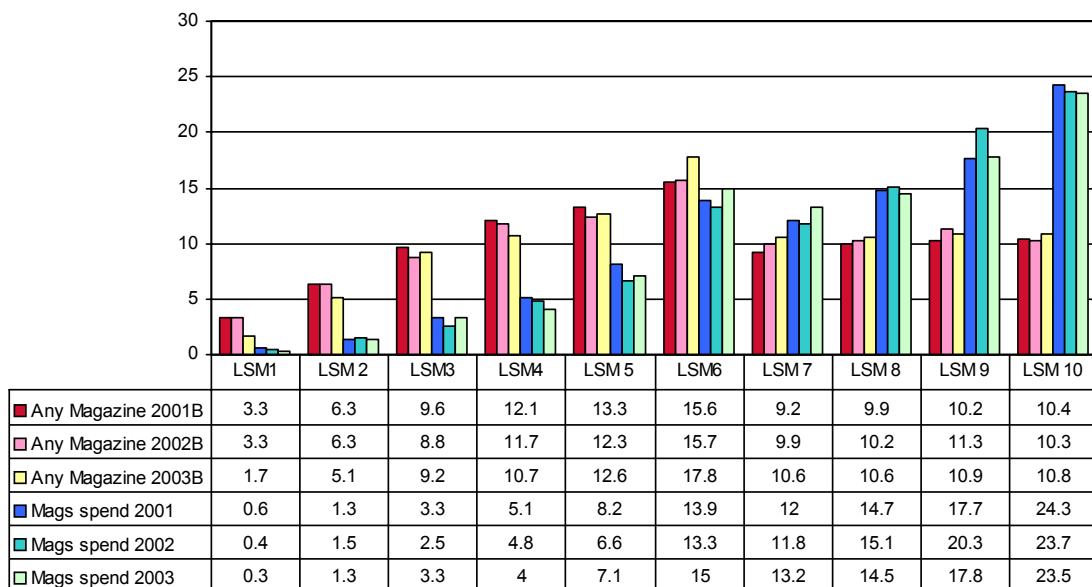
A positive factor is that the under-support of Black media has been declining over the last three years for all media combined, and especially for magazines. This is, however, not true for newspapers due, we believe, to the growth in audiences resulting from the launch of the Daily / Sunday Sun and their sister



newspapers. This growth in audience has not yet been matched by growth in advertising targeted at the Sun's.

It should also be noted that there is no strict delineation of media according to race, with most media having representation across all racial groups. As such, media owners ultimately must make the decision on what audience profile they seek, and then proceed to put measures into place to attract this audience.

Exhibit 6.2: Magazine Audience Profile versus Spending Profile



Source: Adex, AMPS 2001B, 2002B and 2003B; Z-Coms Data analysis reports

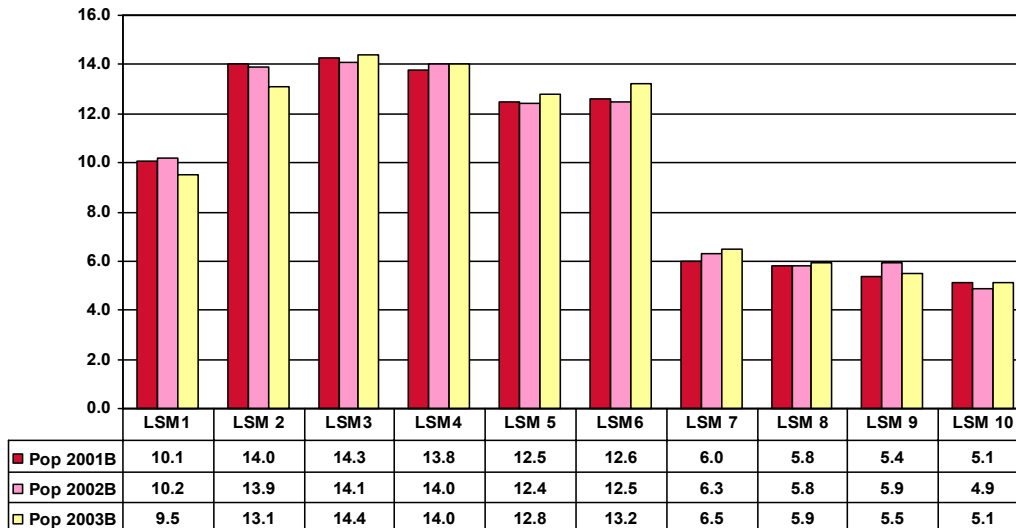
6.2 Profiling LSMs

Profiling adspend across LSMs gives an indication of where the focus of advertisers is. A glance at the LSM profile of the South African population provides the first indication of what the income skew in the population is. Exhibit 6.3 shows the LSM breakdown according to SAARF. It is clear that the highest percentage of the population falls between LSM 1 and LSM 6. 14% of the population is in LSM 5 category. From a media planners' viewpoint, people with



more disposable income are in LSM 7 to 10. Therefore advertisers tend to chase the higher income groups.

Exhibit 6.3: 2001 to 2003 Adult Population by LSM



Source: AMPS 2001B; 2002B; 2003B

The LSM groupings can further be represented by income levels, as shown in Exhibit 6.4, although LSM categories also take into account tangible attributes relating to lifestyle, such as ownership of durable goods.

Exhibit 6.4: Population Profile vs. Income Levels

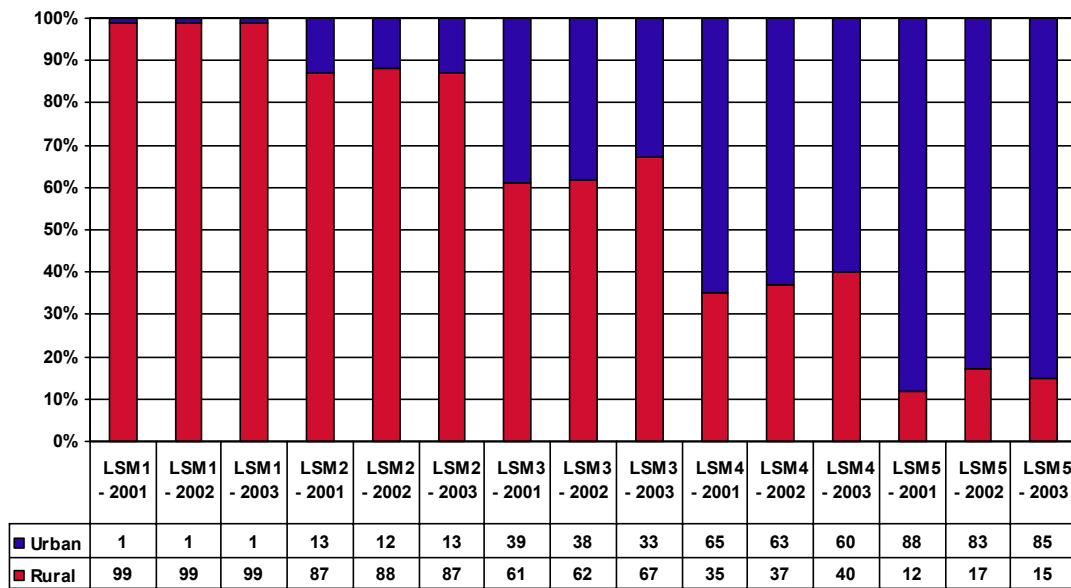
	Penetration			Average Household Income		
	2001B %	2002B %	2003B %	2001B	2002B	2003B
LSM 1	10.5	10.2	9.5	R 777	R 832	R 886
LSM 2	14.0	13.9	13.1	R 885	R 1 075	R 1 130
LSM 3	14.3	14.1	14.4	R 1 107	R 1 318	R 1 348
LSM 4	13.8	14.0	14.0	R 1 523	R 1 724	R 1 717
LSM 5	12.5	12.4	12.8	R 2 205	R 2 421	R 2 347
LSM 6	12.6	12.5	13.2	R 3 557	R 3 897	R 3 960
LSM 7	6.0	6.3	6.5	R 5 509	R 5 859	R 6 189
LSM 8	5.8	5.8	5.9	R 7 428	R 8 053	R 8 522
LSM 9	5.4	5.9	5.5	R 9 861	R10 732	R12 195
LSM 10	5.1	4.9	5.1	R13 788	R15 931	R18 216

Source: SAARF- AMPS 2001B, AMPS 2002B & AMPS 2003B



As shown in Exhibit 6.4 above, there has been some migration from lower LSMs, particularly out of LSM 1 and 2 to LSM 3. This is likely driven by improved attention to rural development, better pension payouts and a greater level of welfare spending. This is also evident in looking at LSMs in terms of the rural / urban divide.

Exhibit 6.5: LSM Group Urban/Rural Profiles (LSM1 to LSM5)



Source: SAARF- AMPS 2001B, AMPS 2002B, & AMPS 2003B

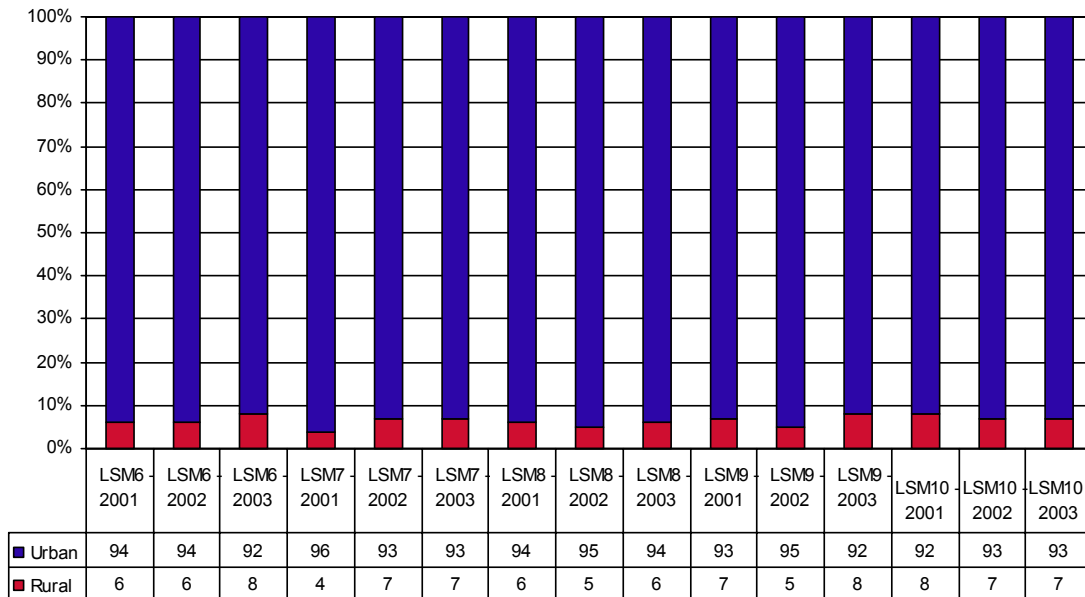
There is thus clearly a link between income levels and urbanisation, i.e. low-income communities are skewed towards the lower LSMs.

We also believe that some growth occurred in the middle class, as reflected by LSMs 4, 5, 6 and 7. This is probably due to affirmative action, Black Economic Empowerment (BEE) and access to opportunities for Black professionals.

All this bodes well for media, particularly where literacy is critical such as magazines and newspapers. As shown in the Exhibit 6.6, there is little change in the higher LSMs.



Exhibit 6.6: LSM Group Urban/Rural Profiles (LSM6 to LSM10)



Source: SAARF- AMPS 2001B, AMPS 2002B, & AMPS 2003B

There are very few rural people in higher LSMs. The few could be farmers and business owners.

6.3 High Level View of Media Spend for LSMs

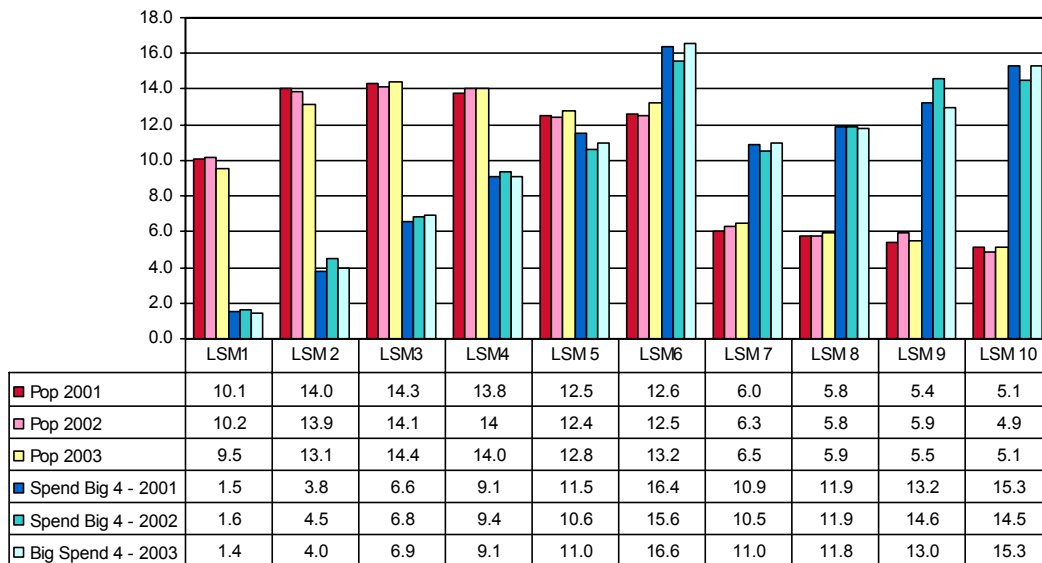
We have already established that media spend is skewed heavily towards higher LSMs. This is illustrated further in Exhibit 6.7 below.

The Big 4 media adspend shows that 77.7% of the total spending was targeted at LSMs 6-10, the segment, which constitutes of 36.2% of the audience.

The point to be made as revealed by Exhibit 6.7 is that, below LSM 6 advertisers spend less than the reached population, meaning that they are prepared to advertise to lower LSMs at a high discount. Clearly, adspend per LSM 6 in 2003 is 16.5%, whereas the percentage of LSM 6 is 13.5%. Here, we see the premium the advertisers are prepared to pay for higher LSMs.

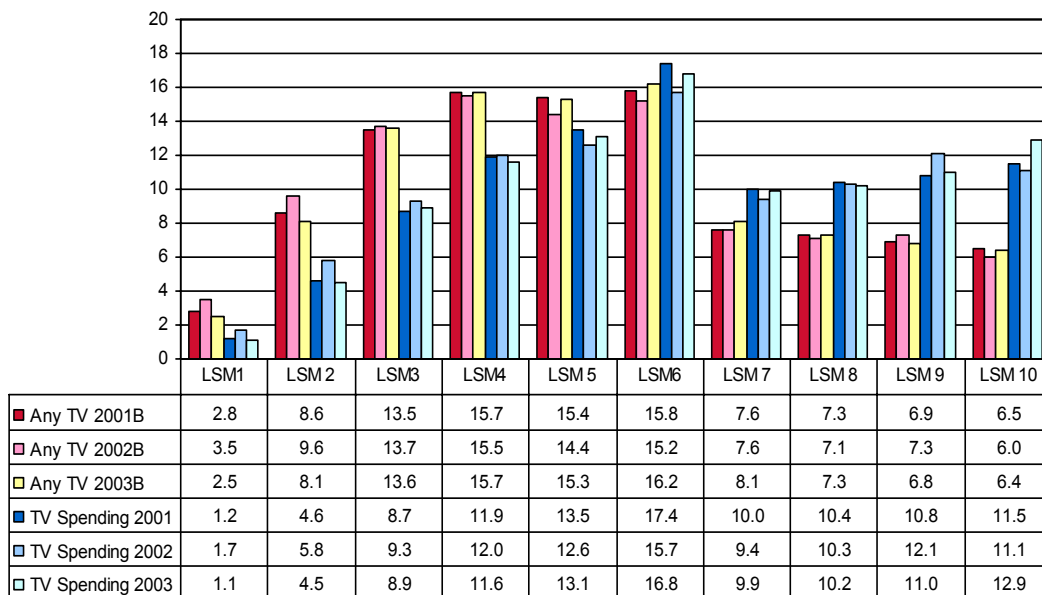


Exhibit 6.7: Adspend by LSM for Big 4 media types



Source: SAARF- AMPS 2001B, AMPS 2002B, & AMPS 2003B

Exhibit 6.8: Any TV Spend versus Audience



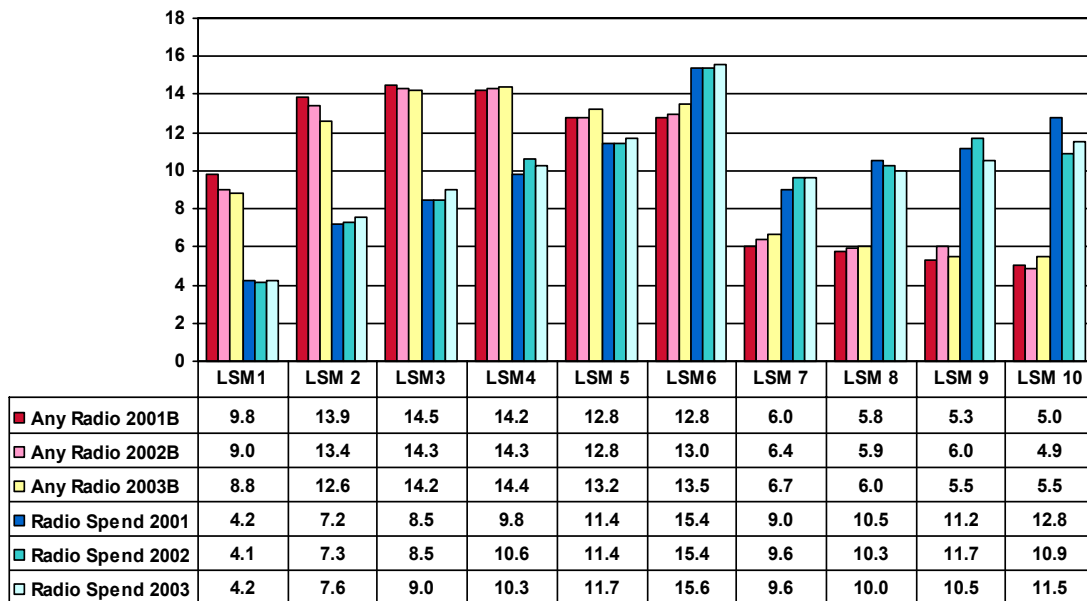
Source: SAARF- AMPS 2001B, AMPS 2002B, & AMPS 2003B



The picture for television, shown above, illustrates that 60.8% of spend targets 40.8% of the audience, which is LSM6-10.

Radio shows a similar skew, with 57.2% of spend targeting LSM 6-10, which constitutes 37.2% of the audience.

Exhibit 6.9: Any Radio Adspend versus Audience

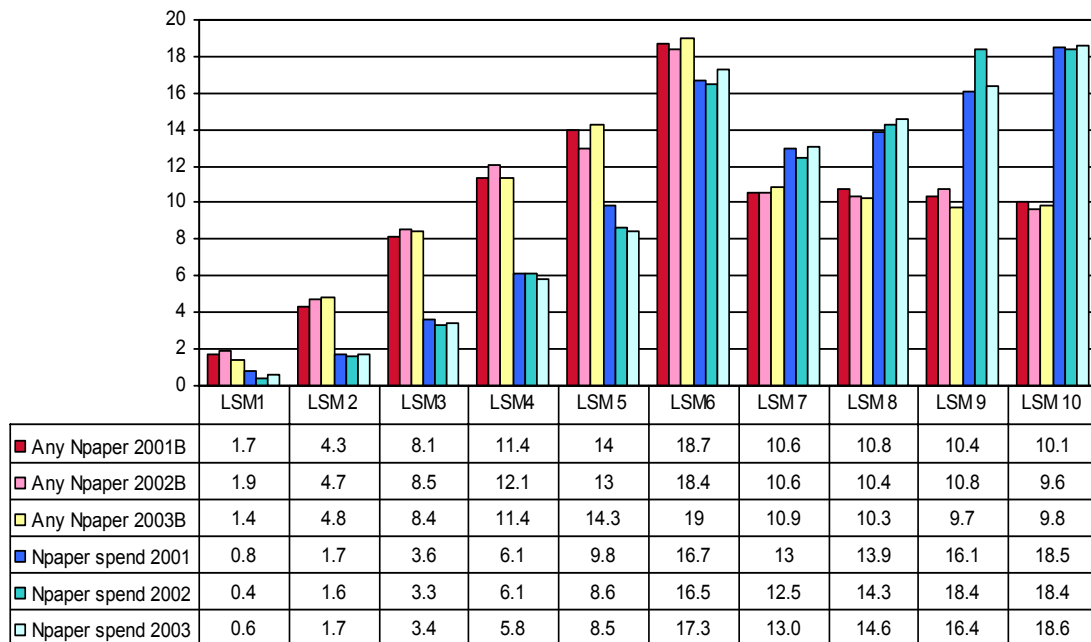


Source: SAARF- AMPS 2001B, AMPS 2002B, & AMPS 2003B

The graphic in Exhibit 6.10 below shows the picture for newspapers:

There is no difference in skew between radio and TV. It is clear that advertising spend follows higher LSMs. This explains why radio stations with high audiences but lower LSMs attract low adspend.

Exhibit 6.10: Any Newspapers Adspend versus Audience



Source: SAARF- AMPS 2001B, AMPS 2002B, & AMPS 2003B

In all cases except magazines, there is a 20% average gap between the adspend at the higher end of the print media and the audience, i.e. the adspend exceeds the audience by 20 percent. For magazines, the gap is 36 percent. In 2003 the gap between adspend and audience share for LSM 6 and 10 were 8.9% and 90% respectively. This indicates that in LSM 10 more adspend budget is allocated for fewer readerships. Advertisers are prepared to pay a higher premium for high LSMs. The starting point for high premium is at LSM 6, above which high premium is paid for lower audience.

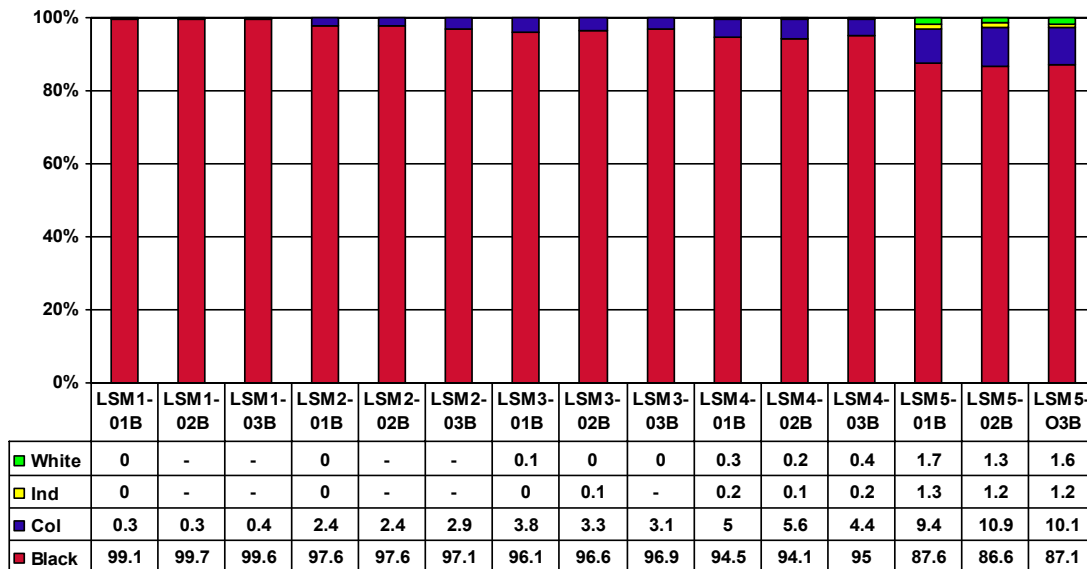
6.4 LSMs by Race

For historical reasons, the high spend at the upper end of the LSM spectrum favours white media consumers. This is largely because lower LSMs are Black, while higher LSMs are largely from the White population. We have split the



Exhibit 6.11 and Exhibit 6.12 to cover LSM 1-5 and 6-10 respectively. According to SAARF, white population starts at LSM 5 and proceed to LSM 10. Our view is that there are very few whites lower than the LSM 5 but could not be captured by the SAARF research sample. We also think that whites lower than LSM 5 are so few that their number is statistically insignificant.

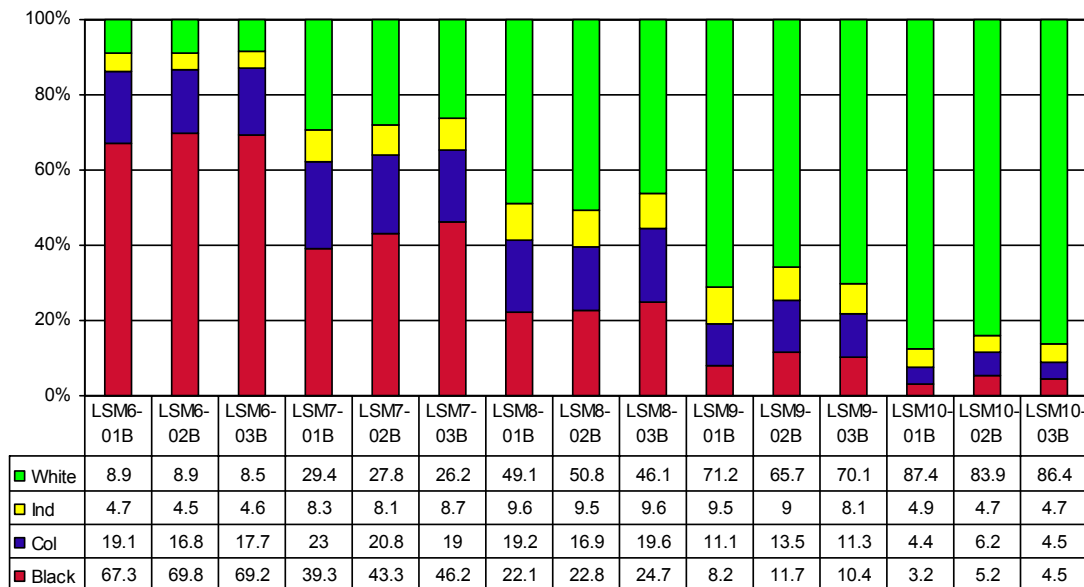
Exhibit 6.11: LSM 1-5 by Race



Source: SAARF- AMPS 2001B, AMPS 2002B, & AMPS 2003B



Exhibit 6.12: LSM 6-10 by Race



Source: SAARF- AMPS 2001B, AMPS 2002B, & AMPS 2003B

Exhibit 6.12 indicates that there was growth in LSM 6-8 for the Black Population. LSM 9 began to show a decline after 2002. The same pattern is displayed for LSM 10 where we notice an increase between 2001 and 2002 and a decrease between 2002 and 2003.

Overall, 83% of Black adults fall into LSM 1-5 while 98% of white adults fall into LSM 6-10. Why is this statistics important in analysing adspend? Mainly because all advertisers will target individuals with higher disposable income. Therefore, Black people having less disposable income tend to fall lower on the priority of certain advertisers.

6.5 Proportional versus Disproportional Spending

The ATI indexes focused exclusively on advertising spend versus audiences. We have developed the Adjusted Advertising Transformation Index (AATI), which takes into account the LSM profile of the different stations and titles.



Unlike the ATI, the AATI assumes that all adults are not equal and do not have (or are not allocated) equal value to advertisers.

There are several abbreviations, which will be used in this section, which have to be defined. These are defined below:

Table 6.1: Abbreviations and Definitions

	DEFINITION
ATI	Advertising Transformation Index, which measures the value of advertising for a specific station / title against the size of the audience for that station / title. For a perfect match of advertising volume to audience, the value of the ATI would be 1.0.
AATI	Adjusted Advertising Transformation Index, which factors in the LSM profile of a station / title, and applies it to the ATI. There is no ideal AATI, and the ratio serves to indicate the skew in advertising spend in relation to audiences and LSM's.
SOV	A station / title's percentage share of the total audience for that media type.
SOA	A station / title's percentage share of the total advertising cake for that media type.
LSM Index	Weighted average of the LSM for each station / title. Indicates the average LSM profile for each station / title. This is the factor that is applied to the ATI to derive the AATI.

In assessing the proportionality of spending, we evaluate the amount of advertising going to different stations and titles, and rate the various media vehicles on their market share. We also provide a rating on audience size and ATI, with the AATI being the primary rating index.

6.6 Radio Ratings

The radio ratings indicate that Classic FM commands a high premium in the market. We believe that this is due to its high value audience and focus on



business news. As we will see later, financial publications and services command a significant premium in the market.

Table 6.2: Radio Ratings

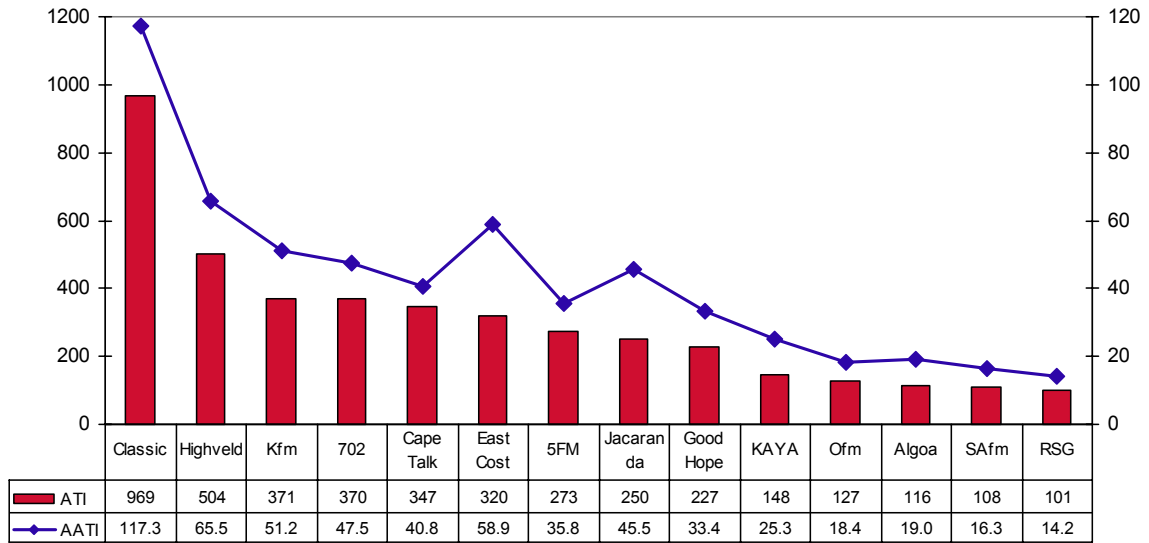
Rank on AATI	Station	Spend in Rands	SOV	Rank on SOV	Audience in 000's	Rank on Audience	Share of Audience	ATI Index	Rank on ATI	LSM Index	AATI
1	Classic FM	44,983,925	2.98%	11	158	31	0.3%	969	1	8.3	117.3
2	94.7 Highveld Sterio	190,541,849	12.62%	1	1,286	15	2.5%	504	2	7.7	65.5
3	East Cost Radio	171,862,825	11.38%	3	1,831	9	3.6%	320	6	5.4	58.9
4	Kfm 94.5	125,698,048	8.33%	5	1,155	16	2.2%	371	3	7.2	51.2
5	702 Talk Radio	30,997,802	2.05%	16	285	30	0.6%	370	4	7.8	47.5
6	Jacaranda 94.2 FM	176,406,306	11.69%	2	2,402	7	4.7%	250	8	5.5	45.5
7	567mw Cape Talk	10,790,208	0.71%	20	106	32	0.2%	347	5	8.5	40.8
8	5 FM Music	110,787,048	7.34%	6	1,383	14	2.7%	273	7	7.6	35.8
9	Good Hope FM (GHFM)	39,247,894	2.60%	13	588	23	1.1%	227	9	6.8	33.4
10	KAYA FM 95.9	40,754,512	2.70%	12	938	17	1.8%	148	10	5.8	25.3
11	Algoa FM	16,350,189	1.08%	19	479	25	0.9%	116	12	6.1	19.0
12	Ofm 94-97 FM	16,572,185	1.10%	18	443	28	0.9%	127	11	6.9	18.4
13	SAfm	21,435,904	1.42%	17	675	20	1.3%	108	13	6.7	16.3
14	Ukhozi FM	101,162,923	6.70%	7	6,658	1	13.0%	52	17	3.4	15.1
15	METRO FM	128,843,067	8.53%	4	6,126	2	11.9%	72	16	4.9	14.6
16	Radio Sondergrense (RSG)	50,706,891	3.36%	10	1,707	10	3.3%	101	14	7.1	14.2
17	Umhlobo wenene FM	61,070,797	4.05%	8	4,763	3	9.3%	44	19	3.6	12.3
18	Lesedi FM	57,967,774	3.84%	9	3,941	4	7.7%	50	18	4.5	11.3
19	Thobela FM	34,315,929	2.27%	14	3,137	6	6.1%	37	20	3.7	10.1
20	Lotus FM	10,011,795	0.66%	21	474	26	0.9%	72	15	7.3	9.9
21	Motsweding FM	33,128,705	2.19%	15	3,328	5	6.5%	34	21	4.3	7.9
22	Ligwalagwala FM	9,046,169	0.60%	22	1,465	11	2.9%	21	23	3.6	5.8
23	Munghana Lonene FM	7,892,482	0.52%	23	1,397	13	2.7%	19	25	3.4	5.7
24	Phalaphala FM	4,780,828	0.32%	25	820	18	1.6%	20	24	3.5	5.7
25	Radio 2000	2,052,340	0.14%	27	291	29	0.6%	24	22	6.4	3.8
26	Ikwekwezi FM	5,064,389	0.34%	24	1,436	12	2.8%	12	28	4.0	3.0
27	RM FM	2,488,518	0.16%	26	677	19	1.3%	13	27	4.5	2.8
28	P4 Radio Cape Town	1,822,956	0.12%	28	468	27	0.9%	13	26	7.0	1.9
29	P4 KZN 99.5	1,163,374	0.08%	30	509	24	1.0%	8	29	5.0	1.6
30	99.2 YFM	1,590,321	0.11%	29	1,856	8	3.6%	3	30	5.8	0.5
31	CKI-FM Sterio	96,336	0.01%	31	616	22	1.2%	1	31	4.0	0.1
	TOTAL	1,509,634,289			51,398						

Source: Adex & AMPS 2003B

A graphical representation of this indicates the skew in the ratings of various stations, with regional stations targeted at high income groups getting a disproportionate amount of advertising, even when LSMs are taken into account.



Exhibit 6.13: Radio Ratings

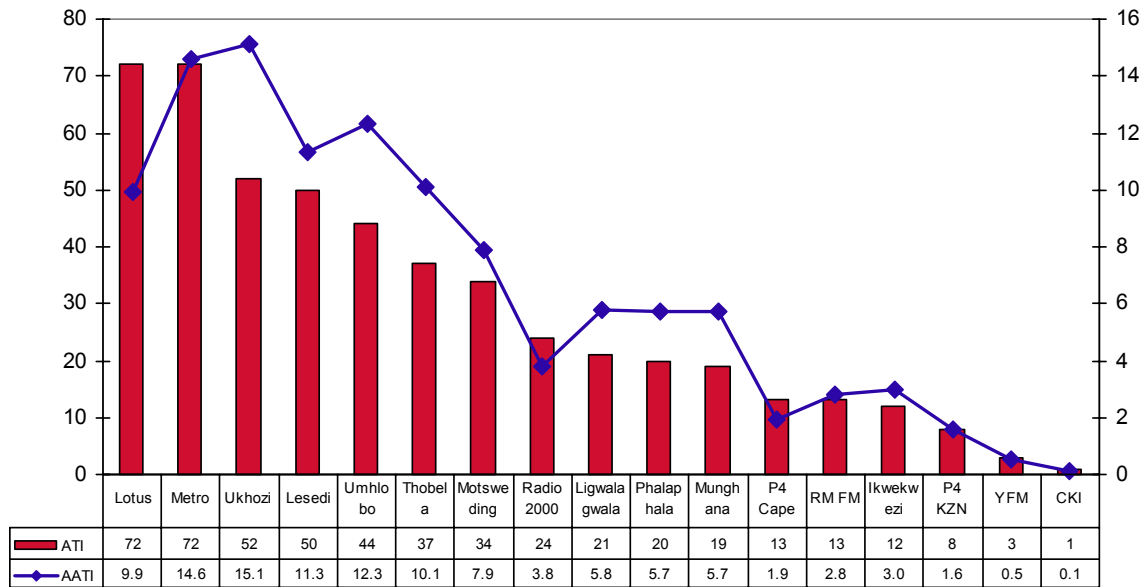


Source: Adex & AMPS 2003B

An interesting observation is that the AATI indicates that the two Kagiso stations, East Coast Radio and Jacaranda, are even more disproportionately advantaged when LSM profiles are taken into account.



Exhibit 6.14: Radio Ratings (continue)



Source: AMPS 2003B, AC Nielsen, Z-Coms media analysis figures

The African language stations and SABC stations in general are at the bottom end of both the ATI and AATI scales. Thus income levels and life styles do not explain the skew. Some of the stations are at the bottom even though they target English and Afrikaans audiences.

We believe that the following factors are at play in the radio market:

- Business and high-income audiences command a premium in the market. While this may be justified in the business segment, it is difficult to justify it for high income and high LSM groups.
- The demographic category (race) of listeners is probably a factor in the under-investment in some stations. However, we do not believe that it is a critical factor. This is particularly because some high-end stations' audiences have been evolving, with Black audiences forming a growing proportion of the total, without adversely affecting revenue.



- We believe that marketing and sales capabilities are a factor. This is evidenced by the fact that stations in the Primedia, NAIL and Kagiso stables have high indices. SABC stations score low, even where they have a high value audience as with Metro and 5FM.
- However, it is distinctly possible that race plays a role within the advertising and media placement industry. The question really is: How important are personal relationships in the decision-making in these industries?
- Radio is inherently a focused regional medium although it can cover the whole country if necessary. As such, it is likely that the SABC suffers from “leakage” due to the fact that its services cover wide areas and audiences, in some instances even national audiences. The focus is thus not tight enough for advertisers to reach a distinct audience. This results in the value of the advertising space being diminished for National Stations versus say Jacaranda or Highveld, which cover tighter audiences, both geographically and in terms of demographics / lifestyle.

6.7 Television Ratings

The television market reflects a skew towards the pay television market in advertising. The ratings in Table 6.3 show the ranking of TV stations.

Table 6.3: Television Ratings

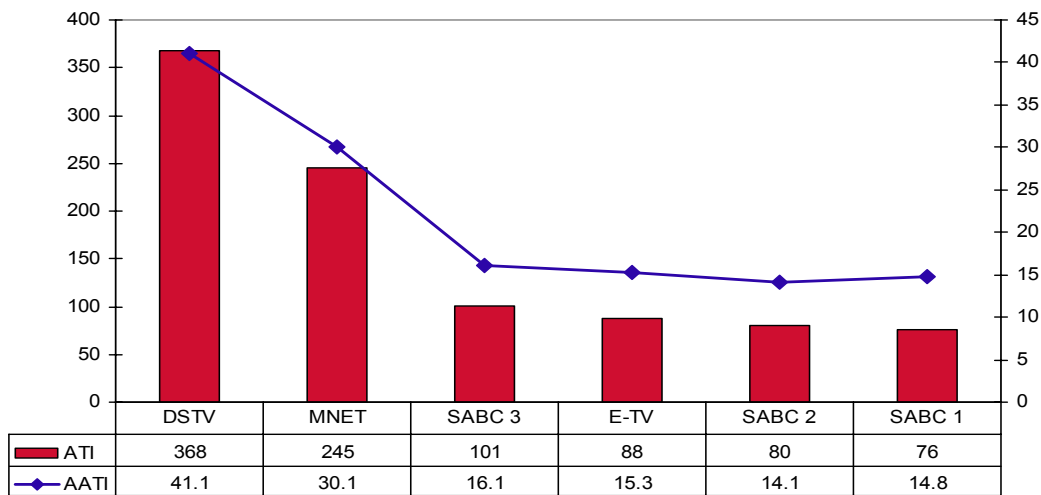
Rank on AATI	Station	Spend in Rands	SOV	Rank on SOV	Audience in 000's	Rank on Audience	Share of Audience	ATI Index	Rank on ATI	LSM Index	AATI
1	DSTV	341,113,434	8.10%	6	1,564	6	2.2%	368	1	8.9	41.1
2	MNET	586,317,622	13.93%	5	4,033	5	5.7%	245	2	8.2	30.1
3	SABC 3	724,281,894	17.21%	4	12,134	4	17.1%	101	3	6.2	16.1
4	E-TV	876,641,689	20.83%	2	16,832	2	23.7%	88	4	5.7	15.3
5	SABC 1	932,507,535	22.15%	1	20,731	1	29.2%	76	6	5.1	14.8
6	SABC 2	748,663,249	17.78%	3	15,749	3	22.2%	80	5	5.7	14.1
	TOTAL	4,209,525,423			71,043						

Source: Adex & AMPS 2003B



Apart from that, the AATI shows better balance than in other media types. Given that pay television is a premium service in many respects, including the fact that it offers numerous niche opportunities with minimal leakage, we believe that the high rating for DStv is warranted. We also expect the M-Net rating to decline over time as the service starts to offer progressively lower value audiences. As it is the trend, advertisers are prepared to pay a premium for the higher LSM audiences.

Exhibit 6.15: TV Ratings



Source: Adex & AMPS 2003B

6.8 Magazine Ratings

Niching in magazines is more acute than in any other media. As such, advertisers are able to find almost precisely what they want in terms of target audiences. The high-end magazines then attract a much higher premium than the low-end ones, thus leading to a stronger skew than in other media.



Financial and business publications again are at the top, with lifestyle magazines for the affluent close behind. The following tables illustrate the ratings:

Table 6.4: Magazine Ratings

Rank on AATI	Magazine	Spend in Rands	SOV	Rank on SOV	Audience in 000's	Rank on Audience	Share of Audience	ATI Index	Rank on ATI Index	LSM Index	AATI
1	FINANCIAL MAIL	57,618,386	5.55%	3	198	48	0.53%	1,046	1	7.9	132.3
2	FINANSIES& TEGNIEK	20,699,029	2.00%	15	83	70	0.22%	897	2	8.5	105.3
3	FINANCE WEEK	17,735,092	1.71%	16	115	65	0.31%	555	3	8.0	69.7
4	SA GOLF DIGEST	11,128,192	1.07%	28	114	66	0.31%	351	4	8.1	43.5
5	ENTERPRISE	5,682,470	0.55%	41	85	69	0.23%	240	9	6.1	39.2
6	COMPLEAT GOLFER	10,887,724	1.05%	29	136	57	0.36%	288	6	7.5	38.2
7	GETAWAY	53,585,783	5.17%	4	604	20	1.62%	319	5	8.7	36.7
8	WINE MAGAZINE	8,612,216	0.83%	35	118	64	0.32%	262	7	7.7	33.9
9	LANDBOU WEEKBLAD	21,966,238	2.12%	13	306	40	0.82%	258	8	7.9	32.5
10	SHAPE	16,416,840	1.58%	21	247	44	0.66%	239	10	8.1	29.4
11	HUISGENOOT	116,116,874	11.19%	1	2,157	3	5.78%	194	12	7.7	25.3
12	LONGEVITY	7,284,929	0.70%	37	133	60	0.36%	197	11	8.3	23.8
13	MEN'S HEALTH	36,912,548	3.56%	9	753	14	2.02%	176	13	7.7	22.9
14	COSMOPOLITAN	39,258,285	3.78%	7	803	13	2.15%	176	14	8.0	22.0
15	YOU	88,475,122	8.53%	2	2,110	4	5.66%	151	18	7.3	20.7
16	CAR	42,834,791	4.13%	5	1,015	10	2.72%	152	16	7.8	19.5
17	SA HOME OWNER	12,446,256	1.20%	25	310	39	0.83%	144	19	7.6	19.1
18	HOUSE AND LEISURE	14,349,458	1.38%	24	340	33	0.91%	152	15	8.2	18.5
19	HABITAT	5,347,810	0.52%	42	127	62	0.34%	151	17	8.2	18.4
20	FEMINA	17,352,117	1.67%	18	440	27	1.18%	142	20	7.8	18.2
21	BABA& KLEUTER	5,314,636	0.51%	43	143	55	0.38%	134	23	7.5	17.8
22	FAIRLADY	38,001,218	3.66%	8	1,051	8	2.82%	130	25	7.5	17.4
23	ELLE	14,398,544	1.39%	23	385	28	1.03%	134	22	7.8	17.2
24	FHM	21,163,302	2.04%	14	552	24	1.48%	138	21	8.3	16.6
25	RUNNER'S WORLD	4,873,564	0.47%	44	136	58	0.36%	129	26	7.8	16.6
26	FARMER'S WEEKLY	3,869,482	0.37%	49	121	63	0.32%	115	30	7.3	15.7
27	INSIG	3,524,368	0.34%	52	95	68	0.25%	133	24	8.7	15.4
28	BIKE SA MAGAZINE	10,279,631	0.99%	30	292	41	0.78%	127	28	8.3	15.3
29	O' THE OPRAH MAGAZINE	10,168,296	0.98%	31	314	37	0.84%	116	29	7.7	15.0
30	CARAVAN AND OUTDOOR L	4,582,543	0.44%	45	129	61	0.35%	128	27	8.6	14.9
31	MARIE CLAIRE	11,784,852	1.14%	26	377	29	1.01%	112	31	7.7	14.6
32	SA SPORTS ILLUSTRATED	17,678,533	1.70%	17	630	19	1.69%	101	33	7.3	13.7
33	SARIE	25,454,869	2.45%	11	915	11	2.45%	100	34	7.7	13.0
34	TIME	8,697,496	0.84%	34	313	38	0.84%	100	35	7.7	13.0
35	WOMAN'S VALUE	16,487,347	1.59%	20	573	23	1.54%	103	32	8.1	12.7
36	ROOI ROSE	23,420,188	2.26%	12	862	12	2.31%	98	36	7.7	12.7

Source: Adex & AMPS 2003B

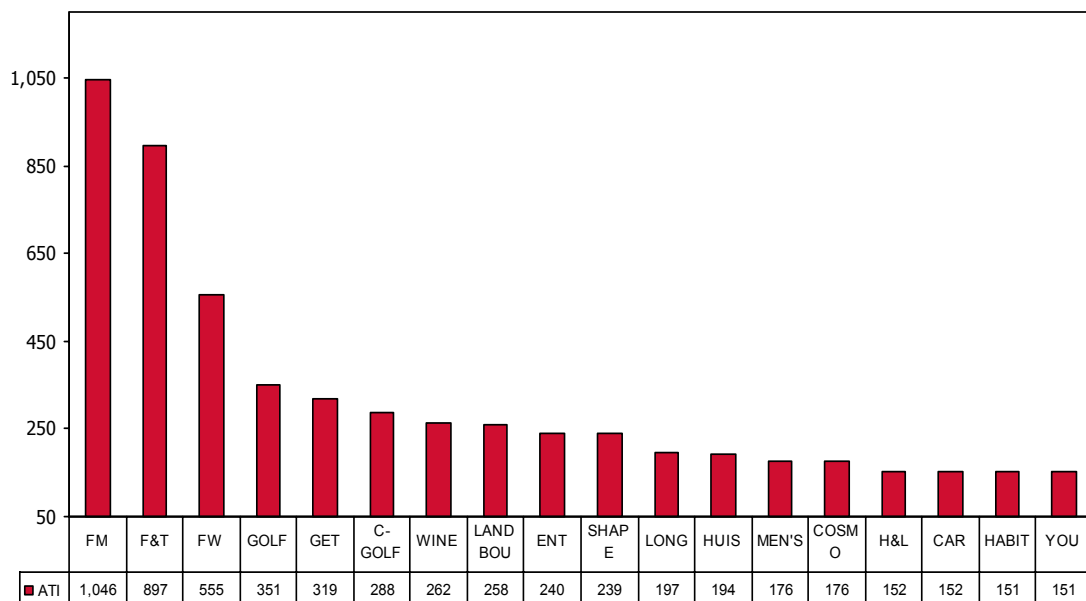


Magazines targeted at Black audiences generally are found at the low end of the table. Factors influencing this are:

- The magazine readership is exaggerated by the fact that magazines are shared.
- A second factor is that Black audiences are dispersed across many publications, with the result that several of the magazines targeted at Black audiences only attract low-income earners.

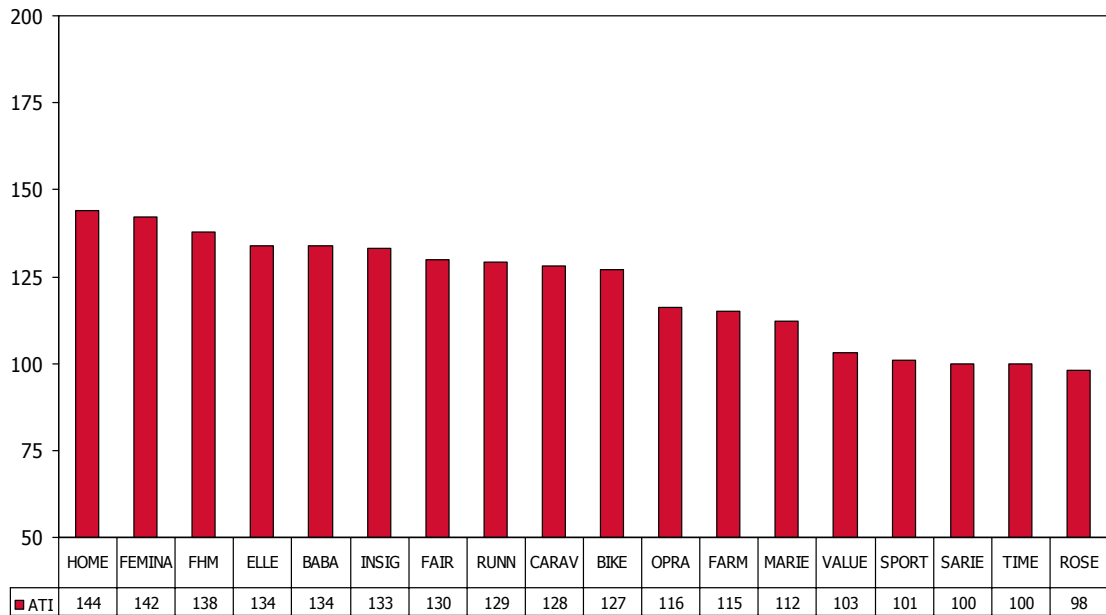
In a similar way to the radio market, generalist media vehicles have lower ratings than more focused ones.

Exhibit 6.16: Magazine Ratings



Source: AC Nielsen Adex & SAARF AMPS 2003

Exhibit 6.17: Magazine Ratings (continue)



Source: AC Nielsen Adex & SAARF AMPS

The racial impact is difficult to assess in the magazine market because of literacy levels which affect readership.

6.9 Newspaper Ratings

The newspaper market follows the general trend in other media, with business and Afrikaans titles leading the way.



Table 6.5: Newspaper Ratings

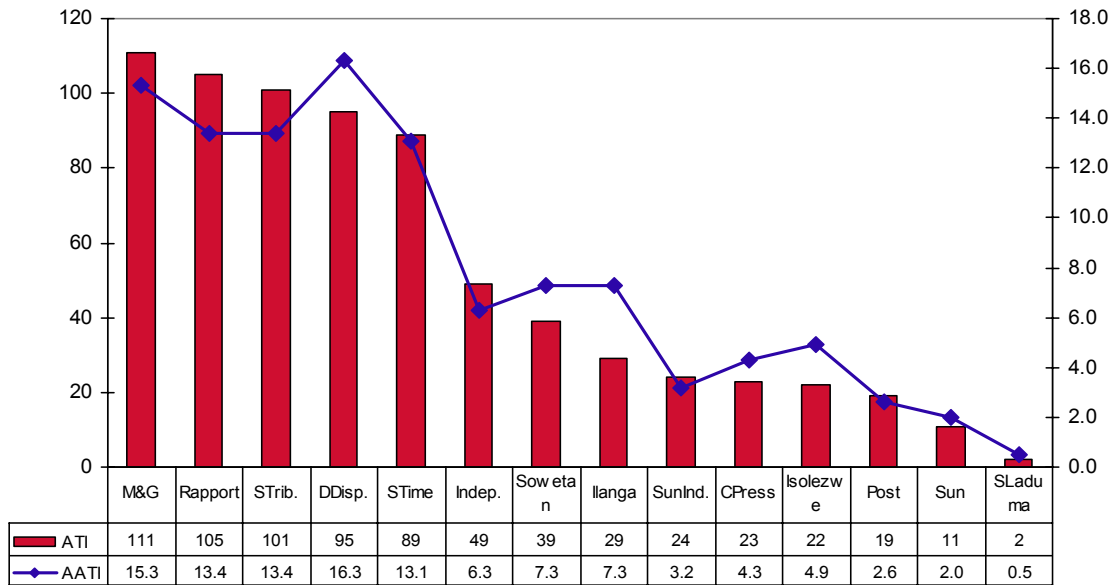
Rank on AATI	Newspaper	Spend in Rands	SOV	Rank on SOV	Audience in 000's	Rank on Audience	Share of Audience	ATI Index	Rank on ATI	LSM Index	AATI
1	BUSINESS DAY	84,173,561	3.69%	10	117	27	0.44%	843	1	8.1	104.4
2	BEELD	286,528,523	12.57%	2	574	13	2.15%	585	2	8.3	70.7
3	MERCURY	70,857,421	3.11%	12	189	25	0.71%	439	3	8.0	54.6
4	PRETORIA NEWS	73,864,968	3.24%	11	244	22	0.91%	355	5	6.9	51.7
5	DAILY NEWS	94,991,821	4.17%	9	291	19	1.09%	382	4	7.5	50.9
6	THE STAR	307,207,139	13.48%	1	1,160	8	4.34%	310	6	7.1	43.8
7	CAPE TIMES	70,211,272	3.08%	13	270	20	1.01%	305	7	8.0	37.9
8	HERALD	39,316,433	1.73%	16	183	26	0.69%	252	8	7.1	35.6
9	BURGER	201,817,183	8.86%	4	1,240	7	4.64%	191	9	7.6	25.0
10	VOLKSBLAD	38,322,118	1.68%	17	249	21	0.93%	180	10	7.5	24.1
11	D. F. ADVERTISER	6,455,028	0.28%	25	50	28	0.19%	151	11	6.5	23.2
12	CITIZEN	108,948,192	4.78%	6	1,130	9	4.23%	113	14	6.5	17.4
13	DAILY DISPATCH	29,707,681	1.30%	20	368	15	1.38%	95	18	5.8	16.3
14	THE WITNESS	34,387,655	1.51%	18	334	17	1.25%	121	12	7.5	16.1
15	MAIL & GUARDIAN	22,549,494	0.99%	21	237	23	0.89%	111	15	7.3	15.3
16	CAPE ARGUS	108,189,167	4.75%	7	1,077	10	4.03%	118	13	7.9	14.9
17	SUNDAY TRIBUNE	59,606,860	2.62%	14	693	11	2.60%	101	17	7.5	13.4
18	RAPPORT	147,495,164	6.47%	5	1,652	6	6.19%	105	16	7.8	13.4
19	SUNDAY TIMES	261,510,771	11.48%	3	3,440	2	12.88%	89	19	6.8	13.1
20	SOWETAN	103,209,554	4.53%	8	3,121	3	11.69%	39	21	5.3	7.3
21	ILANGA	13,811,550	0.61%	22	555	14	2.08%	29	22	4.0	7.3
22	INDEPENDENT ON SATURDAY	12,930,608	0.57%	23	308	18	1.15%	49	20	7.8	6.3
23	ISOLEZWE	6,225,825	0.27%	26	339	16	1.27%	22	25	4.4	4.9
24	CITY PRESS	43,978,448	1.93%	15	2,211	4	8.28%	23	24	5.4	4.3
25	SUNDAY INDEPENDENT	4,709,042	0.21%	27	230	24	0.86%	24	23	7.4	3.2
26	POST	10,546,692	0.46%	24	652	12	2.44%	19	26	7.4	2.6
27	SUN	33,279,354	1.46%	19	3,685	1	13.80%	11	27	5.3	2.0
28	SOCCER LADUMA	3,983,152	0.17%	28	2,102	5	7.87%	2	28	4.7	0.5
	TOTAL	2,278,814,676	100.00%		26,701		100.00%				

Source: AC Nielsen Adex & SAARF AMPS 2003

The titles targeted at Black audiences are disadvantaged in terms of the ATI and AATI indices.

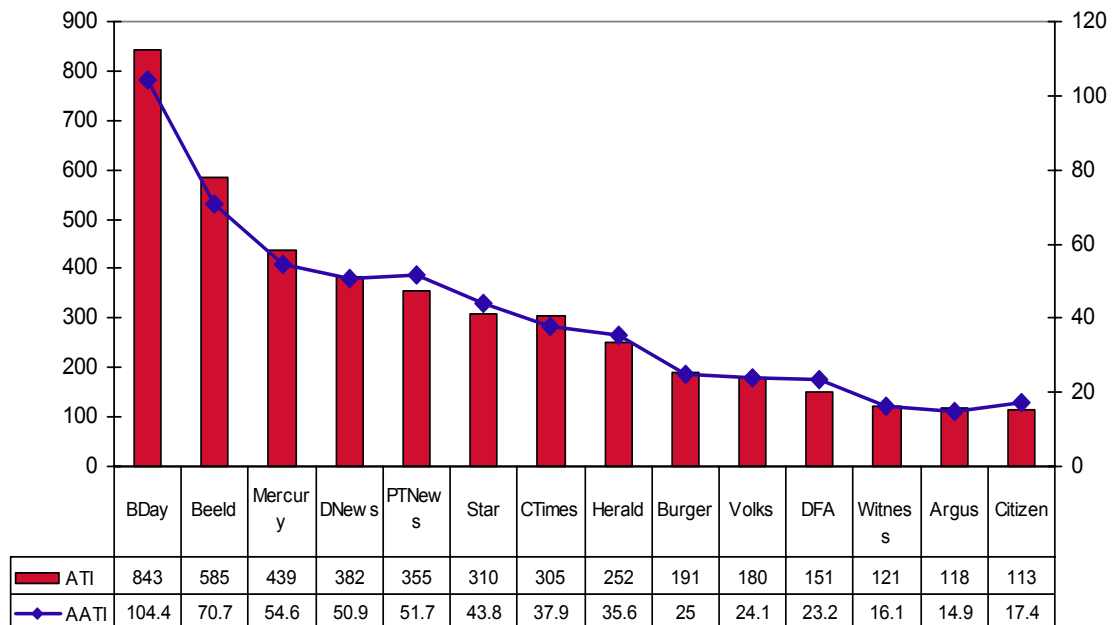
Exhibit 6.18 and Exhibit 6.19 show a picture of ATI ranking. Newspaper titles with lower AATI indicate lower adspend in those titles. It is not necessarily the audience level that determines the advertising volumes, but the economic level of the targeted readers.

Exhibit 6.18: Newspaper Ratings



Source: AC Nielsen Adex & SAARF AMPS

Exhibit 6.19: Newspaper Ratings (continue)



Source: AC Nielsen Adex & SAARF AMPS

The Sun has mastered significant audiences in its short life, which have not been translated into advertising revenue. This skews the disproportionate spending at the high end even further. The newspaper market niching is



regional, as with radio. Again, the efficiency of the regional publications is better than generalists such as the Sunday papers as reflected in the highest ratings.

6.10 Conclusion on Ratings

There is a clear advantage for media vehicles targeting affluent audiences as reflected by both the ATI, which does not take account of LSMs, and the AATI, which takes account of LSMs. While race may play a role in this, it is likely not the race of listeners and readers that are responsible, but more likely race within the support industries of advertising, sales and media planning.

Other likely factors in this are the effectiveness and strength of the sales operations, particularly with services such as the SABC language stations, P4 Radio and The Sowetan. Given that some premier radio services are Black-owned and have growing Black audiences, sales force effectiveness may very well be an issue.

Business media are attractive to advertisers because they attract high-end listeners with little leakage. They, therefore, command high ratings in newspapers, radio and magazines. Pay television also achieves such a high rating, particularly for DStv, which offers advertisers the opportunity to reach targeted audiences in terms of interests, age group and language.

An issue which is difficult to assess but clearly plays a role, is the fact that SABC radio services may be inefficient as they cover widely dispersed areas, thus leading to leakage. It is clear across various media that focus is key in attracting advertising as there is a premium for well-targeted media.

The magazine market is especially skewed due to the fact that the few magazines, which are targeted at Black readers, are at the low end. In addition, low literacy levels lead to low consumption of magazines.



7 GOVERNMENT SPENDING

There were assumptions made in the ATI baseline study of 2002, which this study was unable to verify due to unavailable information. For this reason, the 2001 Government adspend was recompiled with exclusion of any assumptions made in the 2002 study. Hence, the results in this section of the report will not necessarily be the similar to the 2002 report result. It was necessary to recompile the 2001 Government adspend in order to ensure that accurate trends can be established, and meaningful comparison and conclusion can be made from the results of the analysis.

Government adspend is defined in this report as the above the line advertisement spending by central government, local governments, and Government agencies. This includes all organs of the state whose budgets are included in the National Treasury as measured by AC Nielsen..

7.1 Introduction

While only 70% of the Government 2001 ATL advertising could be measured, this has now risen to 93% in 2003 because of greater spending on television.

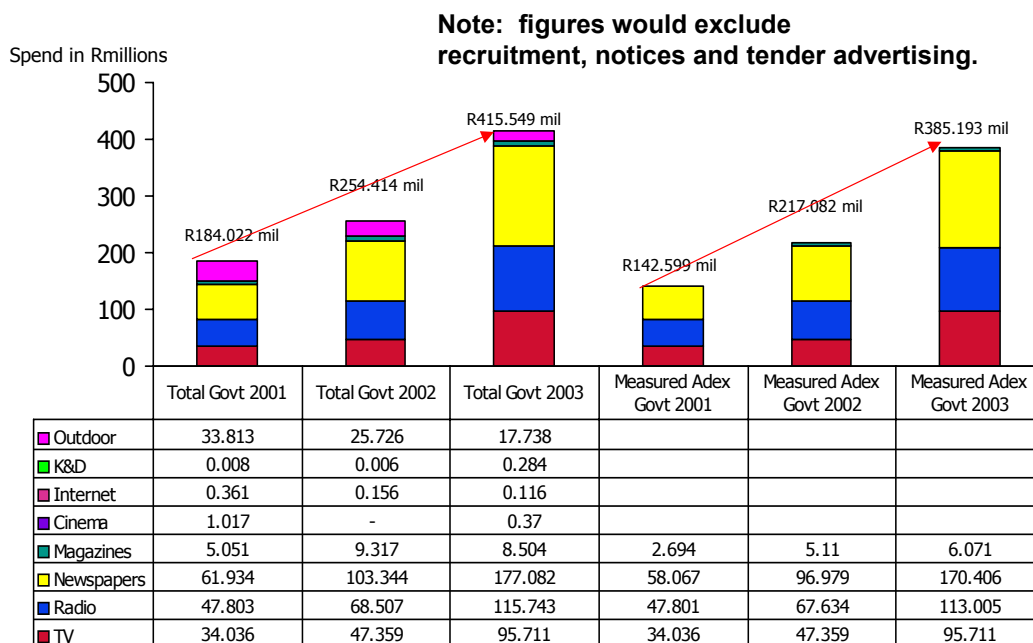
Government recruitment, estimated to be worth an additional R30 million, is not included in Adex data, and hence not included in this analysis. Outdoor which is a significant medium carrying R18 million cannot be accurately proportioned by race or LSM. As with the rest of the study, communication other than Above The Line advertising spending is not included.



7.1.1 Government Spending Trends

Government Spending has increased dramatically from 2001 to 2003, from R184,022 million in 2001 to R415,549 million in 2003, which is almost 126% increase in advertisement spending. The adspend increased in all major media, such as Television, Radio, Newspaper and Magazine, including Knock and Drop. Television adspend increased from R34m in 2001 to about R96m in 2003, Radio adspend increased from R48m to R116m, Newspaper from R62m to R177m and Magazine from R5m to R9m in 2001 and 2003 respectively. However, Outdoor adspend declined drastically, from R34m in 2001 to R18m in 2003.

Exhibit 7.1: Government Adspend from 2001 to 2003



Source: AC Nielsen Adex 2001, Adex 2002 & Adex 2003.

Data used for the purpose of the analysis are based on the information from AC Nielsen and AMPS data, which represent 93% of the total Government adspend. The total measured Government adspend was R143m in 2001, and grew to R385m in 2003. Measured Television adspend increased from R34m in

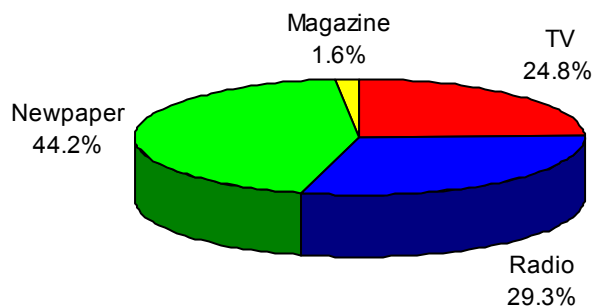


2001 to about R96m in 2003, Radio adspend increased from R48m in 2001 to R113m in 2003, Newspaper from R58m in 2001 to R170m in 2003 and Magazine from R3m in 2001 to R6m in 2003. Government spent about 4% of the total adspend in 2003. Adex does not include discounts, and hence are not included in this report.

7.2 Government Spending by Medium Proportioned by Race

Government spending has increased for all population groups and in all the four major media, namely Television, Radio, Newspaper and Magazine. Government adspend in these four media has grown from R142m in 2001 to 385m in 2003, which is a 170.4% increase. The Government allocated most of its adspend on Newspaper which received R170m (44.2%), followed by Radio with R113m (29.3%), then TV with R96m (24.8%). Magazine received the least adspend of R6m (1.6%).

Exhibit 7.2: 2003 Government Adspend by Media



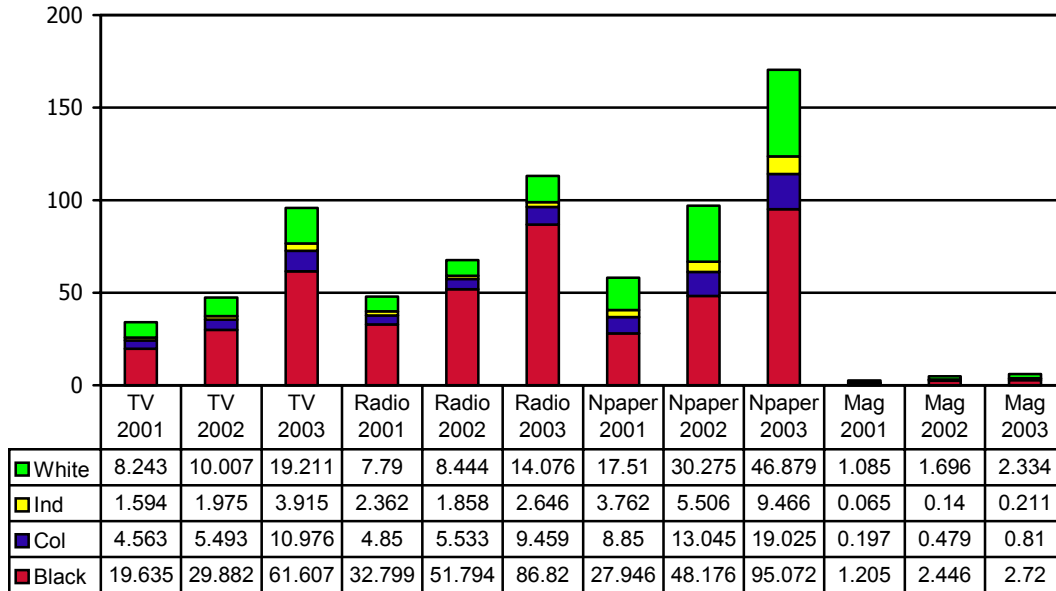
Source: AC Nielsen Adex, AMPS 2003B

It is clear from the data that Government increased adspend towards all the population groups. Government's adspend on Black, Coloured, Indian and



White population increased by 201.8%, 118.1%, 108.6%, and 138.2% respectively.

Exhibit 7.3: Government Adspend by Media



Source: Adex 2001, Adex 2002, Adex 2003, AMPS 2001B, AMPS 2002B & AMPS 2003B

7.2.1 TV Adspend

Television adspend increased from R34m in 2001 to R97m in 2003, which is a 181.2% increase. Government adspend on Blacks it grew from R20m to R62m, which is a 213.8% increase. During this period, TV adspend on Coloured increase from R5m in 2001 to R11m, which is a 140.5% increase in spending. The Government TV adspend on Indian population increase from R1.6m in 2001 to R3.9m in 2003, an increase of about 145.6%. TV adspend on White increases from R8m to R19m, which is a 131.1% increase.



7.2.2 Radio Adspend

Government adspend on Radio increased by 136.4%, from R44m in 2001, to R113m in 2003. Government's Radio adspend on Black population increased by 164.7% over this period, from R33m in 2001 to R87m in 2003, and for Coloureds, it increased by 95.0% from R4.8m in 2001 to R9.5m in 2003. Government has only increase slightly its Radio adspend on the Indian population from R2.3m in 2001, to R2.6m in 2003, which is a 12.0% increase. Government increased its adspend for White population by 80.7% between 2001 and 2003. In 2003, Government Radio adspend on the White population was R14m compared with R7.8m in 2003.

7.2.3 Newspaper Adspend

Newspaper received the highest increase between 2001 and 2003. In 2003 Government spent R170m on newspaper, compared with R58m in 2001, which is a 193.5% increase in spending. R95m was spent towards Black, compared with R28m in 2001. Government adspend on Blacks increased by 240.2% over this period. Coloured spend increased by 115.0% during this period, from R9m to R13m. Adspend toward the Indian population increased by 151.6%, from R4m to R9m. White adspend increased by 167.7%. In 2003, Government spent R47m towards the White population, compared with R18m in 2001. Circulation of any print media in the historically disadvantaged communities would by and large be proportional to the literacy level. This does not only refer to ability to read but, the ability to demand certain information that is relevant to the consumer of that newspaper.

7.2.4 Magazine Adspend

Magazine received only R6m of Government adspend in 2003, which is 1.6% of the total Government adspend, and is an increase from R2.6 m in 2001.



Government increased its magazine adspend targeted at the Coloured population by 311.2%, from R0.48m in 2001 to R0.81m in 2003. Indian received 224.6%, an increase from R0.065m in 2001 to R0.211 in 2003. Adspend targeted at the Black population increased from R1.2m to R2.7m, an increase of 125.7%. Adspend targeted at the White population was R2.3m, an increase from R1.08m, which is a 115.1% increase.

The magazines tend to be more expensive and few people buy them resulting in small audiences. In most cases magazines tend to focus on specific niche markets. Therefore for an advertiser who is targeting a broad audience, magazines would not necessarily be the medium of choice thus resulting in lower adspend.

Table 7.1: Government Adspend Increase Between 2001 and 2003

	TV	Radio	Newspaper	Magazine	Overall
Black	213.8%	164.7%	240.2%	125.7%	201.8%
Coloured	140.5%	95.0%	115.0%	311.2%	118.1%
Indian	145.6%	12.0%	151.6%	224.6%	108.6%
White	133.1%	80.7%	167.7%	115.1%	138.2%
Total Media	181.2%	136.4%	193.5%	138.0%	170.4%

Source: AC Nielsen Adex & SAARF AMPS

7.3 Government Media Spend Profile Versus Population Profile

The objective of this section is to identify trends of Government spending profile against the population profile. The question, which is addressed by this section, is whether Government adspend changes with the changes in the population demography, and which way the trend is going.

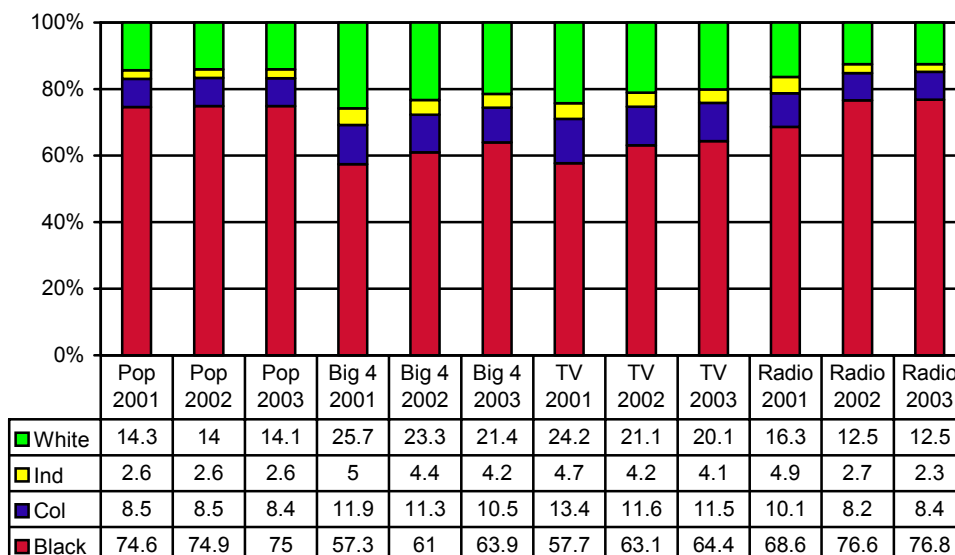


7.3.1 Big4 Profile

Big4 profile consists of the sum of TV, Radio, Newspaper and Magazine media. It consists of an aggregate profile, which provides an overview of the whole Media industry.

Big4 profile trends show an increase in Government spending on the Black population. In 2001, Government spending on Blacks was 57.7%, increasing to 63.1% in 2003. The trends are in the right direction to correct the imbalance between spending profile and population profile. Although the White, Coloured and Indian population experienced decrease in Government spending, the corresponding spending profile is still high when compared with the population profile. Hence, Government needs to further increase spending on media targeted at Blacks, and reduce spending on media targeted at White, Coloured and Indian audiences in order to realise a spending profile that matches the audience profile.

Exhibit 7.4: Government Adspend by Media





Source: AC Nielsen Adex & SAARF AMPS

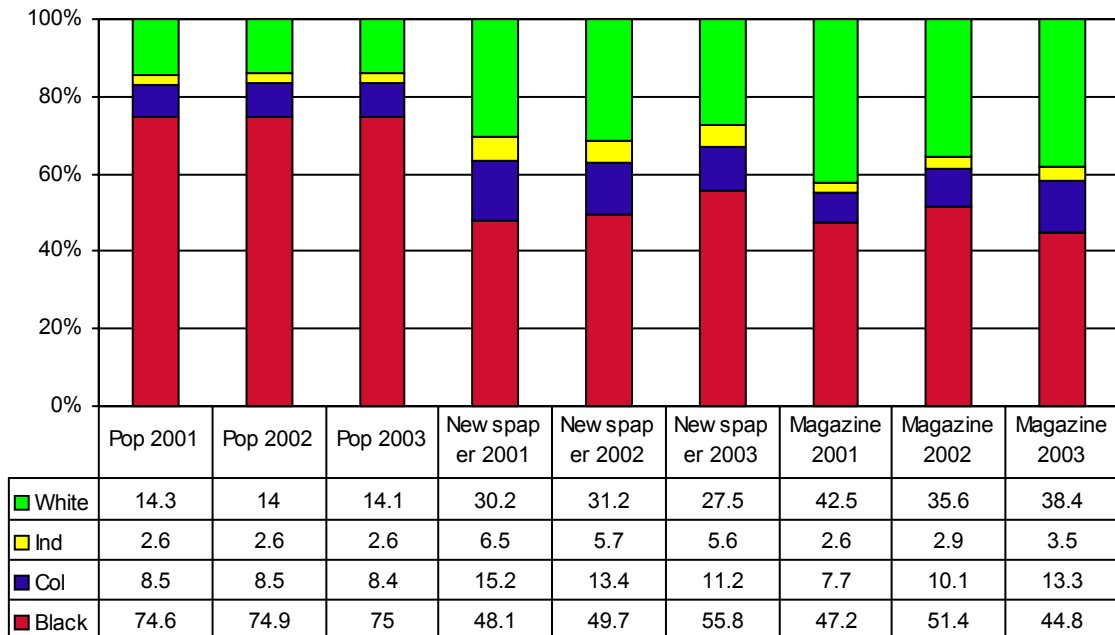
7.3.2 Television Spending Profile

Government increased its adspend on Blacks, from 57.7% in 2001 to 64.4% in 2003. The adspend targeted at all other population groups reduced over this period. White, Coloured and Indian spending profiles reduced over the period from 24.2% to 20.1%, from 13.4% to 11.5%, and from 4.7% to 4.1% respectively. However, the gap between spending profile and population profile is still significant, but closing up.

7.3.3 Radio Spending Profile

Government's Radio adspend profile reflects very closely the population profile. In fact, the profile exceeded the balance by about 1.8%. Government's Radio adspend on Blacks increased from 68.6% in 2001 to 76.8% in 2003. Government adspend on other population groups is also closely in line with population profile.

Exhibit 7.5: Government Adspend by Media



Source: AC Nielsen Adex & SAARF AMPS

7.3.4 Newspaper Spending Profile

Government spending on Newspaper has improved from 48.1% 2001, increasing to 55.8% in 2003. Government spending towards Whites has declined slightly from 30.2% to 27.5%, but the spending profile is still skewed towards the White population as compared with the population profile. Other population groups had their spending profile slightly reduced. Coloured spending reduced from 15.2% to 11.2% of the total spending, and Indian from 6.5% to 5.6%.

7.3.5 Magazine Spending Profile

The gap between the Government spending profile and the population profile is increasing. Black profile declined from 47.2% in 2001, to 44.8% in 2003. The spending towards Whites over the same period also declined from 42.5% to



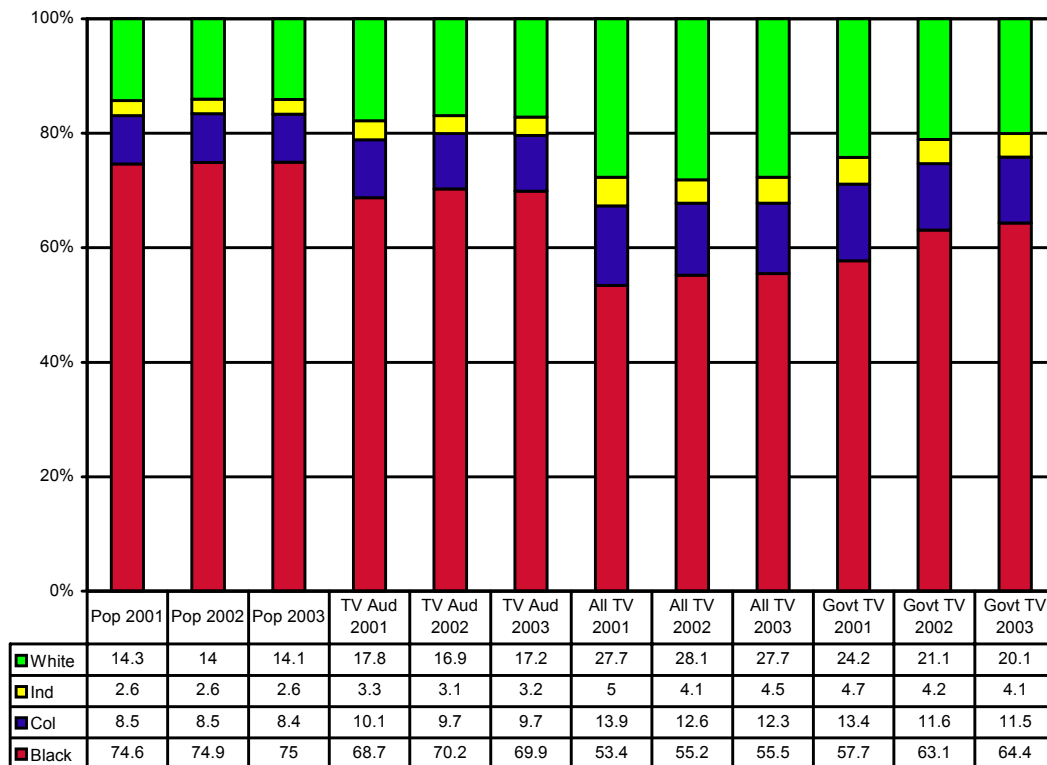
38.4%. Coloured and Indian's profile increased from 7.7% to 13.3%, and from 2.6% to 3.5% respectively.

7.4 Government Spending Profile versus Private Spending Profiles.

It is essential to identify how well the Government is doing compared with the Private Sector. Private Sector is driven by economic forces, hence, they tend to invest their adspend where they might maximise returns on their investment. Government on the other hand is driven by the most effective and efficient media to reach the broader population targeted. Hence, Government's overall spending profile should fit well with the overall audience profile to the extent that media audiences reflect the population. However, for various reasons, this may not be easy to achieve. "All TV" refers to Private Sector adspend on TV. In the same way, "All Radio", "All Newspaper", and "All Magazine" refers to Private Sector adspend in the respective medium.



Exhibit 7.6: Government Spending Profile vs. Private Sector



Source: AC Nielsen Adex & AMPS 2001B to 2003B

7.4.1 TV Spending Profile

As expected, Government spending profile is more in line with population audience profile. However, as shown earlier, a gap still exists between the Government spending profile and the audience profile. However, the gap is declining. If the trends continue, it will ultimately be closed.

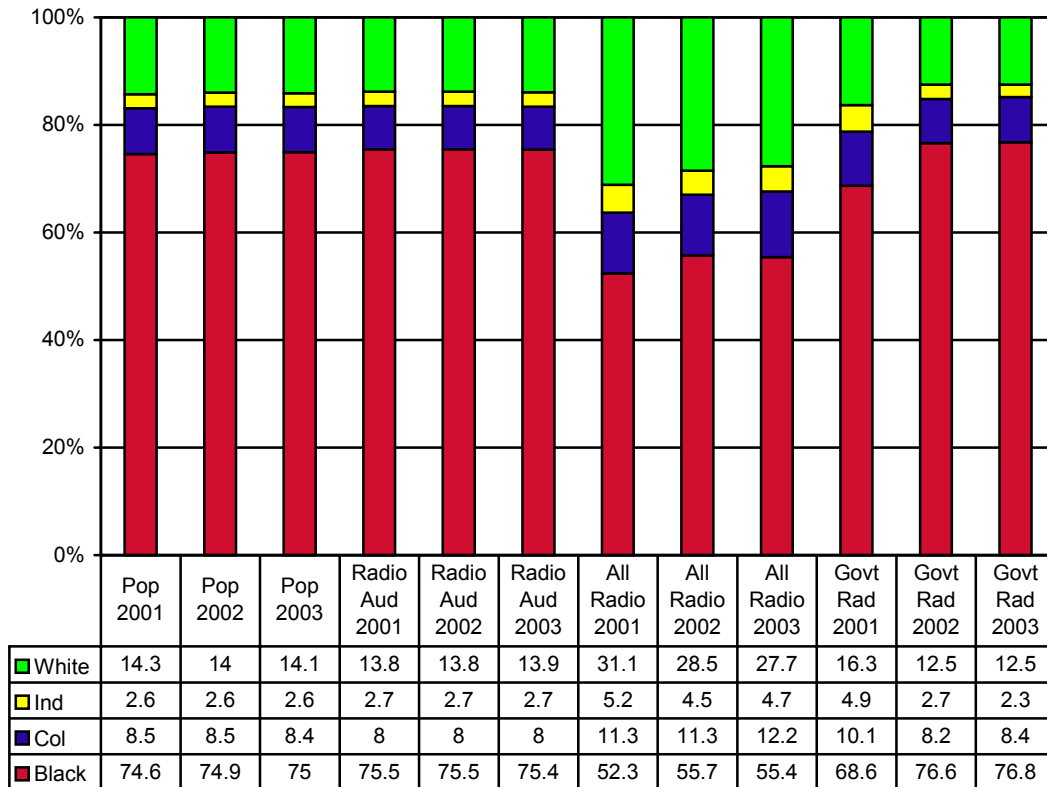
7.4.2 Radio Spending Profile

Government's Radio spending profile is the most aligned to the audience profile. Instead of a gap between the spending profile and audience profile, there is an excess, meaning that the Government spent more on Black



audience than the proportional audience. However, private sector is also slowly closing the gap.

Exhibit 7.7: Government Spending Profile vs. Private Sector (continue)



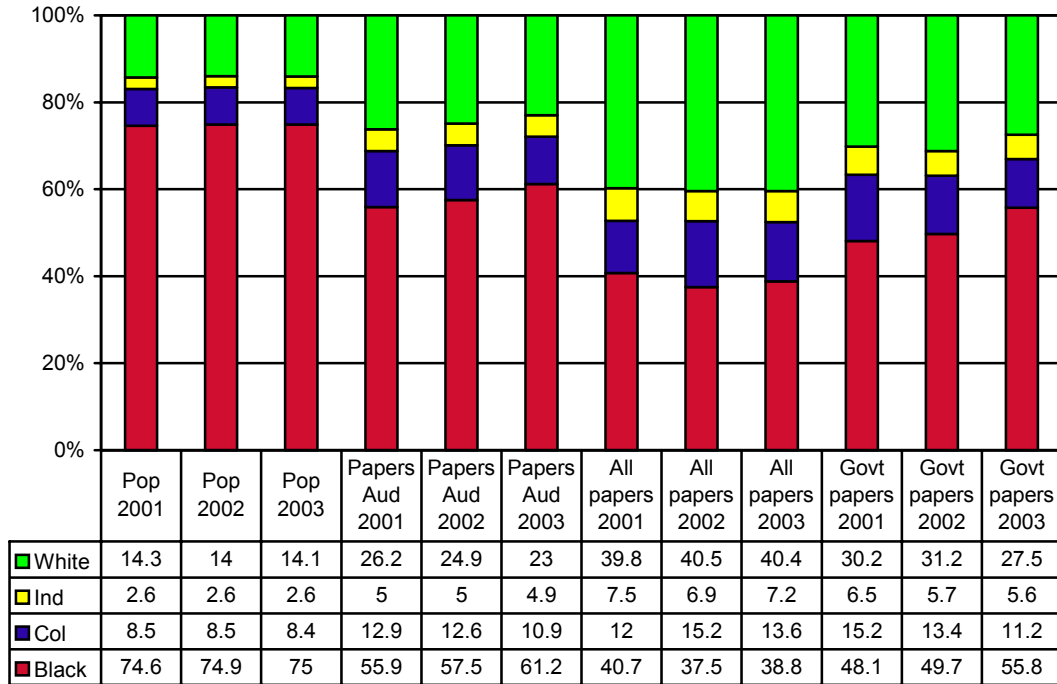
Source: AC Nielsen Adex & AMPS 2001B to 2003B

7.4.3 Newspaper Spending Profile

Although a gap still exists, profile of Government spending is more in line with the newspaper readership profile than the private sector. Trends indicate that the Government is quickly closing the gap. However, Private sector is closing the gap much slowly compared with the Government.



Exhibit 7.8: Government Spending Profile vs. Private Sector (continue)

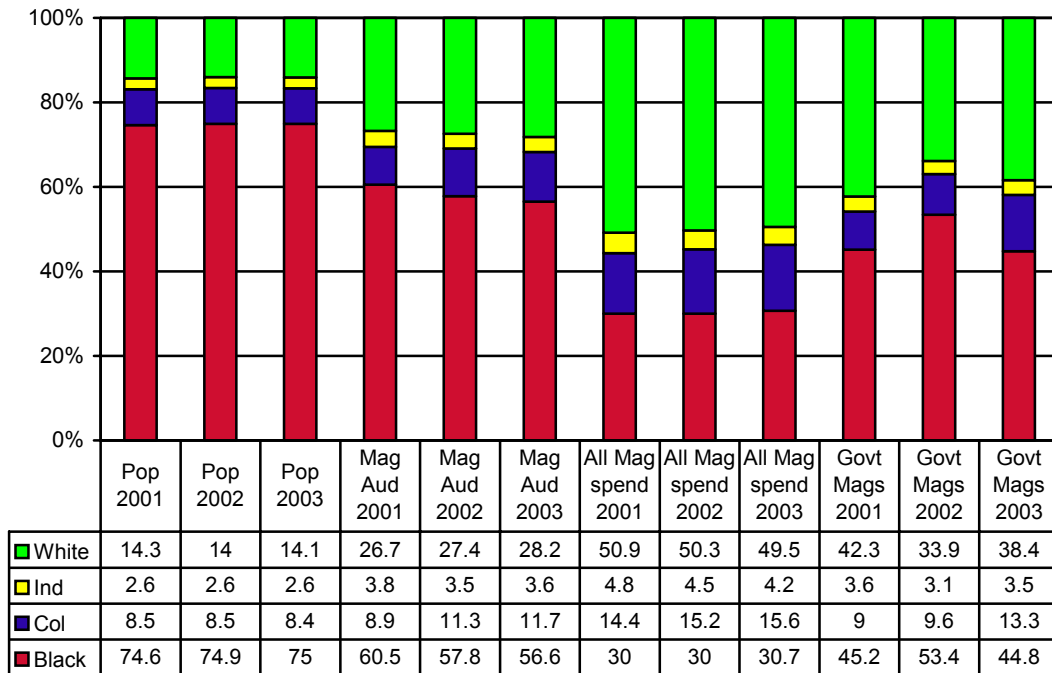


Source: AC Nielsen Adex & AMPS 2001B, 2002B & 2003B

7.4.4 Magazine Spending Profile

Trends from other media are also seen in the magazine media, with the spending profiles skewed toward whites in comparison with the audience profile, however, the gap in Magazine is bigger than in other media. Also, the gap on private sector spending is much bigger compared with the Government sector. However, trends are in positive direction, slowly closing the gap.

Exhibit 7.9: Government Spending Profile vs. Private Sector (continue)



Source: AC Nielsen Adex & AMPS 2001B, 2002B & 2003B

7.5 Index of Government and Private Spending Against Black Audience Profile

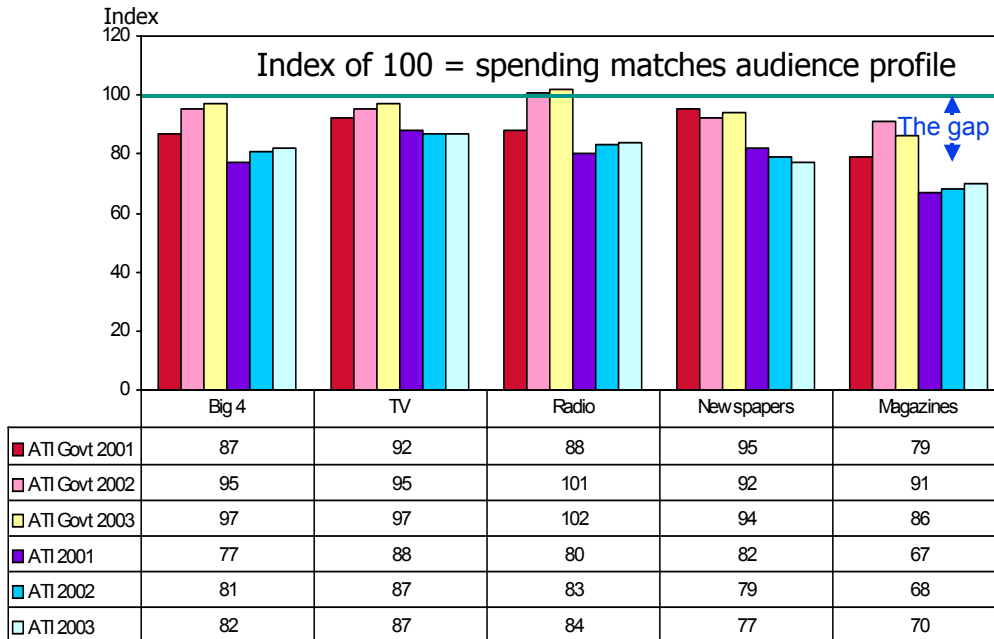
In this section, gaps between spending and audience profiles including trends from 2001 to 2003 are identified and analysed. Gaps in Government spending are compared with those in Private Sector spending in order to identify the Government's performance relative to Private Sector.

A gap exists when spending profile is not the same as audience profile, i.e., advertisers spend more on one or more population group/s than their



corresponding audience. Exhibit 7.10 below shows a gap for Blacks population as compared.

Exhibit 7.10: Spending vs. Blacks Audience



All Adspend is indexed against the population and is the sum of the 4 major media types reflected- "big 4" indexed against total adult population

Source:ACNielsen - Adex 2001, Adex 2003, AMPS 2001B & AMPS 2003B

Source: AC Nielsen Adex & SAARF AMPS 2001B, 2002B & 2003B

(Please note that Blacks referred to a combination of Black, Coloured and Indian population.) The four media are reviewed, and the gap identified as shown in the Exhibit 7.10 above, and discussed below. When there is no gap, there will be 100% profile match between spending and audience profiles. Hence, different between the calculated match and 100% is the gap.



7.5.1 Big4 Gap Analysis

Gaps for the major media (referred as Big4, i.e. TV, Radio, Newspaper and Magazine) are closing for both the Government and Private Sector spending. The Government gap for the overall media reduced from 87% in 2001, 95% in 2002 and to 97% in 2003 (i.e. the gap reduced from 13% to 3% over this period). Should the trends continue at this rate, the Government should be able to close the gap soon. Private Sector is also closing the gap between the spending and audience profiles, but not as speedily as the Government. The Gap for Private Sector reduced from 77% in 2001, to 81% in 2002, and to 82% in 2003. At this rate, it will take the Private Sector several years (if ever) to close the gap. As a result of economic forces driving the Private Sector, the adspend is mainly allocated to people with high disposable income. As long as there are disparity income levels for various population groups, gap between spending and audience profiles will remain.

7.5.2 TV Gap Analysis

Government is slowly closing the TV spending gap, from 92% in 2001 (or 8% gap), to 95% in 2002 (a 5% gap), and to 97% in 2003 (or 3% gap). However, gap for the Private Sector is slightly increasing, from 88% in 2001 (a 12% gap), to 87% in 2002 and 2003 (13% gap).

7.5.3 Radio Gap Analysis

Government has completely closed the Radio spending gap. From 88% or a 12% gap in 2001, the Government achieved 101% in 2002, and 102% in 2003, “overfilling” by 1% and 2% respectively. However, although it is gradually closing, the Private Sector Radio spending gap is still exists, and is unlikely to completely close-up in the near future. The Private Sector has reduced from



80% in 2001 (20%) to 83% in 2002 (17%), and in 2003 it was 84% (16%). Hence, the Private Sector Radio spending gap decreased by 4% between 2001 and 2003.

7.5.4 Newspaper Gap Analysis

Gap in newspaper spending has increased for both the Government and Private Sector. The Government gap was 95% in 2001 (5%), and increased to 92% in 2002 (8%) before increasing slightly to 94% in 2003 (6%), resulting in 1% increase between 2001 and 2003. The Private Sector Newspaper spending gap increase from 82% in 2001 (18%), 79% in 2002 (21%) and to 77% in 2003 (23%). The Private Sector Newspaper spending gap increased by 5% over this period.

7.5.5 Magazine Gap Analysis

Government spending in magazine is mixed. In 2002 the Government reduced the gap from 79% (21%) in 2001, to 91% (9%). However, in 2003, the gap increased to 86% (14%), resulting in a reduction of spending gap of 7% between 2001 and 2003. Private Sector's magazine spending gap marginally decreased over this period, from 67% (33%) in 2001, 68% (32%) in 2002, to 70% (30%) in 2003, an overall 3% reduction over the period.

7.6 Government Spending Profile by LSMs

LSM spending profile is expected to match the Audience LSM profile. However, due to environmental anomalies, this is not always possible. However, this should be easier for the Government than for the Private Sector to address. For economic reasons, the Private sector is focuses on higher LSMs. But Government's overall communication should be aimed equally to all citizens

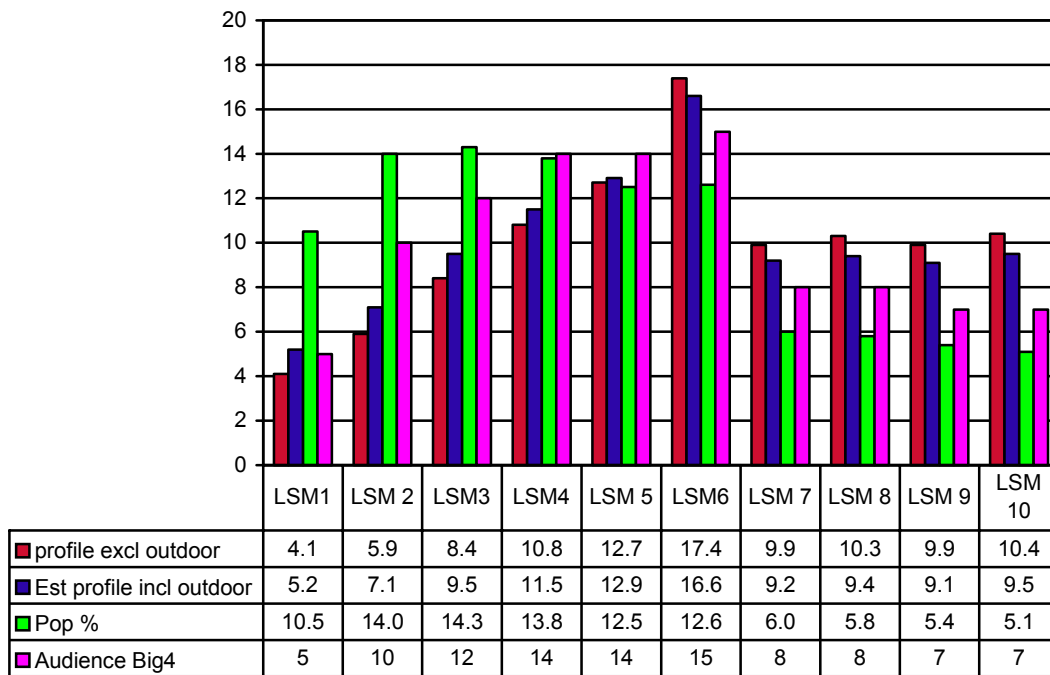


irrespective of their income levels. However, factors such as access to media and various issues related to the legacy of the past complicate the goal of an even advertising spend to all the population. This section evaluates how well the Government is doing in eliminating past discrepancies, comparing spending against both population and audience profiles.

It was also important to consider the audience levels in addition to population demographics so as to get a clear understanding on what audiences are covered per LSM in relation to the Adspend associated with the specific LSMs. Also the Audience is broken down by media outlet as shown in Exhibit 7.11:.

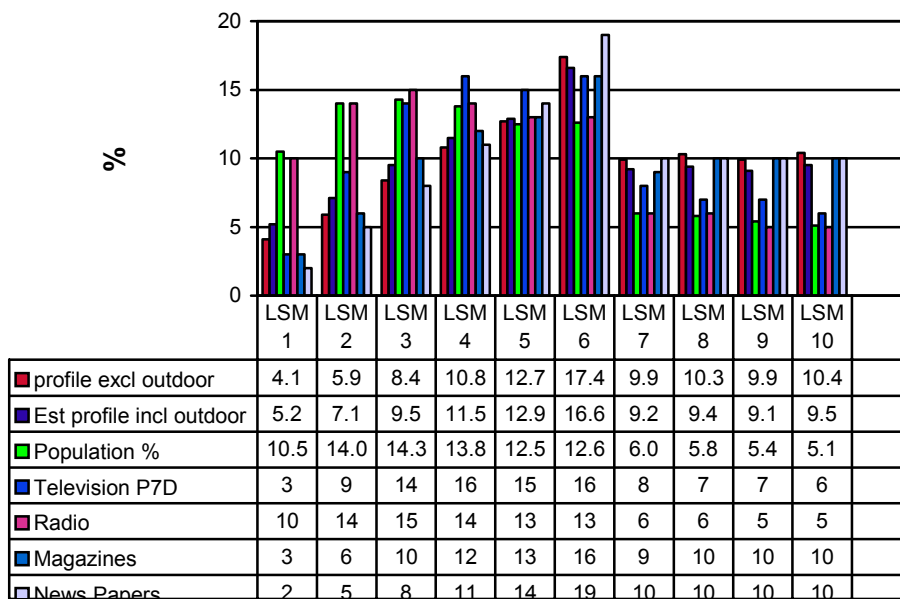


Exhibit 7.12: Government Spending Profile vs. Audience Profile: 2001



Source: AC Nielsen Adex & AMPS 2001B; Z-Coms analysis

Exhibit 7.13: Government Spending Profile vs. Audience Profile: 2001





7.6.1 Government Spending Profile by LSM in 2001



Exhibit 7.12 above shows that the Government's spending in 2001 was skewed towards the high LSMs. The discrepancy between the lower LSMs and the LSMs is too large. The addition of outdoor profile slightly reduces the discrepancy between the audience LSM profile and the Government Spending profile.

From



Exhibit 7.12 above considering spending on the top LSM half (i.e., from LSM6 to LSM10) it can be seen that the Government spent 57.9% of its total adspend on the 34.9% of the population, (thus only 42.1% on 65.1% of the population).

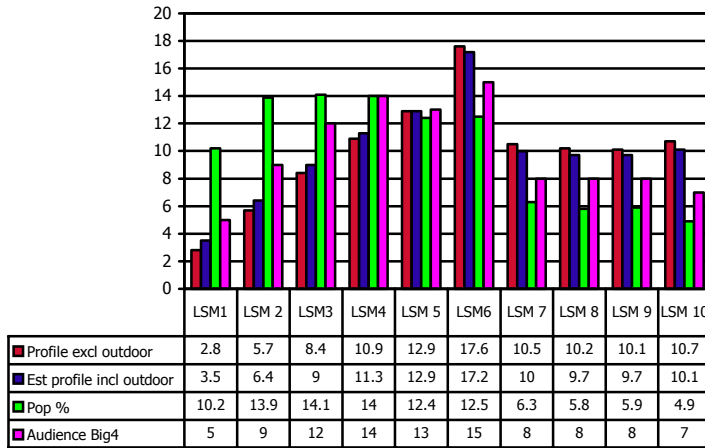
Looking at spending against audience profiles (rather than population profiles) the divergence is less – 42% on the poorer (LSM 1-5) 55% of the audience, highlighting the challenge of extending media access)

7.6.2 Government Spending Profile by LSM in 2002

Government skewed spending towards higher LSMs continued in 2002, in which 59.1% of the Government's overall adspend was spent on the top LSM half, which represent 35.4% of the population (or only 40.6% of the was spent on 64.6% of the population). With the inclusion of the Outdoor, the figures improved to slightly to 56.7% of the spending on the 35.4% of the population. This shows that the gap between the lower income spending and the higher income spending increased between 2001 and 2002.

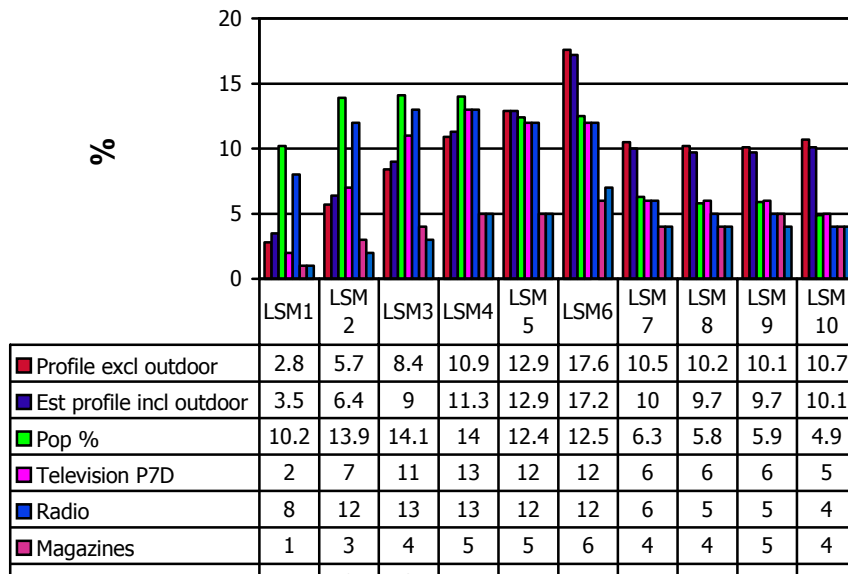
In terms of spending against audience profiles, 2002 saw 41% spent on the poorer 53% of the audience.

Exhibit 7.14: Government Spending Profile vs. Population and Audience Profile: 2002



Source: AC Nielsen Adex & AMPS 2002B Z-Coms analysis

Exhibit 7.15 : Government Spending Profile vs. Population and Audience Profile: 2002



In exhibit 12A is an illustration of audience breakdown by media outlets. This refers to the outlets that make up the “big4” referred to above. It is clear that lower LSMs have higher radio audience than the higher ones due to high penetration of radio nationwide.



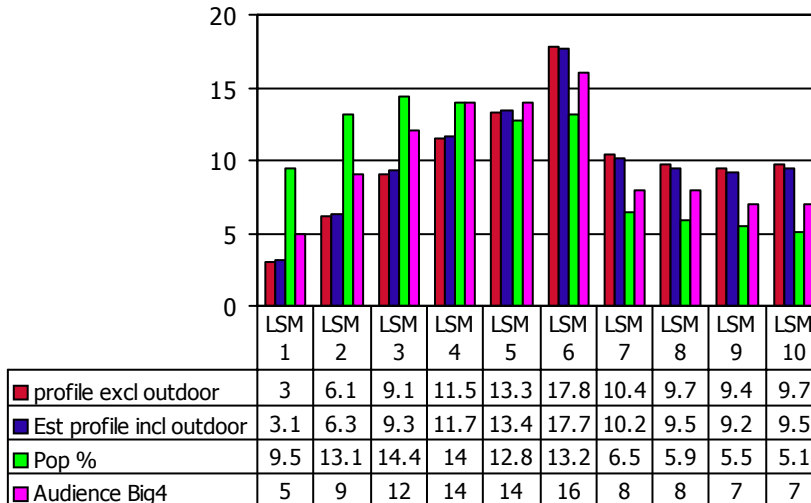
7.6.3 Government Spending Profile by LSM in 2003

Distribution of adspend improved slightly in 2003, in which year, 57.0% of the Government spend was allocated to the 36.2% on the top half of the LSMs profile. In other words, 43.0% was spent on the lower half of the LSM profile in which 63.8% percent of the population is found. With the inclusion of the outdoor, the picture improves slightly, and it can be shown that 56.1% is spent of the top half of the LSM profile in which 36.2% of the population is found. In terms of audience, 43% was spent on the poorer 53% of the audience.

It can be concluded that there has been only a slight improvement on LSM 1 and 2 since 2001. This can be seen by looking at an index which compares adspend with population. An index of 1.00 would reflect proportional spending – 1% of adspend for each 1% of the population or audience. Measuring adspend against population, the index for LSMs 1-5 was 0.64 in 2001; 0,63 in 2002 and 0.67 in 2003. Against audience the index was 0,76 in 2001 and 0,80 in 2003.

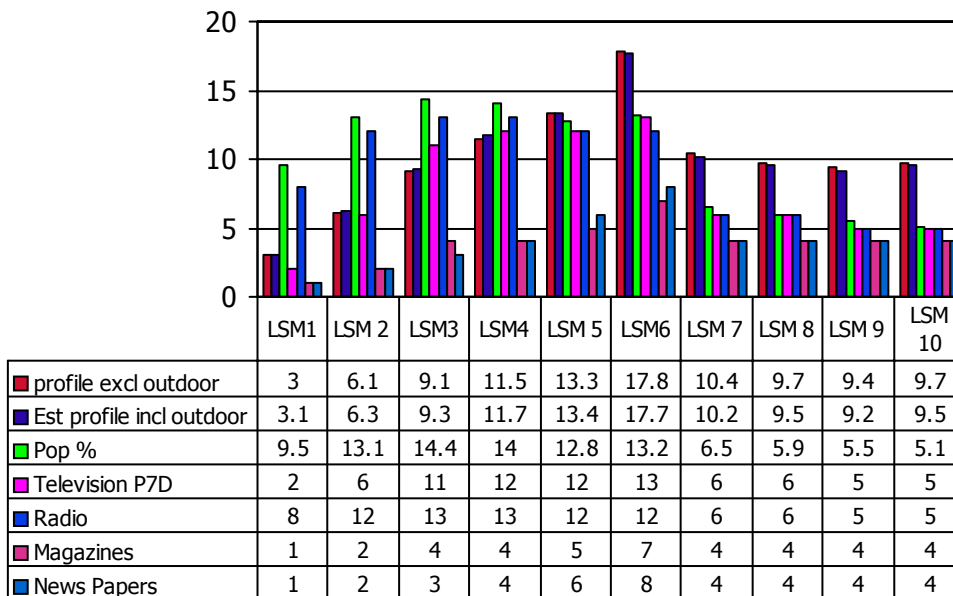


Exhibit 7.16: Government Spending Profile vs. Population and Audience Profile: 2003



Source: AC Nielsen Adex & SAARF AMPS 2003B Z-Coms analysis of Amps Data

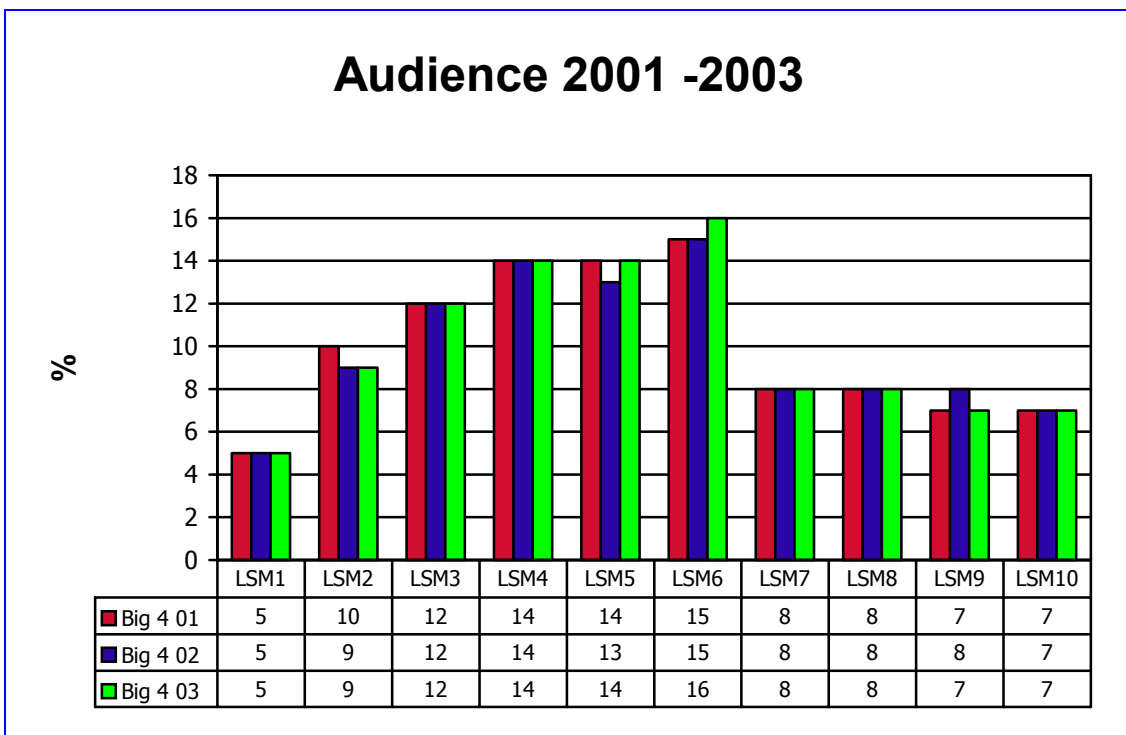
Exhibit 7.17 : Government Spending Profile vs. Population and Audience Profile: 2003





The Audience profile has not changed much since 2001 as shown in Exhibit 7.18. The adspend as a percentage of poorer audience has increased by 2% points whilst at the same time, the poorer audiences have declined. The net effect is that the gap is closing albeit slowly . This is presumably a result of government efforts to migrate population from LSM1 and 2 income levels through economic development and job creation.

Exhibit 7.19 : Audience breakdown for past three years 2001 -2003





7.7 Conclusion

Government Advertising Spending increased between 2001 and 2002, and increased dramatically in 2003. The Government increased its spending in all media, with exception of Outdoor that decreased by almost half between 2001 and 2003.

The Government shows an improvement in the spread of adspend in the period since the previous ATI study. It should be noted that the Government is limited in its performance by the spread in the reach of media. As such, it may be that the current performance cannot be greatly improved (it is nearly optimum) given the realities of media reach. Also, if Below-the-Line reach were to be measured, Government's performance would also look better, since it devotes substantial resources to such communication, especially with the poor.

Government has increased ad spending in all population groups. Increases for the Black population is the highest followed by White spending.

Government have done a somewhat better job than commercial advertisers in terms of reducing the gap between the audience and advertising spending profiles. The overall gap between the audience profile and the advertising spending profile is closing up. Government is not seeking a return on investment but rather to inform, educate and change attitudes, and therefore its overall communication effort should reflect this. This is presently not reflected in Government advertising spending, with exception of Radio. The Government is bridging gaps between audience profiles and spending profile in all media except newspaper, in which the gap is increasing.

The analysis shows that the Government spent more on advertising in relation to higher LSMs than on the lower LSMs, and therefore in particular less on the low income Black population, living in rural areas. Contributing to this pattern is the fact of uneven access to the media in which advertising placed.



There is no doubt that the inclusion of outdoor into the analysis improves the Government spending much further. Government Magazine adspend falls particularly short possibly as a result of the trade focus of this medium as well as the limited availability of Black skewed titles.



8 CONCLUSIONS

Conclusion reached in this study is that race is not a major factor in the statistics and AMPS measurements. It is also not necessarily a major factor in media buying based on AMPS data. It may, however, be a factor in the profile and characteristics of who do the buying and placement. But the brief for our study does not include a study of these factors, so the ATI study cannot draw definitive conclusions on this. This subject has to be addressed within the context of a study of transformation in the profile of advertising agencies, marketers, media planners / buyers, and other support areas.

8.1 Spending Profile versus Population Profiles

The study revealed that the Black population has good access to television and radio media, but has little access to cinema medium. Access to magazines and newspapers in the Black population especially in the rural areas is still somewhat low due to literacy and economic problems, amongst others, but better in urban areas. Radio and outdoor are the best media for accessing the Black population as a whole. Of the 4 major media types (namely TV, Radio, Newspaper and Magazine), Magazine is the least representative of the South African population while Radio provides the closest match between audience and population profiles.

The way in which advertisers spend within each medium must be limited by the opportunities presented by that medium. Assuming an ideal world in which all adults in are equal and factors such as employment/education and income status were not critical in determining where advertisers spend their money, the profile of media spending within a medium should match the audience profile the same medium attracts. But this is not the case, and hence the anomalies



between the two profiles. Spending profiles in all major media were skewed towards the White population. The primary reason for the skew is due to the fact that Private Sector is driven by profits rather than by reach. Hence, Private Sector tends to invest its money on the population groups that will provide the best return on its advertising investments. Black population has the lowest disposable income, and hence, advertisers turn to skew their adspend towards White population.

8.2 Advertising Transformation Index.

The study revealed that Black audience are under-supported with advertising within the top 4 media. However, the study shows that there is not a strict delineation of media according to race, with most media having representation across all racial groups. But, media owners ultimately make the decision on what audience profile they seek, and put measures into place to attract the targeted audience.

There has been some migration from lower LSMs, particularly out of LSM1 and 2 to higher LSMs. This is likely driven by improved attention to rural development, better pension payouts and a greater level of welfare spending. There is clearly a link between income levels and urbanisation. Business and high-income audiences command a premium in the market.

The study indicates the skew in the ratings of various radio stations, with regional stations targeted at high-income groups getting a disproportionate amount of advertising. Pay television is a premium service in many respects and therefore commands a premium adspend. The high-end magazines then attract a much higher premium than the low-end ones, thus leading to a stronger skew than in other media. The newspaper market follows the general



trend in other media, with business and Afrikaans titles leading the way. Business media are attractive to advertisers because they attract high-end listeners with little leakage. They, therefore, command high ratings in newspapers, radio and magazines.

8.3 Government Spending

Government adspend increased dramatically between 2001 and 2003. The Government increased its spending in all media, with exception of Outdoor that decreased by almost half between 2001 and 2003. Government increased adspend for all population groups, but mostly to Black population, narrowing but not yet eliminating the spending skew towards the White population. Government seems to have done a better job than commercial advertisers in terms of reducing the gap between the audience and the spending profiles.

Due to the fact that Government spending should mainly be driven by the most effective and efficient media to reach the population targeted, the skew should be minimal. However, the study found that gaps between Government spending profile and audience profile still exist, although closing. But in Radio the Government has successfully bridged the gap.

Government advertising spending is skewed towards the higher LSMs. Because lower LSMs are mainly Blacks in rural areas, the Government is under spending on Blacks living in rural areas with regard to advertising. However uneven access to the media put some constraints on how far this can be changed.

8.4 Recommendations

Overall, our findings are that there is a steady growth in adspend. With respect to shift and closing the gap between the adspend volume and audience



numbers, there is a significant shift that the industry should consider. The business imperatives of advertising should be in line with social demographics profile to the extent that it is commercially viable.

Government should encourage the industry to be proactive in the transformation process with respect to adspend but it will have to continue leading from the front in closing the gap between audience levels and adspend volume.

At the same time the research makes clear that closing this gap will not be enough to ensure equitable access for all citizens to the information and opportunities communicated through advertising. Further progress is also needed in expanding audiences by extending access to all forms of media.