

Potential criminal charges in Media24 scandal



By Louise Marsland

4 Oct 2007

Nine Media24 magazines division employees are facing disciplinary action and potential criminal charges over the “deliberate manipulation” of circulation figures at five Touchline Media titles and seven Women’s Magazine Division titles. It has been confirmed that Touchline Media founder and MD, Marc Blachowitz, who suddenly resigned last week in the midst of the scandal, is one of the nine being investigated. Media agencies are now also taking legal advice.

Media24 group MD Hein Brand and Media24 Magazines CEO Patricia Scholtemeyer told a press conference yesterday, to which mainstream and trade media as well as industry stakeholders were invited, that they were horrified at the level of the trail of deception and dishonesty which has led to 12 leading magazine brands being suspended from the Audit Bureau of Circulations and millions of rands in compensation claims from advertisers.



Media24 group MD Hein Brand and
Media24 Magazines CEO Patricia
Scholtemeyer

In a fairly frank and direct press conference, Media24, represented by Brand and Scholtemeyer, promised to provide a full and transparent account of the irregularities and measures to be taken to ensure that the “rot” was rooted out of the organisation for good.



Blachowitz and two senior Touchline executives resigned last week and will face disciplinary action and the other six individuals from the Women’s Magazine Division implicated have all been suspended. Brand was emphatic that all would be dismissed summarily if found guilty in the internal procedures and if fraud were found to be committed, all or some would potentially also face criminal prosecution.

The ABC announced yesterday, Wednesday, 3 October 2007, that audit circulation certificates for the five Touchline titles had also been withdrawn and their membership of the ABC suspended. The Media24 magazines affected from both divisions are: *Men’s Health*, *Sports Illustrated*, *Shape*, *Wisden Cricketer*, *Kick Off*, *FairLady*, *Sarie*, *True Love*, *Leef*, *InStyle SA*, *True Love Babe* and *True Love Bride*.

'Horrified'

Brand said: “Media24 is horrified and appalled that irregularities regarding circulation figures took place in two of our 12 magazine divisions. The actions of a few people have damaged the reputation of Media24.

“We are encouraged by the fact that the majority of our magazine business entities have been cleared by the forensic audit. We are reassured that our people subscribe to our fundamental values of integrity, honesty and transparency on which the company is built.”

Brand went on: “We appreciate the role of the ABC in identifying the problem and alerting us to it. It is clear that the ABC auditing system works and Media24 can attest to this to the benefit of the print industry.” He added that he did not think that the problem detected within Media24 circulation departments was industry-wide in nature.

ABC re-audit

The rest of the Media24 magazines in the other 10 divisions have been given a clean bill of health by ENS Forensic auditors appointed by Media24 and will remain in the Magazine Publishing Association of South Africa (MPASA) Pica Awards due to take place early next month. The ABC has, however, already ordered a re-audit of all Media24’s magazines.

Both Brand and Scholtemeyer were at pains to point out that no editorial staff were involved in the debacle. Scholtemeyer

stated outright that there had been a deliberate manipulation of figures by individuals, not sanctioned by management, and that no editorial staff were involved. “We were shocked and horrified... this was not an administrative error... it was downright dishonesty.”

Explained Brand: “The irregularities are as a result of collusion amongst a few dishonest individuals which went undetected by the internal and external audits. My heart bleeds for the editors, particularly during the process. I’m very very happy to say that no editorial staff or editors have been involved in the illegal process... we are grateful to the ABC for picking up the irregularities... that’s the really brutal story of these irregularities.”

Brand also told Bizcommunity.com that the Media24 Board was fully supportive of Scholtemeyer. Scholtemeyer, who only a month ago was crowned Vodacom Media Woman of the Year, will hear next week if the MPASA board will continue to support her as MPASA chair and Pica Awards chair for the remainder of the year.

Scholtemeyer, who was clearly relieved that the press conference ordeal was over yesterday, agreed that she had seen “the best of times and the worst of times” this year.

In the detailed presentation, which included a report back from the forensic auditors, Brand created context, emphasising that Media24 was a group with a turnover of R6 billion per annum and included media interests across various channels. The magazine division alone sold more than 5.9 million magazines read by more than 8.7 million people annually, many of them leading brands in their categories and award-winning titles.

Outrage

Compensation to advertisers from Media24 will run to millions of rands, Brand confirmed, also denying that any titles would be closed or staff retrenched despite obvious financial losses. But the cost to the brand could be far higher in the long term as the marketplace learns that the irregularities went deeper and involved more leading brands. Media directors and advertisers are outraged and prepared to play hardball.

“How can I put this subtly... there’s a huge amount of shit about to break,” said industry doyen The Media Shop’s Harry Herber, speaking plainly. “It’s all very well to come clean, but the fact that it happened at all, calls into question how it could have happened in the first place? It all comes down to trust. There’s a huge amount of advertising placed based on trust.

“Compensation is not the issue, it goes far deeper. There will be major fallout... fraud is a very dirty word.”

Herber also raised the question as to what was the motivation of the individuals involved. “What was the gain here? The circulation guy stands to gain so little. It just doesn’t make sense.”

Legal action

Herber emphasised that The Media Shop would take a very hard line with Media24 on this issue and with the magazine publishing industry in general. “A non-negotiable attitude is required from the industry over this. It’s about business, not sympathy or empathy. I’m representing my client’s interests.” He also confirmed that Media Shop would be calling in its board over the issue and taking legal advice.

Some media commentators such as Chris Brewer, who was present at the press conference yesterday, believe that Media24 have made “one of the smartest decisions a publisher could ever make” in coming clean and addressing the issue so directly to put a stop to the rumour-mongering in the industry: “Some politicians could take lessons,” he said – staff within Media24 speak of the pressures of targets, meeting circulation objectives and “impossible targets” which could have created fertile ground for fraud to emerge.

Brand said he honestly didn’t know what led to the Touchline cover up, as some of the percentages were not all that large. The women’s magazine fraud was tracked back to one individual who colluded with a distribution company to fake bulk

distribution invoices.

“Is it organisational culture? My assessment is that the underlying dynamics are entirely different. My theory is that the Women's Magazine Division has been unbelievably competitive in the market, pressure was building. Hopefully we will get to understand exactly why. The Touchline one baffles me. The magazines concerned operate in specified niches and are clear category leaders. Smoothing over figures for a few percentages makes no sense.”

Dealing with the fallout

Brand also confirmed that they had engaged with the international licence holders of the affected titles and were keeping them informed. *In Style*, the newest and one of the most affected titles by the overstatement of circulation figures by as much as 50%, would be refocused in terms of a new business plan.

With not-so-subtle embeds in their slide presentation running through every slide, stating “Media24 acted quickly and decisively” and “Media24 is doing the right thing”, the group added that its guiding principles in this mess were:

1. A commitment to transparency: immediately announce the problem and inform stakeholders.
2. A policy of zero tolerance: to act against transgressors and discipline them accordingly, no matter their seniority.
3. Compensation for advertisers: to engage advertisers as a matter of urgency regarding compensation.
4. Commitment to prevention: to formulate and implement measures to prevent a recurrence.

Media24's own forensic audit will be completed by Friday 5 October and the ABC re-audit will begin shortly on all Media24's titles. Disciplinary action will commence against the nine staffers and a programme of boosting staff morale will be implemented. The process of putting in place strict business procedures to ensure that such fraud does not happen again has already begun.

The exco of Media24 will now also break away into smaller groups to address staff in the group and engage face-to-face with all stakeholders. A series of meetings with advertisers affected and media agencies is already taking place.

Whether this will be enough to contain the fallout is another story. With media directors feeling lied to and taken advantage of and other media groups making noises about legal action, it's anyone's guess how long it will take the magazine publishing industry in South Africa, as well as the Media24 brand, to recover from this, one of the biggest media scandals in recent memory.

For more:

- [Media24: now the PR really starts](#) [article]
- [\[No Comment\] 'Mayhem at Media Park'](#) [blog]
- [Is Media24 the only culprit?](#) [article]
- [Media24: profit and performance pressure cooker](#) [article]
- [ABC routine audit checks on all publishers](#) [article]
- [Zoopy interviews Hein Brand, Steven Powell and Di Paice](#) [blog]
- [Thursday's Media24 press conf in CT \[Zoopy videos\]](#) [blog]
- [Potential criminal charges in Media24 scandal](#) [article]
- [How did it all go wrong at Media24?](#) [article]
- [Touchline MD faces disciplinary action](#) [article]
- ["My heart bleeds for the editors"](#) [article]
- [Touchline Media lied about circulation figures](#) [article]
- [Notes on a scandal](#) [article]
- [Wednesday is D-Day for Media24](#) [blog]
- [Media24: media agencies take up the fight](#) [article]
- [Are the Picas at risk?](#) [blog]

- [Touchline under scrutiny](#) [snippet]
- [Media24 staff responsible for circulation irregularities](#) [article]
- [Media24 restates certain ABC figures](#) [article]
- [Patricia Scholtemeyer honoured for job creation](#) [article]
- [Scholtemeyer, Lowe Morna: Vodacom Women in The Media finalists](#) [article]
- Video coverage on the Thursday, 4 October 2007, Media24 press conference in Cape Town:
 - [Zoopy interviews Hein Brand, Steven Powell and Di Paice](#) [blog]
 - [Thursday's Media24 press conf in CT \[Zoopy videos\]](#) [blog]
- Breaking news blog for coverage of the Wednesday, 3 October 2007, Media24 press conference in Johannesburg: <http://blog.bizcommunity.com> [blog]

ABOUT LOUISE MARSLAND

Louise Burgers (previously Marsland) is Founder/Content Director: SOURCE Content Marketing Agency. Louise is a Writer, Publisher, Editor, Content Strategist, Content/Media Trainer. She has written about consumer trends, brands, branding, media, marketing and the advertising communications industry in SA and across Africa, for over 20 years, notably, as previous Africa Editor: Bizcommunity.com; Editor: Bizcommunity Media/Marketing SA; Editor-in-Chief: AdVantage magazine; Editor: Marketing Mx magazine; Editor: Progressive Retailing magazine; Editor: BusinessBrief magazine; Editor: FMOG Files newsletter. Web: www.sourceagency.co.za.

■ Teaching trade: the importance of empowering the female entrepreneur - 17 Dec 2019

■ New monetisation models for media are needed - 16 Dec 2019

■ #AfricaCom: The many VOD markets - 25 Nov 2019

■ #AfricaCom: TV content future will be shaped by OTT - 20 Nov 2019

■ Africa's growth rests on economic empowerment of women - 1 Nov 2019

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>