

MDMPI Oral Hearings

Kagiso Media Presentation

13 March 2024



Panel Introduction

Presentation Panel

- Nicholas Grubb CEO: Kagiso Media Radio
- Anthea Carstens Audience Acquisition Manager: Kagiso Media
- Mark Botha Head of Digital: MediaMark
- Yusuf Nabee Regulatory consultant

Additional representatives:

- Deirdre King Managing Director: Jacaranda FM
- Vuyani Dombo Head of Finance: Kagiso Media
- Thabang Nthaudi Finance Manager: Jacaranda FM
- Andrew Pike Technical and IT Manager: Jacaranda FM



About Kagiso Media

- Kagiso Media is a majority Black-owned South African media company with interests in radio broadcasting, media sales, content creation, and specialised publishing.
- Kagiso Media is the 100% owner of Mediamark, which specialises in media sales, and sells inventory and solutions on behalf of its Radio brands, and other external broadcasting and digital clients.
- Kagiso Media Radio owns and operates two large regional radio stations, East Coast Radio and Jacaranda FM, which reach 2.3 million listeners on a weekly basis. It also has minority stakes in 4 others viz. Kaya FM, OFM, Heart FM and Gagasi.
- As the owner and operator of East Coast Radio and Jacaranda FM, the focus for this presentation will be on these two radio stations.



Relevance to this Inquiry

- Our radio stations operate in a two-sided market – serving audiences on one side and advertisers on the other. We create, curate and distribute content to attract audiences on our radio and digital platforms, and we monetise these audiences through the sale of advertising.
- East Coast Radio and Jacaranda FM are both licenced by ICASA and operate under the regulations and licence conditions issued by ICASA.
- As part of the licence conditions, our radio stations are required to broadcast regional, national and international news content.
- Our dedicated news teams produce over 30,000 minutes of radio news content and publish over 6,000 digital news articles annually. This news content is distributed through our radio stations, our websites, and through third party digital platforms such as Facebook and other social media platforms.
- Our content is monetised primarily on our websites. However, we are extremely reliant on search and social media for referral traffic and content discovery.
- Our ability to reach audiences, generate advertising revenue and develop a viable news product is therefore directly impacted by the outcomes of this Inquiry



Topics to be addressed

1. The changing landscape of news media

- Trends in news media
- Kagiso Media's multi-platform approach to news

2. The unique value of news

- News as a public good
- Value of news content to digital platforms

3. Contributing factors affecting the viable distribution of news content on digital media platforms

- Lack of transparency of algorithms
- Lack of regulations and accountability mechanisms for digital platforms
- Business model of digital platforms and the impact on misinformation and disinformation
- Inability to negotiate commercial terms
- Inadequate compensation for owners of news content
- The challenges of the AdTech stack

4. The viability of digital news

5. Jacaranda FM specific issues

6. Suggested remedies



The Changing Landscape of News Media

Trends in news media

1. **Digitalization and Mobile Consumption:** More people are accessing news through digital platforms and mobile devices, leading to a decline in traditional print media consumption, and to a lesser extent for radio and TV news.
2. **Rise of Social Media and Aggregator Platforms:** Social media platforms like Facebook, X, TikTok and digital aggregators like Google News have become significant sources of news, especially amongst younger audiences.
3. **Personalized and Customized Content:** Consumers increasingly prefer news content that is tailored to their interests and preferences.
4. **Shift towards Visual and Interactive Content:** There is a growing preference for visual and interactive news content, including videos, infographics, and interactive articles.
5. **Increasing proliferation of misinformation:** With the proliferation of news sources and the ability for anyone to create news content, there is an increased amount of “fake news” available.
6. **The rise of “echo chambers” and “filter bubbles”:** Increasing use of algorithms to feed news to consumers on digital platforms leads to a reinforcement of a single world view and lack of diversity in news consumption, views and opinions.
7. **Increasing trend of short format consumption of news:** News is increasingly short-form, driven by the formats preferred by consumers on social media platforms.



The Changing Landscape of News Media

Multi-platform approach to news

- Kagiso Media radio stations produce news in text, audio and video formats and aims to distribute this news content as widely as possible to reach our audiences
- Radio remains an important distribution platform for news content:
 - Credibility and trustworthiness
 - Accessibility and convenience
 - Local and community focus
 - Adaptability and innovation
 - Engagement and personal connection
- Digital platforms offer an additional distribution platform:
 - On-demand accessibility
 - In-depth coverage
 - Drives audiences to the radio station and vice-versa
 - Build adjacent audiences
 - Secondary revenue stream



The Unique Value of News

News as a public good

- The availability of credible news and information is an important component of the democratic discourse
- Large media platforms with reach and influence have a role to play in the provision of credible and diverse news content
- Traditionally this was driven through licencing and regulation of media platforms.
- Digital platforms are not subject to similar legislation, regulation or licencing, and therefore bear no responsibility or accountability to contribute to a vibrant news landscape
- In fact, it could be argued that they actively contribute to the decline of the news offering:
 - Affect the viability of traditional news media organisations
 - Promotion of misinformation and disinformation
 - Drowning out of local voices which cannot compete with large international news organisations
- Digital platforms act as an important gateway to news content – they bear an active responsibility to ensure that news is fair, truthful and accurate and to promote a vibrant and diverse news offering in the country



The Unique Value of News

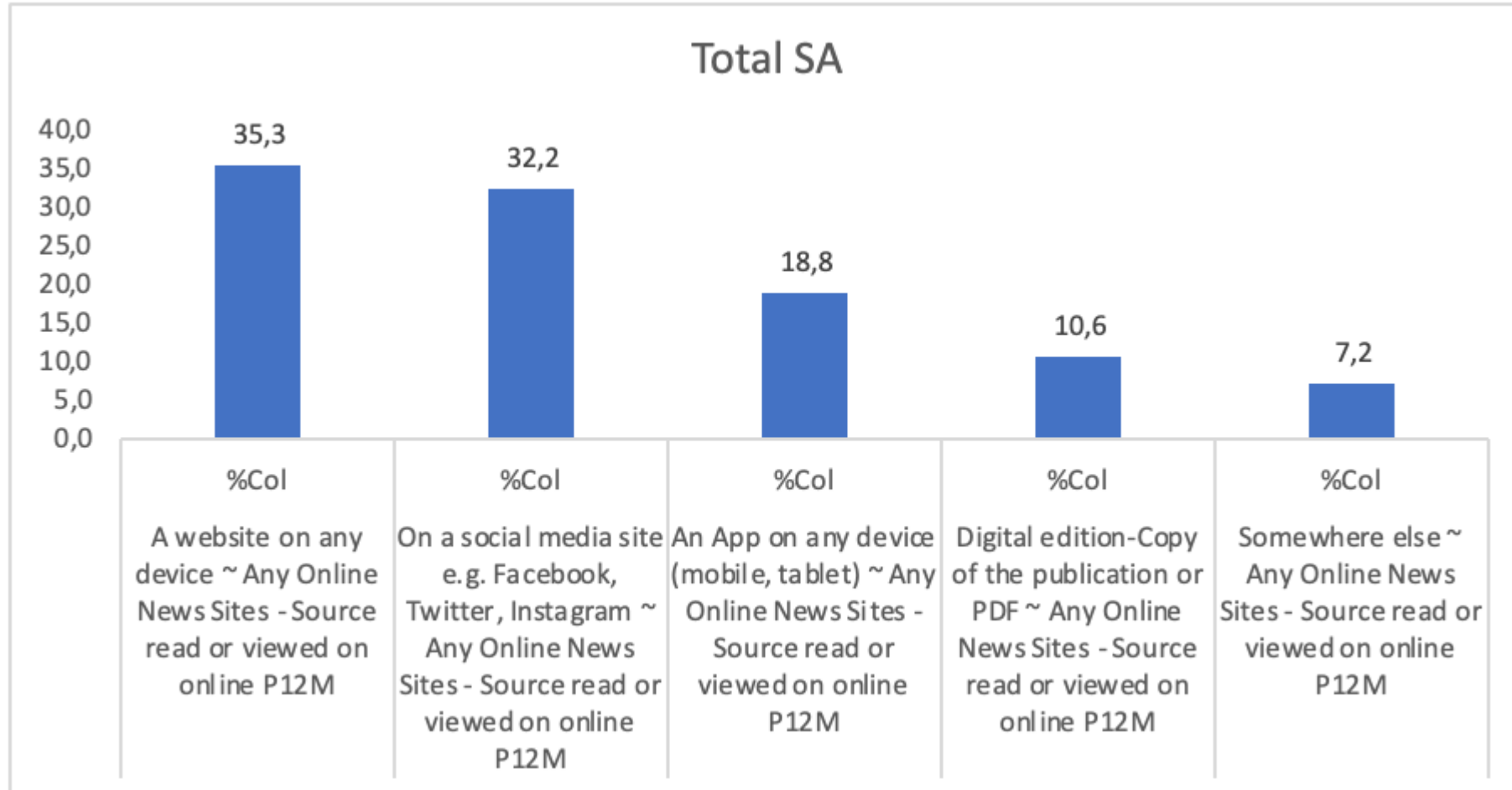
Value of news content to digital platforms

- The availability of credible news content is a key reason why users access search and social media platforms.
- Digital platforms benefit directly and indirectly from the availability of credible news content:
 - establishes credibility, engagement and retention for digital and social media platforms
 - drives traffic which is monetized directly and indirectly
- Value of news content should be measured based on its overall effect on the platform, and not just on the amount of content:
 - Ability to drive traffic and engagement
 - Direct and indirect monetisation
 - Opportunity cost of not having credible news



The Unique Value of News

News consumption in South Africa



Source: BRC Fusion 2022

Looking at online digital news consumption, the vast majority of consumption occurs via online news sites, followed closely by social media.



Contributing factors affecting viable distribution of news

Lack of transparency of the algorithms

- Algorithms significantly affect ranking and prioritization of content which in turn affects visibility and monetization
- Opacity of algorithms makes it difficult to determine which factors are driving the visibility of content
 - Even with investments in SEO or paid-for advertising, there is no guarantee that content visibility will increase due to other factors playing a role.
 - The platform could feasibly shift traffic towards content providers that are more favourable to the platform
- Changes to algorithms particularly problematic:
 - Limited notice and limited information about the changes
 - Potential loss of traffic and associated revenue
 - Additional investments to recover traffic both in terms of financial and human resources
 - Inability to develop long-term strategies
 - No recourse - take-it or leave it approach
- Disproportionate impact on smaller news content providers who don't have the resources to invest in SEO and other strategies

● Contributing factors affecting viable distribution of news

Regulated vs. unregulated content owners

- **Accuracy and truthfulness**
 - Kagiso Media radio stations are subject to ICASA licence conditions, ICASA regulations and the BCCSA Code of Conduct. The BCCSA has recently widened its ambit to cover broadcasters' digital content (excluding social media).
 - Penalties are applied in the event of breach
 - Investments in editorial oversight to ensure it meets the regulatory standards required and local laws
- **Monetisation**
 - **Digital platforms incentivize popularity over accuracy while regulated media organisations prioritise accuracy over popularity**
 - Inaccurate content placed alongside credible content with good journalistic oversight – competing in the same space for the same audience
 - Advertisers wary of association with inappropriate or inaccurate news
- **Shaping of public opinion**
 - Digital platforms have the ability to direct which content is made available, when it is made available and in what order it is presented - it is more than just an enabler but can effectively act as a curator
 - Digital platforms therefore have significant, unchecked and unregulated power which can be used to shape public opinion.



Contributing factors affecting viable distribution of news

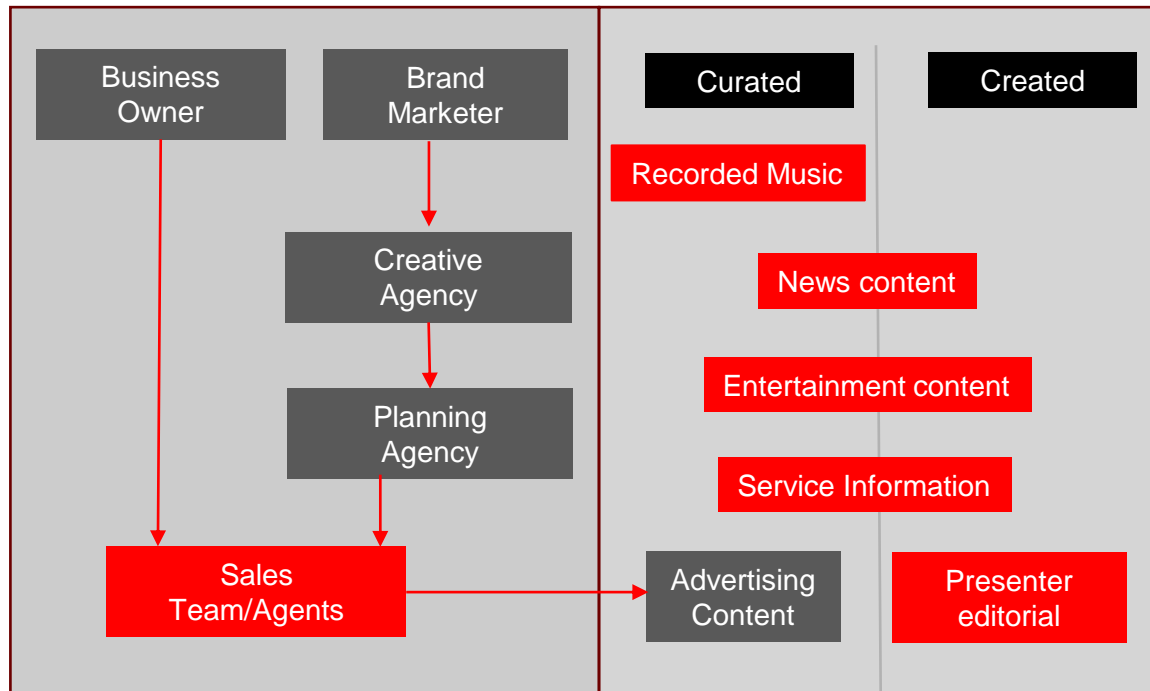
Misinformation and Disinformation

- Digital platform algorithms are prone to prioritise popularity and engagement metrics vs. credibility and truth
- Lack of adequate controls and regulations make it easy to share misinformation and disinformation, driving the popularity of such content
- Current controls are not adequate:
 - Self-regulation without independent accountability or meaningful consequence
 - Unequal application and lack of transparency
 - Reflects the bias of the media platform
 - Lack local context and relevance to local rights and regulations
 - Lack of recourse or alternatives for content owners
- Inability to distinguish between which news content is credible and which is not contributes to eroding trust

Contributing factors affecting viable distribution of news

Inability to negotiate commercial terms

- In the broadcast value chain, Kagiso Media has control of most aspects of the value chain
- Where Kagiso Media uses third parties there are clear contractual arrangements in place with accountability



Control/
Influence

Eg. Sentech
• Contract/SLA

- Value Proposition
- Marketing
- Brand Trust

Contributing factors affecting viable distribution of news

Inability to negotiate commercial terms

- In the case of digital platforms, Kagiso Media relies on key partners in the value chain:
 - Reliance on Google and Meta for referral of traffic
 - Reliance on social media platforms for the way in which content is made available and presented
 - Reliance on the platforms for access to audience data and information
- The platforms dictate the terms, technical formats and the revenue sharing arrangements. There is no viable alternative in the event that the terms are not favourable. Examples include:
 - The terms under which the algorithms are changed
 - The terms under which snippets are provided and utilized
 - The removal of cookies by Google
 - The requirements to use specific technical formats such as Google AMP or Facebook IA
 - The limitations on the availability of the full set of audience data
 - Revenue shares for advertising revenue

Contributing factors affecting viable distribution of news *Inadequate compensation for content owners*

- Production of quality and credible news content requires substantial investment
- Revenue earned from digital platforms for news content alone is limited:
 - Ad rates earned are substantially lower than radio, and even lower when using ad tech intermediaries
 - Limited to no compensation for news content used on aggregator sites
 - Revenue models driven by views and engagement do not favour news content, especially local news that cannot deliver sufficient scale.
- Potential for preferential treatment for content owners using Google or Meta aligned ad-tech stacks
 - Prioritised ranking
 - Prioritised ad placements
 - Higher revenue shares
 - Better access to audience data
- Without adequate revenue, compromises will have to be made on costs which will affect the quality, oversight and credibility of news content



Contributing factors affecting viable distribution of news

The challenges of the ad-tech stack

- **Dominance of Google in the ad tech stack**
 - Google controls the leading technology used by nearly every publisher and advertiser for the buying and selling of advertising space
 - **Publishers:** Google owns Google Ad Manager, after its 2008 acquisition of DoubleClick for Publishers (DFP) and they have grown DFP's market share from 60% at the time of the acquisition to 90%
 - **Advertisers:** Google owns the leading advertiser ad servers, Google Ads and Display & Video 360 (DV360), as well as DoubleClick Campaign Manager, which manages advertiser's ad campaigns and Google's 2008 acquisition of DoubleClick included the now-leading ad exchange AdX
- **Insufficient revenue to support viable of digital driven news offerings.**
 - Diminished monetary value of digital advertising
 - Reduced share of revenue accruing to the publisher and lack of transparency across the ad tech stack as to where the ad revenue is shared
 - Lack of control of the advertising placed on sites
 - Majority of revenue directed to large aggregators
- Publishers are forced to seek additional or alternative revenue models, including paywalls and subscriptions, or cut costs to maintain viability which affects the quality of the news product
- Kagiso Media is able to mitigate this by bundling advertising with radio. However, as more audiences shift to digital, we will face the same challenge

The viability of digital news

- Very few digital first or digital only platforms with a focus on news and information as their primary content category remain viable on their own.
 - Yields made from digital advertising alone are too low
 - Cost to produce high quality news content is high
- Those that are viable have either historical brand legacy and/or aggregate global audiences
- The South African audience is not large enough to compete with global digital offerings – the most relevant news is local, but the most revenue comes from global audiences.
- Broadcasters remain one of the few news media organisations that have the resources to sustain the investments required to sustain high quality news offering by leveraging existing audiences and a multi-platform approach
- A continued shift to digital news consumption over traditional broadcast platforms places this under threat
- A more viable digital revenue model is required that rewards not only demonstrable performance, but also demonstrable credibility and recognises the full value of news content

● Jacaranda FM specific issues

Jacaranda FM's digital and social media presence



Adequacy of data

- Jacaranda FM uses the data provided for operational decision-making:
 - Content
 - Marketing
 - Technical
- Kagiso Media Radio uses the data at a group level for strategic decision-making:
 - Investments
 - Revenue
 - Long-term planning
- Data is sufficient for operational decisions making but nor strategic decision making



Suggested Remedies

- A **Code of Conduct** that:
 - governs the relationship between publishers and digital platforms.
 - Holds platforms and their publishers accountable to Codes that are relevant to the South African market
- Negotiation through **collective bargaining** for fair remuneration should be allowed
- The development of **appropriate standards** that increase the transparency of the ad tech stack, user data and changes to algorithms
- Accountability to **an independent regulator** with regard to the implementation of the codes and standards with appropriate consequences for non-compliance
- Mechanisms to enable **differentiation between regulated and unregulated content** to create a safe space for advertisers around news content and combat misinformation:
 - Higher compensation for higher quality credible local content that is locally produced.
 - A visible differentiator or “gold standard” for credible, regulated news content that complies to high journalistic standards



THANK YOU