Out of Africa

When Australian-born media mogul Rupert Murdoch looked into expanding his media empire, his target initially was to grow the company in developed economies, mainly the US. When South African Koos Bekker wanted to build Naspers he looked to the developing world.

By Matebello Motloung 28 Sep 2009

Both companies have grown rapidly and Murdoch's News Corporation (News Corp) is a multinational billion dollar operation with assets across print, television, films, publishing, and online. Today it is News Corp tha under pressure, and not SA's Naspers.

Might SA's Naspers ever challenge News Corp in its biggest market? Koos Bekker, MD of Naspers, Africa largest media group, says an emphatic no, both companies play in different fields and, for now at least, on different scale.

Its market capitalisation as of September 17 was US14,5bn (R107,1bn) compared with News Corps US34,4bn.

News Corp's markets are not of interest to the group. “We like emerging markets,” says Bekker (57), who took over the reins at Naspers in 1997, replacing now-chairman Ton Vosloo. Naspers's market cap at the time was R3,5bn.

“Murdoch's main area is the US. We don't want to compete in the US. We would get killed there. The US is too competitive,” he says.

Among its local counterparts, though, Naspers's vision and deep pockets are unmatched. Some may argu that it was the group's history as one of SA's oldest media conglomerates and a former apartheid-era mouthpiece, that gave it a competitive advantage. But a successful combination of vision, strategy, and in some cases luck, has led to Naspers being one of the JSE's best and most consistent performers in the past decade. For the year to the end of June revenue was R26,7bn, up from R20,5bn in the previous year After-tax profit was strong at R3,33bn, though down from R3,89bn.

Backing Naspers's intensive expansion strategy is the pool of entrepreneurial brains it has amassed in eac of the regions in which it operates. The MIH Internet Division is the driver behind Naspers's repositioning itself as a leading Internet group in developing markets. The division is run by CEO Antonie Roux, a man with the energy of a 20 year-old. He is also Naspers's head hunter, searching for fresh talent.

Naspers's competitors are media groups such as Televisa in Mexico, Globo in Brazil, and NHN in Korea – all dominant players in their respective markets. “Compared with these we have a much wider geographic spread,” says Bekker.

Naspers's main markets are SA, which still accounts for at least 60% of its revenue; and China, Poland, Brazil, Russia, Nigeria and India.

The firm, which owns a stake in Abril, Brazil's most successful publishing group, remains weak in Latin America, but it's a situation Bekker is planning to rectify. Next year Naspers is set to announce a significan number of deals in India as well as Latin America. Bekker says the company last year closed 20 deals wo between US$5m and US$19m, all of them in developing markets. “This year we expect to do the same.”

Naspers has long maintained that its future lies in entrenching itself as a leading Internet and technology company. “Our investment criteria are to buy only in developing markets and in any of five sectors [in the online and technology field],” says Roux. These are content, communications, e-mail, instant messaging (I and sharing, and social network service (SNS) businesses. Roux says Naspers is also looking at investing online gaming, which is growing rapidly in China.

“We find a management team which is local and passionate, and back them. For example, we have no SA expats in [Hong Kong-listed] Tencent, Mail.ru [Russia] or ibibo [India].”

Bekker says one of Naspers's worst mistakes was when it employed Western managers when it first ventured into China a decade ago. “We put our own Western managers there thinking they could do bette than the Chinese. In China, the work ethic is different, and so is the culture.” Naspers lost US$80m in that venture.

The group also prefers to buy into existing companies rather than launch businesses from scratch. Howev it was forced to make an exception with ibibo. To guarantee success, Roux indirectly head hunted India's leading Internet expert, Ashish Kashyap, former head of Google India.

Roux says Naspers looks for entrepreneurial spirit in the companies it acquires. In Africa, Naspers's main operations are pay TV (MultiChoice); print (Media24); and mobile, in the form of MXit.

Pay-TV has generated the most cash. It accounts for almost 60% of the group's operating profit.

Nigeria is Naspers's second biggest pay-TV market after SA. MultiChoice Nigeria MD, Zimbabwe-born Joseph Hundah, estimates the company, which began operating in the country in 1994, has at least 1m subscribers, and the opportunity for growth is huge. However, the benefits have been slow in materialising The Nigerian TV landscape is very competitive. The country has 18 licensed pay-TV operators, five times the number in SA. Also challenging the group's penetration are poor infrastructure, constant power outage and the high cost of content. Unlike the SA pay-TV market, in Nigeria local content is key.

MultiChoice is using its financial muscle to gain ground. The company is sponsoring local sports leagues, such as basketball and soccer leagues in Nigeria, which have a large live and TV following. It was the first introduce a reality TV show in Nigeria.

Unlike in SA, producers in Nigeria buy TV slots if they want their programmes to be seen. They don't have worry about this aspect when dealing with MultiChoice as the company funds them to make content for its channels. This has also benefited the company.

Naspers has occasionally stumbled. A few years ago MultiChoice in Nigeria was fined N10m (Naira) for showing “pornographic scenes” from the Big Brother Africa reality programme. Then, earlier this year, Naspers's printing company, Paarl Media, suffered a serious fire that killed nine of its employees. Last yea the same company made news after unwittingly printing posters for Zimbabwean president Robert Mugab election campaign. The work came through an SA agency.

As to further investments on the continent, Roux says they are unlikely. “There's no quick win in Africa, mainly because of the disposable nature of consumers' income. Consumers can't afford content on mobil Also, there's no company of substance to buy. If you build something in Africa, you want to piggyback on something that's profitable," says Roux. Of the future of media, and print in particular, Bekker says: "The Internet will underpin our economy in the 21st century, much like the motorcar did in the 20th and railways the 19th. Each of these was the new mode of transport or communication in its time.

"To be a good eye surgeon or geologist or banker or even graphic designer one will need broadband Internet, at home and at the office, to function in the 21st century." He says SA is falling behind in the glob Internet race. "In the year 2000 we had half the Internet connections in Africa, now we're below 25% and falling."

Source: Financial Mail

I-Net Bridge