

The evolution of online news: a
comparative case study of the process
of online implementation at two South
African news organisations.

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by

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Abstract

This study examines the evolution of online news strategy in South African and American newspaper companies, and compares the approaches used in the two countries. The Internet has had a major effect on news worldwide, and has contributed to sweeping changes in the news industry in all media. This study looks at the changes and the evolving strategy wrought by online news in the newspaper industry in two countries.

In order to do this comparison, a model of the US experience has been constructed, using material published in the US academic and professional journalism press. Since there is no equivalent published material available dealing with the South African experience, interviews were conducted with staff at two newspaper companies (Johnnic and Naspers), and a broad historical overview was created for each company.

These “narrative histories” were then compared with the US model, and areas of commonality and difference were highlighted and discussed. Several structural and national differences between the two countries were also raised and analysed.

Finally, a conclusion as to how applicable the US model is to the South African experience is drawn, and suggestions are made for further study.

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Chapter 1

Introduction

This thesis is an attempt to compare the South African and US experiences of moving a newspaper onto the Internet. Although the Internet is a global phenomenon, the companies that work with it are still largely nationally based, as are the audiences, particularly for news.

In the eight years since the Internet entered into the general public consciousness as a communications medium, a substantial amount has been written about the ways in which it has changed media, society and industry. However, in South Africa, very little serious analysis has been written on the Internet (although there is a fair amount of anecdotal reportage), and even less on the role of the Internet as a medium within society. This study arises in part out of attempt to correct this lack of material, and to instigate a discussion of online news in South Africa as an industry and as a social agent. It is also an attempt to discuss to what extent national differences have an impact on the ways on which the medium is used.

In the United States, on the other hand, more analysis and research has been done on the Internet as a news medium, and on the ways in which the Internet has affected more traditional news organisations. There still remains, however, a lack of any definitive studies on the Internet as a news medium, or any industry standard as to how traditional news organisations should approach the Internet.

In order to examine the South African online news environment, and to determine national differences from the study, it was necessary to establish a benchmark against which to compare the South African material. Although there is substantial material on the US experience, not definitive material could be found, and so a model was constructed from an analysis of the available published material on the United States.

The final comparison, between the constructed US model, and the material collected on the South African experience highlights several interesting questions about the national differences in Internet as news medium, and about working practices of journalists in both countries.

In order to compare the US experience with that in South Africa, it has been necessary to compare published articles on the US experience with interviews and more anecdotal information about the South African environment. This is because it proved impossible to conduct personal interviews with people at US companies, and likewise, very little published material is available with regards to the South African market. This disparity in the kinds of sources raises several issues for the research.

- To what extent is the dissatisfaction and negativity expressed in the South African companies truly reflective, or is this simply the result of the greater informality of the interview process, and the willingness of people to open up? Given that the US material is all published, it represents, in many cases, the official position of the company concerned, and it is likely that individuals interviewed for publication were more careful in their statements. On the other hand, in South Africa, although interviewees were informed that the research would be made available to their superiors, the level of self-censorship in a personal interview is far less than in a written and published article.
- The majority of the US articles surveyed were written by journalists, for an audience of journalists and editors. It could be said, therefore, that the views expressed in these articles represent only one perspective on the issues. However, the people interviewed in South Africa represent a far wider range of roles and professions at the two companies, from Managing Director (Russell Hanly of Naspers, Neil Jacobsohn of Johnnic), journalists and sub-editors (MA Farquharson at Johnnic, Arrie Rossouw at Naspers) to programmers and system administrators (Geoff Cohen at Johnnic). The perspective gained in this study on the South African companies could be said to be far more broad, and this makes it harder to compare to the US experience.
- Over the totality of the US literature surveyed, very few news organisations were mentioned more than once (only the *Chicago Tribune* was the subject of more than one article). This means, that although there is a wide survey of the industry, there is very little in-depth material about any one company. The material in this study, by contrast, covers two companies in great detail, but

does not give a broad overview of the industry in South Africa (although the two companies surveyed do represent well over half the newspapers in the country).

In this research I dealt with two companies, Johnnic and Naspers. Although they both agreed to allow me to conduct interviews with staff, on the company premises and on company time, the level of access I was given differed markedly between the two.

Johnnic gave me almost free access to their staff, with the proviso that the staff could choose not to speak to me (nobody took this option). I was granted extensive interviews with both senior members of staff, and with several journalists and editors. Several of the people interviewed had been at Johnnic since before the first website was created, and this proved invaluable. In addition, several people made suggestions for additional people to interview, and Sven Lunsche even arranged several interviews for me.

Naspers, on the other hand, granted me only three interviews, with the MD of eMedia24, with the general manager of News24, and with the previous editor of News24. This meant that the material I was able to collect on Naspers was both far less comprehensive than at Johnnic, and that material was almost universally from the perspective of senior management. At Naspers, I was unable to speak to any journalists or programmers. Two of the three people were also recent members of staff, making the historical information less available than at Johnnic.

This lack of access to a broad range of key personnel at Naspers meant that I had to rely far more heavily on published material for information, most of it from the business press. This, coupled with the preponderance of management staff interviewed may have skewed the impression of the company's focus.

On a few occasions during the interviews, I was presented with two differing perspectives as to what had occurred from different people. Although this does raise questions as to the reliability of people's memory, I have pointed out the places where discrepancies arose, and, in some cases, introduced other evidence to support one or the other person's assertion. There were, however, no fundamental disagreements as

to the company's activities, only small ones on particular dates or people, and none of these disagreements have noticeable effects on the outcome of the final study.

There were also cases where the information I was presented with seemed to be in contradiction to information published elsewhere, even by the company concerned. There are also cases where what the company claims to be doing online is not borne out by the actual material available on the website. As with other discrepancies, I have pointed out in the text where there appears to be disagreement.

The existence of multiple titles and interests within a single company, as is the case both at Naspers and at Johnnic, raises problems as well. I have tried to follow all aspects of a company's strategy, but there are places where it is hard to establish exactly what was being done by which division and why. I have, where possible, pointed out the areas where there seems to have been no cohesive strategy.

This research is by no means a comprehensive analysis of the online news industry, nor is it intended as a blueprint as to how to do it. What it is intended to be, though, is a historical document, outlining the strategies that were followed, and the thinking that was extant at the time.

This study is organised into several chapters.

- The first chapter outlines what published material is available on the US experience, and using this material, constructs the model which forms the basis of the comparison between the United States and South Africa.
- The second chapter outlines the broad theoretical approaches to the material surveyed used in this study, both the published material on the US experience, and the anecdotal information on the South African.
- The material collected on the two South African companies is presented and discussed in the following two chapters, one for each company. A broad historical overview of the activity of each company is produced, and a brief summary and analysis of the company is provided.

- The fifth chapter returns to the US model, and compares the South African experiences to the US experience. In this chapter, each of the four phases of the US model is laid out, and a detailed discussion of the South African companies' activities at the relevant stage is provided. From there, several areas in which the South African companies differed from the US companies are identified, and each one is discussed in detail.
- The final chapter reaches some broad conclusions as to the ways in which the experience of South African newspaper companies and American newspaper companies differs, and attempts to place these differences in a national context. This chapter goes on to highlight some further research questions that have been raised by this study.

Chapter 2

Literature review

In the almost ten years since the Internet broke into the public consciousness, it has had a dramatic effect on the ways in which people communicate with each other. Industries in all sectors have been changed by this new technology, and one of the most affected, if not the most, has been the media. The ways in which news is gathered, produced and consumed have changed radically in the last decade. Writers in the academic and popular media have written extensively about the changes in society and industry that have been brought about by this new medium.

However, when considered against the scale of the change to the industry, relatively little has been written about the ways news organisations have responded to the challenges posed by the world wide web. The Internet as a whole has been the subject of some research, and there is a substantial body of literature which discusses the Internet, but the subset of this material that deals with news is fairly small, and the subset that deals specifically with organisational approaches to the internet in news organisations is even smaller.

1. Current research

Current research into new media and the Internet can be divided into several broad areas.

1. The first area is traditional content analysis, usually conducted with a view to seeing how much the results differ from traditional media. This research looks at the ways Internet news presentation differs from news presentation in other media, and is the natural progression from studies which looked at the ways in which television news differs from print. This research is of some relevance to this study, but usually fails to address production issues, focussing almost exclusively on the final product. (Kopper, 2000).
2. The second field of research, and probably the largest, in terms of data collected, is the area of consumption. Several studies have been conducted into how users actually use the web, and what sites work best. Jakob Nielsen is the acknowledged expert in this area, but many large news organisations, especially in the United States, have conducted research into what people really want from their online news sites. This kind of research is usually indistinguishable from the market surveys and circulation audits that traditional media have been using for years, and although the data may be interesting, there is little significance in

the fact of the research being done. Much of this research is conducted by commercial enterprises, and the results are then sold. In my research, this material has only come up as secondary, in the sense that I am finding evidence of news organisations' concerns about, and responses to research into usability, but not the research itself.

3. The third field, and a smaller one than the other two is the uses of the internet as a communications medium, and the ways in which it is affecting society as a whole. These studies are seldom concerned only with news (if at all), and are more usually conducted with a political or sociological approach. Examples of this would include Dana Ott's USAID-sponsored study on the internet and democratisation in Africa, and Grossman's 1996 article on the empowerment of people through the Internet. (Kopper, 2000)
4. The fourth area of research into online news is that of storytelling, and the ways in which the practice of journalism is changing in response to this new medium. John Pavlik is a key researcher in this area. In my research some of the issues raised by Pavlik do come up, but not in the ways in which he explores them. Pavlik is concerned primarily with the practices of individual journalists, and the ways in which the Internet can be used to enhance the process of collecting and presenting a story. In *The Impact of Technology on Journalism* (2000), he gives several examples of innovative approaches to storytelling, and then concludes: "Is it better journalism? I do not know, but it is engaging, and in some ways comes closer to the truth ..." (Pavlik, 2000). I am interested mainly in organisational response to the internet, something that Pavlik is less concerned with. In the same article, he touches briefly on the ways in which the Internet has affected newsrooms, but comments more on the flatter newsroom structure to which email has contributed, and changes in distribution methods than on company strategy with regards to the Internet.
5. The fifth area of research, and the one I am most concerned with, is research into the response to the internet on the part of the producers of news content at an organisational and industry level. Much of the research in this area has been published in the professional journals of the news industry in the United States, such as *The Columbia Journalism Review*, *Editor and Publisher*, and *Nieman Reports*. Most of it could not be classified as strictly academic, as it is often more anecdotal reportage than real research. Taken as a whole, though, the body of published information on news organisations' online activities reveals some significant patterns, and can be used to construct a model..

2. Relevant articles

I have divided my analysis of these articles into two broad categories: those dealing with a specific individual's or newspaper's experience, and those dealing with the industry as a whole.

Much of the early material written about news on the Internet took the form of “reports from the front line”, articles either written in the first person, or with only one person as the subject, and focused almost entirely on the novelty of online journalism. They are not particularly analytical of the industry. Examples of this approach include Stephen Borelli's account of, an entry-level journalist working for a sports news site, Jackie Barron's experience of multimedia reporting, and Laura Italiano's discussion of very early multimedia coverage. They are included in this study primarily for what they say about the state of the industry at the time. Italiano and Barron reveal quite a bit about the ways in which the online ventures were perceived by the traditional media.

Several articles, while still dealing with an individual news organisation, are slightly broader than first-person accounts, and talk about roles and relationships at online news organisations. Two of these deal with the *Chicago Tribune*. Christopher Harper (1996), and Alicia Shepard (2000). Harper's article deals with one specific multimedia reporter, but expands into a discussion of the online newsroom as a whole. Shepard is writing about the Tribune's purchase of Times Mirror, and the effects of this on the organisation.

Of far more interest are the articles which deal with changes to the industry as a whole. Whether written as an overview of who's doing what, or as an exhortation to the industry to pursue certain paths, they give a useful insight into the thinking at the time. Lucia Moses (1999), for example gives several models for how integrated online and print newspaper should be, with examples, and Carl Sullivan (1999) explores the "portal" strategy that was common at the time.

The articles I have reviewed cover a time span of just over five years. The first articles appeared in 1996, with Italiano (1996), being the earliest, and the last ones in 2001. Although 1996 seems late, considering that the world wide web was invented in 1993, and many newspapers began to create online editions in 1994, this is in keeping with the delay between the adoption of new technology and the emergence of strategic thinking and writing on the subject. In addition, it is important to note that although some news organisations launched websites almost immediately after the advent of the Internet, it did take several years for this to permeate the industry as a whole.

The collection of articles, when examined, give an overview of the history of the internet as a news medium, and of the approaches taken to it. A close analysis of these articles reveals distinct phases in the evolution of how newspaper organisations have approached the internet. This evolution can be described as having four distinct phases, with different problems and ideas being extant in each phase.

Although the four phases are roughly chronological, it is difficult to identify the exact start and end points for each phase, since different organisations enter the different phases at different times. It is possible to identify when the literature begins to talk about a particular phase, and that is the date I have used to mark the phases. Just because a new phase may have begun, does not mean that other organisations are not still in the previous one, and that there is no literature after that date that deals with the prior phases.

3. Phase one: the digital newspaper – the beginning

The first phase consists of simply re-creating the print edition online. The early literature tends not to have covered this phase extensively, mainly because the project to put a newspaper online was often beneath the notice of the management of the company. Where this phase is mentioned it is more usually in the context of "the bad old days", or an account of someone else's activities. As Harper, writing in 1996 put it: "Although more than 200 American newspapers offer an online edition, most are simply an electronic version of the printed newspaper - a "shovelware" version, as it's known on the internet" (Harper, 1996). The article goes on to explain why the *Chicago Tribune* is different, and has moved beyond simply reproducing the print edition.

Often the initial move online was motivated by the sense that "everyone else was doing it", rather than any serious business motive. "Many of the publishers who are on the web do not seem certain they should be there. Their reasons for taking their papers online boil down to a set of related fears: fears of being left behind if they fail to protect their franchise, fear of losing existing readers and being bypassed altogether by new ones, fears of losing money - especially retail and classified ad revenue - to new computers." (Singer et al, 1999)

Pancieria, in a retrospective article, talks about the lack of analysis applied to the exercise of putting a newspaper online at the time, and of the importance of technological expertise:

"We simply didn't know enough about our new medium to use it to its best advantage. Even if we thought we had the knowledge, most of us didn't have the resources to implement it. So we plowed along, teaching ourselves HTML, all the while regarding our programmers as demigods ..." (Panciera, 2000)

Another key point in this phase is the "gee whiz" attitude, and the lack of any consideration of financial issues or market. Italiano, in writing about covering the papal visit of 1995 for New Jersey Online, displays this to great extent;

"Speed, niche marketing, freedom from the limits of a news hole and deadlines, and audience interactivity: this early event demonstrates all the elements that, when combined, remain today what can elevate online journalism above its print and broadcast brethren." (Italiano, 1996).

Although it is difficult to place exact dates around the various phases, since news organisations responded at differing speeds to the Internet, phase one began in 1993, with the invention of the World Wide Web and began to be superseded by phase two in late 1996, early 1997.

4. Phase two: breaking news and the competition heats up – early 1997

The second phase occurs when the editorial management of a newspaper begins to take an interest in the online venture, and strategy begins to be developed. It is at this phase that the analysis of the reasoning of online news begins, and the literature expands considerably.

The key element of this phase is the move to breaking news. Newspapers in the first phase of online development simply reproduce the print edition, usually after the print edition is completed (and in some cases, not until after it has been distributed). In most cases, this means a single update, either late at night, or in the early morning. In the second phase, newspapers begin to look at how their information is used online, and reach the conclusion that users want to see news updated during the day. Scott Kirsner, in *The Breaking News Dilemma* (1997) puts it this way: "As more readers get connected to the world wide web at work and at home, newspapers are beginning to feel the constraints of publishing just once a day. 'The nature of the beast is that people expect news as it happens, not several hours later'"

The initial response to this demand for regularly updated news is to use wire services. Kirsner stated that:

"The vast majority of web publishers - The Newspaper Association of America estimates that 900 papers will have web sites by the end of the year - rely heavily on The Associated Press and Reuters for coverage of breaking news." (Kirsner, 1997)

The use of wires has its own problems, not least the risk that several sites will have identical copy, thereby removing any competitive edge (although concerns about competitiveness are not key at this stage). Newspapers traditionally balk at using too many wire stories, and this attitude also shows up in discussion of online news: "As a reporter or editor, it used to kill me to have to use a wire story in *The New York Times*. It was like admitting defeat. Now it really bugs me that we use so much AP copy on our web site" (Kirsner, 1997, quoting Gwertzman)

The lack of the ability of wires to cover local stories is also important. Kelly Heyboer (2000) says that: "many online newspapers are emphasizing their strength - local news. Even at smaller papers' websites it's no longer good enough to simply reprint the morning paper, and then link to a few Associated Press stories at noon".

The recognition that readers expect regularly updated news, coupled with the reluctance to use wire services leads directly to the next step in the evolution of online news: the creation of original content for the web site. Kirsner, (1997), again points out that:

"The *Times*, along with the *San Jose Mercury News*, *The Wall Street Journal*, and the *Chicago Tribune*, is beginning to experiment with original reporting on breaking stories." (Kirsner, 1997)

Sometimes the approach was to have the online team expand to include journalists (in addition to the technicians and subs who had been working in online news since the beginning). One of the first to do this was projo.com (Rhode Island's *Providence Journal's* website), who "recruited its first Web-only reporter ... committed to doing regular updates of local news". (Heyboer, 2000)

More common, though, was to expect the print staff to file updates of their stories themselves, "some sites are asking their print staffs to produce mid-afternoon versions of the day's top stories for the Web while the news is fresh." (Heyboer, 2000). This approach was problematic, mainly because of staff's difficulties with the increased workload. "But Gray says he is also running into some resistance from other print reporters worried that being required to support the web site will interfere with the time they need to put together their own stories for the print edition." (Heyboer, 2000)

The New York Times' approach is a combination of the two:

The New York Times on the Web announced it would begin publishing staff-produced updates on the day's news in mid-December. Written and edited by a new, six-person Continuous News Desk, the Web-Only stories would complement the day's print stories, providing additional analysis and explanation ... asking print reporters to file early versions of stories or call in notes to one of four Web rewrite reporters." (Heyboer, 2000)

For many newspapers, this was the first time the online activities had impinged on the running of the newsroom, and marks the beginning of online's move into the mainstream thinking of news management.

This approach is touted by JD Lasica, in "Time to freshen up online newspapers".

"There's no inherent reason why journalists must report stories only once a day. Online news should be about getting current news and information to people when they want it or need it, not when it's convenient for a web publications production cycle." (Lasica, 1997)

At this phase, much of the material written about online news still has some of the cheerleader aspects that marked the first phase of online news. The tone of Lasica's article, with comments that, with regards to breaking news, online newspapers, "If they want to be relevant in the digital age ... they better get used to the idea" (Lasica, 1997), is demonstrative of the assumption that online news is both good and necessary. Kirsner is slightly more conservative, and comments that "In the

process, it will force newspapers to decide how committed they are to the Web, what resources they intend to dedicate, and what return they expect.” (Kirsner, 1997)

5. Phase three: the development of holistic strategy – late 1997

The decision as to how committed an organisation is to the Internet and what resources they are willing to dedicate to it, is the hallmark of the third phase of online news. The third phase is entered when the organisation as a whole begins to examine the strategy for online editions, and to make decisions influencing the entire organisation. It is also at this point that news organisations begin to question the role journalism plays in online ventures, and the ways in which traditional news is changing on the web. Tom Regan wrote about the need for this change in thinking as early as 1997:

"Papers have to think about whether they need to go digital and why," says Katz. "Just repurposing old content doesn't work. They don't make newspapers better, or more creative or more useful. All these papers spending billions of dollars on Web sites would be better off if they hired more reporters and did better reporting."

An on-line edition, Katz says, should add a dimension for readers that doesn't detract from the original print product. That dimension is interactivity. And the reason that newspapers shy away from interactivity is because it not only alters the relationship between the vendors of news and the consumer, it also alters the balance of power, taking from the vendor and giving more to the consumer. (Regan, 1997)

Many news organisations were caught unawares at this point, and had a hard time coping with the change in focus that seemed to be demanded of them:

Versions of this what-shall-we-do-about-the-Net conversation are common in the newspaper world these days. "It's not real journalism," someone will say. "Maybe not, but they're about to eat our lunch," a colleague will reply. "Nobody really reads online; people don't go to the Net for news," one journalist will contend. "But shouldn't we be doing our best to transfer our ethics onto the Web?" another will ask. It occurs to me that, by the time we figure out how much we'll deign to

have to do with the online world -- and how many of its "content providers" we're willing to call journalists -- they're going to own us all. (Overholser, 2000)

It is during this phase that questions of finance begin to crop up, and news organisations realise that they cannot continue indefinitely in the way they have been, but clear consensus on the route to profitability is not visible in the literature, and in fact any concrete information or advice on revenue streams is still absent. Heyboer makes the comment that:

More than 1,100 of the country's 1,500 daily newspapers are online, including every one of the 100 largest, according to the Newspaper Association of America. *The Wall Street Journal's Interactive Edition*, which charges subscribers, and *USA Today's* site were among a small number expecting to turn a profit in 1999, representatives said at last summer's mid-year media review with Wall Street analysts (see *The Business of Journalism*, October). But most local newspaper Web operations remain in the red.

One common approach to the questions raised in this phase of online news is the creation of a portal. Portal sites began to be common in around 1997, and for a while they were touted as the way to go for any organisation wanting a web presence. A portal is a site that offers many services to users, such as a search engine, news, and games, without the user having to leave the site. The thinking was that many users found the web intimidating, and would not venture far in search of information. Portal sites would create safe havens for these tentative users, within a community, and people would become loyal users, things that were often absent on the web, where your audience could simply up and leave at the click of a button.

Although newspapers were not the only organisations embracing portals as the road to the future, they quickly adopted the strategy. As James Ledbetter commented: "Like just about everybody else in the media business, newspapers around America have over the past year embraced the idea of the portal." (Ledbetter, 1999). "Major newspaper chains are diving into the portal strategy -in some cases by partnering with their competitors." (Sullivan, 1999). "The theory is this: If a portal offers enough services in a single place, its online audience will grow, convincing advertisers to buy more space. That was the general thought put forward by executives of the *Post*, the *Times* and Knight

Ridder at the annual Mid-Year Media Review, a meeting of publishers and Wall Street analysts held in New York in June.” (Carlson, 1999).

Since portals require more expertise than many newspapers’ online divisions could provide, the decision to create a portal meant a serious change in strategy. Smaller media companies entered into mergers, such as that between erstwhile competitors *Dallas Morning News* and *The Fort Worth Star-Telegram*. Larger companies may create separate divisions, or whole new corporations manage these online ventures, such as go.com and snap.com. Other companies may enter into agreements with non-news service providers, and sometimes companies actually create or purchase new services, such as ISPs. James Ledbetter (1999) gives some good examples, such as:

Newspapers have moved in the same direction, larding on Internet features and drawing up plans for separate Internet companies. The *Boston Globe* has already plunged into the world of e-commerce. The paper's site (www.boston.com) offers Wedding411, a service that, among other things, allows engaged couples to register with local stores' online guest-management services. Following the formidable success of eBay, boston.com recently added auctions to its Internet menu. (Ledbetter, 1999)

The *Washington Post's* plans are ambitious: an overhaul of its already successful site, www.washingtonpost.com, to offer local shopping guides, personal finance tools, free email, personalized calendar services, and more. (Ledbetter, 1999)

Some newspapers have even become internet service providers, hooking readers up to the internet for free. (Farhi, 2000)

This phase in online news development also coincided with some of the more extreme examples of the internet hype, and several newspapers began to make plans to spin off their internet ventures into new companies.

The next logical step – Stage Two -- is to spin off the company's Internet/portal offerings into a separate company with its own potentially lucrative stock (as both those networks plan to do before year's end). The object, of course, is to attract Wall Street and individual investors. (Ledbetter, 1999)

The portal strategy had its effect on the internal workings of news organisations, although not as strong an effect as might be expected. (The fact that many of the promised spin-off companies never materialised may have something to do with this).

Although some of the ideas expressed in this phase seem a bit far-fetched, the central concept, that online news is more than just an experiment, deserving of real analysis, planning and thought, is key. The relationship of the online team to the rest of the newsroom also became the focus of scrutiny, and although many news organisations still treated the two ventures as separate. Although Lasica (1998) comments: "Walk into the newsroom of almost any newspaper with a Web site and here's what you won't see: Web journalists. That's because online operations have been ghettoized—shunted off into a far-flung no-man's-land.", there was a move to integrating the two.

Often the approach is to create a separate division, with its own management, budget and revenue, much like a separate print title in a newspaper group, and then attempt to create some co-operation between the two entities. Often the convergence is limited to the re-use of print copy online and some co-operation between the advertising sales teams, as at the Houston Chronicle (Moses, 1999). Attempts to force co-operation between online and print newsrooms were often unsuccessful, causing resentment among staff who felt that they were being asked to do too much, disagreements with unions and concerns that the printed newspaper would suffer for the sake of what "some still perceive as a techno-fad." (Noack, 1998)

The third phase, with its concerns regarding how the online news venture will fit into the traditional organisation, feeds directly in to the fourth phase, which begins when the organisation examines its entire content strategy, from their agreements with wire services to syndication and new distribution methods. The fourth phase also coincides with the collapse of the internet finance bubble, and is marked by more sober financial analyses.

"The culture has changed. ... The idea that you'll make a fortune overnight is gone. This is now a very long-term proposition" (Farhi, 2000, quoting Bruce Koon)

6. Phase four: the content business - 1999

Phase four, for companies that actually get there, represents a revolution in corporate thinking for newspapers, one that results in the organisation no longer thinking of itself as a printing press the

newspaper as its main focus, but as a content organisation, that produces a physical newspaper, among other products. This thinking coincides with the move to the “knowledge economy” that was so widely touted during the nineties.

The origins of the move towards content production, rather than simple newspaper production, are somewhat outside the scope of this document, but there are a few things that can be identified. One is, as we have seen, the creation of news online, which for many newspapers was their first foray into media other than print, another factor, and possibly a more telling one, is the global trend towards the merger and integration of businesses, especially in the media environment. The much-hyped merger of AOL and Time Warner, Sony’s acquisition of Columbia, and News Corp’s acquisition of, among other things, Fox, are prime examples of this. Although these huge mergers usually involve broadcasters and entertainment media companies, which tend to be larger than print organisations, the thinking does filter down, especially in the idea that the larger one is, the better one’s chances of survival in the long-term.

Nowadays, in fact it’s the online versions of the oldline media companies that appear to have the deepest pockets and, hence, the brightest prospects.” (Farhi, 2000)

"There's a lot of money in national advertising," says Knight Ridder's Ingle. "But you've got to get big to get it. The little players will not survive. The worst possible thing that can happen to you, in whatever you are trying to do on the Internet, is to not be in the top three. The top three guys will literally take three-quarters of the revenues. That leaves all the other players scrambling and subject to acquisition." (Shepard, 2000)

And, following the examples of the really big boys, everyone was advised to find friends and work together. As Alicia Shepard (2000) says:

To survive and flourish in the Century of the Internet, it's now clear that print and broadcast entities must have four things: a first-rate news product; a far-reaching, reliable distribution system; aggressive marketing; and the right media alliances. Many news organizations believe they already have a superior brand, but

distribution is dicey and marketing is tremendously expensive. The right alliance can solve many of the problems. (Shepard, 2000)

As companies enter into alliances, especially with organisations that operate outside of their own sphere of expertise, the pressure increases to provide content in other formats. As access to broadband Internet expanded in the United States, many newspapers found themselves having to pursue alliances to gain access to video and audio content. Shepard (2000) describes the reasoning behind the *Washington Post's* alliance with the broadcaster NBC:

"We do believe the Web audience will demand a lot more content on the site than what they find in the newspaper," says Christopher Ma, a vice president of the Washington Post Co. and former washingtonpost.com executive editor, who helped negotiate the deal with NBC. "We've thought for several years that it made sense to have a partnership with someone who has a strong broadcast background to be a provider of multimedia news content and to help us learn more about how that kind of content could work with our print-based content over time."
(Shepard, 2000)

As news organisations began to pursue alliances, and found themselves no longer limited to text, pictures and paper, they began to re-examine their core goals. The question arises, are you still a newspaper organisation if you are providing video and audio content streaming across the Internet? In many cases companies began to view themselves as content creators and providers, and to see production and distribution as separate functions.

The Tribune is one of the leading companies in the area of media convergence. They are one of the largest players, owning 11 newspapers, 22 broadcast TV stations, and web sites with 3.4 million visitors a month (Shepard, 2000b). "But the latest media megamerger is about more than size. What's different is Tribune thinking on how to deliver news, how to formulate stories. ... The idea now is to conceive the stories from the beginning based on how you will distribute them. This is all very theoretical. Nobody, including us, is really doing it. But the theory is we'll look at every story idea and try to figure out what are the best ways to use it" (Shepard, 2000b)

This trend is generally called convergence, and has become something of a buzzword in media circles recently. In its strictest sense, convergence refers to co-operation between print,

broadcasting and online within a single news organisation (Berger, 2001). Sometimes this co-operation goes to an extreme, as in the case of the *Tampa Tribune* and WFLA, a TV station, who are creating a joint newsroom (Bowles, 2001), but more often it takes the milder form of cooperation and communication among journalists working on different products in the same organisation.

Although true convergence, as exemplified by the Tampa and Tribune experiments remains fairly rare, the thinking is filtering down into other news organisations who do not have as many multiple media interests. As Boyd and Skene (1999) describe it: “Newspaper companies need to develop a new vision about their in their customers’ lives – a role that is interactive, that embraces transactions as well as information, that recognizes the publication is providing information in a world that is flooded with it.”

This exhortation to re-examine the role of the news organisation in the customers’ lives leads to other re-examinations, particularly the role of the newsroom, and of the journalists in it. Simon Fung (2001) says that:

“As more and more news platforms emerge, it might be more accurate to understand the traditional newspaper operations as a content production process. Just like a bakery that produces different types of bread for different retail outlets, newspaper companies are starting to produce different types of news for different platforms. The ultimate purpose is obviously the same for both – to satisfy the needs of different customers.”

This phase is fairly new, and it is hard to judge at this point where things will go. Few news organisations have actually embraced convergence at the newsroom level, and nothing has yet been written about the success or failure of this experiment. In the literature, however, it is possible to see a substantial trend towards convergence, and towards the integrated newsroom. The questions about its success will need to be answered in the future.

These four phases in the evolution of online news are by no means definitive, nor are they complete. The fourth phase is not the last phase, just the current one, and the future remains to be seen. This model, however, does provide a framework for analysing the evolving online strategy in

other geographic areas, and the milestones identified provide benchmarks to measure other organisations.

Chapter 3

Methodology

This study is a combination of a qualitative analysis of the literature relating to online news in the American context, and a comparative case study of South African newspaper companies. Methodologically, this resolves into four stages.

1. A detailed reading of the available literature on US newspaper companies and their activities online, in order to reach an understanding of the American approach
2. The development of a model to characterise the American strategy
3. An understanding of the strategy and approach to online news at two South African newspaper companies, achieved through interviews and readings of press articles.
4. A comparison between the American and South African approaches.

1. Construction of the model

The model for the evolution of Internet strategy is derived primarily from published literature in the both the academic and professional American journalism press from the period 1996 to 2001. Examined chronologically, these articles at first consisted mainly of first-person accounts of the experience of working in online news, from journalists and editors. As the industry developed and became more self-conscious, writers began to generate ideas and advice as to how companies should best approach the Internet. At this time as well, and as interest grew, articles written by professional journalists examining the activities of large companies began to appear. Arranging these articles chronologically, it has been possible to extract a timeline of the dominant thinking in the American journalism press as to the best approach to the Internet for newspaper companies.

By professional journalism press, I mean those publications which are intended to be read by working journalists and editors as professional advice, not the academic press

which discuss the media. The distinction is necessary because this research is concerned with day-to-day practice within media companies, not the broader ideological and structural concerns which are more often the ambit of the academic press. In addition, there has been very little written in the academic press about newspaper companies approaches to online news, or in fact about online news at all.

The research has been limited to the American journalism press and to American newspaper companies for two reasons. Firstly, there has been comparatively little written about newspaper companies outside the United States, and what little there has, has been written more from an ideological or theoretical perspective than from a professional perspective. The professional journalism press seems to be far larger and accessible in America than in other countries. Secondly, the regulatory and economic circumstances in which newspaper and Internet companies operate varies greatly from country to country, and accounting for these variations across multiple countries would make general conclusions extremely hard to draw.

From the material collected in this manner, a broad model is drawn, to which the South African newspaper companies have been compared. The model has been broken down into four phases, based on my observations of key points where strategy and thinking changed, and the industry moved in a new direction. The chronology of the model is not definitive, since not all companies adopted the new way of thinking immediately, and articles dealing with older strategies were still being published after newer strategies had already been discussed. The chronology is, however, unidirectional, in that no evidence was found of companies reverting to an older strategy once they had adopted a newer one.

2. The South African newspaper environment

The scope of this research was not sufficient to allow analysis of all South African newspaper companies, so two of the main ones were chosen. The South African newspaper publishing industry is dominated by three large companies, Independent Newspapers, Johnnic Publishing and Nasionale Pers (Naspers). These three companies own the majority of daily newspapers in the country in both languages. The only major newspapers not owned by one of the companies in this group are the *Sowetan* and the *Citizen*, both national dailies published out of Johannesburg. The

Sowetan is owned by black empowerment investment consortium NAIL, and the Citizen by *Caxton*, who have most of their interests in local free-sheet newspapers and printing. In addition, neither the *Citizen* nor the *Sowetan* have significant Internet presences.

Independent Newspapers South Africa is majority owned by Independent Newspapers Ireland, and much of its strategic decision making is done in Ireland. It is also only a newspaper company, it has no interests in other industries, except for a part share in the Johannesburg presses (jointly owned with Johnnic) and in newspaper distribution.

The other two companies, Johnnic and Naspers are both wholly South African, listed on the Johannesburg Stock Exchange, and both involved in multiple media. Johnnic has interests in, besides newspapers, magazines, radio and television, telecommunications, book and music publishing and retailing. Naspers has interests in magazines, television, book publishing, and Internet Services.

The choice of Naspers and Johnnic is obvious, given the similarities between the two companies, and their dissimilarity to Independent Newspapers.

3. Establishing South African strategy

In order to establish what the strategic approaches undertaken in the two South African companies, I rely on a number of sources. Personal interviews, whether conducted in person, telephonically, or via correspondence form the cornerstone of the research. These interviews were conducted informally, in a dialogue fashion in the person's office environment, and recorded. The people interviewed were chosen because of the roles they had played in developing online strategy, or the roles they currently play. Since the point of the research is to develop a narrative, interviewees were encouraged to simply tell the story of what they had experienced, and in many cases very few questions were needed to be asked. Interviewees were informed that they had the right to anonymity in the published research, but none requested that.

The initial choice of interviewees was made with the co-operation of Sven Lunsche at Johnnic, who suggested additional people, and Russell Hanly at Naspers who did

likewise. Interviewees were also asked if there was anyone else who they felt might be able to contribute to the research, and additional contacts were made this way.

Where personal interviews were not sufficient, or the people concerned were not available, I have relied on some published material, primarily in the South African business press. Articles published in *Business Day* and the *Financial Mail* form the core of this material, as well as press releases issued by the two companies, and articles published in *Media Toolbox*, an online South African media industry magazine.

I have also relied on my own notes from a presentation I gave at the Highway Africa 1998 Conference in Grahamstown on the state of the South African online news industry, and from interviews conducted at that time.

For basic structural information about the companies concerned, I have relied on information supplied by the companies themselves and published either online, or in prospectuses and annual reports.

As both companies are large corporate conglomerates, their activities are often confusing and convoluted. Therefore, I decided to focus only on the activities related to news online, and on the activities of the newspaper divisions within each company. In the case of Naspers, this was especially necessary, given that one of their interests is in M-Web, a local ISP and portal. I have chosen to focus on M-Web's strategy only when it had a direct effect on the newspaper division's strategy. At Johnnic, the online activities of other sectors of the company, such as retailing and music publishing were likewise ignored, unless their behaviour directly affected the news division.

Both companies as well, during the timeframe under scrutiny during this research underwent restructurings, shufflings and renamings. Although I have tried to explain these events and their effects, they are not in themselves the subject of this study. I have focussed my analysis on the actual online products of the companies, and on the strategic decisions and rationale behind these products and their production processes.

Corporations function on multiple levels, with multiple interests and strategies. In this study I have tried to focus on only one area, the actual products, and their rationale. The larger corporate strategy, especially as it relates to ownership and shareholder rights, is outside of this study, and outside my expertise, although sometimes decisions taken at this level have an effect on the actual products concerned. I have tried to identify these strategies where necessary, but have not analysed them. Likewise, the rationale behind the purchase of other companies, or expansion into other areas is not discussed, although the effect of those activities may be.

4. Comparing the models

In comparing the US model with the narrative history extrapolated from the material gathered, I have examined the key points in US strategy and then established where the South African companies reached those points. I have identified the points at which each South African company's strategy either converged with or diverged from the model, and taken those as my markers.

I have then attempted to understand why the South African companies did not follow the same strategies as the US ones, and the structural, technical or ideological reasons behind the divergence.

Chapter 4

Johnnic

1. Company background and structure

Johnnic Publishing is one of South Africa's largest newspaper and magazine publishing houses. They own the largest-selling newspaper in the country, the *Sunday Times*, with a circulation of 450 000, and the national business daily, *Business Day*. They also own the *Financial Mail*, a weekly business magazine, several consumer magazines (*Elle*, *Elle Décor*, *Wheel*, etc) and a large number of trade publications. Their main focus is on business-oriented titles, although their best-known brand nationally is the *Sunday Times*, a large general-interest broadsheet, with a somewhat undeserved reputation for scandal-mongering.

Johnnic Publishing is in turn, owned by Johnnic Communications, which has shares in other media entities such as Johnnic E-Ventures and MTN. Johnnic Communications is part of Johnnic Holdings. The ownership structure is complex, and changes frequently. As another researcher commented:

Business Day and Financial Mail are both published by BDFM (Business Day Financial Mail), but Times Media Limited (TML) has 50% shares in both titles. Then again, TML is wholly owned by Johnnic Communications, owned by Johnnic, currently one of the largest integrated communications and media groups in the country. (Potgieter, 2000)

The basic structure of the Johnnic group currently is as follows: Johnnic Holdings owns Johnnic Communications, and small interests in other companies, such as MIH (3.8%) and SAB (0.2%). They also own 15.8% of Johnnic Telecom (M-Cell). Johnnic Communications owns 100% of Johnnic Publications, Johnnic e-Ventures, Johnnic Entertainment, and 33.8% of Johnnic Telecom. Johnnic Publications is split into two divisions, Newspaper and Magazine publishing, and Book and Map publishing. Newspaper and Magazine publishing owns TML (the *Sunday Times*) 50% of BDFM (*Business Day* and the *Financial Mail*), and 44 % of CTP/Caxton. Book and Map publishing owns New Holland/Struik, MapStudio and 25% of Random House. Johnnic e-Ventures owns 62.5% of I-Net Bridge (although the remaining shares were

held by the now -bankrupt Bridge Financial Services, and will revert to Johnnic). e-Ventures also owns the web search engine Ananzi and owned the personal finance portal NetAssets (since transferred to BDFM). Johnnic Entertainment owns interests in music publishing (Gallo), filmed entertainment (NuMetro cinemas and a minority share in M-Net/Supersport), and book retailing (Exclusive Books and Hammicks (UK)). Johnnic Telecom owns cellphone service provider MTN and satellite operator Orbicom. (Johnnic, 2001)

The major restructuring in the company that occurred during the timeframe covered by this research, was the creation of Johnnic e-Ventures, in 1999, and the development of the online newsroom in mid-2001.

2. Proving to the world that this could be done: the first sites.

Johnnic's first moves to putting a newspaper on the web was with the *Business Times* in early 1997. *Business Times* is a section of the *Sunday Times*, and comes bundled with it, but for the purposes of the group, it is managed as a separate title. The editor at the time was Sven Lunsche, who, along with IT director Roy Izakowitz, saw the potential of the Internet as a medium. *Business Times* online was essentially a reproduction of the print edition (Farquharson, 2001), copied and pasted from the Atex system to flat html and hosted locally (Cohen, 2001). Although the Business Times site was later expanded to include some e-commerce and tools, it was essentially an experiment, "Roy going off and proving to the world that this could be done." (Cohen, 2001). The only staff involved in putting the *Business Times* online were Cohen and Izakowitz, both technical staff; although Lunsche was in favour of the project, no journalists or sub-editors were involved (Lunsche, 2001b)

Like many early experiments in online publishing, the concerns and issues were more with the technology than with the audience. Geoff Cohen, currently IT Manager for BDFM, was at the time a queue manager on the Atex system. In his words: "The barriers to entry were more of a technical nature, because we were in an entirely new game. Nobody really knew what the hell was going on."(2001). The move to online for Johnnic coincided with the move from mainframe Atex systems to digital pagination, and the internet drive was spearheaded by the same man who was responsible for the new production systems, Roy Izakowitz. Izakowitz saw the move

to onscreen layout as part of a natural progression which would lead directly to the papers being published exclusively on the Internet. (Cohen, 2001)

Shortly after the *Business Times* was launched online, the *Sunday Times* and the *Financial Mail* also went online, using very similar technology and reasoning. The staff members responsible for these online editions (one at each title) sat in the same editorial area as the main newspaper staff, and worked for the individual titles. The staff concerned were primarily technical staff, although at least one, Tanya Accone, had some training and experience as a journalist. Additional content was not developed for the online editions at first, although later on Accone began to create original material (usually interactive features rather than original text) for the *Sunday Times*. (Farquharson, 2001).

There was no advertising sold on these sites until 1999, and revenue issues did not seem to have been considered. This phase has been characterised as a “free-to-air” strategy (Jacobsohn, 2001), but there seems to have been very little real strategic thinking involved.

3. Meanwhile, elsewhere in the building ... other ventures

Johnnic had bought shares in a company called I-Net in 1989. I-Net was at the time a financial wire service, which provided business news and financial data to corporations via their networks. It was a subscription-based service, and a financial success. (Jacobsohn, 2001)

With the company already having an interest in a news service that, if not internet-based, was at least a digital, rather than print service, it seemed logical to combine the burgeoning internet interests of the group and the wire service into a single company. In 1998, the group did just that, moving all the companies’ internet interests and websites into the I-Net stable, and a new team was formed, consisting of Roy Izakowitz, Sven Lunsche and Neil Jacobsohn. (Jacobsohn, 2001). The team was physically moved into the I-Net building on Sturdee Avenue, a few blocks away from Johnnic/TML in 1998. I-Net became “the home, the developer, the seller, the commercial hub of Johnnic Internet’s strategy”. (Lunsche, 2001b)

As a result of this move, the newspapers signed over all electronic rights to publish, syndicate and on-sell their copy to I-Net. The idea was that the newspapers would focus on producing newspapers and I-Net would focus on creating revenue and marketing the electronic content. As Geoff Cohen puts it: “The business units produced papers, I-Net would produce online and grow and prosper.” As a result, in April 1998, the newspapers signed over electronic rights to I-Net in a deal that has been described as a mugging (Cohen, 2001) and as misguided (Farquharson, 2001). The resentment over this deal is strongly felt, and there is some animosity towards I-Net at the newspapers. However current staff may decry the decision in hindsight, it was not fought at the time: “the editors at the time, and still to some extent, the editors and the management did not see the potential of the Internet” (Lunsche, 2001b).

I-Net, however, remained heavily focussed on the one revenue-generating product in its stable, the subscription news service, and although it used the newspaper’s copy in its services, it did not actively pursue revenue from the newspaper brands and copy. The other “free-to-air” sites in the stable, Ananzi and NetAssets, were also somewhat neglected (Buwalda, 2001, Jacobsohn, 2001), possibly as a result of Izakowitz’s stated belief that free sites would not earn money (Lunsche, 2001b).

Although they had signed over the rights to online content, and all on-selling and syndication to I-Net, and although I-Net had decided to push its own brand, rather than the newspaper titles (Lunsche, 2001b), the newspapers continued to publish their own titles online, on a shoestring budget. (Cohen, 2001).

4. The left hand and the right hand: the newspapers and I-Net

R32 million was invested in the new venture and I-Net began to build a brand and site using all the content from the group, based on a subscription model with limited advertising revenue. The flagship sites were I-Net, which remained a paid service, and NetAssets, which was Roy Izakowitz’s first attempt at a free-to-air content aggregation site. They also hired a newsroom of journalists and sub-editors and began to build a separate, stand-alone news management system.

At the time that the newspapers’ online rights were signed away, I-Net also brought in Internet Solution/Dimension Data as a technology partner, with a 25% share. This

meant two things: one, that I-Net had acquired a search engine, Ananzi, which it would attempt to build into a portal (see below), and that I-Net would start to build its own technological infrastructure.

Roy Izakowitz immediately began creating the new news management system, which was developed using Vignette's StoryServer content management system.

StoryServer is a high-end US developed content management system designed for high-traffic content-based websites. It is quite expensive, and requires substantial amounts of hardware and technical expertise to run effectively.

Cohen says that Izakowitz wanted to be able to provide a 'poor man's version' of editorial software, to run independently of the Good News systems which the newspapers were using as a production and layout system. Explaining the reasoning behind building a separate system, Cohen says: "At that stage, technological convergence was very unlikely. Nobody said convergence, the 'net was going to take over the world. You didn't run concurrent newsrooms, you didn't tie in to anything, because the 'net was just going to rule everything." The staff based in the I-Net newsroom copied and pasted content from the Good News newspaper production system into the new system, and generated their own copy in the news system. Although the online staff could access the newspaper content, the newspaper staff could not access the online material except via the public internet, after it was published. (Cohen, 2001, Saunders, 2001) .

The new team on Sturdee avenue consisted of several journalists, web developers and page designers, and sub-editors, and were responsible for several things. The subscription-based I-Net news service, now running on Internet technology, and the associated wire service were a major focus, especially as they remained the main revenue generator in the group. (Saunders, 2001). NetAssets and Ananzi were the other two main projects that the I-Net team took on. The team re-purposed copy from the printed titles, rewrote wire copy and occasionally generated original material. (Jacobsohn, 1998. Saunders, 2001)

5. NetAssets

NetAssets, which was launched in June 1997, was initially a free-to-air general news site, intended as a content aggregation site for all the newspapers in the group. It was very much Roy Izakowitz's pet project, and an attempt to re-format TML content streams. Sven Lunsche says that the strategy was initially to create a stand-alone internet brand along the same lines as news24. By June 1998 it was obvious that the advertising was not going to materialise, and it was decided to re-position the site as a personal finance site, with content from the group and advertising from the financial services industry. The logic was that if any industry was going to advertise online, it would be the banks and insurance companies (Lunsche, 2001b)

As Neil Jacobsohn puts it, "NetAssets was a strange beast". It was never really successful, and languished where other personal finance sites grew and generated revenue. In 2001, NetAssets was sold to BDFM, this time made the responsibility of Vernon Matzopoulos, who runs the team responsible for the websites of *Business Day* and the *Financial Mail*, but separate from Matzopoulos' main function, which is the Summit satellite TV channel. It is being re-developed as a personal finance site, has been redesigned and will be re-launched early 2002. (Matzopoulos, 2001).

6. Ananzi

Ananzi was one of the first search engines in South Africa and was acquired by the Internet Solutions internet service provider fairly early on. When Internet Solutions and Dimension Data bought their 25% share in I-Net, Ananzi was transferred to the new venture with an eye to being developed as a portal search engine, with participation from partners other than I-Net. After six months the Ananzi team, which was separate from the online newsroom of I-Net and from the senior strategic team of Izakowitz, Jacobsohn and Lunsche, was told that no more money would be made available from I-Net for marketing and development. Ananzi attempted to develop further partnerships in order to keep the portal going. Agreements were reached with Technet, and later with other partners to provide job listings, classified ads, and some e-commerce capabilities. All of these agreements were on the basis of leveraging Ananzi's brand to generate traffic. A webmail service was offered, first on a revenue-sharing basis, but now Ananzi pays a flat fee per mailbox. (Buwalda, 2001).

Ananzi did offer news (and still does), and a short-lived attempt was made to use the search engine to drive traffic to the group's news sites. Currently Ananzi still functions, and it has been re-launched several times. The news currently offered on Ananzi is generated by the online newsroom at Johnnic Publishing, and a service-level agreement governs this. There is no cross-promotion between the print titles, the other sites in the group and Ananzi, and content-sharing is rare. As Buwalda says, "getting content from the print editors was like pulling teeth". A recent focus group study revealed that very few people outside the industry were aware that the Sunday Times and Business Day newspapers were in any way associated with the search engine. (Buwalda, 2001).

Advertising on all of these sites, and the newspaper sites remained the responsibility of I-Net, who usually split the commission with the sites concerned. While all of these small ventures were going on, the main business of I-Net, the subscription business news service continued to function, and to generate revenue.

7. Meanwhile, back at the ranch ...

The various newspaper titles, having signed away their digital rights to I-Net, continued to produce their branded websites. The two entities within the company, BDFM and the Sunday Times continued to publish material and build brand loyalty to the websites, based on the brand awareness the print titles generated.

There exists some confusion as to the origin of the three main newspaper sites in the group. Sven Lunsche says that I-Net built the sites for the newspapers at the end of 1998 (Lunsche, 2001b), but Geoff Cohen says that the BDFM sites were already in existence before the transfer of content to I-Net. Since none of the sites was built to run off the StoryServer content management system that I-Net used, but are a collection of miscellaneous code and scripts running off various servers, it seems more likely that the latter is true, and that I-Net was not involved in their development. The Sunday Times site was also in existence prior to the end of 1998, being managed by Tim Woods in much the same way as the Business Day and Financial Mail sites were: as an online mirror of the print content. (Farquharson, 2001).

There are three main sites in the group, *Business Day* (www.bday.co.za), the *Financial Mail* (www.fm.co.za) and the *Sunday Times* (www.sundaytimes.co.za).

8. Sunday Times

The *Sunday Times* website was launched in 1998 and was initially run by Tim Woods. In 1998, Tanya Accone came on board as webmaster, with some assistance from the IT department, and from journalists on the newspaper. The site was primarily the content of the newspaper online, with some special features and added-value material which was developed by Accone herself, who has skills both as a programmer and as a journalist. (Accone, 1998)

Technically, under the terms of the agreement with I-Net, the *Sunday Times* could not create added value, but since I-Net's main focus was on business, and the *Sunday Times* was a general-interest news title, the addition of added-value material was tolerated (Lunsche, 2001). Some features, such as the www.bigbreak.co.za, an online job search site, created by Tanya Accone in 1998 seem to have been in direct competition with services on I-Net, but this does not seem to have been noticed by the I-Net team. Although Accone was trained as a journalist, and has some experience in that area, the work she did was mainly technological, concerned more with the site's functioning than with its content (Accone, 1998).

The *Sunday Times* website is currently run by MA Farquharson, as editor, with the assistance of two designers and a low-level programmer. The basic structure of the site's management, and where it sits in relation to the newspaper, and the other entities in the group has changed very little in three years.

Farquharson and her team sit apart from the main *Sunday Times* newsroom, "completely physically removed ... out of sight out of mind". Most of the week is spent extracting material from the forthcoming print edition and preparing and formatting it for the web. Once copy has been approved for publication (once the images of the pages have been sent to bromide, for the creation of plates for the printing press), the online team can extract it from the Good News system, using a perl script, classify it, clean up the copy and transfer the images. Copy may not be used until it has gone to bromide, a restraint driven more by concerns that the website

may inadvertently publish copy that is pulled at the last minute (usually for legal reasons), or that is not used in the paper, than concerns about scooping the print edition. This concern is more legalistic than anything else (i.e. arises out of concerns of the legal ramifications of publishing a story), and is necessary mainly because the communication between the online team and the rest of the paper is so bad. It has occurred that a story which was pulled at the last minute for legal reasons has been published on the website, mainly because the newspaper staff neglected to inform the online team that the article had been pulled.(Farquharson, 2001)

Farquharson is unclear on her own role within the larger *Sunday Times* newsroom, and was given very little in the way of guidance or a clear job description when she started. She inherited the job from Accone, one of three people who fulfilled the various roles Accone had had, and was told very little except “don’t go to all the meetings Tanya goes to”(Farquharson, 2001). She feels that she should be spending time doing longer-term strategic planning and developing added-value projects, but in practice spends most of her time cleaning up copy, and “begging the editors for content”. She does not attend story meetings during the week, although this is partly due to her own schedule, not to any particular restriction. She does feel very isolated from the print production process, and says that “the company doesn’t care whether I attend news conferences or not”. (Farquharson, 2001)

The site does contain several added-value features, including polls, forums and special features. These are usually initiated by Farquharson and her team, or, rarely, by the advertising department. Many of these features are driven by the need for advertising and sponsorship rather than strict news value. Since the *Sunday Times* is a well-known brand, sponsorship opportunities are often initiated by the recipient. Many of the special features are entertainment or leisure-based, rather than news-driven.

Advertising on the site was initially the responsibility of I-Net, under the agreement, but this was abandoned, and an online sales person was hired, who initially worked from within the online team, but then later moved to the advertising department. Most of the revenue comes from sponsorship deals and special projects for which the site is paid up front. Sponsorship arrangements between a client on the one hand, and the

newspaper and the website on the other can be lucrative, but often the website is left out of the discussion with potential clients, and where they are brought in, it is often too late to effectively leverage the deal. (Farquharson, 2001)

Farquharson and her team are responsible for initiating feature items for the website. Occasionally, story and feature ideas are initiated in the newsroom, but often these are not planned far enough in advance for the online team to take advantage of the material, or the online team is left to scramble to get material up in time to correspond with the newspaper. Recently, more attention has been paid to leveraging added-value to news stories particularly. A recent workshop held at Rhodes University highlighted some ways in which this could be done, particularly around the *Sunday Times*' big story of the year: the arms deal scandal. The shortage of staff with the necessary skills, and the lack of time that staff has, as well as the difficulty of getting original material written is still a handicap in the developing more material for the website. (Kruger, 2001)

The two web developers/designers on the *Sunday Times* team are also frequently used on other projects within the group, further limiting the *Sunday Times*' ability to create original online content. (Farquharson, 2001)

In theory, Farquharson has the right to request material from journalists specifically for the website, but in practice this is problematic. Farquharson says she doesn't "have any clout to demand information for the web, or to enforce journalists' deadlines ... the impression is that they're doing us huge favour", by giving us content. There is also the perception that the company's online newsroom (see below) exists to provide content for the *Sunday Times* site, and that the team should be requesting content from them, rather than the print journalists. There is a problem in that the online newsroom would charge for material, and Farquharson has no budget whatsoever. (Farquharson, 2001)

9. Business Day

Business Day is a national business-oriented newspaper with a distribution of around 40 000. It first went online in 1998, before the company's decision to move all digital content to I-Net. The move to online was purely technological, and no editorial staff

were used to create online content for the site. Geoff Cohen and Roy Izakowitz copied and based content from the news production system onto flat html pages hosted on an apache server in the building.

As the site progressed, more sophisticated methods were developed to automatically extract the content from the production system and publish it online. Once the deal was completed, signing over the rights to I-Net, the team at *Business Day* continued to publish their own material and the sites continues “to build readership and loyalty”, although no clear rationale for the site seems to exist. One salary was earmarked for a webmaster, but otherwise no money was spent on developing the *Business Days* site. (Cohen, 2001)

Since the initial plan was to have I-Net develop the NetAssets personal finance site and to generate revenue from it and from syndication for BDFM, no real effort was put into developing the *Business Day* website as a going concern. By 1999, however, people at *Business Day* began to realise that there might be some benefit to having an independent website, especially since NetAssets did not seem to be going anywhere, and the costs associated with it and with I-Net seemed to be rising (mostly due to technical costs). (Cohen, 2001)

More money was put into developing a better technical system for the *Business Day* site, and the decision was made that it would be moved over to the StoryServer platform at I-Net, and that I-net would provide technological support and web development services, as well as hosting, for a flat fee paid by *Business Day*. The *Business Day* webmaster remained in place, although his technological expertise was rendered somewhat irrelevant by the new system. (StoryServer is a heavily proprietary system, and developers usually have to be specially trained to work with it.) (Cohen, 2001)

Technologically, Business Day is still having problems, and Cohen admits frustration with the StoryServer system, and with the level of technical support from I-Net. Although all the sites were to have been moved to StoryServer, so far only *Business Day* has done so, and Cohen is resisting the pressure to move the *Financial Mail* to

the system. The *Sunday Times* did not move to the news system, because, as Farquharson says, they “dithered”, and now have no intention of doing so.

Advertising was first introduced on the *Business Day* site in 1999, sold via I-Net and administered using RealMedia (a local banner advertising management system). Revenue from advertising is split, with I-Net taking a commission for each advertisement sold.

Currently, the *Business Day* site is updated once a day, when scripts run through the system, extract the content from that morning’s paper and put it up on the website. From there, the online newsroom (see below) cleans up the copy and it is published online. No-one from the print *Business Day* is explicitly involved in the site, and no additional material is added to it. The site is delayed, explicitly because they are afraid of “scooping” themselves, and they have never considered changing this. As Cohen says: “We don’t want stuff up on the website before the newspaper’s out on the streets. Nobody has ever pushed to have the newspaper up on the website by 2 ‘O clock in the morning. It was physically possible, it’s technically feasible, but nobody wants to do it, simply because we don’t want to scoop ourselves.” (Cohen, 2001)

One of the main attractions of the *Business Day* site is its archive, says Cohen. Johnnic is one of the few organisations that has a digital archive going back to 1995, and this is considered a major asset. Currently, users on the public site can access the archives, but management is aware that sale of the archives may well be one of the most lucrative avenues to explore. The *Business Day* site is popular with South African internet users, but is not heavily promoted by Johnnic, and there are concerns that it may be taking audiences away from the print product (hence the delay). (Cohen, 2001)

10. The Financial Mail

The last of the print titles at Johnnic to have an online presence is the *Financial Mail*, a well-respected weekly business magazine. The *Financial Mail* was one of the first titles to go online, with a complete online copy of its print edition, in 1997. From 1997 to September 2001, the site remained essentially the same, with the online edition simply reproducing the print content verbatim. The webmaster for the site was

primarily concerned with technological issues, and although advertising was sold (after 1999), it was never aggressively pursued as a revenue stream. (Cohen, 2001)

In mid-2001, amid declining circulation for the print edition, it was decided to restrict access to some areas of the site to subscribers of the print edition. This was primarily because of a belief that the free availability of the online edition was eating into the print edition's sales on the part of the magazine's editors and management. (Matzopoulos, 2001). Cohen says that although some audience research has been done, it was not explicitly designed to determine whether the users were abandoning the print edition in favour of the online, so the results are inconclusive on this point. He personally does not agree that the website is damaging the print edition's circulation. (Cohen, 2001)

The decision was made to limit access to the archives of the *Financial Mail* site to subscribers to the print edition, and to delay public access to the online edition until a day after the magazine was available on the newsstands. This went into effect on September 11th, 2001 (a day which Cohen admits was "an unlucky choice"), and remains in effect. There were technical problems with the system, primarily with matching up subscribers with their access codes, and with general confusion on the part of users and call centre operators, but the system currently works well. In terms of future plans, Matzopoulos says that they intend to keep the system running for at least 6 months to a year in order to assess the impact on circulation before deciding what to do next, and whether to expand the model to other titles, such as Business Day.

There are currently no plans to sell internet-only subscriptions, despite demand, since the whole point of the exercise is to increase the circulation of the print edition. (Matzopoulos, 2001). People who wish only access to the website can "take out a subscription at the normal, domestic rate and elect to have their FM sent to an address in South Africa, be that a friend or family member, or to an educational institution, an arrangement that we will coordinate.", says James Eedes, marketing manager of the *Financial Mail* (de Waal, 2001).

11. NetAssets, Summit TV and others.

There are several other websites in the group, none of them heavily promoted or developed. The most visible of these is NetAssets, which, having gone through many incarnations over the years, has been sold back to BDFM, and is currently being re-vamped as a personal finance site. It will be re-launched early in 2002, and is expected to be generate revenue from advertising. (Matzopoulos, 2001).

Summit TV, the satellite business news channel which Johnnic runs, has a website which features some breaking news, updated by the online newsroom.

Very few of the magazines in the group have websites, although there are plans to develop them (Gill, 2001). The only really noteworthy site is that of the now-defunct *Out There* magazine. *Out There* had a website from 1998, and although it was never heavily promoted, it was popular. The print magazine folded in August of 2001, and several people in the company blamed the availability of the content on the website for free, for the collapse of the printed magazine. (Buwalda, 2001). Although it has not been explicitly stated, it is likely that this belief may have influenced the decision to push the restriction of the *Financial Mail*.

12. The Online Newsroom

In April of 2001, a new project was launched at Johnnic Publishing: the online newsroom. Initially called NewStream, the project was designed to run the day-to-day news on the various sites and services in the company from a central place. The online newsroom grew out of the I-Net newsroom, and several staff were moved across from I-Net to staff it. From separate teams providing similar services to seven different websites (I-Net, *Business Day*, the *Sunday Times*, Summit TV, Ananzi, NetAssets, the *Financial Mail* and *Future Company* (printed as a section of the *Financial Mail*, but run as a separate website) and SMS and WAP services, a single team would be created that would update all of these sites, Sven Lunsche would manage this team, and be responsible for selling its services to clients inside and outside the company. (Lunsche, 2001a)

Lunsche credits several reasons behind the consolidation. One was to avoid duplication of services, something that had become chronic in the company, split as it

was. Cost-saving was another reason, as was the desire to best use scarce (and expensive) online skills. The online newsroom, as it is currently called, is intended to function as a kind of internal news agency for the company, as well as a syndication and marketing service for the papers' content. (Lunsche, 2001a)

The online newsroom, with a staff of 13 and headed up by Juliette Saunders, creates content and updates the seven websites with breaking news on a schedule determined by the website's owner (the newspaper). The newsroom works from approximately 6am until 9pm, updating material. News is sourced either from the wire services (SAPA, AFP, African Eye, etc), or occasionally from the newspapers' staffs themselves. The newsroom also cleans up and publishes copy from the various titles on each individual title's website, with the exception of the *Sunday Times*, where MA Farquharson's team does this. Each website has a particular audience, and the online newsroom team attempts to match the content and voice with the audience for that site. Each newspaper title pays for the work the online newsroom team does for the site. (Saunders, 2001)

The online newsroom also creates and manages content for two mobile services, MTN Ice and My Call Mobile. This content is pulled from wire services, or in the case of sport and financial indicators, is generated by journalists in the newsroom with access to the raw information (this means one person whose job it is to sit and watch the cricket on TV, and write up brief reports on the progress of the match). (Saunders, 2001. More, 2001)

In addition to the websites, the online newsroom also creates content for the syndication service. The syndication service sells news packages to companies and organisations, for use on their own websites. Each syndication package has a different market, and focuses on different content, which the online newsroom must provide. The syndication services are one of the main revenue streams for the online newsroom. (Saunders, 2001).

With regards to the *Sunday Times*, the online newsroom took over the provision of day-to-day breaking news which had been done by MA Farquharson's team. For Farquharson, this allowed her to concentrate on the longer-term work of developing

the site, and on the creation of value-added services. Both Farquharson and Saunders feel that they have a good working relationship, and that the arrangement is beneficial to both of them. In the case of a major story, such as occurred on September 11th, the online newsroom responded by posting news immediately to the *Sunday Times* website, and then Saunders contacted Farquharson directly to continue working on the site during the night, creating additional material since she felt that the *Sunday Times* readers would expect constant updates and breaking news on the story. (Saunders, 2001).

The relationship between the online newsroom and the *Sunday Times* is good, largely due to the relationship between Saunders and Farquharson, but there are still growing pains with regards to the place of the online newsroom in the company as a whole. Saunders says: 'I think there's a gap between come here and be one online newsroom for the whole group [create a single online newsroom for the whole group], and the relationship in terms of fine-tuning what editors really want from you. I think that still has to be an evolving process. Because we came in, and we obviously got specs, we said what would you like, and we went round and met everybody, and got the briefs of what they would like on their websites, how frequently they wanted their updates and so on. So that was the start, and then it was a question of, are you happy with the quality of what we are doing? And as it evolves, hopefully, what it will do, is a much closer involvement in terms of planning and liaison of stories, especially if we can grow and we can get stronger as a reporting team, which is where editors, I think, see more value with us.' (Saunders, 2001)

The *Sunday Times* is the only paper in the group which still has a specific web team with which the online newsroom can liaise. On the other websites, the online newsroom is solely responsible for the copy which goes up, and the relationship is governed by a service-level agreement. Liaison with these titles is less frequent than with the *Sunday Times*, and more often, it is Lunsche who liases with the editors directly, not Saunders. As a result, the feedback Saunders and her team get with regards to these sites is less frequent and less specific than with the *Sunday Times*.

Although the online team's main focus is in rewriting and sub-editing material from other sources, they are encouraged to create original material; in practice time

constraints often interfere with this. A member of the online team occasionally produces an article which Saunders then attempts to “sell” to the newspapers for print publication, which would then be published simultaneously online and in the paper, but this is rare. Saunders has never requested material from a print journalist directly, and she has never had one approach her with original content for the news agency or the website. (Saunders, 2001).

The online newsroom has only been in existence for a few months, and it remains to be seen what impact it will have on online ventures at Johnnic, and whether it can succeed financially in its goal of generating revenue for the newspaper brands’ websites.

13. Commentary

Online news at Johnnic publishing seems to have been something of a “bastard child” for the company. On the one hand, there is the stated policy of actively pursuing online news, and the existence of I-Net and later Johnnic e-Ventures, and on the other, there are the languishing and rather neglected public web sites, especially NetAssets and Ananzi.

There are few points that are key in the overall approach of Johnnic to online news.

The first point is that the company specialises in business and financial news, almost to the exclusion of other types of news. Business news is a major commodity, and even before the advent of the Internet was something that could be sold in formats other than newsprint. With the advent of the Internet, it soon became obvious that financial news would be the winner for Johnnic. I-Net was moved to an internet platform, but it remained essentially a wire service, not a website in the ways in which other online news organisations had websites, free-to-air sites generating revenue from advertising and sponsorship.

The move of the online ventures to a new company was bold, and indicates a level of corporate and management commitment to the Internet that is remarkable. However, it is possible to see the move in a cynical light, one designed to prevent the newspaper editors getting too excited and spending too much money on the Internet. As Neil

Jacobsohn said: “We kept editorial exuberance under control and stopped the newspapers from leaping into massive and expensive web projects.” (Jacobsohn, 2001).

In practice, however, it appears that I-Net never really pursued ventures other than its own subscription services and corporate financial ventures. The public websites in its stable, especially Ananzi and NetAssets were somewhat neglected, and the newspaper sites, given that they were never really the full responsibility of I-Net, also fell between the cracks. Ananzi, in particular, seems to have been neglected. Buwalda cites the withdrawal of funding from the service’s development only six months in to the process as particular evidence of the lack of commitment to Ananzi, and feels that I-Net, and later Johnnic e-Ventures, never really backed the service fully. (Buwalda, 2001).

NetAssets never really lost enough money to be closed down, but it was never enough of a hit (or a revenue-generator) to become a flagship brand for the company. It limped along, as it still does, in a kind of limbo that could be called indicative of the attitude of I-Net to its non-subscriber services.

I-Net was very conservative venture financially, as Jacobsohn says, there was an initial investment of R32 million, and no more. Sites that did not cover their expenses quickly found that there was no more money available for development and marketing. Given that the main focus of I-Net was always geared toward those projects that were already profitable, this meant that the other sites were left to sink or swim on their own. The lack of risk taken by I-Net, and the lack of reliance in the eventual viability of “free-to-air” websites is remarkable for the Internet industry, both in South Africa and overseas. This conservatism has not been proved wrong by the experience of many Internet ventures.

The move of the newspapers online interests to I-Net also had an effect on the newspaper sites. Freed from both the obligation to generate revenue for themselves (since it was expected that the money would come rolling in from I-Net), and at the same time prevented from actively pursuing new opportunities and revenue streams for the newspapers, they entered a kind of limbo.

The two financial sites (*Business Day* and the *Financial Mail*), are remarkable mainly for their survival despite not changing in approach or thinking for more than two years. The sites remained an online mirror of the content in the print edition, with a few technological features (such as search capabilities). Any developments during this time were purely technological (improving the automatic extraction from the news production system, speeding up the server). Since the sites existed, and had an audience, they were left alone to function. Since the staff required to maintain them was so minimal they were allowed to exist almost as “hobby sites” for the crew concerned. (Cohen, 2001).

The *Sunday Times* was not left quite as alone as the other two sites, but it was also never really developed to the extent that it could have been. The lack of funding commitment to generating original copy, and the lack of any real marketing drive by the people who actually owned the site meant that it never really got hyped to the extent that it might have been.

The fact that the marketing and the sale of advertising on the sites was neither the responsibility of the newspaper itself, or the people directly responsible for the websites (the webmasters), meant that the staff were somewhat absolved from responsibility for the financial state of the site. The frantic pressure to generate revenue that many online ventures (news and otherwise) experienced was not a factor in these sites, and this effect can be seen.

Although the three newspaper sites did not change much during the 1998 to 2001 period, this is not necessarily a bad thing. At a time when other South African newspaper companies were frantically pursuing the latest trends in online ventures (portals, e-commerce, customer loyalty schemes), *Business Day*, the *Financial Mail*, and the *Sunday Times* continued to provide exactly what they always had, a basic online news service, without the bells and whistles. It is possible that the loyal customer base that these sites maintained during this time is as much because of the lack of bells and whistles as it is despite it.

By the same token, the fiscal conservatism of I-Net and Johnnic e-Ventures, although uncommon, may not have been the wrong choice.

Chapter 5 **Naspers**

1. Introduction

Naspers is a predominantly Afrikaans language newspaper group, with three daily newspapers, (*Beeld*, *Volksblad* and *Die Burger*) three Sunday papers (*City Press*, *Sunday Sun* and *Rapport*), and shares in the daily *Natal Witness*. They also have considerable interests in magazines, including *You*, *Huisgenoot*, *Sarie*, *Landbou Weekblad*, *Fair Lady*, and *Men's Health*, and own 45 small regional newspapers. They are traditionally the conservative Afrikaans newspaper house, and they have no competition in the area of Afrikaans newspapers.

Naspers also has shares in MIH holdings, who own M-Net, a subscriber-based television channel, and M-Web, an ISP and online content provider (and sometime web development house). Like other South African media companies, the ownership and partnership arrangements at Naspers are convoluted and volatile. Essentially, Naspers owns magazines and newspapers (Nasmedia), and also owns shares in the TV channel and ISP. There are also several other companies, such as book publishers (Struik), educational publishers, in the group, as well as interests in printing presses. Nasmedia has two main divisions, newspapers (Nasnews) and magazines, who operated independently within the company. The links to M-Web and M-Net, and the other interests, occur more at a corporate level than an operational one, and the various interests do not have much of an effect on each other. (Petros, 2001)

During the timeframe covered during this research, substantial restructuring took place in the company, which will be dealt with below, in addition, the company acquired shares in the *Natal Witness*, and launched the weekly *Sunday Sun*. The newspaper and magazine division (Nasmedia), also re-named itself Media24, and new division was launched (eMedia24).

Naspers' main offices are in Cape Town, where most of their magazines are produced. Most of the newspapers are produced in Johannesburg, with only *Die Burger* in Cape Town, and *Volksblad* in Bloemfontein.

2. Just because we can – the first sites.

Naspers first began creating online editions of its content in early 1997. The Afrikaans daily *Die Burger*, and *Sarie*, a bi-monthly woman's magazine, launched their own online editions, created by the IT division of Naspers in Cape Town. These sites reproduced the printed content on the web, in flat html, with no advertising or added-value features. Like many other initial websites, these were driven primarily by the desire to prove it could be done, and the belief that "if you build it, they will come". The Cape Town IT division did take the Internet seriously enough that they bought outside expertise in the form of a small web development company (whose name nobody remembers), to run these websites, and infrastructure, in the form of servers, was acquired. These early sites attracted visitors in much the same way other early sites did - novelty value. They also had the advantage of being in the only Afrikaans material on the web then available, which created an almost instant community online. (Hanly, 2001b)

In Johannesburg, *Beeld*'s deputy editor, Arrie Rossouw, recently returned from the United States, wanted to create an online publication. Rossouw says that he had become very aware of the Internet while in the US, and had followed the development of companies like AOL very closely. *eBeeld* was launched in April 1997. *eBeeld* differed from the websites of *Die Burger* and *Sarie* in a few ways. First, it was in English as well as Afrikaans, mainly because Rossouw felt that the Internet was an English medium, and he wanted to reach a wider audience than the printed newspaper could. *eBeeld* also tried to develop a brand slightly different to that of the print title, and basic added value features, such as links, and some breaking news were added. (Rossouw, 2001)

Beeld (the newspaper) differs from the Cape Town papers in a few ways. It is the most national paper in the group, and is highly respected, by both English and Afrikaans readers alike. It is less conservative and parochial in its outlook than other Afrikaans papers. Consequently, *Beeld* felt that English speakers would read their content on the web if it were offered in English. (Rossouw, 2001)

eBeeld was run out of the Doornfontein offices of *Beeld* in Johannesburg, by Rossouw and one assistant. They copied and pasted content from the newspaper,

created html, reformatted pictures and ftp-ed the finished content to the servers in Cape Town. The IT division in Cape Town provided some basic support, but essentially it was up to the people in Doornfontein to manage the site, often without much support from the rest of the newspaper's crew. Rossouw says; "In the beginning the journalists and subs thought we were mad, they were not at all involved. Fortunately the editor was quite keen and he saw at that time, he saw the need for having the paper brand somewhere on the net. He gave us carte blanche to develop what we wanted. That was very exciting." (Rossouw, 2001)

3. Everybody wants a portal

Elsewhere in the company, Naspers and MIH had launched M-Web, a conventional internet service provider, with dial-up clients in early 1997. This company was intended to become a one-stop internet service, much like the then-competing iAfrica. M-Web provided internet access, content on its home page, web hosting services, web design services and e-commerce facilities. Although M-Web is key to any discussion of Naspers' internet strategy, its existence did not have a substantial impact on the newspaper division itself (except in one particular instance which is discussed below). Consequently, this research will not deal extensively with the various strategies which M-Web pursued.

This initial phase of online newspapers did not last very long. In late 1997 Koos Bekker became MD of Naspers, leaving the same role with M-Net. Having had a background in electronic media, and been involved in the launch of M-Web, Bekker almost immediately began to re-evaluate the company's online strategy. He felt that now that the company had M-Web as the ISP, the next thing to do would be to get the content of the Nasnews and Nasmedia titles online. In August 1997, he formed a small working group, including Arrie Rossouw. The working group "sat there day and night, we started working on business plans. How do we do this? How do we get the content there? Do we establish new brands? Do we establish new businesses? Lots of thinking went into it. Month after month." (Rossouw, 2001) Each month the group met, went away with plans, worked on them, and reported back.

By January of 1998, a plan had been formed. Nasnews would form a portal, to be called 24.com (as in 24 hours a day). M-Web would continue to function as an ISP,

and as its own portal, using content from the print titles as necessary, and buying its own content from elsewhere, but Nasmedia would run its own portal, 24.com, and its own news brand, News24, separately. Initially, Nasmedia wanted to be its own ISP as well, but pressure was put on them not to compete with M-Web, and it was decided that they would use the bandwidth and backbone of M-Web.

The decision to create two sites, one for leisure information, and one for news was controversial, and caused much internal debate at the company. Primarily, it was a reflection of the split between the magazines and the newspapers, physically (most of the magazines were based in Cape Town), and conceptually. Although the newspapers themselves would not have any real control over News24, it would still be run with the ethos that informs newspapers, and by a journalist, Rossouw. Rossouw felt that “we needed to have a separate brand, a news brand, we needed a CNN for South Africa.” News24 would also be a brand that they felt “we can work with as newspapers”(Rossouw, 2001). At the time many people felt that the decision to not incorporate News24 into 24.com was a bad one, thinking that “general interest portals will make money, news won’t”. (Rossouw, 2001)

The strategic direction taken by Naspers was heavily informed by the portal concept. As Rossouw says: “The whole portal business was big. Everybody wanted a portal.” (Rossouw, 2001). 24.com was conceived as a leisure portal, with content from all the brands in the Naspers group. Within 24.com, separate sub-brands were developed, initially consisting of News24 and Agri24. Agri24 had grown out of the content of the Landbou Weekblad, which went online in 1998. News24 would contain all the news content of the newspapers in the company. Both of these sites, which would function as separate brands, would give all of their content to 24.com as well, who would pick and choose what of it to use. (Rossouw, 1998)

Although everyone connected with 24.com and News24 refers to them as portals, they were not, strictly speaking, the kinds of sites that the word portal usually refers to. They did not incorporate additional services such as Internet search tools, e-commerce, or webmail. (Carlson, 1999). By portal, Naspers seems to have meant more of a content clearing-house, a place where a user could find all sorts of content, from news to sports, to health, to general interest and so on.

4. A CNN for South Africa

News24 was to be a news site, carrying content from all the newspapers, as well as wire services and some original material. From the start it was conceived as a 24-hour news service, with staff working around the clock. A proprietary content management system was commissioned, and the staff moved into temporary offices in Sandton. News24 and 24.com were launched on October 19, 1998.

News24 was almost completely removed from the newspapers, both physically, and in terms of its staffing and processes. The physical removal (the offices were in Sandton, far removed from *Beeld*'s offices in Doornfontein, or from the Cape Town newspapers) seems more significant than it actually was. When News24 was founded, Naspers had already decided to move out of the offices in Doornfontein, which were small and dilapidated (and in an increasingly undesirable area of Johannesburg), into new offices which would be constructed in Auckland Park. There was no space for News24 in Doornfontein, and the new offices were not yet ready, so they rented temporary offices in Sandton, next to Nasnet (later Ads24), Naspers' advertising sales agency. Although the removal of News24 from the physical environment was not deliberately planned, it did have the psychological effect of distancing News24 from the newspaper(s), and from the company as a whole. (Rossouw, 2001).

News24 was envisioned as a free-to-air site generating revenue entirely from banner advertising, which would be sold by Nasnet, the company's advertising sales team. The site would be promoted in the newspapers, and News24 would maintain links to the original newspaper sites. (Rossouw, 2001).

In terms of staff, News24 was conceived as a completely separate news production organisation, but with the same fundamental structure as a traditional newspaper newsroom. As Rossouw says: "Because I was a deputy editor, and a journalist my whole life, I structured it almost like a newspaper, we had the same structures." (Rossouw, 2001).

Because Rossouw had been observing developments on the Internet in the US, he had ideas of how to run the site, but, as he says: "as a news website, not as a portal

business.” The newsroom was structured with an editor, a content manager, news editors, night news editor, reporters, subs, page designers and translators. They “developed this whole idea of a newsroom that would look almost like a newspaper, but with not that much emphasis on the own reporting, and the content creation, more on using other content and repackaging that in a format that would be friendly.” (Rossouw, 2001).

The translators were an addition to the online newsroom that was necessary, and an expense. The decision to produce the website in English, although clearly one with a huge impact in terms of costs, was never even debated, it was obvious from the start, that News24 would be a primarily English portal (although they would provide Afrikaans news as well). Since much of the news content was being produced in Afrikaans, it was necessary to hire translators (or more commonly, bilingual sub-editors), who would pick up the copy from the newspapers, translate it, and pass it on to the sub-editors.

Content for News24 would come mainly from two areas: the newspapers, and from wire services. In addition, original content could be commissioned directly from the journalists, either at News24, or the newspapers themselves. News24 followed the same basic categories as most news sites, local, national, Africa, international, business, sport and entertainment. According to Media24’s managing director, Russell Hanly, the company’s strengths lie in the areas of African news and sport, and the business news, in particular, had to be supplemented with wire service copy. (2001b)

Wire service copy was fairly straightforward, although there was some initial confusion regarding digital rights, as there was with most online ventures at this time.

News24 had more access to newspaper copy than many other online ventures did at the time. The editor of News24 could attend the 4pm diary meeting of any of the newspapers, either physically, or via telephone, and would be able to pick up copy from the newspaper production system as soon as it was filed by the journalist. News24 did not have to wait until the copy had been subbed or the pages laid out on the newspaper side, although in practice they often did. Once copy had been picked

up by News24 it would be translated, edited and published online at the direction of the editor of News24.

In practice, News24 would usually pick up the next morning's copy from the newspaper production queue and have it online by 10pm the night before. In the case of a big story, it was possible to have the copy online by 6pm; 12 hours before the newspaper would be published. Although News24 could do as they liked, and the newspaper editors had very little say in how their content was used, there were agreements, and usually the courtesy was observed that the content would not be used until 10pm. The editor of News24 had complete discretion regarding the content published. He was not answerable to the newspaper editors, only to the company as a whole. He had almost *carte blanche* to use the content of the newspapers as he saw fit.

This almost complete lack of concern about the possibility of "scooping" the newspapers is notable, since this is an issue that has caused considerable strife at other companies. Rossouw attributes it to two things. One is the language difference. Since News24 was primarily in English, and the newspapers primarily in Afrikaans, it was not felt that the two were really competing. The other reason is that "there is nothing like a scoop really, news is just news". This attitude is repeated elsewhere in the company, and seems to be quite unique to Naspers. (Rossouw, 2001. Hanly, 2001b)

Original content could be commissioned from the journalists at the newspapers by the News24 editor, and frequently was. Court reporters, in particular, were frequently asked to file stories directly from the courtroom to News24, before filing their stories for the newspapers. The idea that News24 could commission stories from the newspaper staff was agreed upon early in the process, although "everyone said this is going to be a big problem, people will want to get paid extra." (Rossouw, 2001). In practice, however, there were very few objections to the idea. This can be attributed partly to the lack of unionisation at Naspers, so there were very few formal objections (although, it is interesting to note that at unionised companies, such as Johnnic, the unions were not concerned about this issue (Gill, 2001)).

Also, and possibly more importantly, the journalists were excited to be filing for the online edition. Court reporters, in particular, who were issued with laptops and

cellphones so they could file from the courtroom, were keen to do it. As Rossouw says: “They could show off to their colleagues from the other newspapers. There was an initial kick they got out of it, so they didn’t worry too much about being paid.” (Rossouw, 2001).

Technologically, News24 commissioned a proprietary online news management system, which would interface with the proprietary newspaper production system the company was using. This system allowed copy workflow, and was later amended to allow for additional technological features such as discussion groups. (Rossouw, 2001) In 1999, the initial system was found to be inadequate and was scrapped. News24 bought a Vignette StoryServer system, which was installed by Internet Solutions/Dimension Data. News24 had the same teething problems with Vignette that other companies have had, but is reasonably content with things as they currently stand. The system does not interface directly with the newspaper production system, and News24 staff still copy and paste content manually from one system to another.

News24 was launched in October of 1998, and immediately began to gain readership. Naspers went on a considerable marketing drive (for internet ventures at the time), and the site gained a substantial market share quite quickly. Promised advertising revenue did not materialise as fast as it could have, but Naspers remained convinced that News24 would eventually make money. (Hanly, 2001b)

Over the three years of its existence, News24 has not changed much. It still remains a general news site, with a strong emphasis on local news and sports coverage (the live cricket ticker is particularly popular). Over the years, additional features, such as discussions and polls have been added, and feature sections have been created for special news events. One major change which is due to be launched shortly is personalisation, allowing users to register, and select which news they would like to see. On the whole, however, News24 is notable for its consistency, and the lack of frequent redesign, re-launches, and changes in direction.

Despite the launch of News24, and the strong focus on it by the company, the three main newspapers (*Beeld*, *Die Burger* and *Rapport*) continued to publish their

own material, on their own sites, in Afrikaans. These sites have existed continuously since they were launched, and although they are connected to the News24 site with links, no attempt has been made to completely incorporate them. (Hanly, 2001b)

5. 24.com

While News24 was being developed in Johannesburg, 24.com was being worked on in Cape Town. 24.com was a leisure portal, using content mostly from the magazine titles, aimed very much at the home user, rather than the slightly more business-oriented focus of the news site. 24.com had a team consisting of editors and page designers, working from the Cape Town offices, using the same management system that had been developed for News24. 24.com also had the rights to use the newspaper content directly, the wires, and anything that was published on News24.

In addition to the main portal, 24.com had several subsidiary niche sites that were developed out of the magazine content. The first of these was Agri24, based on the content from *Landbou Weekblad*. Health24, Women24, Wheels24 and others followed. Essentially all of these sites follow the same model, with an editor who selects copy from elsewhere and publishes the material online. Some of these sites produce original content as well. Sport content was provided in partnership with the pay TV channel's sports channel, SuperSport. (Steyn, 2001)

M-Web had, in the meantime, continued to develop its own site, www.mweb.co.za, more along the lines of a traditional portal, with search functions (Max), e-commerce, news and information services, auctions, and many other features. Much of the content for M-Web's portal came from Naspers, especially news content, via an agreement that had been in place since News24 was first launched. Since M-Web was also an ISP it was possible for it to build substantial readership through its own user base. (Steyn, 2001)

It soon became obvious that there was not going to be enough room in the South African market for too many portal sites to make money, if in fact any portal sites were ever going to make money. Since 24.com was not profitable, it was closed in 1999, and its content moved across to the M-Web site. The niche sites remained. (Hanly, 2001a)

6. Other sites

After 24.com closed, the smaller niche sites of 24.com continued to function, and to be run from within Nasmedia. These sites had always been more successful than 24.com, and they were easier to market and to sell advertising on. Since most of them had strong content ties to specific magazines in the group, it was fairly easy to create content and to leverage cross-promotional opportunities. A new 24 site was launched in late 2001, Food24, using content from several of the magazines. (Steyn, 2001)

In addition to the 24 sites, Nasmedia continued to publish sites specific to the magazine titles, such as MensHealth.co.za, and Sarie.co.za. These sites exist more as a marketing exercise for the magazine titles, with basic content. These sites are more focussed on subscribing to the magazine, and what's in this issue, than on the content itself. These sites are run from within each magazine itself, not by Nasmedia as a whole.

7. Mail & Guardian

The Mail & Guardian is an independent weekly newspaper, with a progressive outlook and a small, but loyal readership. It was the first South African newspaper to go online, with a website in 1994, but even before that, in the early nineties, it was possible to receive the content of the newspaper via email. The Mail and Guardian is partly owned by the Guardian newspaper, in the UK, but to all intents and purposes it functions as an independent newspaper. (Manoim, 1998)

The Electronic Mail and Guardian is a daily news site, featuring wire service copy, copy from the UK Guardian, and from the print title. Like the newspaper, it has a small, but loyal readership. (Le Page, 2001). In 1998, M-Web bought a 60% stake in the Electronic Mail and Guardian, moved the site onto its backbone, and offered its content as part of their bouquet of news. The deal was intended to bring increased readership and revenue to the site, while still allowing the M&G to keep editorial control. The editing of the site would continue to be done from the offices in Auckland Park, next door to the offices of the newspaper..

News24 immediately began negotiations to bring the E M&G into its own stable, but Irwin Manoim, co-founder of the Mail & Guardian newspaper, and managing editor of the website, resisted the pressure, and the E M&G remained outside Naspers' editorial control. The E M&G is a rather odd site in all of this, maintaining its very strong independence, while still technically part of the Naspers/M-Web stable.

8. Afrikaans services

Although the company was putting a lot of focus and effort into producing news in English, they continued to provide content in Afrikaans, primarily as a means to support the print titles, and to provide content for M-Web's Afrikaans channel. The Afrikaans content remains popular, but the company as a whole is not focussed on developing this audience. (Hanly, 2001b)

9. The walled garden

At the beginning of 2000, one of the largest media deals ever took place: internet service provider America Online bought traditional media-based Time-Warner. For South African pundits, this deal seemed to bring to mind Naspers, mainly because of the correspondence with the TV channel/ISP relationship. (Parker, 2000). By the end of 2000, the internet stock market bubble had burst and investors and analysts alike began to question the viability of internet businesses, especially content providers.

The dial-up internet service provider business had been battling in South Africa for some time by the time the internet bubble burst. When banking group ABSA launched its free internet access in April 2000, strategists began to look at ways of keeping their paying dial-up clients. The AOL "walled garden" model was one Naspers had been looking at for quite some time. The advent of free internet access spurred the decision, and in February of 2001, Naspers' content-based websites were closed to non-M-Web dialup users.

This move was controversial, to say the least. Users complained, pundits objected, and the Mail & Guardian, whose online edition had been blocked, went so far as to publish a scathing article in the newspaper, criticising the move and telling

readers how to bypass the restriction. The staff at Nasnews are somewhat coy about the move to block access, refusing to be drawn on the issue of how it is affecting their readership. Nasnews is being paid a licence fee for the exclusive use of the content by M-Web. (Hanly, 2001). Others at Nasnews are more blunt, and it is clear that the decision was one that was taken without consulting the staff at Nasnews, in particular the staff at News24. (Rossouw, 2001)

This move may not have had as great an impact as it would appear to. Although there are only 300 000 M-Web subscribers (Stones, 2001a), access to the sites is not limited only to them, since corporate users can access the sites regardless of their ISP. The majority of South African internet users are accessing the internet via a network, rather than home dial-up, and are unaffected by the closing off of the sites. The public relations effect may have been considerably greater, however, and it remains to be seen what the final impact will be.

10. EMedia24, moving to Cape Town, and consolidating.

In early 2001, Naspers began a round of re-structuring and cost-cutting, and began to look at the company's overall strategy, particularly with regards to their internet ventures. M-Web was still losing money, and News24 had yet to show the huge profits that were initially predicted for online ventures. (Stones, 2001). A key decision was made to consolidate the internet ventures of the Nasnews company, in particular.

There were several business units in the Nasnews group, all trying to build business, and each with their own finance, advertising, human resources and IT structures. The largest unit, News24, was in Johannesburg, in the new Media Place offices in Auckland Park, most of the other sites (the 24 sites) were in Cape Town, but were functioning independently of each other. As Douw Steyn, general manager of News24, says: "savings could be made by centralising in one space, centralising in centralising in IT, bandwidth and people." (Steyn, 2001).

A new division was formed, eMedia24 (Nasnews had been renamed Media24 earlier), and Russell Hanly was brought in as MD. eMedia24 brought together all the

internet activities of the original print-based company: News24 and the niche sites, under a single entity, with a single infrastructure. (Hanly, 2001b).

Staff in Auckland Park were given the option to move to Cape Town, accept re-deployment within Naspers in Johannesburg, or be retrenched. 40% of the overall staff was cut, and costs were radically reduced. A single IT resource was created, providing development services to all the sites, and everyone was moved onto the fourteenth floor of the Naspers building in Cape Town. Steyn says that the move was a good one, that “the growth of News24 has been 40% in this quarter. We’ve achieved a lot. It’s a far more effective operation.” (Steyn, 2001)

This consolidation did not affect the newspaper or magazine websites, however. The newspapers still run their own websites, completely independently of News24, using their own staff, and their own resources. The only connection is that one can link directly to a newspaper’s site from the News24 site. Very occasionally, a developer from eMedia24 may provide some assistance to a newspaper’s webmaster, but this is an extremely informal arrangement. The magazine websites are even more removed from eMedia24, being run completely separately, with no communication whatsoever between the two. (Steyn, 2001. Rossouw, 2001)

11. Newer new media

eMedia24 has plans for the future. In addition to continuing to run the current sites, it is working on new niche sites, such as the recently launched Food24. Mobile media are also on the cards, with agreements with iTouch, an SMS service, having been signed. PDA and Wap (wireless access protocol) versions of the websites are already available, and Media24 has launched a telephone-based audio text services company.

In terms of revenue, eMedia24 is still looking at advertising, and a free-to-air model for its sites, with some additional revenue from syndication and on-selling of content. They are looking seriously at subscription services as well.

12. Commentary

The single most noticeable aspect of Naspers' online strategy has been its emphasis on consumer content. From the start, the company, with its strong assets in magazines, and particularly leisure titles, has focussed almost exclusively on consumer content. Even its hard news has remained very general in focus, and very little attempt has been made to beef up the business news. The one business title in the group, Finance Week, has been completely ignored by the online division, and has no internet presence beyond a basic corporate site.

Naspers is also noteworthy for the consistency of its strategy, and the centralisation of its decision-making. From the beginning of 1998, when News24 and 24.com were first conceived, the company has made very few changes in its overall internet strategy. It is still producing the same consumer-based general interest content that it started out with, and although they have slightly revamped the expectation that they would earn money from advertising, the model remains the same.

There have been only two main changes in strategy since 1998: the decision to close 24.com, and the decision to limit access from non-M-Web subscribers. The restructuring of the online interests into eMedia24 is a corporate-level restructuring, and was neither informed by the concerns of the websites, nor did it have an effect on them.

Naspers is not just a newspaper company, despite its history, and its name. The newspaper division is not the most important division (unlike Johnnie publishing, who consider the well-being of the newspapers to be paramount), and the company appears to be far more centralised, and focussed on the company as whole. This focus is very noticeable in the online division, which is completely physically removed from most of the newspapers, even the news service. The rapid abandoning of the newspaper brands, and the emphasis on News24 is also significant. The ease with which News24 could take content from the newspapers, the lack of concern about "scooping" the newspaper, or stealing readers, the ease with which News24 could instruct newspaper staff to do things are all indicative of the fact that Naspers does not consider itself to be just a newspaper company, and that other interests may be more

important. The fact that much of the senior management (Hanly, Bekker) at Naspers do not have a newspaper background is also significant, especially when compared with Johnnic's management.

It was surprising to discover the relative lack of interest in the Afrikaans titles at Naspers. The internet division is almost exclusively focussed on English content, and the Afrikaans sites are maintained either by M-Web, or the newspapers themselves.

Chapter 6 **Analysis**

1. Introduction

The US model for the evolution of online news strategy consists of four phases. The first phase is the simple reproduction of the print edition of the paper on the internet. The second phase is the beginning of the divergence between the two, and the introduction of web-only content, usually breaking news. Phase three begins when the company begins to examine its strategy and goals online, and the website begins to feel like an equal partner with the newspaper. Phase four begins when the organisation starts to practice convergence, and to re-use content in multiple markets. Companies in phase four tend to refer to themselves as content producers, not just as newspaper companies.

2. Phase one: reproducing the print edition online.

In almost all cases in the United States, the first phase of moving onto the Internet is characterised by several things:

- a lack of analysis or strategy as to why,
- a concern primarily with technological problems, and a lack of funding.
- the fact that the people involved in it are usually lower-level employees,

In the first phase the senior management of the company is either unaware of the online edition, or uninterested (senior management referring not to the editors of the various titles, who if not involved in online, were usually interested, but the management and directorship of the company as a whole).

Johnnic entered this phase with the initial publication of *Business Day*, the *Financial Mail* and the *Business Times* online. As Cohen (2001) says, the exercise was more in the manner of “Roy [Izakowitz] going off and proving to the world that this could be done”. In his discussion of this phase, Cohen is almost exclusively concerned with the technological problems, and admits that the project was as much a technological experiment as it was a publishing exercise, another marker for first phase activity,

At Johnnic, this phase continued for some time, and even after I-Net became involved, the publications continued to create online editions of their print titles, with little or no added-value material until quite recently. *Business Day*, for example, went online in 1997, and did not begin to display advertising until 1999. In summary, at Johnnic, phase one was not really abandoned until very recently, the second phase was simply implemented in a different section of the company, leaving the individual print titles to continue as they had been.

At Naspers, phase one was far shorter, and the company's management became involved almost immediately in the online editions. At *Die Burger* and *Sarie*, phase one began in early 1997, and by late 1997, the company had already begun to look at online strategy for the entire organisation. The fact that the company almost immediately purchased outside expertise to assist with the creation of these websites is an indication that management became involved very quickly, and that they had moved out of phase one.

At Beeld, possibly because of its physical distance from the company's management structure, phase one seemed to have lasted quite a bit longer, but given that the online edition was translated, and almost immediately began using wire services, it was not a strict reproduction of the newspaper, and therefore not a phase one website at all. At *Beeld*, it is also interesting to note that the impetus to create an online edition was directly spurred by Rossouw's exposure to US companies' online strategy, and that the strategic thinking about the site, therefore, had begun before the site had been created.

Phase one at Naspers can only be considered to have lasted from the launch of the first sites until the purchase of the outside IT company, the point at which management became involved, a mere matter of months.

3. Phase two: the move to breaking news.

Phase two is characterised by two things:

- the move away from a strictly print-driven timeframe, and onto breaking news,

- and by the involvement of management in the process and the release of funds (to hire more staff, or pay for wire service feeds).

At Johnnic, phase two never really happened. The print titles had not begun to provide breaking news, nor had additional staff been hired, when all the titles' online rights were transferred to I-Net. In another sense, phase two also never really happened at Johnnic at all, given that *Business Day* is still unwilling to "scoop" itself, i.e. to publish the newspaper content online before the print edition has hit the streets: the willingness to do that is a marker of second phase thinking. Although the *Financial Mail* did move to publishing its online content before the print edition had been distributed, it has since changed that decision. The *Sunday Times* did move to providing breaking news, in 1999, and therefore did enter phase two.

At Naspers, the only site that could ever have been characterised as a phase two site was the initial Beeld site, with its breaking news and translation of copy. Although additional staff were not hired to work on the site, there was some analysis of the needs of the audience and a moving away from a simple reproduction of the print title.

The commentary on phase two in the US focuses heavily on the needs of the audience/reader and on the natural cycles of news. The move to breaking news is driven more by the perception that that is what the reader wants or needs. Phase two coincides in the US with the rapidly growing popularity of the Internet as a medium (Kirsner, 1997). In South Africa, with its relatively small internet user base, the actual needs and concerns of the audience do not seem to have been as heavily considered, and the discussion of online publishing in the broader society never really took off as it did in the United States. Internet publishing is still considered by many South African observers to be only a niche, and not of interest to the public at large. Of the people interviewed for this research, only Rossouw, at Naspers, ever mentioned that what the audience wanted was a factor in strategy (when deciding to translate Beeld's copy).

4. Phase three: the involvement of management and the development of strategy

A company enters phase three of its online strategy when the senior management begins to become involved, and a cohesive online strategy is formed. Hallmarks of this phase are the creation of portal sites and the examination of revenue streams for the online venture. In the US, this phase was also marked by the movement of the internet journalists out of the newsroom and into a separate space (and sometimes a separate company).

Johnnic entered this phase with the agreement to hand over all internet rights to content to I-Net, and to spin off the company's online ventures into a separate company. It was at this point that the company's management became involved, and a strategy began to be developed.

Johnnic did not pursue the portal strategy per se, but did attempt to create a separate brand for its online activities (I-Net). Since Johnnic had not fully entered phase two in its internet strategy, there were no real internet journalists who could be moved to the new company, but a separate online newsroom was created, and moved into a completely different building. Johnnic's strategy might be called a variation on the portal, since I-Net is, in a way, a portal for business people. The key difference with Johnnic, is that, when the time came to discuss revenue, they went firmly with the subscription model, something that was not commonly seen in the US.

Naspers followed the US model for phase three almost to the letter. A strategy group was convened, and the company opted for the portal route. A separate entity was created (News24) from the newspapers, and a whole new team was installed, in separate offices, to run the site. The revenue model that was adopted was the advertising model, again, in keeping with US strategy. Naspers' portal did not follow the US portal model exactly, it did not include the more common services, such as search engines, e-commerce and mail services. It was also not as regional as many US portals, such as Boston.com. But the principle of what Naspers was trying to do, to create a new brand, and to generate revenue from advertising is completely in keeping with US strategies.

The word portal was used by both companies extensively, but it appears to be more a case of using the word that was fashionable at the time, rather than a serious attempt to create a portal along the lines of what was being done in the US.

5. Phase four: re-examining the company, restructuring for the long term

In phase four, newspaper companies begin to re-examine their entire corporate strategy, and to examine the overall objectives of the company in the light of the new areas in which they are now involved. Phase four is the point at which companies begin to call themselves “content providers” and to re-examine the relationship between the content and its means of distribution. In the US, this phase is marked by corporate expansion, and the creation of spin-off companies. A few even went so far as to list these new companies on the stock exchange. Phase four also coincided with the height of the boom in Internet stocks, and the subsequent collapse in prices.

Phase four is also the point at which all of a company’s staff begins to become more involved in the online ventures, and the online newsroom is either folded back into the main newsroom, or a convergent newsroom is created. In phase four, as a result of the change in thinking as to the company’s purpose, journalists come to think of themselves less as “newspaper writers” and more as content creators, producing in multiple media. It is essential to phase four, however, that this change in thinking affect the entire staff of the company, not just those involved in new media production.

Neither Johnnic nor Naspers can be said to have fully entered phase four, but aspects of it have been evident in both companies for some time.

In some ways Johnnic could be said to have entered phase four as early as 1998, when the entire group’s Internet content was centralised, under I-Net. At that point, the company began to view its online interests as a separate company, but had not yet begun to re-evaluate the overall role of online content within the organisation, nor had the online activities of the company had an impact on the day-to-day running of the newspapers.

The creation of the online newsroom was also not really an indicator that the company had entered phase four, since it was simply a re-shuffling of the I-Net newsroom, and the re-arranging of some responsibilities. At no point at Johnnic, did the online activities have any effect on the work of the journalists and editors on the print titles. The online activities still function almost completely separately to the newspapers, and there is very little organised collaboration.

Johnnic still thinks of itself as a company with many interests, newspapers and online, but these interests and activities are very separate. The newspapers, in particular, constitute a somewhat “sacred space” in the company. Despite the name change, the staff at the newspapers still think of themselves as print journalists, and the physical newspapers as the company’s most important product. Johnnic as a whole may think of itself as playing in many fields, but not as a company whose main interest is to provide information, in whatever medium is most appropriate for that content and audience.

Naspers also appears to have some of the hallmarks of having entered phase four of its internet strategy, but it has not achieved some of the key points.

Naspers does not think of itself as a newspaper company, but as one that deals in content in various media, but as with Johnnic, the actual activities of the various business units are not integrated to any meaningful degree. There has been some shuffling of responsibilities among the business units, and the company has created eMedia24, an attempt to bring all their online content into one business unit. The creation of eMedia24, however, has not had much of an impact, either on the actual websites or their staff, or on the other business units in the company. eMedia24 is more of a change in management structure and logistics than on actual thinking in the company.

Naspers has achieved greater integration between the various publications and the online ventures than Johnnic, but there is still a substantial gap to be bridged, and once again the print journalists do not feel much involvement with the other activities of the company.

Both companies have adopted some of the approaches of phase four, especially when it comes to corporate thinking and structures, but seem to have failed to adopt that thinking at the lower levels. In both companies, the staff for the various publications (newspaper, online, etc) are rigidly separated, and there is very little sharing of resources and expertise.

6. South African variations on the US model

In general, the two companies examined have followed most of the broad outlines of the four -phase model, with the exception of the fourth phase, which has not been adopted to any significant degree. There are several areas, though, in which the South African companies have adopted a slightly different strategy to the model, and these are worth noting.

In both companies, the newspapers continued to publish their own websites, using their own resources and content, even after the company as a whole had adopted a new strategy. At Johnnic, the company's broad strategy was eventually adapted to accommodate these websites, and they are now considered part of the overall strategy. However, the *Sunday Times* site still falls under the management of the newspaper itself, and while *Business Day* and the *Financial Mail* are not under the control of the newspaper, they are managed by Vernon Matzopoulos as a kind of afterthought, as opposed to either I-Net or the online newsroom.

At Naspers, the print titles' websites fall firmly under the auspices of each print title, and their existence is not registered in the thinking of eMedia24: there seems to have never been any attempt to close them down, or to bring them under the management of the Internet interests at the company. Although the websites are formatted to look like the rest of the sites produced by News24, and the links to them from News24 make it appear that they are merely sections of News24, they are in fact, managed and edited completely separately. At both companies, the websites based on the print titles have substantial readership and loyalty, and there seems to be no question as to their continuing existence.

Johnnic's continuing aversion to "scooping" the print titles is notable, since this is a not a concern at Naspers, and internationally, seems to have been abandoned. It is

particularly notable in South Africa, where a relatively small percentage of the newspapers' target audience has internet access, that concerns about the internet "stealing" readers from the print titles should be so high.

7. Structural variations in the South African companies

There are several aspects to the South African companies that set them apart from the US in many ways, and may account for some of the variations in their online strategies.

Neither company is, or was at the beginning of the time frame covered in the research, a purely newspaper company. Johnnic publishing was actively involved in magazines and financial information services (I-Net) at the time that they began to become involved in the Internet, as well as having interests in television (Summit) and radio news. The entire Johnnic company has extensive interests completely outside media (in fact, it has only recently re-focussed itself on media, it used to have most of its assets in mining and property), such as retail (Exclusive Books, NuMetro cinemas) and telecommunications (M-Cell).

Johnnic also has a more complex ownership structure than Naspers, or many of the companies discussed in the US model. The US financial news company Bridge was, until its bankruptcy in 2001, a minority shareholder in I-Net (which was called I-Net Bridge); UK-based Pearson International owns a share in both *Business Day* and the *Financial Mail*. This, of course, has a direct effect on the strategic choices made, and even what choices Johnnic is at liberty to make. It also explains the gap between the two newspapers, and their operations (and the fact that the *Business Times* never joined forces with *Business Day*, but maintained completely separate operations.)

Naspers appears to be a more print-oriented company than Johnnic, but with most of its interests in magazines, rather than newspapers. Naspers also has holdings in television and during the timeframe of this research, launched M-Web, an Internet service provider (and sometime web developer and content distributor).

The fact that neither company was exclusively focussed on news as its main activity has meant that the company's strategic thinking has not followed the thinking that is

evident in the discussions of US strategy. At Johnnic, the most obvious variation was the almost immediate focus on paid services, rather than advertising revenue-based services. At Naspers, the creation of a general-interest portal as well as a news portal was a result of their greater interests in magazines than news.

Both companies, because of their wider business activities, behaved strategically in ways that can not be directly related to the newspapers' interests. With the US companies discussed in the literature, the focus was always on the newspaper company itself, and the effects of strategy on the newspaper. In the South African context, many strategic decisions were taken without any real discussion of the effect on the newspapers, or even the involvement of the newspaper management. Naspers' launch of M-Web is an excellent example of a strategic business decision taken by the company, with no consideration of the effect this would have on the newspapers.

At Johnnic, this behaviour can be evidenced in the decision to create Johnnic eVentures to manage the online activities of all the companies in the group. The newspaper companies were not directly affected by this decision, since they had already signed over their internet rights to I-Net, but the fact of the creation of eVentures without considering their interests is indicative of the attitude prevailing at the company. In fact almost all the strategic decisions with regards to online activities taken at Johnnic could be considered to have been for the benefit of the paid subscription service, not for the newspapers.

One contributing factor in this area is the fact that much of the senior management, especially at Naspers, are not journalists by training or profession, but come from other areas, particularly financial management, advertising (Russell Hanly), or entertainment (Koos Bekker).

This greater focus on the interests of the company as a whole had the effect of isolating the newspapers from the broader strategic focus, and allowing them to pursue their own online activities within the company (hence the continuing newspaper websites). Their lack of access to the broader strategy, and their consequent lack of funding, however, meant that what strategies they could pursue were heavily curtailed.

At both the companies studied, there were multiple newspaper titles, with different audiences and markets. This meant that the company strategy, when it was concerned with the newspapers, had to consider the effect on multiple titles. In the early phases of strategy development, this was not a big issue, since each title developed strategy for themselves, and pursued their own interests online. When the company as a whole began to take an interest in internet strategy, their focus was of necessity not on a single title. This is in contrast to many of the US companies studied, where there was either only a single title, such as the Chicago Tribune, or where the company was so heavily regionalised that each title functioned as a separate entity. This made the strategic decisions taken by the companies far more straightforward than in South Africa.

8. Differences in the national makeup of the US and South Africa

South Africa is not a heavily regionalised country, and most of the publications considered in this research are national ones. In the US, regional concerns, and the development of a local audience were considerable issues in for many newspapers. The need to provide local content that wire services could not was a substantial impetus to the creation of original content for websites, and many of the portal sites that were developed had a strong regional basis. There is only one truly national newspaper in the US, *USA Today*, and it was a relative latecomer to the Internet. While most of the publications discussed in the literature are regional ones. South Africa, by contrast, has very few regional newspapers, and, with the exception of Naspers' *Die Burger* and *Volksblad*, none of the publications discussed in this research are regional ones.

This difference between the two areas studied was noticeable mostly during the second and third phases of internet development, where the need for local news pushed the creation of original content for websites. In South Africa, the relative lack of focus on local news meant that the content requirements of the websites could be fulfilled by using wire services, and additional staff were not hired.

This is not to say that neither Johnnic nor Naspers have local newspapers, they do. Johnnic owns the *Herald*, and has shares in the *Daily Dispatch*, both Eastern Cape papers. Naspers, in addition to the two papers mentioned above, also has shares in the

Natal Witness, and in more than 40 regional freesheets. But for neither company was regional news an issue. Naspers uses content from its regional papers on News24, when it is of national interest, and several of the regional papers have websites; Johnnic's regional titles also have websites. However, none of these sites were ever mentioned by any in management at either company, and the concerns of these small titles did not seem to register at the national offices. The one mention of regional content at Johnnic was the Sunday Times' entertainment guides for each city that are published on the website.

9. Language

One issue that was not mentioned in the literature on the US, that was discussed in South Africa was language. South Africa is linguistically very diverse, with eleven official languages, but the most common languages of public discourse and media are English and Afrikaans (although there are a few small newspapers in African languages, they tend to come and go). None of the newspapers discussed in the US literature was published in anything other than English, and no mention was made anywhere in the literature of the provision of online content to non-English speakers (although the subject of non-English websites, particularly Spanish ones, has been discussed in other contexts).

The fact that most of Naspers' news content is not in English was not as great a factor as might have been anticipated. The decision was made almost without thought that the content would be in English on the portal sites, and that the only Afrikaans content would be on the newspapers specific sites. The English content was not as hard to access as might be expected, the wire services are all published in English. Furthermore, many of the newspaper journalists are capable and willing to file stories for News24 in English, and translators are not as difficult to find as might be expected (most university-educated Afrikaners have an excellent command of English, and it would be extremely difficult to be a journalist who couldn't speak English fluently).

Naspers does publish content in Afrikaans, in two places, the newspaper websites and on the Afrikaans portal at M-Web. The Afrikaans newspaper sites exist more by default than anything else, and their content is a simple reproduction of the printed content. The M-Web portal is run entirely by M-Web, as a special section on their

main portal. Naspers provides news content for this site, but has no particular involvement in it beyond that. It is interesting that, although the Afrikaans content is fairly prominently displayed on the M-Web portal, the provision of this content is not considered important by the staff at Naspers.

The relative lack of interest in providing Afrikaans content, or attracting the Afrikaans audience to the Internet is particularly interesting in the case of Naspers, the biggest Afrikaans newspaper house in the country, and one with very strong ties to the language. Although specific research has not been done, the demographics of Internet use in South Africa, and of the country, would indicate that a fair percentage of the people using the web in this country speak Afrikaans, and might well exhibit strong loyalty to sites that promote Afrikaans. Naspers' experience with Kyknet, a successful Afrikaans satellite TV channel would appear to back this up. Unfortunately, these are issues well outside the scope of this research.

10. Business Content

One of the main variations in the companies studied is Johnnic's extensive focus on business content, rather than on general news, the focus of most of the research and of Naspers. Johnnic's emphasis on business content led it to make very different choices, particularly with regards to revenue generation than at companies with more general content. The main choice was the decision not to rely on online advertising for revenue, something that would probably not have been possible in a general news environment.

The business information environment is both smaller and more predictable than the general news environment. This allowed the company to define its strategy more clearly, and market its product more specifically.

11. Mobile services

One key point in the evolution of new media strategy in South Africa is the existence of a substantial potential market in cell-phone based media which is not evidenced in the literature on the United States. While the high cost of computers and the lack of technological infrastructure has severely limited the potential size of the Internet market in South Africa, cellular telephones have proven to be far more accessible to

all sectors of the market. With the advent of pay-as-you-go services, and more affordable handsets, cellular telephones have become the communications medium of choice for South African consumers.

Both Naspers and Johnnic experimented with Wireless Access Protocol services early on, but like many WAP services, they proved to not be popular, most likely because the relatively high cost of calls, and the speed (or lack thereof) of the service made it a very expensive way of getting information. Both companies still provide WAP-based services, but these do not really factor into their overall strategy.

Short message services, on the other hand, are viewed by both companies as an area for major growth in the future. SMS services provide news updates, sports scores, weather forecasts, stock market information and many other kinds of information direct to a customer's cellphone, either on demand, or on a regular schedule. SMS charges are billed directly to the customer on their phone account, and the revenue is usually split between the content provider and the cellular phone company, although the exact agreement varies according the companies.

Johnnic, having a substantial share in cellular service provider MTN, are the content provider for MTN's SMS service, MTN Ice. The content of the messages are created by staff in the online newsroom (although previously they worked for a separate company, the technology developer, Leaf), and cover such diverse areas as sports scores, stock market quotes, celebrity gossip and horoscopes. As the technology gets cheaper, Johnnic expects to develop even more mobile-based products and services.

Naspers does not have such a specific mobile strategy, although they do provide content for SMS services to I-Touch, an independent SMS service provider, and do have plans for more mobile services. (Hanly, 2001)

Perhaps the strongest evidence of both companies' intent to pursue mobile services aggressively in the future is the fact that it was the one area which both companies refused to discuss in any detail. Both Lunsche and Jacobsohn at Johnnic, and Hanly at Naspers said that they were actively pursuing mobile services, but declined to elaborate.

12. The use of research and strategic analysis

One thing that is very noticeable in the South African online environment is the relative lack of research into the audience and potential audience for the websites, and the companies' almost exclusive reliance on either "gut feel", or on extrapolating from US research.

Admittedly, there is very little research into the exact demographics and behaviour of South African Internet users, but what little there is was never mentioned by either company (the best known is Stadler and Goldstuck's *Survey of South African Web users*, 1998). What was mentioned, however, was the opinion of various people as to what they believed was wanted. Rossouw (2001) asserted that there would be demand for *Beeld's* content in English, and for a 24-hour news service, with no analysis or local research to back him up (not that he was wrong). Cohen, at Johnnic, claimed that there was no demand for early morning copy online, admittedly with slightly more justification, having seen the server logs. The most remarkable evidence of this disregard for traditional research is Johnnic's belief that the existence of the *Financial Mail* website was damaging the circulation of the print title. It is interesting to note that this belief, which was not supported by the people I spoke with, appears to be held with absolutely no empirical evidence, beyond the fact that the circulation had declined since the introduction of the website. It is even more remarkable that the company had restricted access to the website, in the hopes of correcting this, but did not anticipate conducting any research to establish whether, if circulation increased, it was the result of the restricted access.

The one area in which the companies relied on research was in the counting of visitors to the websites. Both companies keep logs, and refer to them to establish what kinds of content are most popular. Naspers, in particular, being more reliant on advertising to generate revenue, paid a lot of attention to these logs, and subscribes to the Audit Bureau of Internet Standards, the Internet division of the national circulation board.

The one person at either company who expressed an interest in research, and how it could be used to better the content and the websites was the online newsroom editor Jeanette Saunders who expressed concern at the lack of research into the kinds of

content which were most effective on the Internet. Her concern, however, was mainly with the kinds of writing that was most effective, not with the needs of the audience.

This is not to say that the US companies relied on, or even used research in their strategy development, but the literature surveyed displays a far greater awareness of research than that expressed by the people interviewed from the two South African companies.

13. Conclusions

While at first glance it appears that the two South African companies followed, if not the same, then a similar, evolution in their Internet strategy to that followed in the United States, close examination reveals that this is not strictly true.

Both companies went through phase one, although Naspers went on to phase two very rapidly.

Only one of the Naspers titles ever fully embraced phase two (*Beeld*). At Johnnic, the *Sunday Times* was the only newspaper to create a phase two site, and this was well after the company as a whole had moved on to phase three.

Both companies entered phase three early, and focused much of their energy and resources on this phase. Johnnic's move of all of its content to I-Net, and Naspers' creation of News24 are both phase three strategies.

Neither company has fully embraced phase four, although there are moves in that direction. The creation of eMedia24 at Naspers, and the online newsroom at Johnnic are signs of phase four, but neither company has implemented convergence to any significant degree.

There are several fundamental differences in the approaches taken by South African and US companies, driven primarily by the structural differences in the companies, and by the differences in the national environments.

The main differences lie in the corporate structure of the companies. The two South African companies studied had far more complex corporate structures than those

discussed in the US studies. In neither company was newspaper publishing the sole activity, and the interests of the other entities within the corporate structure prevented the companies from pursuing a strategy based simply on what is best for the newspapers. The fact that the companies were not solely newspaper companies also meant that senior management were less likely to have been journalists, which had an effect on the strategic decisions taken.

The existence of multiple newspaper titles in each company also has the effect of preventing the development of a strategy specific to each title. Almost all the US literature surveyed, however, dealt with individual newspapers, or companies whose main focus was a single newspaper.

The specific nature of the South African environment also affected the strategies developed. The main difference between the two countries is in the overall size of the potential market for Internet material, and the relative proportion of the population who fall into that category. South Africa has a smaller population than the United States, and more significantly, a far smaller percentage of the population with access to the Internet.

The smaller size of the potential market in South Africa meant that the companies did not devote as much money or effort in pursuing Internet ventures, and that the viability of the advertising revenue model was even less than it was in the United States. But the smaller percentage of the population with access to the Internet had another effect: it was never considered possible in South Africa that the Internet would completely kill the market for newspapers. In the US literature this sentiment was overtly expressed at least once (Overholser, 2000), and the general feeling that newspapers were under threat from the Internet is an undercurrent in much of the material. The feeling in the United States seems to have been that newspaper companies had better move online, because their existing market base was being eroded by these new ventures.

In South Africa, it is self-evident that, whatever circulation problems newspapers may be havingⁱ, they cannot be blamed on the Internet, since the overwhelming majority of the population has no access to the Internet. No South African newspaper ever

considered completely abandoning print for online, as the *Provo Journal* did. The only South African titles that ever considered themselves under threat from the Internet were the *Financial Mail* and, to a lesser extent, *Business Day*. Although Johnnic has restricted access to the website to encourage subscriptions to the print title, and they do consider the Internet to have had an effect on circulation of this one title (a sentiment that is not universal at the company), they do not hold the Internet solely responsible for the decline in circulation, and they have not considered either closing the website completely, or transferring the entire enterprise to the Internet.

The lack of strong regional interests in South Africa, and the existence of multiple languages were also circumstances that differed from those in the United States, but it is harder to ascribe any particular variations in strategy to these factors. The lack of strong regional identities in the country is mirrored by the national nature of the companies concerned, and it is hard to tell, if the newspapers companies had been more regional in nature, whether this would have been reflected on the websites, or whether even a regional newspaper would simply have created a national website. The overall size of the market would seem to mitigate against the development of regional content which would further fragment the already small Internet market.

ⁱ In February 2001, the Audit Bureau of Circulation reported a decline of 3% in daily newspaper circulation nationwide. (Business Day, Feb 16, 2001)

Chapter 7

Conclusion

The Internet is sometimes referred to as a global medium. This opinion is usually based on the nature of the Internet as a medium accessible internationally, without the physical restrictions imposed on broadcasting or publishing. The question is: whether the creation of content for this global medium can be said to be likewise a global industry, or whether the practices and strategies vary across national boundaries.

This study compares the experiences of online newspapers in two countries: the USA and South Africa, with a view to establishing how universal the strategies and practices are. From this study, the conclusion can be drawn that, although the approaches have been substantially similar in both countries, there are differences which can be attributed to differences in the particular economic, political and social circumstances which prevail in each country.

The fundamental structure of the approach to online news can be said to have been similar in South Africa and the US. Newspaper companies in both countries initially embraced the Internet as a news medium, with little concern for profitability over the long term. This was soon replaced by a more sober analysis of the financial returns and long-term viability of the medium, although the South African companies did this far sooner than the US companies. The fiscal conservatism of South African companies as compared to the US ones is marked, and might be attributed to the substantially smaller market, both for the Internet and for newspapers in this country, and the equivalently smaller profit margins.

This emphasis on the financial aspect of online news led to increased interest in empirical studies in the needs and desires of both the audience and the advertisers, particularly in the United States. In South Africa, although concerns about readership and advertising were expressed, there was no evidence of empirical research being done into the audience for news on the Internet. An interesting question which arises from this is whether this lack of interest in audience research is specific to the South African online industry, or whether it is characteristic of South African media as a whole.

In the United States, the focus on online news as a more than an experiment, as a viable news medium and industry often led to the creation of separate entities to run the online news divisions, and the physical removal of the website management from the newspaper management. In South Africa, the same change occurred, moving online activities to separate companies, or divisions within a company, although, as I have said this was without the preceding analysis that occurred in the US.

The current phase in the US, is for companies to re-examine their entire corporate strategy in the light of changes brought by the Internet, and to re-position themselves as content providers. Concomitant with this change is the move to convergence, and the creation of newsroom handling multiple media. In South Africa, this move has not been evidenced to any substantial degree, although the companies studied do tend to think of themselves as “media companies”, not just newspapers. However, the point must be made that these companies always had substantial interests outside newspapers, and this re-positioning of themselves as more than print cannot be attributed solely to the inclusion of the Internet in their activities.

There are several additional areas of research suggested by this study:

- The use of audience research and empirical studies in online news. The Internet is a more flexible medium, and one with far less “received wisdom” as to what works and doesn’t. The nature of the Internet makes it far easier to conduct audience studies, and to analyse reader behaviour in great detail. To what extent have these things been embraced by the online news industry, and has this had a knock-on effect in other news media?
- The effect of national differences on Internet strategy. There are two areas here, one is to expand this study to other countries, and to create a more universal examination of Internet news strategy. The other is to examine differing national strategies among multi-national news organisations. A comparison of Independent Newspapers South Africa’s strategy with that followed in the Irish and UK divisions of the company would be an example of this.

- The extent to which the universality of the Internet of the news medium has affected the use of indigenous languages in online news. In South Africa, the fact that the premier Afrikaans newspaper company chose to provide almost all its online content in English raises several questions about the long-term viability of languages other than English on the Internet. There is room for study in South Africa on the use of Afrikaans as a medium for the Internet, as well as studies on the use of languages other than English in other countries.
- The changes in the roles of journalists wrought by the online news industry. Several people interviewed for this study mentioned confusion as to their exact roles, and the changes that online news had brought to their activities. Newspaper newsrooms have a tendency to rigid, traditional roles, especially on the production side. Online news has created new roles, and changed the definitions of others, as well as changing the traditional, linear production process of print newspapers. These changes, and how different companies adapted and created roles for online news could provide interesting material for a study.

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