

Koos Bekker on Media24's future and how it fixed last year's 'bloody mess'



By Gill Moodie: @grubstreetSA

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Media24 has been much in the news lately, with a new CEO [Esmaré Weideman](#) appointed in April 2011 and now a far-ranging reorganisation that sees the *Rapport* editorship become vacant and [Peet Kruger](#) being made editor of *Beeld* again. On top of it, there's another round of restructuring on the go at the company - this time at [Finweek](#).



Koos Bekker

So a tumultuous time for the media company and that's not even the half of it, as Media24 has also weathered the very troubled installation of a new IT system that governs the distribution and subscription systems of its many magazines and newspapers. Koos Bekker, CEO of Media24's parent company, the global giant Naspers, tells Bizcommunity why the new system was a "bloody mess", how they've remedied the situation and why the company sees the tablet as a total game-changer.

Bizcommunity: *I think people look at [Naspers](#) and think that it's forging ahead into the digital arena but print is still important, isn't it?*

Koos Bekker: Yes, and it's also a generational thing. I'm in my 50s and if I read the *Financial Times* [of the UK], and I have a choice of reading it online or reading the physical copy, I'll take the physical copy because I'm more comfortable with it. I can scan it more readily. I can tear out a page and scribble on it. If I can't get the physical copy, I'll go electronic. And that's OK but it's not quite as good.

But if you're in your 20s, you'll actually do it the other way around. You'll say: "I'm actually more comfortable with the electronic version. I'd like to email it to my friends and do a Facebook 'like' on it and so forth."

But I think that print will be a good business for many years still.

Biz: *Mmm. I turn 40 next year and I've realised lately that even though I get three newspapers delivered to me, it's a waste as I'm not reading them. I get my news online or on my phone now - mostly because reading print newspaper is time-consuming. I'm very interested in the fact that the digital and print arms at [Media24](#) seem to be moving closer*

to each other - with 24.com now falling under newspapers. So what's the future? I know no one has the answers but what do you think is the way forward - get everything on to tablets?

Bekker: Tablets have made a big difference. So let's take what each does well. I think that, looking at myself, when it comes to [how I consume] breaking news such as the stock market and [the movement] of shares or I hear that Obama has broken a leg, I'll go to the Internet because I know it's updated more regularly. But if I want a reflective piece on the Greek [economic] situation and it's a long piece, I prefer to read it on paper.

It has often been established in research that over a certain length over an A4 page, the Internet doesn't read as well as print, nor do you remember as much. But the tablets brought a change and I find reading a newspaper or a magazine on a tablet much more satisfactory than reading it on a PR or laptop.

The tablets have clearly made a difference. So we're pushing all our products on to tablets... Before the end of this year every magazine and every newspaper we have will be on tablet - and we'll also start charging for certain products. Now whether we'll successfully sell those remains to be seen. [take the biz poll: [Would you pay the same subs fee for a digital edition as for print?](#)]

Looking abroad and in the US in particular, there's been a lot of flip-flopping between free and paid [models]. We'll have free and paid products and the tablets will be an important piece of this mix. I think within a very few number of years - possibly three years - we'll have a US\$100 tablet - that costs about R1000 - and it will be a true mass product.

Biz: *I would have thought the key to getting your stuff read on tablet is to charge for it so that people get their money's worth by using and reading your app.*

Bekker: That's very true. I have a lot of free apps and then a certain number of paid apps. Sometimes I'll download a free app just for the hell of it - just to test it. To sell me a paid app requires a lot of selling effort but once I'm into the habit [of reading and using it], I'll renew it quite readily.

Somehow the tablet makes it easier than on a PC. On tablets, people are more prepared to pay and the mechanism of payment is more well-established.

Biz: *And do you think your tabloid newspapers (such as the Daily Sun, Son, Sondag) fit with tablets? The Daily Sun in particular is aimed at an lower LSM market that don't have tablets yet.*

Bekker: I think in time they will. I remember when we started MTN in the early '90s, we did a calculation of total cellphone population in South Africa - this was in 1991. We did research and came up with the figure of 300 000... Now it's about 30 million.

In our minds at the time, the cellphone was a very bulky thing, costing several thousand rand and the physical object then cost about R500 a month to rent. But by driving down the cost, the cellphone became a phenomenon.

Every farm labourer, every plumber has a cellphone today and it's assumed you can't live without a cellphone. And the same thing will happen with the tablet. You'll say this is the way I access the world. It costs less than a R1000 and it displays a lot of free and paid content and it will become common currency. Kids will do their homework on it.

Biz: *Can I ask you about the Afrikaans press (Die Burger, Beeld, Volksblad and Rapport). I wrote a [Bizcommunity column](#) a little while ago questioning whether they are losing the power to influence because government people don't read Afrikaans and English journalists aren't really following what happens in the Afrikaans press anymore. What's your view on this?*

Bekker: I think an element of what you say is absolutely true in the sense that speaking to power in our stable is done through *City Press* and the *Daily Sun*. They have more influence on government, for sure.

But the Afrikaans papers have held up very well. If you look at circulation figures for the past two years, Afrikaans papers have held up as well - in some cases better than English-language titles. It's actually quite peculiar. We expected more of a decline and it's not happening.

I think the issue is that if you give people a good quality newspaper in their home language, they default to that even if they speak English at work.

Biz: Now in the latest [Naspers results](#), it says that Media24 came in with a 8% increase in advertising revenue but trouble with the new enterprise resource system [to manage subscriptions and distribution] cut into margins. I've heard Media24 talk about the trouble with the Cycad system - that subscribers who had been getting their papers for decades suddenly weren't receiving deliveries anymore. How serious is it?

Bekker: It was a bloody mess. Many people have told me - and I'm sure they've told you - that one of the worst things you can do is install an enterprise resource system because it invades everything... it predicts where your readers are, it tells you how many copies to bundle together to deliver to which Pick n Pay, it runs the system by which you distribute to people at their homes and very deeply underlies things.

We worked on Cycad for a number of years but the implementation was flawed and it caused a lot of disorganisation. But now I think we've stabilised it and the last few months it has been running in quite a stable fashion and we are superimposing a better system. So I think we've fixed it but it was very disruptive.

Biz: And there is obviously long-term damage. If you have subscribers not getting their papers, they lose faith in the delivery system.

Bekker: It's true. If you're not getting your paper for about a month, the old bond between you and the paper weakens so we want to fix that. I think we've stabilised the system so there's no more new damage. But we have to go back now and fix the hurt feelings and settle the nerves. I think we've got a good team on the job now and we won't make the same mistakes we made last year.

Biz: That's terrible for a print operation because in today's world it's brutal out there.

Bekker: It is brutal and you've got to be good. If you're not good, you get punished.

Biz: So what was the short-term cost of fixing this and getting a new system.

Bekker: There's definitely a cost but the difficulty is that it's not so much what you spend directly. Let's say you have a unhappy customer. Now you have to call him three times and that's a cost for the customer-service centre. Maybe you lose the customer and that's an opportunity cost for the future or you have to regain him in the future and that's a marketing cost.

The problem with such [an enterprise resource] system if it goes wacky is that it distributes cost across different areas. The worst part was October to December last year - that was quite rough - and then we brought in a strong team to settle down the system and now, over the next year, we'll start improving the system.

Biz: So this is also why many of your [newspapers' circulations](#) seem to be down recently?

Bekker: Yes, exactly.

Biz: So the editors are not really clear on their circulations numbers - or where they're going with circulation.

Bekker: You know what editors are like: they are very clear. If customers are unhappy, the editors scream blue murder - and as they should. Editors are extremely protective of their readers. So [with the Cycad problems] the editors screamed and I think it actually helped - it focused attention on the problem and allowed us to solve the thing.

For more:

- Bizcommunity Poll: [Would you pay the same subs fee for a digital edition as for print?](#)
- Naspers: [Naspers' annual results presentation](#) for the year ending 21 March 2011
- Media24: [Business organogram](#)
- The Media Online: [Media24 rings changes in newspaper division](#), 28 June 2011
- Business Day: [Staff cuts as FinWeek posts loss](#), 28 June 2011

- Bizcommunity: [Naspers core headline earnings up 13%](#), 28 June 2011 (edited company press release of 2010/11 results)
- Bloomberg: [Naspers Looking at 30 Potential Acquisitions. Chief Executive Bekker Says](#), 27 June 2011
- Daily Maverick: [Antonie Roux on Naspers' success - and the new tech bubble](#), 26 June 2011
- Bizcommunity: [Digital space rewards those who are first - 24.com GM Geoff Cohen](#), March 2011
- Bizcommunity: [Naspers results: happy campers all the way](#) by Gill Moodie (on Naspers and Avusa's 2009/10 annual results), 30 June 2010

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