A quiet but powerful revolution

– By Alec Hogg

This is the time of year when I ready myself for my most important task of the year – an update for shareholders of Moneyweb published in our annual report.

As a public company, this might be an obligation, but it’s no chore for me. Rather it provides the rare luxury of easing back to consider whether the bigger picture continues to pan out pretty much the way we’d expected when our company was founded in early 1997. Even then it was apparent to us that a media model which had been unchallenged for centuries could not be sustained for too much longer.

Financial capital rules

Ever since Town Criers were put out of business by Gutenberg’s invention of moveable type in 1450, financial rather than intellectual capital has ruled in the media sector. This domination of money over talent was made possible by some of the most effective barriers to entry any industry has enjoyed.

Printing presses require huge capital investment. And as dozens of local failures have proven, unless you own one, forget about being anything other than a bit player in the newspaper and magazine business. Radio and television licences are even more effective barriers to any wannabe competitors in the broadcast arena.

For media owners, until the past few years it’s been like playing poker with their own marked deck. Those ‘in the game’ co-existed in a comfortable quasi-monopoly. Nothing overt, of course. But scratch the surface and it’s obvious. Or just talk about money with a gifted content producer employed by Old Media. It’s a situation exacerbated in South Africa’s tightly controlled media market.

Internet – forever changed the game

Through eliminating those decades old barriers to entry, the internet has brought in a new deck. It has forever changed the game. No longer are massive printing presses required to publish written information. And with its content instantly accessible to anyone with a computer and a phone line, the once omnipotent distribution companies – themselves owned by Old Media – are no longer the only channel to market.

Apart from the early hype, it’s been a quiet revolution. Many in Old Media continue to denigrate internet publishers and their unquestioned advantages of faster delivery, greater reach and ability to achieve greater focus. The worst of these Luddites continue to exist in comfortable cocoons, somehow unable to grasp that companies like Moneyweb have been able to attract the best talent thanks to the hugely superior economics of internet publishing. No printing or distribution costs (up to 80 percent of the expenses for Old Media) translate into a better deal for talent and advertisers.

Shared-risk outsourcing

In our field of financial reporting, Moneyweb has secured partners who are relatively recent participants in fields dominated for decades by Old Media. As commercially-driven enterprises, their management teams appreciate the advantage of leveraging great content across
various platforms. And they understand that the shared-risk outsourcing model provides a vastly better product than they would be able to afford in-house.

It is no secret that outsourcing has worked spectacularly well in many other industries. Logically, the same must hold true for a normalised media sector subject to standard rules of competition and lower barriers to entry. Media brands are delivery platforms, nothing more. Competition introduced by the internet has impressed this upon the more enlightened players.

Greater choice means power is shifting back to the consumers of media; consumers who demand superior content. The days of poorly trained reporters being used to fill the space between the adverts; or of commoditised information being passed off as ‘news’ are surely numbered. Media brands must be able to provide fresh, quality content tailored to their market. That gives intellectual the whip hand over financial capital. Town Criers of old must be smiling down from heaven.

Alec Hogg is the founder and chairman of Moneyweb Holdings which serves 200 000 individual users monthly through SA’s leading investment website Moneyweb.co.za; the local marketing community through Marketingweb.co.za; and the world’s leading source of mining news, Mineweb.com.