

# FUNDING and business development

## From Aid to Investment: The Potential of African Media, by the AfDB

The African Development Bank believes that the media plays an important role in development. As they develop an inclusive growth agenda the media helps to reach the bottom of the pyramid and also plays an important role in democratisation.

**Tim Turner, director of AfDB Private Sector Development** stated, "I was shocked to discover that only 2 of our 25 private equity funds had chosen to invest in media companies – a very small percentage of the total investments. I was also unable to confirm any significant lending to media companies by our partner financial institutions that are also lending to SMMEs. Given the vibrancy of this industry, this to me seems very strange".

In answering the important question, 'Why has the African media industry received so little attention from investors and bankers thus far?' Turner did some research to see how investors understand media investments. The feedback that he received was on the positive side. There is clearly an opportunity as the African media is growing and is expected to accelerate, stronger players will become very profitable. Nevertheless he found that potential investors were also very wary of the significant risks, including political

involvement – no one wants to end up in company with strong political ties that start to over rule smart business decisions.

"Political interference and censorship is always a concern as well. However, the good news is that investors seem to be saying that the balance is tipping towards the positive side and they are actively looking for ways to participate in the industry. They will bring capital, expertise and their network of connections, which are all good assets for media owners" Turner said.

"At the African Development Bank we will do all we can to use our network of development partners to accelerate the provision of financing to the media industry. However it is going to be up to Media Leaders to shape their businesses into attractive opportunities and make the investment case to the marketplace".

"The AfDB must play a role in private sector development but we need to become an institution that is more catalytic. We are a drop in the ocean of what needs to happen in Africa, but we need to make that a 'golden drop' that catalyses more financing dollars?

The world is looking at Africa in a new way – no longer an AID destination but an investment destination"



Tim Turner



## QUOTES OF NOTE

**Question, Paolo Gomes, AMI Board Member:** "Is there anything policy-wise that would prevent the African Development Bank from financing media?"

**Response, Tim Turner:** "Are we against media investments? No not at all but, media competes with other sectors for investment attention. We have a filtering process that we apply to all potential projects and investments. It is in four parts:

1. A strategic fit test – we would need to do things that are in countries that we operate in; to the extent that media becomes a priority in these countries, then we can align to that.
2. Commercial viability – our vectors for reaching media will be through other intermediaries (private equity funds or commercial banks or sub-regional development banks.
3. We need to make a case in terms of the developmental outcome.
4. We have a condition called additionality – we have to show that what we bring to the table is something that commercial institutions can't do better than us.

We use African intermediaries to reach you. There is nothing policy wise that stops us.

An important point is the role of media in regional integration. You've got 54 little markets. This is an advantage and a disadvantage – there are no economies of scale. Nevertheless, media can cross markets and can help push the regional integration agenda.

**Question, Ali Abdi, Shabelle Media Network, Somalia:** "There are countries, like mine, that have no stability and infrastructure. There is no government, banking financial system – how would African Development Bank support Somalian media to develop?"

**Response, Tim Turner:** "We are certainly very sympathetic to the huge challenges you face. The most important role we as an institution can play in that context is advocacy; making the case of keeping the industry free. The best way is by supporting groups like this. By the power of numbers, you become a powerful lobby group".



## FUNDING MEDIA: What options are there for growing media businesses in Africa?

Billions of US dollars are being invested into new digital media businesses in the US and Europe. Is Africa still “the dark continent” or have Venture Capitalists and other startup funds finally woken up to the opportunities in Africa? This conversation explored the African funding landscape for both new and existing media businesses.

**Jay Naidoo** spoke about the need to establish what the criteria for funding are. “Then we must find what the needs are of those that have funds and what is the process to connect one to the other.”

“When we come back next year we should have established a concrete set of funding criteria and also know what we need to learn

to create the best business models. Not everyone wants a Rolls Royce – some want a bicycle, others are happy to take the bus. Different models work in different places.”

## A rationale for supporting the African media sector

**IFC’s Mamadou Toure** told the Forum that AMI and IFC have been working on some solutions. “From a banker’s point of view, media has huge developmental impact but we also want to look at it as a money-making proposition. The African media industry is poised to boom for a few reasons including: an emerging middle class, and better quality telecoms infrastructure. Everyone has to play a part.”

### Key success factors:

- Public-private engagement: the private sector has to play its role.
- Regional integration: the key challenge facing the media in Africa is that the market is extremely fragmented. The GDP of Togo is 7% of Manchester. Without critical mass you cannot be an attractive investment. Africans need to exchange skills and cross fertilise to create a significant mass.
- Data: we need to know our markets. We need more rating agencies. South Africa has AMPS (the all media product survey), Zimbabwe has ZAMPS, but many African countries don’t have those quantitative media measurement systems that can give a banker the confidence to invest. We will have to start putting those rating agencies in place because investors shy away from risk and uncertainty.

### The key criteria for successful funding:

- A diversified portfolio: a media house with a single publication is too high risk for a financial institution to consider. In order to become a more attractive investment, the media house could diversify by offering the same publication, digitally on a mobi-site. Let’s explore digital opportunities.
- In the past we have failed to work as one group: AMI has now built a critical mass, so as African Media you now have the weight that gets people to listen.
- Pan African media fund: How would this work? You have different kinds of investors – development finance institutions (such as AfDB), development agencies, foundations, social investors and private investors. A Funding model that incorporates all parties would be ideal.

Toure suggested that, “One challenge is that the average media industry profitability level cannot always compete with other high return industries. There are also strong capacity-building investments to be done and the media sector needs to professionalise itself as a business sector in order to benefit from these.”

## Sell a stake in your business to big media!

### Nevo Hadas, Business Innovation consultant at AMI also shared a couple of basic insights;

1. Media is a hugely risky business. There are often no fixed assets unless you own a network or printing press – unlike other businesses where you have a factory or railways or some physical assets that the investor is buying.
2. Media is for creative people. That makes it very difficult for any commercial person to understand. They ask, “Why are people walking in and out of the office? Why are the trade relations so difficult?”
3. Journalists don’t make good business managers! There are some exceptions, but the core value most Media Leaders are worried about is the truth and getting a great product out to clients. Unfortunately, the client you perceive is the audience, not the business people paying for the advertising and other revenue models. This makes it hard to commercialise most of the media business entities because they’re not really run as professional businesses. They are often stand-alone family shows that are not corporatised.

4. “Why not sell a stake in a smaller business to one of the large media players, like Nation Media Group or Kagiso? If you do this, two things will happen:

- You will gain the ability to build a bigger business,
- You will get to grow as a business person.

You will pick up skills that are very hard to attain as a stand-alone entity.”



Jay Naidoo



Mamadou Toure



The ‘Funding Media’ panel: Tom Mshindi (MD, Nation Media Group), Peter Whitehead (MDLF Director), Jay Naidoo (Chair), Kate Senye (SAMDEF), Nevo Hadas (Business Innovation Consultant), Mamadou Toure (IFC) from left to right.



Nevo Hadas



Kate Senye



Tom Mshindi

## Bridging the funding gaps



**Kate Senye, Southern African Media Development Fund SAMDEF** provided some background to her organisation. She told the Forum that SAMDEF was set up by the Media Institute of Southern Africa (Misa).

It is a small fund, that invested around \$30-million in 20 companies in 11 countries in about 13 years. In 2007 they were faced with sustainability challenges and had to relook their model.

They brought other investors into the fund, not just donors. SAMDEF set up a vehicle to address risk issues and established a private equity fund for the media in southern Africa. They required a ROI of 30% but were unsure whether media could deliver that.

"You need to create vehicles with these development finance institutions that are much closer to the media enterprises themselves" said Senye. One of SAMDEF's main objectives was to close the gaps between commercial banks, development finance institutions and the media.

## Risk capital is drying up, but it's not gone!

**Peter Whitehead, Media Development Loan Fund** explained "We provide low cost capital, but we expect to have good returns.

So these are loans, quasi-equity investments, equity investments and guarantees. The MDLF are a non-profit, mission-driven investment fund, but they operate on business principles."

"The MDLF has worked in 27 countries and their current portfolio is just over \$40-million, with about 20% in Africa.

They specifically support independently owned news media and good quality ethical journalism.

They don't support anything owned by the state or any business oligarch interests. Risk is clearly an issue that is faced by all, but interestingly, the MDLF has only written off 2% of their funding so far."

## Are you clear about what you want the money for?

**Tom Mshindi, MD of the Nation Media Group** stated, "I am in the happy position where we don't have problems with money. The Nation Media Group has taken 50 years to become successful".

"There are certain lessons that are critical. For one thing it seems clear that there is money available, whether through private institutions or other entities".

The challenge we face in our businesses is to define what kind of monies we are looking for and where we want to utilise it in our business.

The Nation Group operates across geographies in East Africa and realises

that media owners have very disparate needs. Some are looking for money for start-ups, others need refinancing whilst a few are mature and want to reinvest.

"The needs can range from \$100 000 to \$15-million if you want to buy a big press. Money is available but investors have to be persuaded. How persuasive are you? Are you clear about what you want and what you want it for? An applicant must show that they have the capacity to absorb the funds effectively."

## Going big: scaling your media business to build pan-African brands

The issue of pan-African brands, or the lack thereof, has been a standing discussion point in Africa. The questions that keep surfacing are: How do you scale your media regionally or continentally? Is there a market out there? Is there funding support? The Forum explored the successes and failures of African media that have grown beyond their home markets.

**Thebe Ikalafeng of Brand Leadership** asserted that "There are no African brands in the top African brand surveys. Brands are important for two reasons: (1) They drive the nation's wealth – countries with the leading GDPs have the leading brands and (2) brands drive the reputation and image of countries and continents."

"A couple of weeks before the Forum Brand Leadership launched the first Africa league of 100 brands! In that league 67% of the top brands are international, but that also means that 33% are African, so we are getting there."

"What about media brands? USA, Britain and France have the leading media brands in the world. We are looking at media as a catalyst for building brands. Can we build successful regional media brands in Africa? Yes we can."

## QUOTES OF NOTE

**Comment from Jouseph About El Faki, Sub-Saharan Informer:** "I am skeptical about funding because I think a lot of the private equity funds are in it for PR. The deal breaker is at the point of conditionalities.

They give you conditions that they know you can not meet. These funds raise money in the West by saying they are in Africa, but in reality they are not. Also, you suggest that journalists are not good managers.

Well, you have to come into the newsroom to see our problems. We know our cost centres. We know how to cut those cost centres and pay you back. We do know how to manage our own media companies".

**Response from Tom Mshindi:** "If we do not understand fully the business of managing media, we must make ourselves knowledgeable about how we manage other people's money. The onus is on us to go with believable and tight business cases".

**Response from Nevo Hadas:** "Are you really the best at running your business? If not, invest in yourself, read books, go on a course, or find a business partner. Look for a team. The critical component is profitability and a broad, diverse business. Single entities are risky."



Thebe Ikalafeng



Peter Whitehead



Gary Alfonso

## Build on an established brand

**Gary Alfonso of CNBC-Africa** stated that "If you do not have time to build your brand, the next best thing is to get a reputable brand (like CNBC) associated with you, and then build on the trust of that brand".

He shared that "CNBC-Africa is part of Africa Business News. We have produced more than 600 000 minutes of African content. That is more African content than every international news channel has put together over the past five years. We will only break even in year five – it is expensive."

"Content is the surfer on the digital tsunami hitting newspapers, radio and TV." Alfonso stated that as media owners our business is about content! This is what we do but are we telling African stories and in a format that is commercially attractive.

There is something powerful about how everyone in Africa shouted for Ghana in the 2010 Football World Cup. According to Alfonso we need to tell stories with real human resonance that people can relate to. The economic revolution is one story that relates to everyone. "Why can't I see a one hour bulletin about what happens across Africa?" Gary Alfonso asked.

## Scale from aggregation

**Dr Tami Hultman** of the media giant **AllAfrica** shared, "AllAfrica.com was co-founded by **Amadou Mahtar Ba** and currently operates from offices in Cape Town, Dakar, Monrovia and Nairobi as well as maintaining a small presence in Washington DC.



Dr Tami Hultman

AllAfrica aggregates content from over 130 African news organisations who benefit from an equal share in a small but growing revenue stream from advertising and royalties. They also benefit from the visibility and scale that aggregation gives them".

"We have 1500 articles a day and rank very highly on search engines. The challenges for African media trying to scale internationally remain enormous. Infrastructure remains a very powerful deterrent. All our offices struggle daily with challenges such as power cuts and slow internet".

"There is a massive site redesign under way, which will allow for user generated content" We don't believe that one should fight the tide of information for all that is pulling our way. Let's work with it to make a better future for Africa and the world at large".

## Total domination!

**Charles Onyango-Obbo, Executive Editor for Nation Media Group** said

"Nation Media Group's newspaper division has the highest return on dollar invested out of any newspaper in the world.

It started as a Kenyan company in 1960 but it now has a physical presence in four countries. It is committed to dominating markets."

"Another principle is to spread our wings and have footprints in the rest of Africa. This is where the digital element comes in. This game is about content not real estate. Digital allows us to do this.

Onyango-Obbo stated that the Nation Media Group has associates, stringers and correspondents in 35 African countries. There are about 50 people involved. "We are committed to being an authority on

Africa. We have six specialist regional editors on Africa who have great knowledge of the continent".

## French can be a handicap

**Marie-Roger Biloa a Board Member of AMI and CEO of Africa International Magazine** which was founded in Dakar in 1958 especially to publish opinions about the independence issue asserted that, language can be a limitation.

There are less than 100 million French speaking Africans in 14 Francophone countries (less than the population of Nigeria).

"This is a handicap as it is not possible for us to grow beyond that border. Africa International is one of the leading magazines in Francophone Africa, but we sell only 50 000 copies."

## Monetising Audiences: Unlocking value – how premium content can generate new revenue

The key issue of why media houses should invest in investigative reporting and other original content when there is so much cheap stuff out there on the Net, was raised.

Well beyond ethical issues, involving taking responsibility for enriching African lives, a strong business and leadership case was made for how premium content is giving media pioneers the competitive edge.

The debate questioned what exactly premium content is, whether premium content can be considered popular or if it is purely elitist. Also discussed was how premium content would affect existing models and whether consumers would be willing to pay the costs.

Charles  
Onyango-Obbo

Marie-Roger Biloa

**Chris Roper, editor of Mail & Guardian Online**, defined premium content as content that is original or peculiar to a certain environment, which can't be replicated. Premium content could also be based around time. "Premium is defined by what it is, how quickly you get it to people and how you can make sure it's unique," said Roper.

According to **Tim Legg, MD of digital media business, Teamtalk**, "Premium content is content you can persuade people to pay for. "In his discussion, Legg stressed that media companies have to embrace the digital world because it is a relatively low cost content distribution model, as well as a fairly straight forward process. Africa is the second largest mobile market in the world, after Asia and, in Legg's opinion, "is a phenomenal agent for social, economic and media change on the continent".

Although print, television and radio still dominate and are much bigger than mobile, Legg says that digital channels cannot be ignored and need to be integrated into these existing platforms.

Before using digital platforms to generate revenue, Legg says it's important to understand the psychology of the consumer. What does your audience want? How do they interact with their cell phones? How do you get them to spend more money?

#### **Tim Legg, MD of Teamtalk - suggestions for non-traditional revenue streams:**

1. Content is king. Content has value and people will buy content from us as content creators. Some of those clients will be super brands.
2. Publishers and media houses need to collaborate more. Provide content to other media houses. In some cases, media houses might have to work together on certain projects.
3. Content aggregators. This is a huge new industry that has developed and specialises in generating revenue from digital consumers. They build brands primarily through mobile channels and consumers pay to receive their content every day. In this way a range of content is available for one small fixed daily fee.
4. Audiences are hungry for premium content. Create content that is specialised and valuable.



Tim Legg

5. Mobile world. Handset operators and networks are interested in building up audiences and developing 'stickiness'. To do this, they are all building up content portfolios. They pay content creators and media houses to create and provide that content.
6. Media houses can build up large digital communities around their brands and then use them to advertise on a commercial basis.
7. Communicate with audiences even if it's on a basic level like SMS, because it is available to all cell phone subscribers at a very low cost.
8. Pay per click technology. Offer content free of charge through mobile and digital portals. Give consumers an interesting headline and they will pay to read that article.

#### **Making Money off Content and your Brand: Tips from Chris Roper, Editor of Mail & Guardian Online:**

1. Remember your content is a brand.
2. Create content that is different to your competitors and sell it to a niche audience. You will make money by selling specialist content to a specialist audience.
3. Sell different experiences of the same content. For example, a newspaper is different from a website. Repurpose content for tablets, iPad and Kindle. To make money out of content, you're selling the delivery mechanism. The stories themselves have become free, but you're selling them differently depending on the delivery mechanism.
4. Mobile apps are a new place to generate advertising revenue and to sell content.
5. Use your brand to hold critical thinking forums and events.
6. Make a choice between volume and building a brand identity.

## A Business Case for Development News in Africa

A lively discussion was held on how African Media could boost their audience through increased and better coverage of development issues.

**Joyce Barnathan, International Centre for Journalists (ICFJ)** stated that "we know that entertainment news, sports news and even business news sells, but, how can we make important issues, such as pneumonia vaccines, better irrigation, maternal health and rural education sexier? "Can we report on health and development issues in ways that resonate with the public and attract advertising? I think you can do this. Better information can help people live their lives better? Journalists need to know how to cover disease, science, how to cover public health budgets, they need to know experts in the field and they need to become experts themselves, stay on top of the field. They need health journalists networks and associations" said Barnathan.

### Radio that listens

**Baye Oumar Gueye of SudFM** shared their experience with the Forum, "SudFM breaks the monopoly of public television by taking into account the aspirations of ordinary people.

"We listen to Senegalese people and the content of our programmes is inspired by their needs, concerns and their identity." SudFM now has interactive development programmes:

- "On Tuesdays we have a programme called 'Hello Doctor'. The doctor explains a disease followed by a session where listeners phone in for questions".
- "We have successful enterprise programmes which deal with how you can gain access to investment and microcredit. Interactive programmes are a priority for us because they enable every citizen to take part, which contributes to democratic governance."

### Monetising high-impact development journalism

**Elvis Kwashie of JoyFM Ghana** which is an English language broadcaster with a 20% share in a highly competitive market, stated that "We are regarded

as the most credible news provider. We try to move journalism from simply reporting events to setting a development agenda. The majority of media in Ghana ignore this critical agenda".

"Our editorial mantra for this year is, 'What matters to you matters to us!' We have developed a documentary programme called 'Hotline'. We have produced stories on quality health care, protection of the rights of children and the vulnerable and access to potable water. For example, we visited a village near the capital and found that residents had to share their stream with cattle. Many had guinea worm infestation and other diseases. After we did the story, lab technicians from across the country teamed up and went to the area and screened residents and provided critical medication for them."

"Another example is a story we ran entitled 'When drugs do not heal'. 40% of drugs in Ghana are fake because the regulating institutions are corrupt. The issue is now before parliament. Yet another story was on albinism and discrimination by colour. The Health Minister called JoyFM, came to the studio and promised that anyone that practises discrimination will be dealt with by the laws of the country."

"These examples and the resultant actions just go to show that it is possible to monetise high impact development news in Africa."

### QUOTES OF NOTE

**Input from Jesse Kwayu, Nipashe newspaper:** Our project was conceived by the private sector, who were concerned about the peasants who had no access to media. Every week for the past two years we have had a specialised pullout in Nipashe and in the Guardian where we focused on agriculture. It has raised a lot of awareness and it has been supported financially. Banks are now taking agricultural projects seriously.

**Question from delegate from the Central African Republic:** "When there is a scandal, it sells like hot cakes. How can people become interested in the real issues?"

**Comment from a delegate from Burundi:** "Phone-ins do not cost much and you can get close to the population this way."

**Response from Elvis Kwashie, JoyFM:** "Politics sells but is that all people are looking for? We need to know how to impact on the real issues that impact on the lives of people and also make a conscious effort to report on community issues that we are part of."



Joyce Barnathan



Baye Oumar Gueye



Elvis Kwashie