Café Report on Transformation Progress in the Marketing Communications Industry to Portfolio Committee on Communications

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Overview

- AA, BEE, Affirmative Procurement are now better but still not clearly understood, individually or as a framework even as we grapple with the implications of government's BEE strategy and Industry Transformation Charters and Score-Cards to which the strategy has given rise
- Industry still grappling with shortage of skills with a variety of approaches being taken to address the issue
  - Widespread adoption of learner-ships for introducing new entrants to industry a welcome development
  - Potential still not maximised as learner-ships are employer driven rather than learner driven thereby limiting scope for widening talent pool beyond existing training institutions with pricing remaining a barrier to access in the latter instance, thereby imiting potential for widening the talent pool
- PDI's, junior and senior are still frustrated by the pace of change even as transformation takes place
  - Hostile agency working environments typified by passive and intangible resistance to transformation
    - informal networks still hinder progress and see to the maintenance of status quo as most industry functions are still reflective of an era gone by despite efforts to genuinely position them as being more inclusive
    - In reality the industry is still white dominated with blacks still not being a critical mass of persons active within the industry
  - Management commitment to meaningful and lasting transformation still not reflected by growing numbers of black staffers or creative output although there have been exciting developments with more and more work embracing South African-ness
    - beyond recruitment to participation in value creation
- The industry, in some ways, remains an unattractive long term career prospect
  - Loss of talent to other sectors due in part to better packages and greater certainty around sustainable future prospects
  - Low visibility of PDI's in sector with most industry opinion leaders remaining white albeit with continuing efforts among all parties to raise PDI profiles in industry affairs and bodies
- Much still needs to be done to promote advertising and marketing as a career option so as to increase the number and quality of entrants
  - This would have to be done in tandem with resolving the bursary and other financial assistance interventions to assist learning institution to take on disadvantaged learners without undermining their sustainability
- Cross cutting initiatives to develop a transformation scorecard, however welcome and much needed, are proving to be complicated as the value chain comprises a variety of industries with some already having score-cards of their own
- CAFÉ-Vega Imagination labs growing but financially stressed despite SETA support and agency acceptance of graduates
- Employee equity participation limited by lack of funding even as portfolio investors demonstrate a willingness to 'partner' employees as equity partners
  - What happens in 3-5 years time when the deal makers wish to exit? Do we return to the status quo? How does a transformed industry maintain attractiveness if shares get sold back…..worse still to foreign stakeholders

Our perspective on Transformation constraints and limitations remains as follows:

Unless we continue to improve our understanding of the constraints to the transformation process and constraints upon the industry and attendant structural limitations to speedy and meaningful change, we can very speedily kill rather than transform the industry for better

Equally, unless we get beyond constraints and excuses for not transforming, we can commit a greater crime and allow an unacceptable status quo to be maintained rendering empty the gains made some 10 years ago when our journey towards a better South Africa, and our true destiny, was patiently confirmed by the people of this great nation in waiting

Care needs to be taken and consultation has to remain at the heart of our approach as we have seemingly arrived at a shared vision and values for a transformed and truly South African, yet globally competitive industry

We need to continually widen our focus on advertising and marketing industry transformation to include all participants in the industry value chain starting with the marketers who enjoy greatest leverage as final arbiters of what does and doesn't get executed by advertising agencies and their supplier networks, aspects of which networks continue to be slow if not outrightly resistant to change with no visible <u>structured</u> efforts to embrace transformation

We are also limited by an understated, though seemingly entrenched, notion of transformation as being tantamount to the opening up of industry to the meaningful and gainful participation of PDI's without necessarily changing the character and culture of the industry to reflect the majority population rather than assimilating the majority to a largely white culture. This in part explains why on the one hand there is a sense that things are changing while on the other, the change agents remain concerned and restrained as to their appraisal of the changes taking place qualitatively and quantitatively (representivity)

Constraints remain

- *Shortage of skills*
  - *Strategic*
  - *Creative*
  - *Business/Commercial*
  - *In business training*
- *Low margins*
  - *An unprofitable or stressed industry cannot respond meaningfully to change*
  - *Incentives needed for voluntary transformation over and above DOL initiatives aimed at making training less onerous on business*
- *Business models out of touch with the reality of doing business with increasing client demands for better skills and inputs without the preparedness to pay fair value for same*
  - *Even resource based contracts rely on commission as a benchmark with downward pressure on margins continuing to mount*
- *Onerous tender procedures that disadvantage smaller agencies and large agencies alike with the periodic withdrawal of tenders*
- *Private sector (Marketer) indifference or limited commitment to empowerment in agency selection*
  - *Agencies CAN and DO thrive without government/BEE sensitive accounts whereas all accounts ought to be BEE sensitive*
- *Lack of monitoring capabilities to track and to, where required, enforce BEE compliance*
  - *There is still no enabling mechanism to allow industry to self regulate and mete our penalties for non-compliance and industry bodies remain voluntary and limited in their ability to sanction both members and non-members in particular*
- *Absence of a database of empowered suppliers for industry to implement preferred empowered supplier initiatives with individual companies facing difficulties in implementing such initiatives on their own*

Limitations

- ***Need to keep the industry alive***
- ***Entrenched position of established players and widely known fact that PDI's cannot go it alone throughout industry***
- ***Historically limited focus on advertising agencies vs. entire value chain***
  - ***Agencies just collect the money from clients and keep a bit with narrow margins (16.5%-18.5%)***
    - *it's safer to keep money in the bank than finance a venture given the low returns*
  - ***Where does the marketing communications Rand go and is the inquiry focussing sufficiently on related industries?***
    - *Of late, yes as the focus shifts to the value chain*
- ***Private sector players upon whom the marketing communications industry is mostly reliant not doing enough***
  - ***Financial Services, FMCG, Retailers, Cellular, etc.***
  - ***Engagement of industry bodies is urgently needed to get THEM to commit to transformation and walk their talk!!!***
    - *Why is the response rate to the BMF Breakwater Monitor benchmarking survey so dismally slow among marketers?*

Suggested strategies to address issues, constraints and limitations

Consultation and co-determination have to remain our way forward as a conflict oriented model will not deliver an acceptable or lasting solution

Our attention has to focus on sustainable multi-faceted approaches rather than populist ones that get headlines but fail to deal with the structural factors limiting transformation

Industry driven change (self regulation) supported by an enabling, dynamic, flexible yet firm regulatory framework provided by government

Continued government consciousness of its power and influence as a CLIENT to the advertising, marketing, production and media industries

Strategic framework

Continue with wider industry/ **value chain** engagement beyond advertising, research and media

Ongoing review of the BEE strategy framework &

Clearer policy guidelines & closer enforcement + scorecard monitoring

Constructive **Stick**

Shared Vision and Values

for a transformed industry

Government Funded

Ongoing Research, benchmarking and longitudinal tracking of progress

Continued **leverage** and **tracking** of Government spending in sector

incl. parastatals

Transformative **Carrots**

We cannot make speedy progress without sound information nor can we rely on already stressed industry coffers to fund much needed research

Eliminate/reduce financial barriers to PDI skills acquisition by focussing industry skills levy contributions on the industry and supporting progressive industry learning institutions and Imagination Labs

Recap of Strategies suggested in 2002…/

- ***Continued engagement with industry and sectoral stakeholders on issues to be addressed***
  - ***GCIS-DOC sessions with industry must continue and be broadened to address the entire value chain (upstream, downstream and side-stream!)***
- ***Clear policy guidelines for desired industry (and sector) self regulatory regime***
  - ***Industry has expressed a desire to determine its own transformation agenda and while this is desirable, an enabling framework is needed***
  - ***While industry wishes must be respected, we cannot hold change hostage to comfort zones of the very target of the transformation***
    - *How can we trust the proverbial wolf to guard the very sheep it's been gorging itself upon hitherto?*
- ***Minimalist legislation to shore up regulatory framework linking industry transformation to overall employment equity and BEE agenda***
  - ***While the ACA transformation charter is a sound starting point, however minimalist in its approach, a clear cut set of objectives and penalties is urgently required***
  - ***There is a lack of accountability and potentially therefore, a lack of sincerity to the transformation agenda***

Recap of Strategies suggested in 2002…/

- ***Continue to leverage and extend direct and indirect government spending power and influence***
  - ***Revisit point scoring system to treat empowerment as more than a qualifying criteria as with other criteria***
    - *Minimum empowerment, minimum points*
  - ***Increase minimum empowerment stake requirements on tenders (quantitative dimension), in particular employee equity participation***
    - *'brand name' transactions are potentially crowding out internal management equity participation and entrenching personalities rather than widening ownership*
  - ***Broaden supplier requirements to include internal transformation (quantitative and qualitative) with stricter reporting requirements***
    - *Affirmative Action from bottom up including board level*
    - *Affirmative procurement*
  - ***Introduce more stringent transformation reporting requirements on agencies that are awarded government and parastatal accounts***

Transformation must make commercial sense and equally, lack thereof commercial suicide (stick)

As we've said before……

Let us together continue make ours a lasting and robust transformation agenda from which all other industries can learn and proactively transform themselves lest we find ourselves telling the generations coming that they too must stand at the gates pleading for economic justice, as previous generations have and continue to do, and in the process, rendering empty the promise for justice and equality guaranteed by our constitution

We cannot continue to reflect upon our past, present or project our future from the perspective of the minority while the majority stand at the gates watching and expect that the images, characters we create and stories we tell will reflect our beloved South Africa for which we have an increasingly shared passion

Over the years we have worked and continue to work well with our industry partners to find sustainable solutions for our transformation challenges and while we welcome the progress to date, we remain concerned that our pace, while purposeful, needs to be accelerated further so that we do not sit embarrassed in the years coming for failing to achieve our stated resolve

We thank you for your continued interest in our industry

Le ka moso!!