# Kagiso Media quietly poised to take off in Gauteng radio

By Gill Moodie: @grubstreetSA

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Kagiso Media owns some of the top-performing radio stations in South Africa and has been growing in the digital arena with very successful companies such as Gloo (formerly Gloo Digital Design).

Omar Essack

Yet the JSE-listed company that grew out of the Kagiso Trust is very quiet about its achievements. Omar Essack, Kagiso's CEO of broadcasting, tells Bizcommunity.com why is this is so, how the company is poised to really take off in the Gauteng radio market and that it is aiming ultimately to go into television.

***Bizcommunity: Kagiso Media is so under the radar in SA media. You guys seldom seek publicity and yet, for quite some time, you've been consistently producing good annual results. Why are you so quiet?***
**Omar Essack:** I think it's a Kagiso ethos. Remember, we were born from the Kagiso Trust. And the trust was set up do good in very meaningful ways across the country.

If you look at our track record and [that of] the trust - and if you look at what our dividends have been doing for the past 15 years in terms of building schools in the most neglected rural areas, building fully equipped science and computer labs and with Internet access and so on - all of these things are under the radar.

The philosophy of the trust has permeated all aspects of the business. So, even though we're in media, certainly at head-office level we tend to hang back and tend to let our brands get the limelight.

***Biz: Well, let's talk about some of those brands. I know you came up through [Durban-based] East Coast Radio, starting there as a DJ [in 1997] and then you later rose to be the MD of the station. There was a lot of happening***

***this year with the radio stations: the increased stake [to 47%]I n Kaya FM while [Gauteng station] Jacaranda FM seems to be doing very well. I did notice [from the most recent results] that advertising revenue was depressed at the beginning of the financial year [just after the 2010 FIFA World Cup]. What were the highlights for you? (Click here for a chart of company's structure and shareholdings.)***
**Essack:** Ja, I think you've spoken a bit to the highlights. We've been involved in Jacaranda for a little while now. It's been up and down, really. When we first got involved in 2005, we had a phenomenal 12-18 months and then it dissipated a little - it didn't keep to those heights and, partly, I think, it was because of lack of focus.

Then about two years ago we started to really work hard at the brand and started to focus on Gauteng. We really want to grow our listener base here [in Gauteng]. We knew that in the East and West Rand [of Joburg], there was a lot of affinity for the brand but often there was a signal issue. So about two years ago, ICASA [the SA broadcasting regulator] allowed us to boost our signal...

Over the past two years, if you look at our Gauteng listener growth it's been exceptional. Our primary target market is Gauteng, 25-to-49 [years old]; it's LSM 6-10 - more specifically LSM 8-10. But in LSM 6-10 in Gauteng since 2009, Jacaranda's up 31%: that's about 815 000 listeners. [Total audience for Jacaranda half-way through this year was at 2.2 million.] Obviously still smaller than (Primedia's) Highveld, which has dominance of the footprint in Johannesburg.

So effectively we're taking audience from somewhere, we're growing our share and the time spent listening so the loyalty's better and that's been very beneficial for Jacaranda, specifically because we've also started to look good in terms of media inflation. Our audience is growing but we're not increasing our rates at the same pace so we're becoming a value buy.

Our big challenge has been to try change the perception from one that we are a Pretoria station to one that appeals to Gauteng. We're unashamedly bilingual and we think that's an advantage. We celebrate the Afrikaans heritage but our view is that we meld both cultures and languages [English and Afrikaans] and that makes us authentically South African.

Also, over at the past two-to-three years, we've been putting a lot of emphasis at both our primary stations - Jacaranda and East Coast - on content development. We're actually taking money from our budget and investing it in improving the content.

If you look globally, that isn't common at a lot of stations in Europe and the US - that tend to rely on talent alone and not invest in content. So we'll centralise specific functions [across the stations] but we understand the key drivers.

***Biz: What do you mean by "content" compared with "talent"? Do you mean news content?***
**Essack:** I mean entertainment content - and that's a place that radio hasn't invested in in a long time.

***Biz: What kind of entertainment content?***
**Essack:** Well, for example, our Blockbusters concept [of reality radio campaigns]. We're putting real money behind developing content concepts like Lie Detector for radio. We take ordinary people and put them in a situation where they have to answer really tough questions. And every day is a cliff hanger because you get asked, for example, did you sleep with your best friend's wife - and then the listeners have to find out [the answer] tomorrow.

So it's reality radio - what we're calling our Blockbusters. But that takes investment because you've got to choreograph, produce and package it differently. It means putting money behind it in terms of promoting it and story boarding it. It takes a little more effort.

***Biz: There's certainly a view in the print industry - and I'm guilty of it myself - that commercial radio is a licence to print money. But that's not really true in today's world, is it?***

**Essack:** No, it isn't and I think our response [in our content strategy] speaks exactly to the shift in the media environment. There's so much choice, so many options for content, entertainment and news. International news is completely commoditised, for instance, so we've got to start investing in things that are harder to find and that are unique to ourselves -

and that's going back to something that radio's always been pretty good at but perhaps hasn't exploited in a long time in music radio: which is getting the best out of its audiences.

Its audience is a content source, properly produced - and that's a lot of what we're doing with a lot of our reality radio: our audience put their hands up to be part of a concept and then they tell their stories, whether it's in Lie Detector or in Date My Dad, which we trialled last year in Jacaranda where kids nominated their fathers, [who've] been single for a long time and felt that [they] needed to date again. And that's a pretty interesting life story - a soap opera but real - on radio.

***Biz: And was their quite a good response to that?***
**Essack:** A phenomenal response - and we're think it's this sort of thing that's driven the increase in listenership and loyalty - and time spent listening.

***Biz: When you increased your stake in [Joburg-based] Kaya, you also reduced your holdings in [Durban-based] Gagasi and [Cape Town-based] Heart to 20%. Is that because of ICASA regulations?***
**Essack:** The Kaya increase is in "economic interest" only. Because of the [ICASA] regulations we can't have equity in a third FM radio station at that level in South Africa... So we can't have an equity stake and, in a sense, vote on the board of Kaya. So what we've done is increased our economic interest, which means we've funded one of the shareholders [to increase their stake] and we get the benefit of dividends.

But, obviously, wherever we have either equity consideration or economic interest, Kagiso's intention is to position for a relaxation of the regulations. We've been waiting for it for a long time. It makes sense with new capacity emerging. When television migrates to digital there'll be new spectrum available; there'll probably be more licensing of radio...

The reduction [of shareholding] in Heart and Gagasi was a bit of a trade-off because we were acquiring the economic interest [in Kaya] from a very particular shareholder, who also had interest in Heart and Gagasi and they were willing to allow us to fund them at Kaya but, in return, they wanted to increase their current stakes in Gagasi and Heart.

We felt that was a reasonable trade-off because our view going forward - and we've seen this in the recession cycles - is that the money in Joburg is resilient. We'd rather have a better position in Gauteng.

***Biz: Sure, Johannesburg is a many-layered economy compared with that of other South African cities. Now let's talk about your online growth.***
**Essack:** Since 2008 we've been on a pretty committed revenue diversification strategy... Because we have an obligation to the trust that there is always a dividend stream coming out of Kagiso to fund the work of the trust in rural areas, it became difficult - as our radio assets matured - to be exposed significantly to advertising revenue, which is cyclical... To ensure a growing dividend stream, it made sense for us to find avenues in faster-growing categories or businesses.

Which is one of the reasons in 2008, two things happened - and it was pretty much my brief at the time. Number one was to bring back a digital footprint - and I say 'bring back' because in the year 2000 my predecessor Anton Harber [now head of Wits University's journalism school] launched a digital strategy [at Kagiso]. It was the right thing to do but the wrong time because with the global dot bomb, everything collapsed and money was lost here at Kagiso and anybody who talked about digital was looked at with a frown.

In 2008 I felt there was no way we could resist what was happening globally and this was now becoming a sustainable media channel. We tended to be conservative [at first] and bought businesses on the digital services... so by getting B2B businesses - Gloo in particular and Acceleration Media - we started to see growth and resilience.

Gloo has been unbelievable. It has grown by 20-30% over the past three years... and it's a top award winner. As a result, its revenues have gone through the roof. It's probably the fastest-growing asset we've ever had - perhaps East Coast Radio was also like that when we first bought it...

And then [the second key thing the company embarked on in 2008] there was content. I was very clear that we [in SA media] were going to get a proliferation of channels. Whether they're television, Internet, radio - and having a strong content base, we thought at the time, would be beneficial. So we bought Urban Brew Studios. And that has also been a pretty good asset - it continues to show strong growth...

Urban Brew was acquired for two reasons: one because we felt content is strategically the right place for us to be and, number two, because ultimately we want to be distributors. We want to get into television, as well so to have our production facility already in place and then to be able to get distribution through licensing - such as through satellite - we would probably have a slight advantage.

***Biz: OK, is there anything you'd like to add?***
**Essack:** Yes, that Kagiso's mandate is driven by the trust. That's very important to us. There has been and will continue to be an endowment for disadvantaged communities. We're going to talk a lot more about it going forward as it's an important differentiator. It gives our guys a reason to come to work in the morning other than just doing their jobs.

**For more:**

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- Bizcommunity: Small players threaten commoditised radio, May 2010

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