

What I'd do with the Indy or Avusa

 By Gill Moodie: @grubstreetSA

25 Jul 2012

Eeny, meeny, miny, moe. What to do with lots of dough? Like many hacks across the land, I've spent a few idle moments recently wondering what I'd do if I could buy [Avusa](#) or [Independent Newspapers](#).

The promise of change is in the air, of course, because last month Richtrau - a subsidiary of the Mvelaphanda Group that owns 21% of Avusa - announced it wants to buy out the media firm that owns papers such as the *Sunday Times*, book publishers such as Struik, industrial publishers Hirt & Carter, NuMetro, Gallo and Exclusive Books. [The plan](#) is for Avusa to delist and Richtrau to list as the holding company.

([Click here](#) for a diagram of Avusa's businesses.)

Meanwhile, the Irish owners of [Independent Newspapers](#) - the owners of a raft of SA newspapers including *The Star*, *Pretoria News*, *Isolezwe*, *The Mercury*, *Daily News*, *Cape Times* and the *Cape Argus* - recently [said that it was open](#) to offers following boardroom shifts in Dublin. There has been [speculation](#) that Cyril Ramaphosa's Mondi Shanduka and Sekunjalo Holdings - Iqbal Survé's investment firm at the centre of an inquiry into questionable tender processes in the fishing industry - are interested.

In the interest of media diversity, many are advocating that Independent Newspapers be broken up and, indeed, it is unlikely that a sale involving both leading English dailies in two of South Africa's biggest cities - the *Cape Times*, and *Cape Argus* in Cape Town and *The Mercury* and *Daily News* in Durban - would pass muster with the Competition Commission. It's been bleeding obvious for years that this cosy situation (for the Irish; not the staff who have suffered endless rounds of cost-cutting) is anti-competitive.

When Tony O'Reilly started hunting for newspapers in South Africa in the early and mid-1990s, there was no Competition Commission. The Competition Act that made the statutory body possible was only signed into law in 1998. Lucky for O'Reilly! All he needed was the ANC's blessing - which he got.

A bit of a mess

On the other hand, *Business Day* editor Peter Bruce made the excellent point [recently](#) that, in acquiring Independent Newspapers, what "the would-be moguls will find, sadly, is a bit of a mess. Like many newspaper groups, Independent has been hollowed out in the chase for cost savings and 'synergies'. One editorial team does politics for the group. Another does sport; another, Africa. All its business news is contained in one supplement. The sale price is being estimated at about R1,5bn, which might sound like small potatoes until you look closer.

"In its current state could, say, the *Cape Times*, dripping as it does with tradition and prestige, be carved out and sold off to an individual buyer?" asks Bruce. "No, is the short (and incomplete) answer. It could, but the owner has to be a newspaper junkie willing to get out and hire journalists to cover business, politics, sport and society anew. In other words, start pouring money down that hole you started digging when you first picked up the phone to call the Irish owners."

Can the group be sold as a whole, then? On the other hand, can it afford not to be? It's a diabolical business conundrum.

I think, though, that I wouldn't want to buy the whole shebang anyway. Although the *Cape Times* and *The Mercury* have oodles of history and high LSM readers, their future is digital and you could just as well set up rival online-only "papers" serving their markets, do better news and grow fast - all wonderfully unencumbered by traditional cost structures. The same goes for the *Pretoria News*, which has been on a losing wicket (down to 21 000 circulation) for so long that I think that it's in a death spiral.

A publishing phenomenon

I think the growth in this country is in the middle market so I would make an offer to buy *Isolezwe*, the isiZulu paper that is a publishing phenomenon; the newly tabloid *Cape Argus*; the *Daily News* and turn it into a morning tabloid; and the Indian-aimed, Durban-based *Post*. Lots of synergies among this lot and I'd go head-hunting for tabloid specialists at Media24 - the owners of the *Daily Sun* and *Son* - especially on the business side of things on things to inject some much-needed vooma. *Isolezwe* would be the star of the stable and the training ground (where possible because of language barriers) and I'd look to expanding its circulation more aggressively in Gauteng.

Would I buy *The Star* along with this lot and turn it into a tabloid? That's a tricky one. On the one hand, it is already in tabloid form in the townships, going after a perceived gap in the *Sowetan's* market. This is a high-risk gambit as it could already be cannibalising *The Star's* traditional broadsheet market. Would I want to make *The Star* completely tabloid, what with *The Citizen* and *Sowetan* already entrenched in those markets? I'm not sure.

All told though, I'd want to keep my foot in lucrative and important Gauteng - and *The Star* still has a large circulation (125 000) so it's a big foot. But I'd be looking to invest skills, talent and money in the paper urgently, in market research and getting its positioning right so it could grow - or I would sell it off to the highest bidder within three years.

Bruce is spot on that all the Independent's papers need investment - and, positioned properly in the middle market, I think the investment would be worth it.

Flatten management structures

The key thing (and this goes for Avusa too) is to flatten management structures. Fewer assistant editors and more reporters - and the best editors and news editors money can buy.

Coming to Avusa, I think the consensus is that better, more decisive, digitally minded managers would go a long way to improving the company's fortunes. I think an innovation unit along the lines that both Media24 and Primedia have would also be a game changer.

I'd get rid of Exclusive Books and other legacy businesses such as MapStudio but I think I'd hang on to Gallo and NuMetro. Gallo, because it owns a historic pile of unique content (South African music) that you must be able to make money off in the right hands and NuMetro, because I recently discovered how well Primedia's Ster-Kinekor is doing.

The rivals are pretty evenly split in terms of representing the movie studios and yet Ster-Kinekor has got [65% market share](#) in SA. It sounds like a smart management team could make NuMetro work, especially when you consider that as distributor, it can make money by also supplying to movie-on-demand vendors like DStv's BoxOffice.

Hirt & Carter has obviously been a godsend to the company but I'd sell the remaining clutch of magazines that include

Stuff, Elle and *SA Home Owner*. That horse has bolted for Avusa and there are firms such as Caxton and Media24 who know how to run magazines and have critical mass in SA.

Mending fences with BDFM

So the crucial thing is what to do with the papers: *Sunday Times*, *Sowetan*, *Sunday World*, *The Times*, *The Herald*, *Daily Dispatch*, *Weekend Post* and half of BDFM (with UK company Pearson) that owns *Business Day*, *Financial Mail* and Summit TV.

As far as I know Pearson - the owners of the *Financial Times* of London - is not interested in selling its half of BDFM so I'd certainly work on mending fences with BDFM. It's well known that the Avusa and BDFM teams don't like each other, which really won't do in today's tough media industry.

The flagship *Sunday Times* needs some attention as it is in danger of being eclipsed by Media24's *City Press* as THE agenda-setting Sunday of the country. I'd shut that silliness called *The Times* down as it makes no publishing sense and I'd be watching the *Sowetan's* back (for *The Star*).

I would have a very big think about what to do about the Eastern Cape titles. I think I'd shut the *Weekend Post* down (at 23 000 circ) - the days of Saturday papers are long gone - and focus on getting *The Herald* and *Daily Dispatch* growing again.

These papers need the best, most ambitious editors and publishers in the group as the marginalised Eastern Cape economy is a very tough place in which to do business. It's a place for editors and publishers to really prove their mettle: if they succeed there, they can succeed anywhere so this is where the group's future management stars would come from; not the *Sunday Times* as they do at present.

Avusa is so much bigger than the *Sunday Times*. The rest of the business needs attention - as does the need for a common group strategy.

For more:

- Bizcommunity: [The Star Africa is unapologetically black - editor Makhudu Sefara](#), April 2012
- Bizcommunity: [Watching Argus move for Daily News future - Indy KZN's Alan Dunn](#), April 2012
- Bizcommunity: [Chris Whitfield on balancing act of Cape Argus move](#), March 2012
- Bizcommunity: [Avusa set to join newspapers houses' centralising drive](#), February 2012
- Bizcommunity: [Newspapers dire but not dead, say latest ABC circ numbers](#), February 2012
- Bizcommunity: [Where to for Avusa in an ever-tougher media world?](#), November 2012

ABOUT GILL MOODIE: @GRUBSTREETSA

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

- Media Awards 2012: Never a dull moment - 10 Dec 2012
- Inevitable that Caxton and I would fall out - Alec Hogg - 6 Dec 2012
- EXCLUSIVE: Media24 to close *Sports Illustrated* - 3 Dec 2012
- If used wisely, Twitter can be very wise - 27 Nov 2012
- ABC Q3 figures forecast tough times - 21 Nov 2012

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>