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**The Impact of a Public Broadcasting Service
Mandate on the Competitiveness and Sustainability
of Broadcasting in South Africa.**

A case study: SABC 2

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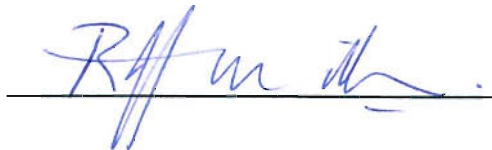
ABSTRACT

Radio and television broadcasting are among the most highly regulated industries in most countries. National governments have traditionally assumed responsibility for determining the structure of broadcasting in each country. These state broadcasters have typically been financed from licence fee revenues collected from the owners of television and radio receiving sets, from direct parliamentary appropriations, or from both, although in some cases (e.g. Italy, The Netherlands and Finland) the income of the state broadcasting organisation has been supplemented by advertising revenue. The establishment of state broadcasters has enabled the government to exercise great influence over broadcasters, allowing the medium to be used as a mouthpiece for government sentiments and policy. In South Africa, the National Party government controlled the airwaves and used it to entrench a repressive system of Apartheid. Following the new democracy in South Africa, a regulatory body was formed to oversee the freedom of the media. It was however recognised that broadcasting is one of the few opportunities for historically separated sectors of South African society to get to know each other, while celebrating cultural differences. SABC has been given a substantial public service mandate to fulfil the national goal of democracy, nation building and to provide information and entertainment in indigenous languages. As local programmes are more costly to produce, the mandate presents challenges to the broadcaster to still remain competitive for audience share and revenue. As the SABC does not receive a subsidy, does not have direct access to licence fees and often broadcasts to lower LSM's that do not traditionally deliver revenues, the challenge is to find a broadcasting mix that will ensure sustainability. The research concluded that SABC 2 (that has the biggest public service mandate) is still competitive when compared with another commercial broadcaster. The PBS mandate formed a distinctive strategy to hold audiences and be sustainable. A survey, using a questionnaire concluded that SABC 2 was seen as a public broadcaster but a government subsidy to offset losses of certain types of programming would be welcomed. Two structured interviews showed that the mandate was closely

monitored and that management was constantly challenged to find the best programming/scheduling and revenue mix. A source of revenue that would be welcomed would be the partial allocation of licence fees to the channel for specific public service programming – such as state funerals and big national sporting events. This exploratory research made recommendations that will further enhance the competitiveness of SABC 2 and provide more synergies within the South African Broadcasting Corporation.

DECLARATION

I, Robyn Jay Smith, declare that this research report is my own, unaided work, except as indicated in the acknowledgements, the text and references. It is being submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of Natal, Durban, South Africa. It has not been submitted before, in whole, or in part for any degree or examination at any other institution.



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CHAPTER 1

INTRODUCTION TO THE RESEARCH

1.1 Introduction

Public Service Broadcasting (PSB) or “public broadcasting” has played a significant role in the political and social institutions of countries. Historically, PSB organisations have occupied dominant or monopolistic positions in a number of European countries. Other countries have a strong PSB organisation operating alongside commercial broadcasters. The current status of PSB’s worldwide is under pressure from a number of different fronts. These include the proliferation of television and radio channels made possible by satellite and cable programme distribution. As the number of commercial services increases, so does the service potential to provide the programming that was traditionally the reserve of the public broadcaster (McKinsey, 1999).

1.2 Background of the Study

Public broadcasters have existed as central, publicly funded national institutions providing services in the public interest (IBA, 1995). The advent of technology, political and economic events and resource constraints, have contested this monopolistic position. As a consequence, some public broadcasters have been transformed from bloated bureaucratic organisations into lean and efficient operations. In other cases, public broadcasters have been commercialised, privatised or marginalized. In Singapore, public broadcasting has been corporatised, in New Zealand commercialised and dependent on advertising, while in Brazil it has been marginalized and commands only one percent of advertising (ICASA, 2001).

It is in those countries where mixed economic principles have been applied to the broadcasting system that public broadcasting has remained viable (IBA, 1995). Despite government funding cuts and competition from other media,

quality public broadcasting in Britain, Canada, Australia and the Scandinavian countries have survived in regulated competitive environments.

The SABC is currently South Africa's national broadcaster and was established in 1936 under an Act of Parliament (www.docweb.pwv.gov.sa). The SABC's internal reorganizations were widely perceived as part of the National Party strategy of protecting the SABC. At the same time several media and cultural groups tried to combat this strategy and establish an independent public broadcaster accountable to the people of South Africa.

Broadcasting is one of the few opportunities for historically separate sectors of South African society to get to know each other. In countries with high levels of illiteracy like South Africa, the role of broadcasting is all the more important in providing information for people to participate in the processes of development and nation building. While acknowledging the need for a public broadcaster in South Africa, the prospects for long-term viability of a broadcaster that does not follow market signals, are questionable. The public service mandate affects who the potential audience will be and therefore the revenue that flows from that audience. Market share comes directly from potential audiences and this affects the broadcaster's competitive position within the industry.

1.3 Motivation for the Project

SABC 2 is the channel with the largest footprint in South Africa and, according to its public service mandate, services primarily the Sotho and Afrikaans language markets. Secondary markets include English and Nguni. The historical role of the government in the broadcasting industry has changed. It provides no subsidy and the SABC has to generate its own revenues – primarily from advertising and programme sponsorship. The viability of the public broadcaster is integrated with its mandate and programme obligations. This has a direct bearing on costs and determines its ability to attract and maintain audience share. All this is dependent on the way it structures its

business model, redefines its vision and objectives and strategises for the future. Strategy focused organisations have traditionally been organised around functioning specialities (Kaplan and Norton, 2001). Strategic themes such as the PBS mandate can be implemented across all departments of the organisation so that common objectives become the goals.

1.4 Value of the Research

The SABC takes up three quarters of the available television spectrum in South Africa with its three channels. With competition for advertising revenue from all the major players and increased competition in programme buying from the first free-to-air channel (e-tv) and the pay channels (Mnet, DStv), the SABC has to remain competitive, fund itself and deliver on a national mandate (Enterprise,2000).

A change to its original business model with more emphasis on sustainability, strategy and execution is needed. The restructuring of the SABC in 1990 on business lines with a view to creating efficiency was in line with state strategy of privatizing parastatals to secure political and economic interests in the private sector.

The business model for the SABC has now evolved to that of a commercial broadcaster (SABC 3), a public broadcaster (SABC 2) and a combination of both (SABC 1). In all these instances, the three business models must generate enough funds to be self-sustaining. The research from other countries show that the public service mandate for a broadcaster can be part of a competitive strategy and contribute to maintaining high standards of programming and delivery in an industry.

SABC 2 has to be self sustaining and profitable to ensure competitiveness and grow market share. This means that the previous strategies of relying on government funding – whether the channel was achieving audience share or not, have to change. Business principles have been implemented in the

marketing and sales departments and uses traditional financial concepts of profit and loss concepts (Enterprise, 2000). The study showed that changes in the business model and resulting strategic decisions can make the broadcaster profitable and make its mandate and business model completely different to others in the world such as the British Broadcasting Corporation (BBC) and the Canadian Broadcasting Corporation (CBC).

1.5 The Problem Statement and Hypotheses

- Problem Statement:

To what extent does SABC 2 use a business model to transform itself into a public broadcaster? What effect does this have on strategic decision-making geared towards sustainability and the aims of a national broadcaster? What changes should be made to its strategy to ensure long-term competitiveness.

- Hypothesis

1. SABC 2 has a business model that ensures sustainability.
2. Its strategy is geared to grow market share and make a profit.
3. Strategic management will execute the business model and tailor the organization to be more self-reliant and move from a government mouthpiece to a true national broadcaster.
4. Strategic management decisions are governed by the regulatory body or the government and not by audiences.

1.6 Objectives of the Research

The objective of the study was to identify the extent of the effects of the public service mandate on SABC 2's sustainability. The study also attempted to identify whether the mandate can be part of the broadcaster's competitive strategy. The SABC was benchmarked against the BBC structure as a public broadcaster.

Two aims of the study can be identified.

- Does SABC 2's public service mandate make it uncompetitive?
- As the largest, legislated public service mandated television channel in South Africa – should SABC 2's performance and sustainability be judged individually or as part of the South African Broadcasting Corporation as a whole.
- What key elements should be included in the broadcasting business model for SABC 2?

The following sub-problems (or research questions) were derived from the aims listed above:

- How can SABC 2 become sustainable in the long term with relation to it not being subsidised and having a huge public service mandate?
- Sustainability/profitability or delivering on its national mandate – a contradiction in terms?

1.7 The Research Design and Methodology

The sampling frame used was the current population of managers at SABC together with the managers who head the major SABC 2 departments. The sample included managers from Human Resource, Programming, Finance, Market Intelligence, Airtime Sales, General Management, Marketing, Scheduling, Web/IT, Audience Research, On Air, Training and Development and Strategic Planning. The size of the population of managers at the SABC in Johannesburg was 32.

1.7.1 Design and Analytical Techniques

The research technique was both quantitative and qualitative and used historical data, structured questionnaires and semi-structured interviews. The method of data collection for the qualitative survey was respondent-completed questionnaires sent by email or hand delivered. Interviews were conducted at the offices of two SABC 2 managers. A cross sectional study was utilised and

all questionnaires were issued simultaneously. An ex post facto design was used in that the study was carried out in the natural setting without manipulation of variables by the researcher. Content analysis was used to distinguish themes from the responses. Historical data was gleaned from annual reports and surveys conducted by the Corporation and other research institutions. Experiential data in the form of unstructured interviews with two current managers at SABC 2 was collected to gain a deeper understanding of the changes in legislation, strategies, management decisions and goals. The quantitative research used historical data from SABC Audience Research and a t-test to show the statistical relevance of the effect of the public service mandate.

1.8 Limitations of the Study

1.8.1 Internal Limitations

- The channels have not operated with an explicit, documented business plan. The submission of a comprehensive business plan has been a recent development. Therefore no conclusive comparison could be conducted to evaluate the changes.
- The high turnover of management staff limits the amount of data that can be carried over in terms of hands-on experience and historical data in the form of story telling.
- Despite agreeing that SABC 1, 2 and 3 were not competing against each other, managers were still reluctant to reveal elements of their competitive strategies - especially SABC 3 which is the commercial channel (PCBS – public commercial broadcasting service).

1.8.2 External Limitations

- The public service mandate has changed over the years. The Broadcasting Act does not quantify the public service mandate requirements. The SABC translates the mandate within the Corporation and sets targets, which the channels attempt to deliver.
- The proposed two new channels that will cater for indigenous language groups have not been finalised. It is believed that these channels will

become PBS channels. The uncertainty surrounding these channels limited the study, as managers were unwilling to reveal key channel operations until more information on the new channels became available.

1.9 Structure of the Study

Chapter 2 of the study contains a Literature Review. The chapter details a list of key concepts used in the broadcasting industry. A word on the literature sources surrounding Public Service Broadcasting (PSB) follows and includes a comparison of South Africa's largest PSB – SABC 2 and a foreign equivalent together with an investigation of the relevance of the writings of Michael Porter (1985), Yannis Bakos (1991) Henry Mintzberg (1994), Hamel and Prahalad (1994) on strategy, competition and sustainability. The chapter further explores the literature resources on SABC and public broadcasting with reference to Allan Brown and Martin Cave.

Chapter 3 contains the research methodology of the study. The research aims, design and procedure are described. The quantitative method (including the hypotheses, sampling strategy, procedure for data collection, ethical considerations and method of analysis are included. The chapter further describes the qualitative method and the component sampling strategy and a discussion on the ethical considerations.

Chapter 4 presents an analysis and discussion of the results obtained through the application of the procedures described in chapter 3. The chapter presents the findings of the quantitative results and discusses the implications thereof before presenting the results of the qualitative study gained from the interviews conducted.

Chapter 5 presents recommendations on the analysis that could lead to different strategies being implemented. The chapter concludes with a summary and suggested topics for further discussion and research.

1.10 Summary

The role of the public broadcaster in South Africa has significant implications for the nation as a whole. Language and cultural groups that had been marginalized in the past are now being catered for. The public service mandate is part of nation building, information and entertainment. Against this background, the study aims to consider the future of public service broadcasting in South Africa using SABC 2 as a case study. The study will investigate the effects of the PBS mandate on SABC2 in terms of its competitiveness and programming strategy. It also noted that the PBS mandate had an indirect effect on other broadcasters programming, scheduling and competitiveness. There were both internal and external limitations to the study. The research used qualitative and quantitative methods to evaluate data. The results are discussed and recommendations made as well as comments on future studies.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The literature review aims to present a critical review of the available literature pertaining to the main concepts of the study (Saunders, Lewis & Thornhill, 2000).

The Public Broadcasting Service concept and the South African Broadcasting Service (SABC) will be reviewed with particular reference to the channel with the biggest public service mandate. Its history, characteristics and nature will be outlined in order to provide an insight into the broadcasting environment and the prospects for the long-term sustainability or profitability of SABC 2. Secondly, SABC 2 will be highlighted as a case study in the quantitative and qualitative section of the research. In particular, the economic environment in which SABC 2 operates will be reviewed, in order to gauge the long-term sustainability of a public service mandate.

2.2 Key Concepts

For the purposes of this literature review, certain important concepts are defined to aid the reader in the understanding of the industry.

Non-commercial broadcasting is known as "public broadcasting" in North America and "Public Service Broadcasting" (PSB) in the United Kingdom, Europe and Australia (Brown, 1996). In this research, the two terms are used interchangeably. While most of the literature refers to "PSB", the South African literature refers to the concept as PBS - public broadcasting service.

For the purpose of this research we will use the definition of a public service broadcaster as specified in Section 1 of the 1999 Broadcast Act, defining public service broadcasting as "any service, including a commercial service,

operated by the SABC”, while Section 9(1) provides for a distinction between the ‘public service’ and ‘commercial service’ operated by the SABC. In terms of licensing, the IBA is required to distinguish between ‘public’, ‘commercial’ and ‘community’ broadcasting services. It must be noted that several European and American literature sources on broadcasting use “non commercial” to define a public service broadcaster.

Broadcasting is the transmitting of programmes to be heard simultaneously by an indefinitely large number of people (Curren and Seaton, 1981).

LSM is an acronym for Living Standards Measure and is a marketing tool designed to profile the market into relatively homogenous groups (Haupt, 2001). It is based on a set of marketing differentiators which group people according to their living standards, using criteria such as degree of urbanisation and ownership of assets such as cars and major appliances. (see Appendix 3)

2.3 A Word on the Literature Sources

Literature that has been published on the chosen area of research with regards to PSBs, their structures and impact on broadcasting environments has been taken from books, journals, media reports and studies analysing the broadcasting environment worldwide. The information from the sources relates directly to the research and is important to the study in terms of understanding the public service broadcasting mandate and the context in which it is carried out and regulated.

Various publications including The Journal of Media Economics and Harvard Business Review contained articles and summaries pertaining to the history and nature of PSB, the economic ramifications and environments in which these systems operate. Other articles contained information on management styles and the marketing environment in which PBS's operate.

ICASA (Independent Communication Authority of South Africa - formerly known as the Independent Broadcasting Authority - IBA) has published several papers and working documents relevant to the various stages of broadcasting. The IBA was the first independent regulatory body on broadcasting and telecommunications in South Africa and worked to regulate the airwaves as well as transform the national broadcaster (South African Broadcasting Corporation – the SABC) from a government mouthpiece to a public broadcaster (ICASA, 2002).

Media reports used are fairly critical of the PBS system. Reports on the British Broadcasting Corporation range from criticism of the Board's infrastructure and makeup to the overall structure of the broadcasting industry and concern over new competition. In this study we benchmark the SABC against the BBC.

2.4 PBS models and principles

At a very basic level there are two traditional models for broadcasting – the European model and the United States model (Brown, 1996). The European model is based mainly on large public broadcasters established, organised and (wholly or partly) funded by the State. The US model comprises mainly commercial broadcasters. In Britain, the Broadcasting Research Unit (1985) considered that PBSs embodied the eight fundamental principles of:

- Geographic universality
- Broadcasting must be directly funded by the viewing and listening audience
- Independence from government and vested interests
- Concern for national identity and community
- Catering for all interests and tastes
- Catering for minorities
- Quality of programming
- Creative freedom for programme makers

National governments have traditionally assumed responsibility for determining the structure of broadcasting in each country. To achieve their PSB objectives, most western European governments have legislated for public corporations to be established as the major or sole suppliers for broadcasting services (Brown, 1996). These state broadcasters have typically been financed from licence fee revenues collected from the owners of television and radio receiving sets, from direct parliamentary appropriations or from both, or a model that includes advertising fees (Siune, 1986).

According to the McKinsey Institute, Public Service Broadcasters (PSBs) were conceived in a world of one or two channels. The market evolution appears to have put pressure on the traditional PSB model, and in some markets fundamentally called into question its validity. Deregulation of terrestrial markets, the growth of multi-channel television and the emergence of strong pay television operators have fundamentally altered the competitive dynamics of many markets (McKinsey 1995).

PSB's are known as public broadcasting services (PBS's) in South Africa. They have significant responsibility within their markets as they are the pace setters and set the tone for broadcasting. Healthy, functioning PBS's that have community support, can potential greatly enrich their broadcasting cultures and by extension the cultures of their nations.

The establishment of state broadcasting corporations has allowed governments to exercise significant influence over the socially powerful broadcasting media. Although this is sometimes lessened by internal and sometimes legislated principles to protect operating autonomy, indirect supervision is still retained by governments through financial allocations and appointments to Boards of Management (Hibberd, 2001). An analysis and comparison with a foreign broadcaster is utilised later.

Most PBS's are former monopolies that were originally designed to provide the entire supply of programming for the market (McKinsey, 1999). However,

since the advent of commercial terrestrial competition, multi-channels, cable, satellite and digital technology such as the Internet, PBSs have found themselves with an enormous challenge to be adaptive.

2.5 Challenges to the broadcasting industry

Broadcasting has become a fundamentally more competitive industry than it was 20 years ago and it faces several very specific challenges:

1. Increasing competition from commercial channels and multi-channel penetration.
2. Saturation of TV viewing and reach
3. Early evidence of substitution from new media - e.g. Internet users will surf the Web instead of watching television
4. Increasing costs of talent and key rights in genres such as sport
5. Pressure on funding as governments attempt to reduce the overall tax burden and as increased competition reduces available advertising revenues.

As a result of these challenges and particularly the significant loss of share (and therefore influence) to the new commercial broadcaster, many analysts consider the PBS an outdated concept. The future, they argue will bring a multiplicity of channels – such as in the United States - with enormous variety (Tracey, 1991). Many PBS's are considered inefficient relics of an earlier state-dominated age (Brown, 1996).

PBSs tend to carry much higher overheads as they contain large production units, education departments and many other commitments that the more streamlined commercial broadcasters do not. The absence of competition makes many PBS's complacent and overstaffed. In addition, commercial broadcasters are often sophisticated in their use of commercial techniques. The new commercial broadcasters are seen as more progressive and exciting than the staid familiar PBS (McKinsey, 1999).

2.6 South African Broadcasting

The research uses a case study of SABC 2 to explore the relationship between the public service mandate and the future sustainability of the SABC. It is necessary to sketch the background of the broadcast industry in South Africa with particular reference to the SABC and its television initiatives.

2.6.1 Background to South African Broadcasting

Broadcasting made its debut in South Africa when the South African Railways set up the first station in Johannesburg in December 1923. Seven months later, the Associated Scientific and Technical Club in Johannesburg took over the station and two months later a similar service was set up in Cape Town. A Durban organisation began broadcasting later that year. Revenue came from listener licence fees (Enterprise, 2000).

The coverage area of all three enterprises was limited, each functioned separately and revenue was low. The Schlesinger Broadcasting Company, with permission from the South African government, took over all three ventures to form the African Broadcasting Company. This new organisation had the sole rights to broadcasting in the country and used English as the broadcast language. Prime Minister General Hertzog ordered an inquiry into the broadcasting industry and the South African Broadcasting Corporation (SABC) was created under Act No 22 of 1936. (www.icasa.org.za) At first the new radio service was in English only but the Act had stipulated the inauguration of a parallel Afrikaans service. In 1937 a comprehensive transmission in both official languages became a reality. The English and Afrikaans Services were known as Radio South Africa and Radio Suid-Afrika respectively. Today they are known as SAFM and Radio Sonder Grense – each broadcasting 115, half hours of programmes a week.

In August 1952 the Re-diffusion Service was established to broadcast in three black languages. The country launched its first television service on 5 January 1976. Originally modelled on the BBC, the SABC was controlled for many

years by a secret Afrikaner society called the Broederbond (Oder, 1991). It is believed that the ruling National Party resisted the advent of television, as they feared that images of racial mixing and the promotion of the English language would follow.

2.6.2 The SABC in 2003

Today the SABC is South Africa's national public broadcaster with 20 internal radio stations broadcasting in 11 languages and an external radio service broadcasting in four languages. There are five television channels of which four are free-to-air including Bop TV and one satellite pay channel (www.sabc.co.za).

According to the South African Advertising Research Foundation, more than 18 million adults tune into the radio network every day and 16 million adults watch the SABC's channels - namely SABC 1, SABC 2 and SABC 3.

In Figure 2:1, milestones in the SABC's history have been highlighted to provide an overview of developments from the beginning of the 1990's that fundamentally changed the broadcaster. These included the introduction of a sports channel, the first satellite broadcasts and the change in channel identification and their subsequent re-launch under different names. The latter paved the way for the introduction of a public service mandate.

1991: TSS (Top Sport Surplus) introduced as official supplementary service. It was relayed on the spare capacity of the TV1 signal and carried sport programmes that could not be accommodated on the TV 1 schedule
1992: TV2, TV 3 and TV 4 channels were consolidated into one multi-cultural channel CCV-TV (Contemporary Community Values Television)
1995: Satellite broadcasts on the KU band Pas 4 satellite were introduced. This switched SABC's 3 TV channels and 11 public service radio stations to satellite making it available to more South Africans.
1995: SABC launches analogue sports channels broadcasting from satellite 6 hours a day
1996: The SABC re-launched CCV-TV, TV1, and NNTV channels as SABC 1, 2 and 3 respectively.

Figure 2.1: Milestones in the 90's

A comparative review of broadcasting systems operating within democratic contexts reveals several recurring principles. Canada is concerned with national identity, cultural integrity and integration while the US aims to create access and community participation. Britain is concerned with universality, independence and quality and Australia with national identity and cultural diversity (ICASA, 2002). Namibia is concerned with reconciliation and development - while South Africa numbers a combination of these principles in securing what is of public interest.

2.6.3 The SABC's Role as the National Broadcaster

Since the fall of the Apartheid government in the 1990's, the new African National Congress-led government has made democracy a national goal, providing a political focus, and development - focusing on economic goals. Nation building is primarily concerned with cultural issues. In a country with high levels of illiteracy like South Africa, the role of broadcasting is all the more important in providing information for people to participate in the processes of development and nation building. ICASA believes that in relation to development, broadcasting influences the provision of human rights, housing, public health and agricultural guidance to literacy and formal education, economic and financial analysis. In nation building the role of the South African broadcaster includes nurturing a sense of citizenship, reconciliation and tolerance while reflecting the rich cultural, language, religious and regional diversity of the South African population (IBA, 2000).

2.6.4 Regulation of the SABC

The Independent Communications Authority of South Africa (ICASA) is the regulator of the telecommunications and broadcasting sectors. It was established in July 2000 in terms of the Independent Communications Authority of South Africa Act No.13 of 2000. It took over the functions of two previous regulators, the South African Telecommunications Regulatory Authority (SATRA) and the Independent Broadcasting Authority (IBA). The two bodies were merged into ICASA to facilitate effective and seamless

regulation of telecommunications and broadcasting and to accommodate the convergence of technologies. ICASA derives its mandate from four statutes. These are the ICASA Act of 2000, The Independent Broadcasting Act of 1993, the Broadcasting Act of 1999 and the Telecommunications Authority Act No. 103 of 1996 (www.icasa.org.za).

2.7 SABC 2

SABC 2 has the biggest public service mandate of all the television channels in the broadcasting industry in South Africa. It receives no direct licence fee revenue, and no government subsidy. It relies solely on a mixture of classical advertising, programming sponsorship and revenue from sales (Enterprise 2000).

2.7.1 Vision and Strategy

The channel's vision is to be every South African's television home and heartland, a place where everyone feels at home. Its mission is primarily to commission and acquire compelling television programmes for the family, reflecting a common heritage across communities and cultures. The channel's target market includes All Households falling into the LSM 5-10 group (SABC 2 - Business Plan, 2002). Within this market, the Sotho and Afrikaans language markets form the largest portion of the country's public service mandate. Its content challenge is to provide real choice for viewers in African language programming.

The channel enjoys the same status as its sister channels SABC 1 and SABC 3 and is expected by the SABC Board to operate its day-to-day activities as an independent operator. Certain departments are leveraged across all three channels – e.g. News and Children's programming. However, in terms of costs, revenues, and daily operations, the channel is autonomous and accountable for its own financial, programming and staffing components.

Figure 2.2 shows a SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats) to sum up SABC 2's current position in the industry.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Local language delivery • Afrikaans stripped programming (7de Laan, Afrikaans News, unparalleled share of Afrikaans audience across this hour) • Local dramas (7de Laan and Muvhango) • 19H30 Family series (LSM 8-10) • Footprint • No repeats in prime time • SABC Africa 	<ul style="list-style-type: none"> • Inability of 19h30 weekday slot to deliver cross-over audience due to loyalty to News/Generations combination on SABC1 • Language delivery for LSM 5-8 programming exclusive to Sotho (excludes large available audience) • Revenues and audiences concentrated on Afrikaans programming • Sotho News • Mopani regional breakaway • Late prime and non delivery of weekend programming for LSM 5-8 • Access prime • Marketing
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Development of programmes for LSM 5-8 audience, extend to weekends • Use of SABC2 brand personalities for channel promotion to entrench the brand • Improve access prime to strengthen lead-in for 7de Laan • Improve late prime and maintain LSM 5-8 audience from 21h00 bulletin • Synergies with radio 	<ul style="list-style-type: none"> • Increased competition for LSM 5-10 audience particularly over weekends • SABC3 News moving to 19h00 • Two new channels • DSTV programme delivery for Afrikaans audience (Kyknet)

Figure 2.2: SABC 2: SWOT

The information was adapted from an SABC 2 Strategy Presentation (2002)

The SWOT shows that most of SABC 2's Weaknesses result from the PBS mandate. These weaknesses include the failure of the channel to secure audiences targeted in their mandate – ie the Sotho and Afrikaans audience. The channel also battles to draw audiences from SABC 1 and loses audiences due to the poor quality of programming in the regional breakaway slots.

However, the Strengths also hinge on the PBS mandate. Locally produced dramas in indigenous languages (e.g Sewende Laan and Muvhango) draw audiences in large numbers while the Afrikaans news - – an acknowledged loss leader - draws viewership but not sufficient revenue to be self-sustaining.

Figure 2.3 shows at a glance a snapshot of minutes, costs and revenue allocation on SABC 2.

Minutes/Cost/Revenue Allocation per Genre

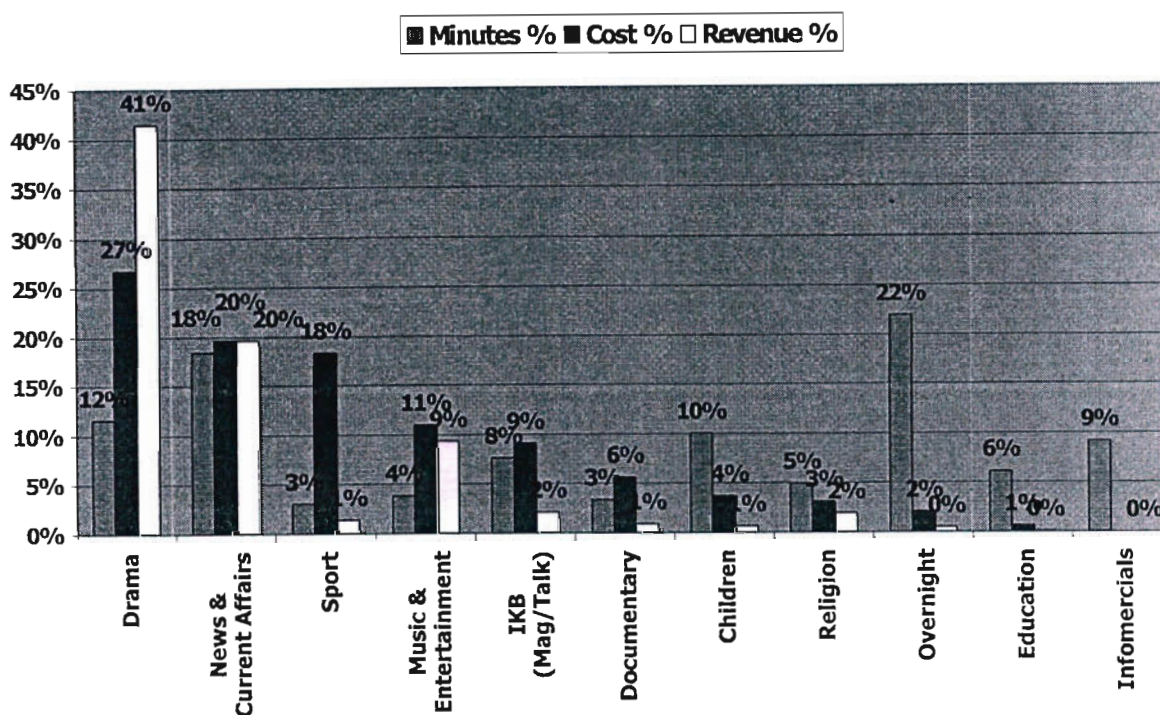


Figure 2.3 SABC 2: Cost /Genre

Adapted from SABC 2 Scheduling/Revenue Report 2003

It is clear from the figure that although the cost of local dramas is high, the revenue generated from the genre is substantial in relation to other genres. For example, news is costly to produce, enjoys 18 % time on the channel but does not generate enough revenue to be profitable. For any commercial channel the choice of a high cost and low revenue slot versus a lower cost high revenue slot would be a strictly business decision. The slot would be adapted to ensure more revenue. However, in the case of a public

broadcaster, the bottom line is not the preferred outcome – the tenets of nation building and knowledge building are the cornerstones of the channel. The channel therefore has to make sure that all the other slots are maximised for revenue generation while keeping the loss leaders.

2.8 A comparison: SABC and the BBC

The SABC was originally modelled on the British Broadcasting Corporation (BBC). The BBC is a successful broadcaster in Britain, and although protected by law, it still competes vigorously with other commercial broadcasters.

2.8.1 BBC Background

There are two accounts of the origins of the BBC (Curren and Seaton, 1981). The first is that the Corporation was the personal achievement of John Reith and the second holds that the BBC's emergence was accidental. Both have a central flaw in that they disregard political and social change in the world outside broadcasting.

Television was the exclusive preserve of the BBC until the mid 1950's when advertiser-supported commercial stations came onto the scene (Cave 1996). This form of competition for audiences and not for finance between two broadcasting sectors was termed a "comfortable duopoly". As changes occurred, the BBC maintained its traditional system of regulation – operating under a Royal Charter. In the 1950's there were two differently regulated television systems. The first was the publicly-owned BBC, funded by a licence fee that any household with a television set was required to pay, irrespective of the services used in that household. The second was the advertiser supported commercial broadcaster subject to regulation of programme content (Cain, 1992).

2.8.2 Operational Strategy

The BBC has no advertising revenues but gains limited profits from overseas programme sales and other commercial activities. It is a vertically integrated broadcaster and the majority of hours broadcast covers programmes made within the Corporation. Only 25 % of the non-news television programmes are required to be made by independent producers (Cave, 1996). The BBC also broadcasts four categories not shown on ITV or Channel 4 – single plays and TV films, religious programmes, contemporary music and classical music. Variety programmes have fallen into the domain of ITV.

Figure 2.4 shows the television audience share in the UK over 13 years. It shows a decline in the share of BBC channels since 1980 as Channel 4 (C4) and cable and satellite became available.

U.K. Television Audience Share Data: Selected Years 1980-1993

Year	BBC1	BBC 2	ITV	C4	Other
1980	39	12	49	-	-
1985	34	11	47	8	-
1990	38	10	43	9	-
1991	34	10	42	10	4
1993	33	11	9	12	6

Figure 2.4: UK TV Audience Share '80 -'93

(Note. Adapted from AGB Ratings)

The table shows that BBC 1 remained fairly stable over the years 1980 to 1993. ITV showed a big loss in the last three years recorded – which could be attributed to the advent of other channels being licensed for commercial broadcasting. BBC 1 audience declined slightly over the years but still remained a consistent competitor. The BBC channels are funded by licence fee revenues. Despite new competitors in the last three years of the survey, the BBC retained its share, and in the case of BBC 2 even managed to grow it.

The BBC's public service mission embodies the following:

- Satisfy audiences with services which inform, educate, entertain and enrich the lives of audiences in ways which the market alone will not
- Bring people together for moments of celebration, common experience, and in times of crisis
- Help people broaden their horizons through learning and enriching their skills
- Reflect the nations, regions and communities of their market to themselves and the market as a whole (Curren and Seaton, 1981).

2.9 Operational Structure Comparison

Table 2.1 shows the differences in organisation structure of the SABC and the BBC. The BBC, like the SABC, had a monopoly on broadcasting for many years before commercial broadcasters were licensed. The mandate for the BBC appears to steer clear of political involvement. The SABC however has a political agenda as it is imbued with the role of nation building flowing from a new political dispensation in the country.

<u>STRUCTURE</u>	<u>UK: BBC</u>	<u>SOUTH AFRICA: SABC</u>
Broadcasting Act/Environment	In 1926 the BBC was founded under a Royal Charter. 1926-1954 the BBC had a monopoly on broadcasting. The BBC's mandate is to provide broadcasting as a "public service for disseminating education, information and entertainment".	Changes have occurred during the past few years to bring the SABC into line with the new democratic dispensation and ensure that it serves all South Africans. A new Broadcasting Act was adopted in 1999 replacing the former 1976 Act.
<u>Board:</u> Term of appointment	5 years renewable	Not to exceed 5 years
Power:	Approve clear objectives and monitor compliance, ensure high standards of probity, propriety and value for money. Set overall strategy, ensure proper consultation, due regard for views of listeners, monitor legal and contractual obligations, appoint Director General.	Controls the affairs of the SABC. Specific obligations to protect the independence and freedom of the SABC
Remuneration	Determined by Secretary of State, from funds of the BBC	Not set out in the governing legislation
No. of Members	12 members (or such number as may be ordered under the Royal Charter	12 members as well as CEO, COO and CFO

Table 2.1: Comparison: BBC and SABC

The role of the Board also differs in the two organisations. At the BBC, the Board plays a guardianship and regulatory role whereas the SABC Board becomes directly involved in the running, structure and compliance with its national responsibilities.

2.10 The Research from Literature

The writings of Nicholas Garnham, Michael Porter, Yannis Bakos, Henry Mintzberg, Gary Hamel and CK Prahalad, Treacy and Wiersema and James Moore and their relevance regarding the impact of public service broadcasters, competitive strategy and sustainability are discussed.

- Nicholas Garnham (1996)

Garnham's research in the Economics of Television relates directly to the economics of broadcasting. Broadcast programmes are generally termed "public goods". One person's consumption does not rival another's. If one person watches a programme – it does not stop anyone else from watching it. There is therefore no need to ration by price. Moreover, once a programme has been made, the marginal cost of an extra viewer within a given transmission area is zero. The consumer welfare is therefore maximised, if the programme is offered at zero cost. Regarding the problem of "first copy" costs - the fact that the costs of production are high in relation to the marginal costs of distribution – a programme costs the same amount to produce whether it is watched by one person or 20 million – constantly favours the search for the economies of scale that stem from audience maximisation. The pressure towards concentration is reinforced even further by the uncertainty of demand. Unlike normal consumer goods, a broadcast programme is basically selling novelty. This becomes obvious with audience dissatisfaction with repeat programming.

The problem exists that the consumer does not know in advance whether they will or will not be satisfied by the programme (Garnham, 1994). In turn, it is impossible for producers to know with any certainty in advance which programmes will be successful and which will not. Broadcasting therefore becomes an example of "flow production" - in which it establishes a regular relationship with an audience over time by supplying it with a constant flow of products at a fixed process out of which the consumer can pick - according to his/her interests. This model of production, however, depends largely on

establishing a high degree of channel or brand loyalty. Consumers are thus not purchasing individual programmes but the probability of regular satisfaction over time. An exception to the “flow production model” is the live transmission of an unique event where what is purchased is access to a unique moment in time, such as news.

The uncertainty of demand linked to economies of scale in distribution means that there is a weak relationship between the costs of production and the returns on that investment. In turn, this favours non-price competition and provides weak incentives to produce efficiency. Economic theory indicates that an unregulated, fully commercial system of broadcasting will result in market failure (Brown, 1996). This supports the case for some form of government intervention in broadcasting to ensure the provision of PSB programming

- Michael Porter

The study of theories of competitive advantage remains dominated by the work of Michael E. Porter (1980) who describes competition as “*at the core of the success or failure of firms*”. He sees the choice of strategy leading to competitive advantage as being based on the attractiveness of the overall industry and the organization’s competitive position within that industry.

Porter (1980) argues that there are three basic means by which an organisation can achieve a sustainable competitive advantage.

- A cost leadership strategy where a company sets out to be the low cost producer in its industry.
- A strategy of differentiation where a company seeks a premium price because of the uniqueness of its products.
- A focus strategy where a company focuses either cost or differentiation strategies on a market segment or group of segments.

Porter stresses that a firm risks being “stuck in the middle” if it fails to select just one of the above strategies. SABC PBS is a cost leader in that it uses programme sponsorship to offset the price of programme making. This contrasts with the BBC, which relies solely on fixed licence fee money. The BBC also makes most of its programmes in-house, whereas the SABC primarily out-sources programme making. Differentiation is key to its programming schedule – in comparison with other commercial broadcasters. The focus for the PBS is on a mandate to a specific audience. In the case of SABC 2, it delivers primarily to the Sotho and Afrikaans markets with English as a secondary market. This differentiates it from its competitors and gives the channel access to the largest viewing audiences in South Africa.

There are five forces that determine an industry’s attractiveness according to Porter and illustrated below.

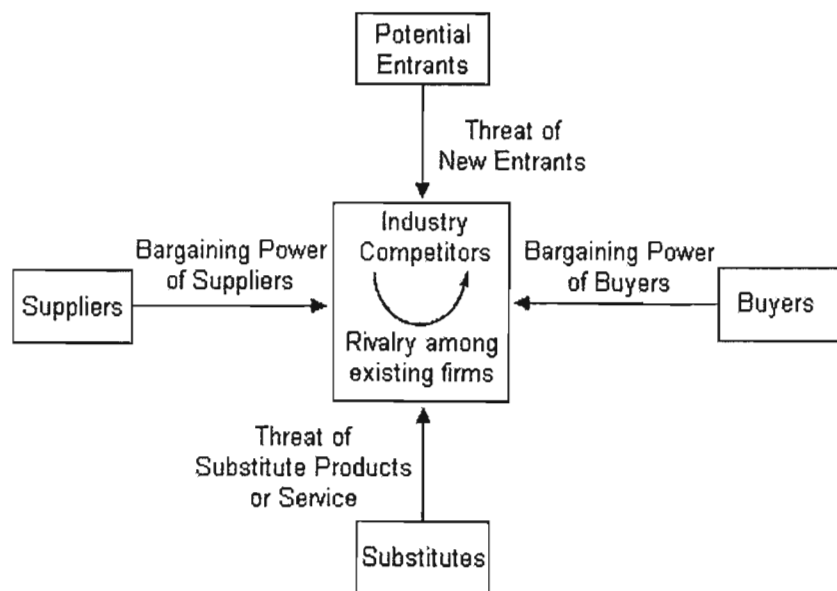


Figure 2.5 Porter's Five Forces

Porter maintains that if we are to obtain a competitive advantage, we must pursue just one of the generic strategies with the aim of making new entrants, substitutes and rivals seem less attractive or increasing the firm’s bargaining power by making it more attractive to buyers and suppliers.

Porter describes a firm as a Value Chain (Figure 2.7) and points out that any firm must create value in excess of the cost of performing the Value Activities if it is to be profitable. He views the Value Chain of a company as part of a larger stream of activities that make up the Value System.

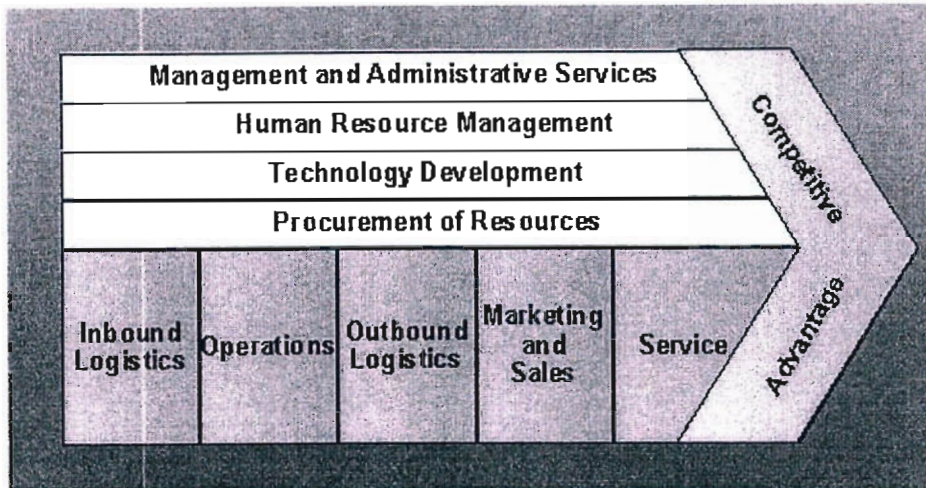


Figure 2.7 Porter's Value Chain

By viewing the enterprise as a value chain we are better able to examine the linkages and seek efficiencies in those linkages thereby reducing costs or allowing differentiation. We may also wish to customise the value chain to support a generic strategy of focus.

Porter and Millar (1985) assert that Linkages not only connect Value Activities inside a company but also create interdependencies between its Value Chain and those of its suppliers and channels. He maintains that a company can create competitive advantage by optimising or coordinating these links to the outside.

In the case of a television station the obvious external linkages to examine are:

- Between the television station and its advertisers
- Between the television station and its audience
- Between the advertiser and the audience – through the television station.

In addition, the linkages can be seen within the SABC itself – creating synergies between SABC 1, SABC 2 and SABC 3. Technology and Human Resources shared across the Corporation create linkages that impact positively on cost. These linkages would seem likely to be important to achieving competitive advantage in a television station.

Porter's generic strategies alone do not seem to answer the question of how a television station can achieve a competitive advantage.

Clearly the station must first compete for viewers if it is to compete for advertising rands or share – thus the importance of the external linkages. Cost is not an issue when competing for audience share as viewers receive the programmes for free.

Porter's views on the importance of a "strategic fit" are useful to this study. He says that an "array of interlocked activities" can be difficult for a competitor to match and can result in a sustained competitive advantage. A television station has two main interlocked activity sets – all the activities that go into securing and maintaining an audience and all those activities involved in selling and creating advertising. These are activity sets that the SABC can use but the BBC cannot, as they are unable to access advertising revenue.

- **Yannis Bakos**

Yannis Bakos's (1991) *Causal Model of Competitive Advantage* suggests that the two factors influencing competitive advantage in inter-organisational systems are:

1. Bargaining Power
2. Comparative Efficiency

In reconciling Bakos' ideas with those of Porter's, comparative efficiency can be related to cost advantages and bargaining power with differentiation.

The differences between Porter and Bakos are that Bakos sees constant innovation as being possibly a sustainable competitive advantage but raises questions about the sustainability of advantages not based on unique resources. If an advantage is based on low cost it may be temporary – if based on differentiation (innovation) an advantage could also be fleeting unless the innovation is constant. As the SABC's PBS mandate continues to evolve, opportunities for sustainable competitive advantage based on this mandate has become a useful tool for innovation. SABC 2 is a pioneer in indigenous language broadcasting and this could lead to more novel and groundbreaking areas of production.

- **Henry Mintzberg**

Porter's teaching which emerged in the 1980s, that firms must either differentiate or be a cost leader, and not be "*stuck in the middle*", was called into question when examples emerged of highly successful companies that appeared to be low cost and differentiated at the same time.

In "The Fall and Rise of Strategic Planning" (Harvard Business Review, 1994) Henry Mintzberg challenged the concept of strategic planning and with it Porter's view that a company could plan its future strategy by following a formula or a set of rules. These rules can be likened to the set of mandated guidelines set out by the SABC Board and ICASA to ensure that SABC 2 follows a strict public service strategy.

- **Hamel and Prahalad**

In their 1994 publication "Competing for the Future" Gary Hamel and CK Prahalad suggested that traditional strategic theories were unrealistic. Hamel and Prahalad argued that the challengers had succeeded in creating entirely

new forms of competitive advantage and in dramatically re-writing the rules of engagement.

Hamel and Prahalad also advised managers to understand and develop their organization's core competencies, and to focus on the underlying functionalities of their products and services and not just on the products and services themselves.

Applying their thinking on core competencies to television, a station could secure a competitive advantage by changing the way it sees itself. The station should not see itself just as a broadcaster, but as an organisation with unique competencies in communicating with entertainment, local news and information, advertising copy writing, recording and running sales and marketing promotions. There is no reason why SABC 2 should not embrace this concept as it is fundamentally a commercial broadcaster with public service components.

This more liberating view of the television station could lead to an expanded role and the rapid adoption and exploitation of new technologies.

- **Treacy and Wiersema**

Treacy and Wiersema's "The Discipline of Markets" (1995) dealt with the idea of securing an unassailable competitive advantage by dominating a market. As SABC - specifically SABC 2 – is targeting audiences that have been under-served in the past, it is dominating that market. The PBS mandate allows it to concentrate on an under-utilised market even though LSM's might show that it does not have significant return on investment with regard to advertising revenue. Treacy and Wiersema suggest that a company adopts just one of the three Value Disciplines of:

1. Operational Excellence
2. Product Leadership
3. Customer Intimacy

It would be possible to apply these concepts to television as follows:

- **Operational Excellence**

A station following this value discipline would concentrate on being a no frills station and with a focus on efficiency of effort and coordination. Operations and procedures would be optimised and streamlined and technology would be sophisticated.

- **Product Leadership**

Operating with a product leadership value discipline, a channel would be very creative and quick to adopt and commercialise new ideas. Its customers would be offered exciting new promotions and highly creative copy writing. Viewers would enjoy lots of original program material. This would be true for the SABC as they pioneer programming in indigenous languages using indigenous actors utilizing plots from local township life.

- **Customer Intimacy**

The channel that focuses on the value discipline of customer intimacy would value the tested and reliable over the new and untried. The channel would also pay a lot of attention to what its viewers wanted and would use surveys and focus groups to get close to the needs and wants of its audience.

In the same way that Porter urges firms to choose just one generic strategy, or risk being stuck in the middle, Treacy and Wiersema predict dire consequences for companies that fail to choose a single value discipline. They assert that choosing a discipline is the choice of winners. Not choosing means ending up in a muddle. The writers believe that not choosing means hybrid-operating models that are neither here nor there, that constantly cause confusion, tension and loss of energy. Treacy and Wiersema say that not making a choice means "... steering a rudderless ship, with no clear way to resolve conflicts or set priorities".

- **James Moore**

The thinking of James Moore appears much more groundbreaking than that of Treacy and Wiersema in that Moore does not see competition as a game involving winners and losers but speculates whether we would not all be better off by cooperating (Moore, 1996). His argument is that innovation wins. Moore says that today cooperation is as important, or more important, than the winner-takes-all, head-to-head combat implied by Porter's approach. Porter recognizes the existence of "good competitors", however Moore goes further and says ferocious competition is now dead and if you do not recognize that your company is in trouble.

Moore urges managers to see their business environment as an ecosystem. He defines an ecosystem as a "community of organisms interacting with one another plus the environment in which they live and with which they also interact" (Moore, 1996).

The three SABC channels are an example of an ecosystem. In many cases they use the same suppliers, advertisers and programme content suppliers although their audiences are different.

By focussing on the ecosystem, rather than the competition, the television station can seek to create new ecosystems to bring innovations to customers. Instead of trying to win the game, try to change the game and create a new outcome. Judging the SABC's performance over three channels and not by the performance of each individual channel could make the SABC more innovative and competitive as a whole.

- **Brandenburger and Nalebuff**

Adam M. Brandenburger and Barry J. Nalebuff popularized the idea of applying game theory to business. In their 1996 book *Coopetition* they argue that business is a game, but a game with a difference.

"In business, your success doesn't require others to fail – there can be multiple winners" write Brandenburger and Nalebuff. Business is war, but it is also peace. You have to compete, but if you are smart you will also cooperate. They maintain that business is *cooperation* when it comes to creating a pie, and *competition* when it comes to dividing it up. In other words, business is War and Peace. But it is not Tolstoy – endless cycles of war followed by peace followed by war. It's simultaneously war and peace. As Ray Noorda, founder of the networking company Novell, explains that a company has to compete and cooperate at the same time. The combination makes for a more dynamic relationship than the words "competition" and "cooperation" suggest individually (Brandenburger and Nalebuff, 1996).

Brandenburger and Nalebuff therefore coined the term "Co-opetition" and suggest that it is game theory that allows us to move beyond simple ideas of competition and cooperation. The payoff from game theory, they say, is the chance to change the game to one of your own liking.

To change the game you need to change one or more of its elements. This means each of the five elements, Players, Added values, Rules, Tactics and Scope (PARTS) – gives companies a way to transform an existing game into an entirely new one. Change one of the PARTS and you change the whole." (Brandenburger and Nalebuff, 1996).

- **Fahy and Smithee**

Here we review the concept of a sustainable competitive advantage being derived by the possession of a resource that is limited in some way. Fahy and Smithee (1999) quote this explanation of the concept:

Rents also accrue in circumstances where resources are limited or quasi-limited in supply (Ricardian rents). If resources were not limited, increased production by new entrants would shift the supply curve outward forcing marginal firms to leave the market (Peteraf 1993).

They maintain that it is the persistence of these superior returns accruing to scarce resources that is the central concern of the resource-based view of the firm.

Hoffman (2000) cites the work of Morgan and Hunt (1996) who have examined the role of relationship building as a means of obtaining resources in order to create a sustainable competitive advantage. Hunt and Morgan propose that potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational.

This is of particular interest in the context of a television station where its relationships with viewers become a resource valued by advertisers. The audience is a measurable and tradable item and ultimately the commodity on which the business of a station is based. Stations also form relationships with advertising customers, which may also be an important resource capable of leading to a sustainable competitive advantage.

The literature offers a range of views as to what qualities are required in resources before it can confer a competitive advantage.

Barney (1991) proposes that advantage-creating resources must meet four conditions, namely, value, rareness, inimitability and non-substitutability.

Grant (1991) argues that levels of durability, transparency, transferability and replicability are important determinants while Collis and Montgomery (1995) suggest that they must meet five tests namely inimitability, durability, appropriability, substitutability and competitive superiority. Amit and Schoemaker (1993) go even further, producing a list of eight criteria including complementarity, scarcity, low tradability, inimitability, limited substitutability, appropriability, durability and overlap with strategic industry factors. In the

interests of parsimony, these various conditions and characteristics are considered under the headings of value, barriers to duplication and appropriability.

An audience seems to meet all possible tests. When a viewer station is tuned to a particular station, they can view only that one station. Changing the station requires effort, leaving the familiar station and changing a personal habit to try something new.

Based on the resource based view of the firm, a successful station may enjoy a sustainability of competitive advantage based on the unique mandate (such as PBS) where its audience represents a resource that plays a vital role in its ability to deliver value to its clients.

2.11 Summary

The SABC has been modelled on the BBC but the two models are different in their sources of revenue to remain sustainable. The SABC's structure is similar to the BBC but the role of the Board in the two Corporations is different. SABC 2 has a huge public service mandate that impacts both negatively and positively on the way the channel positions itself. The SWOT analysis also showed that SABC 2 used the mandate as an Opportunity. A discussion from various literature sources showed that a company must have a competitive strategy and be innovative in order to compete efficiently. The literature also showed that competition and co-opetition could be a central strategy to the SABC.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

For the purposes of this study, both quantitative and qualitative methods were used to review the extent of the public service mandate on SABC 2 and gauge whether the mandate hampers or promotes commercial viability and sustainability.

While a quantitative approach enabled the objective testing of the hypothesis that the PBS mandate impacts negatively on SABC 2, the qualitative approach allowed insight into the complexity of factors and perceived strategies that influence the business model of SABC 2 in relation to the SABC as a whole. It is suggested that the combination of both approaches offer a discerning examination of the impact of a PBS mandate on SABC 2 and its sustainability within the broadcasting industry.

This chapter will outline the research aims. The research design and procedure are discussed, detailing the research questions, the sampling strategy and selection of data and participants, the interviews and the interview questions. Finally the method of analysis is described, including steps in the process of analysis.

3.2 Research Aims

The research aims may be stated as follows:

- The study aims to determine whether SABC 2 is a public service broadcaster.

- The study aims to explore the public service mandate and its implications for the sustainability of SABC 2 and whether its overall performance should be judged individually or as part of SABC as a whole.

3.3 Research Design and Procedure

The research design is said to constitute the blue print for the collection, measurement and analysis of data. The research design is a plan for selecting the sources and types of information used to answer the research questions (Cooper and Schindler, 1998).

3.3.1 Research Questions

Following on from the aims of the proposed study, specific research questions were posed:

- 1) Is there a statistically significant difference in the viewership patterns on SABC 2 and other channels, given that it is complying with a public service mandate that covers more than 80% of its scheduled programming?
- 2) What themes are elicited from the accounts of broadcasting professionals regarding the impact of the public service mandate on the sustainability of SABC 2 within the SABC.

For the purpose of clarity, the research design and procedure will be discussed separately for the quantitative and qualitative parts of the study.

3.4 Quantitative Method

Quantitative methods allow the researcher to accept or reject a hypothesis in a logical and consistent manner (Ghuri, Gronhaug and Kristianslund, 1995).

3.4.1 Hypothesis

The hypothesis of the quantitative part of the study, relating to the first research question, may be stated as follows:

- Ho: The public service mandate on scheduling in prime time has shown no significant decrease on the viewership of SABC 2 with relation to e-tv as an example of a competitive free-to-air commercial channel
- H1: The public service mandate of SABC 2 has led to a significant increase in the viewership of the channel.

3.4.2 Sample

A sample is a finite part of a statistical population whose properties are studied to gain information about the whole (Webster, 1985). When dealing with people, it can be defined as a set of respondents selected from a larger population for the purpose of the survey. A population is a group of individual persons, objects or items from which samples are taken for measurement (Fridah, 2000).

3.4.3 Sampling Strategy

The quantitative method utilises a case study design. Thus the method of sampling is non-probability sampling. The technique is not based on random selection. The method is purposive, meaning that certain data (of the Adult Share LSM 8-10 for a particular time period from SABC 2 and etv) are purposely selected to answer the research question of whether the PBS mandate affects audience numbers. General features of LSM 8-10 category includes the following:

- Usually 35 years and older,
- owns a PC, satellite dish
- has access to a wide variety of media,
- owns a car and durable assets

Appendix 3 is a summary of some of the features of LSM 8, 9 and 10.

The type of purposive sampling used is typical case sampling. Typical case sampling provides an illustration of a typical (rather than definitive) situation. That is, the relationship between the number of viewers who watch public service programming and the sustainability of SABC 2 in a competitive, free-to-air environment. As SABC 2 receives income from the same revenue streams as other broadcasters, the public service mandate has an impact on its commercial viability.

The records of SABC 2 and e-tv viewing patterns for the following time periods are used:

- SABC 2: (LSM 8-10)
 - 3rd Quarter (Financial Year 01/02)
 - 4th Quarter (Financial Year 01/02)
 - 1st Quarter (Financial Year 02/03)
 - 2nd Quarter (Financial Year 02/03)
 - 3rd Quarter (Financial Year 02/03)

- E-tv: (LSM 8-10)
 - 3rd Quarter (Financial Year 01/02)
 - 4th Quarter (Financial Year 01/02)
 - 1st Quarter (Financial Year 02/03)
 - 2nd Quarter (Financial Year 02/03)
 - 3rd Quarter (Financial Year 02/03)

These records together comprise a single “case” and represent a single context, rather than representing multiple configurations (Miles & Huberman, 1994). These records contain historical, numerical data that can be used to answer the specific research question of how the public service mandate affects SABC 2’s competition for viewers (and resulting revenue) in the present broadcasting environment.

3.4.4 Data Collection Procedure

The measuring instrument used in the quantitative investigation consisted of documents in the form of reports generated from the financial and audience research departments at the SABC- which records monthly viewership figures for both specific LSM groups and genres of most of the main broadcasting channels. The data yielded is quantifiable and continuous. The sample consists of 10 data records reflecting the Adult Share in the LSM 8 -10 group, Monday to Sunday for the times slots 16h00-24h00. These are prime time slots.

According to the distinction between kinds of data employed by Saunders, Lewis & Thornhill, (2000), these records are secondary data of the documentary type (the responses to questions in the qualitative analysis are primary data). Primary data are those generated for the first time according to the specific aims of a given study, secondary data are data that have already been gathered for another purpose.

The quantitative data used in this study is reported from the Audience Research department at the SABC where it is generated and recorded in the interests of supplying data on market performance and competitive strategies to SABC channels in order to take market share and thereby revenue from other broadcasters. In this study, it is further used to measure the impact of the PBS mandate by comparing two specific channels (SABC 2 and e-tv), and is thus secondary data.

3.4.5 Ethical Considerations

No ethical problems were anticipated and encountered. SABC 2 is a mandated national broadcaster whose performance is a matter of public record and information is freely available from the company itself, ICASA or any of the South African advertising or research bodies.

3.4.6 Method of Analysis

The effect of the independent variable on the dependent variable was measured using statistical analysis, specifically, an independent groups t-test. A statistical procedure was needed that would test differences in the dependent variable according to a change in the independent variable. Furthermore, because the data was of the ratio type the t-test was the most appropriate significance test (Cooper & Schindler, 1998). As the independent variable in this study is a dichotomous variable, its only two values being the etv viewers and SABC 2 viewers, there were two samples being compared – e-tv LSM 8-10 viewers over a specified time period and SABC LSM 8-10 viewers over a specified time period. The t-test was thus used to assess the difference between the groups of viewers of SABC 2 and e-tv.

3.5 Qualitative Method

The interrogation/communication mode was used in which the researcher questions the subjects and collects their responses by personal or impersonal means. (Cooper and Schindler, 1998) Three modes were used, an interview using a questionnaire as the survey instrument, the focused interview using pre-set questions and historical data collected from financial records.

3.5.1 Primary Data

The researcher sent out a self-administered questionnaire to 40 respondents working in different departments at the SABC. The researcher received 32 replies. An ex post facto design was used where the researcher had no control over the variables and could not manipulate them. The study was a cross sectional study (Cooper and Schindler, 1998) respondents were asked a set of 16 questions. They were not asked to reveal their names but rather their departments. A pre-testing group of five had shown that respondents were reluctant to reveal their names even though permission had been received by the SABC to conduct the survey.

Interviews were conducted at the offices of two managers at the SABC building in Auckland Park, Johannesburg. Interviewees were sent the

questions by email after an initial telephone conversation. A week later the interviews were conducted in their offices, using the same questions. The answers were recorded on tape and transcribed.

3.5.2 Secondary Data

Secondary data was obtained from the SABC including a body of information on annual, financial results, strategy documents and previous business plans. This was used together with periodicals and other literary works. An experience survey was also conducted using two managers. For the purpose of this research the interviews with the Acting General Manager/Programme Manager for SABC 2 and the Financial Manager are recorded as part of the experience survey and forms a part of the qualitative study.

3.5.3 Objective of Qualitative Method

A qualitative method of analysis was used in the investigation to measure the extent to which broadcasting professionals see SABC 2 as a public broadcaster, whether they conclude the funding model should be changed and the channels relationship/position within the SABC.

According to the steps detailed by Lieblich, Tuval-Mashiach and Zilber (1988), analysis begins with a selection of the subtext, where relevant parts or texts of the account are selected for the research question, and then placed into new subtexts or 'files'. This is facilitated by the use of a focussed interview. Content categories are then defined, and in this study, two categories were pre-defined: positive feedback and negative feedback. All pre-defined categories were read openly to define further content categories, or themes and further themes within these categories are expected to emerge. This is followed by the sorting of material – actual sentences or quotes into the categories. Finally the sentences or sections of text are processed descriptively, to generate a representation of the content universal to the group of participants. Answers to the research question may be formulated at this point (Lieblich, Tuval-Mashiach and Zilber, 1988).

3.5.4 Sampling strategy

Sampling in terms of the qualitative study is purposive (as is the sampling technique of the quantitative study).

3.5.5 Questionnaire Respondents

The sample consisted of responses from a selection of professionals from each department within the national broadcaster regarding the PBS effect on sustainability of SABC 2. To this end, the researcher interviewed 32 individuals using a structured questionnaire. The 32 individuals made up a cross section of representatives from different departments at the SABC including On-Air, News, Finance, Channel Representatives, Corporate, Training, Marketing, Publicity, Corporate Affairs, Line Record, Technology/new media, Religion, Scheduling and Commissioning.

A structured questionnaire was used. That is, all respondents were asked a standardised, identical set of questions (Saunders, Lewis & Thornhill, 2000). While the initial contact with respondents was made by telephone, the questionnaire was sent to them formally by e-mail or delivered to them personally, and returned by e-mail or by hand, that is, in a written form. This concurs with the description of a respondent interview (Saunders, Lewis & Thornhill, 2000), in which the interviewer directs the interview, rather than vice versa. A structured questionnaire with written responses was used to facilitate the respondents' preparation of thorough answers, as it has been noted that many factors are involved in the impact of the PBS mandate on SABC 2. As it is not intended to study the broadcasters themselves but rather form a general picture of their attitudes towards funding, PBS and SABC 2, it was not felt that it was of value to record their instinctive, immediate/involuntary responses to the questions. Rather the researcher aimed at allowing the respondents time to consider the questions. (See Appendix 1 for a copy of the questionnaire and Appendix 7 for a full version of the interviews)

3.5.6 The Survey Instrument

The questionnaire covered several general areas:

- The role and implications for the operations of a public broadcaster
- The context of SABC 2
- The industry's competitiveness – or lack of competitiveness
- Priorities of a national broadcaster

3.5.7 Interview Respondents

Two top managers at SABC were interviewed using a focused interview method. A set of questions was given to the managers one week before the interview to allow them to gather information and decide if the information that was required could become public knowledge and to prepare concise responses.

The two managers interviewed using the focused interview method were:

- Aletta Alberts: Acting General Manager SABC 2. She is also the Programme Manager
- Laura Mckenzie: Financial Manager of SABC 2

Although human subjects were used, the material gained via the interviews is not of a personal nature and the stating of an opinion on aspects of the PBS mandate for SABC would not have foreseeable consequences for the respondents. The respondents have not been named but their departments have been submitted freely on the questionnaire. The two focused interviewees have been named as they felt that they would rather be identified, than remaining anonymous as it was felt that by not remaining anonymous, credibility is added to the conclusions of the qualitative results.

In addition, the type of data elicited from the recording of the opinions, experiences and perceptions of the sample of 2 respondents is primary data (as with the response of the structured questionnaire respondents) as detailed by Saunders, Lewis & Thornhill (2000). Primary data is information that is experienced firsthand. It is "new" data, or data gathered specifically for the

purpose of the research, and has not been collected before for some other purpose.

3.5.8 The Interview Questions

Questions posed to the managers related directly to the two research objectives of the extent to which SABC2 is a PBS channel, the sustainability of the channel and the factors should be included in its business model as additional revenue generators. (Appendix 4)

3.5.9 Ethical Considerations

No ethical problems were anticipated. The respondents participated voluntarily. It was not necessary for respondents to sign a consent form, as their names were not used, but rather their departments for the purpose of the study. None of the respondents objected.

3.6 Summary

The study used both quantitative and qualitative methods to review the extent and effect of the PBS mandate on SABC 2. The research attempted to test the effect of the mandate on the channel's sustainability and competitiveness within the broadcast industry. The quantitative method used secondary data from historical records to measure the effect of the mandate by showing the differences in viewership patterns of SABC 2 and e-tv over a selected period of time within a focused LMS category. The qualitative method used primary and secondary data. This included a respondent-completed questionnaire, two focused interviews and data from historical and working documents. Chapter 4 will show the analysis and findings of the data explained in Chapter 3, a t-test and an analysis of the themes elicited from the qualitative method of survey.

Chapter 4

Analysis and Discussion

This chapter presents the results that emerged from the quantitative and qualitative analysis.

4.1 Introduction

The quantitative method used was the t-test using data from SABC 2 and e-tv viewing patterns over several terms, using LSM 8-10 in prime time.

As regards the qualitative research, the chapter will identify themes. These themes will be referenced to the literature sources listed in Chapter 2. An evaluation of the results of both investigations will be made.

4.2. Quantitative Results

The statistical procedure was decided after reviewing the nature of the hypothesis, the number of independent and dependent variables and the level of measurement of each of these variables (Rudestam and Newton, 2001).

4.2.1 Statistical Procedure

The data is presented in Table 4.1 and 4.2. Table 4.1 is a representation of e-tv's viewers as a percentage over the period of study. LSM 8-10 Adult Share 16h00-24h00 Monday to Sunday.

(Source: Audience Research SABC (2003))

PERIOD	VIEWERS %	BROADCASTER
3rd Qtr (FY 01/02)	14.8	e-tv
4th Qtr (FY 01/02)	17.4	e-tv
1st Qtr (FY 02/03)	15.6	e-tv
2nd Qtr (FY 02/03)	15.8	e-tv
3rd Qtr (FY 02/03)	16.3	e-tv

Table 4.1 Viewing patterns: e-tv

Table 4.2 is a representation of SABC 2 viewers as a percentage over the period of study: LSM 8-10 Adult Share 16h00-24h00 Monday to Sunday
(Source: Audience Research SABC (2003))

PERIOD	VIEWERS %	BROADCASTER
3rd Qtr (FY 01/02)	19.1	SABC 2
4th Qtr (FY 01/02)	18.5	SABC 2
1st Qtr (FY 02/03)	20.5	SABC 2
2nd Qtr (FY 02/03)	19.7	SABC 2
3rd Qtr (FY 02/03)	18.6	SABC 2

Table 4.2 Viewing patterns: SABC

The data represented in Tables 4.1 and 4.2 represent the quarterly figures for five financial quarters showing the average percentage of viewers per quarter, per broadcaster. Table 4.1 represents the period of five quarters - from the third quarter of financial year January 2002 to the third quarter of February 2003. Each period shows the percentage of viewers in the Adult Share LSM 8-10 category for an eight-hour period that includes prime time for e-tv. Table 4.2 represents the same period and Adult category for SABC 2. The data was chosen as this co-relates with the SWOT analysis, which shows that SABC 2 regards prime time as an Opportunity, it wants to maximise audiences and to build audience share over revenue generating periods.

4.2.2 Hypothesis 1:

The public service mandate of SABC 2 has led to a significant increase in the viewership of the channel.

A two independent sample t-test was carried out using the presence of time slots and categories as the independent variable and quantity of viewers as the dependent variable. The two independent sample t-test is used to assess whether or not there is a significant difference between the means of two independent groups (Cooper & Schindler, 1998). It was in this manner that the two independent sample t-test was employed to test hypothesis 1. Results obtained are presented in Table 4.2.3. The hypothesis is a tentative statement, explanation or prediction of the solution to the problems that has been adopted to guide the study (Du Plooy, 1996).

4.2.3 T-Test Results

Table 4.3: shows the results of two independent sample t-test on the effect of PBS schedules on viewership on SABC2 and e-tv

VARIABLE	MEAN	SD	t-value
SABC 2 audiences in the selected timeslot	19.3	0.832	0,004572
e-tv audience in the selected timeslot	16.00	0.960	

Table 4.3 T-test

The difference in SABC 2 and e-tv viewership, despite the public service mandate that SABC 2 carries, in the time period studied is statistically significant. The mean number of viewers for SABC 2 was higher than that of e-tv for the same period. Thus the null hypothesis can be rejected, that is, the hypothesis that the public service mandate levied on SABC 2 has no significant effect on viewers. The number of viewers for SABC 2 was higher than a commercial non-mandated, free-to-air for the time period studied.

For most of the quarters measured in the study, SABC 2 has seen significantly higher audiences over an eight-hour period in prime time. SABC 2 has thus succeeded in keeping up – even beating the free-to-air channel e-tv, despite heavily mandated language requirements and the biggest PBS mandate. This also means that the public service mandate need not make a channel uncompetitive in the broadcasting industry. Research has shown that a PBS channel that has a well structured programming strategy can make the rest of the industry more competitive and set the standard for programming that the public want (Mckinsey 1999). A recent study found that PSBs around the world have generally adapted well to the new competitive broadcasting environment. The PSBs that have thrived have all adapted to the new realities

of the broadcast markets, are innovative and looking for growth opportunities to secure audiences and thereby revenue (McKinsey 1999).

4.3 Findings

Several reasons may be put forward to account for the strong audience showing for SABC 2 in this study despite the channel having to carry more costly programming.

- The channel has (over the past year and a half) succeeded in positioning itself in the market with a strong brand identity that celebrates the South African family. Early in 2003, SABC 2 managers reworked its brand image, conducted market research and focus groups in order to cater to market needs. This is in sharp contrast to previous years where station leadership appeared to have more of an influence on channel identity than attention to market signals.

It is tentatively suggested that regular focus groups be conducted to keep up with SABC 2's growing audience trends. As the political conditions metamorphous from an Apartheid-induced repression to a "rainbow nation" we will also see the emergence and movement in the socio-economic distribution of wealth. Emerging trends should be monitored for the channel to stay abreast of developments. This is in line with Porter's "first mover" approach.

- The public service mandate has provided a certain focus that the channel has used to its advantage. The channel caters for a broad target audience, which is defined as All Households falling into the LSM 5-10 group. Within this broad audience the channel targets two specific audience groups:

LSM 5-8 through Sotho language delivery

LSM 7-10 through Afrikaans language delivery

Other competitors – specifically e-tv - cater to English language audiences.

- The channel's block programming strategy has been a significant audience "puller" (interview with Acting GM Aletta Alberts) The block programming approach has allowed the channel to build loyalty among viewers. In a country like South Africa that puts significant emphasis on nation building and cultural upliftment, viewers – primarily Sotho and Afrikaans audiences have found niche viewing blocks that cater to their national identities. This is borne out even further by a strong advertising spend trend specifically during Afrikaans block programming.

It is tentatively suggested that a study be conducted at a free-to-air channel to measure the advantages or disadvantages of carrying block programming to cater for a specific target audience. Weekend sport provides a good example of block programming.

(www.sabc.co.za/schedules)

- E-tv is still a growing channel that has faced financial constraints over the past few years. Media reports indicated that continued losses at e-tv had dragged down Hoskens Consolidated Investments, which reported a drastic half-year headline loss per share. (South Africa.info, Dec 2002) Despite a programme line-up that often boasts the latest foreign programming, the channel has experienced investor jitters, low staff morale and financial problems. (news24.com, October 2002). However, the broadcaster has made real strides in drawing young audiences. It is currently in the number two spot countrywide for audience share after SABC 1. The channel recently bought the rights to the World Cup Soccer, paying an exorbitant price – which even the dedicated sports channels turned down. It pulled viewership over that period and made every effort to promote its programming during the World Cup. However, the channel's long-term viability has been called into doubt. The station is only expected to turn cash positive in 2004. The free-to-air made a R62.1 million loss last year despite its viewership and audience share rising overall.

- E-tv is competing with the SABC on several fronts. It does not enter into “co-opetition strategies” as expounded by Brandenburger and Nalebuff (1996). It continues a “war” with SABC – and does not follow Moore’s assertion that ferocious competition is dead. This strategy could be to the detriment of the commercial channel. The channel recently hailed as a “coup” the acquisition of the national lottery show – although SABC 2 denies that it wanted to keep the show as it was not showing signs of growth over its three year run. (Sunday Times, March 2003) When SABC 3 announced that it was dropping CNN after its regular schedule in favour of more entertainment-based shows, e-tv’s response was “We are obviously flattered that they are copying e-tv but we welcome competition.” (Quote: Sunday Times: Quraysh Patel, e-tv’s channel director, 2003). The departure of e-tv’s news chief, and subsequent rehiring as News Editor at SABC is also seen as a salvo in the fierce channel war. In addition, SABC 3 re-scheduled its main news bulletin – seen as a flagship of the corporation to go head-to-head with e-tv news scheduled at the same time. Porter’s view is that a competitive strategy has to take “offensive and defensive” action in order to create a defensible position against the five competitive forces.

It is tentatively recommended that a study be conducted on e-tv to ascertain their offensive position – i.e. focus on turning internal weaknesses (lack of cash, poor staff moral, a high staff turn-over and licence application amendments) into strong opportunities for growth.

- SABC 2 has also experimented successfully with stripped programming. Afrikaans stripped programming, e.g. 7de Laan and the Afrikaans News enjoy an unparalleled share of Afrikaans audience across this hour. In an article titled “SABC Commercial Imperatives”, (The Media, November, 2002) an SABC spokesman said the corporation was not focusing on commercial motives but rather on distinctive programming in a public service framework.

- SABC 2 management has taken a decision to exclude repeats from prime time slots. Viewers have indicated a dislike for repeat programming. Programmers only schedule major national events for rebroadcast although they do this with caution. This conscious decision to cater to viewers needs has impacted positively on viewing trends for SABC 2.
- The channel has implemented a hard-hitting cost reduction plan through cuts of non-performing high-budget programmes. This has resulted in more money being spent on programming that has wider appeal. This approach is consistent with a commercial broadcaster. Despite its public service mandate, SABC 2 is attempting to balance its mandate with programming that is desired by the viewing public. SABC CEO, Peter Matlare said he hoped to change the company's reputation as an "ailing dinosaur." In an interview with the Sunday Times in June 2000, he said, "The perception is that we are a bumbling, bungling bunch... that we get money and waste money, but we are essentially a self-funding operation." (International Journalists' Network, 2000)..

4.4. Qualitative Results

A content analysis of both primary and secondary data was used for the qualitative element of the study. The most important advantage of content analysis is its unobtrusive and non-reactive nature (Du Plooy, 1996). According to the Hawthorne effect, people act differently when they know they are being observed (Babbie, 1992).

Several questions were asked to establish a background and general perception of the SABC and SABC 2 in particular. Three questions have been selected in response to the research question on whether SABC 2 is a public service broadcaster, if it is sustainable and whether management decisions have been satisfactory thus far.

The themes are:

- Are the three channels SABC 1, 2 and 3 equally important to each other
- Reasons for dissatisfaction with management decisions in transforming the broadcaster from a government mouthpiece to a national broadcaster
- Reasons why SABC 2 should receive a government subsidy.

Tables 4.4, 4.5 and 4.6 reflect the themes that were identified:

Table 4.4: A representation of the themes derived from responses to a qualitative question (*Source: Adapted from respondent's questionnaires to the views on the three channels being equally important. (2003)*)

Theme	Respondents responses to whether the three SABC channels are equally important to each other: 84% agreed
A	The mandates of the channels are completely different
B	One channel should not get preferential treatment over another
C	Treating them the same makes for a more competitive environment
D	All three channels should meet the viewing needs across the nation
E	Disparity in budgets will lead to a loss of quality in programming
F	As three sister channels they need to reach the broadest possible audience
G	They all have to deliver a targeted output
H	To fulfil the vision and objective of being Africa's creative spirit

Table 4.5: A representation of the themes derived from the second qualitative question (*Source*: Adapted from respondent's responses to pre-determined question on the transformation and satisfaction with management (2003).

Theme	Respondents reasons as to why they are dissatisfied with management decisions during transformation from a government mouthpiece to a public broadcaster: 25 % were dissatisfied
J	Slow progress and too much politics
K	Still too much government influence
L	Too much conflict
M	The process is taking too long
N	Lack of information
O	Management structures are growing while worker pools are smaller
P	The corporation is more weighty and less streamlined
Q	No tangible differences have been experienced
R	De-prioritising of budget have led to ineffectual editorial directives

Table 4.6: A representation of the responses to a third qualitative question (*Source*: Adapted from respondent's responses to pre-determined question on a government subsidy for SABC 2 (2003).

Theme	Respondents responses to whether the government should subsidize SABC 2. 59.4% agreed
S	TV licences are not enough to carry the channel
T	So it can focus on its PBS mandate rather than profitability
U	To meet the non profitable areas of the mandate
V	Subsidize production costs
X	Should be in the form of a grant so that autonomy is not compromised
Y	To cater for other marginalized languages

4.4.1 Nature of Themes

The nature of the Themes A-H can be broadly described in the following way: most of the respondents showed a desire to see the SABC deliver on its national mandate. To this end respondents were keen to allow any SABC 2 losses to be carried by the other two channels – in the spirit of delivering a national service. This relates directly to ICASA's standpoint that a national broadcaster must carry some programming, even if it is not popular or understood by everyone, in forging a national identity and fostering a spirit of unity and reconciliation (ICASA 2001). None of the respondent rejected the role of the national broadcaster. When asked if SABC 2 is considered to be a public service broadcaster, 96.8% of respondents agreed.

4.4.2 Themes J-R

Theme J - R (management decisions and the transformation from a government mouthpiece to a national broadcaster) showed there is still an underlying feeling that the government has a say in the SABC. However, the government does not fund the SABC (including SABC 2) in any way, except for grants for education.

4.4.3 Themes S-Y

Themes S –Y deals mainly with responses to whether the government should fund SABC 2 through a subsidy. Although there was a sense of keeping the autonomy of the SABC and not allowing government to dictate to management, the overall reason for this response was that a subsidy would positively impact on the delivery of a national mandate. SABC 2 does not receive allocations of licence fee revenues (like the BBC does). It is unclear where the licence fee revenue is spent but it did not make up a grant or part of budget allocation to SABC 2. The channel currently relies on classical advertising, programme sponsorship and a small amount (about 1%) from the sale of promotional items such as CDs and caps.

4.4.4 Interviews with Management

Interviews with SABC 2 management showed the following strong management commitment to the channel and the PBS mandate.

4.4.4.1 Management Commitment:

Both Aletta and Laura showed a commitment to their PBS mandate and were rigorous in its implementation and resulting accountability: Non-performing genres were closely monitored and revenue generators were given leeway to explore even more sponsorship opportunities. SABC 2 management issued compliance reports each month to evaluate their performance.

The following local content mandate compliance report is completed monthly (SABC2 Monthly report: May 2003)

GENRE	MANDATE	WK 14	WK 15	WK 16	WK 17
Children	50	51.25	51.25	51.25	51.25
CA	80	100.00	100.00	100.00	100.00
Documentary	50	52.00	52.00	52.00	52.00
Drama	25	42.42	42.42	42.42	42.42
Education	60	100.00	100.00	100.00	100.00
IKB	50	97.66	97.66	97.66	97.66
Music/Entertainment	N/A	66.67	66.67	66.67	66.67
News	80	91.48	91.48	91.48	91.48
Religion	50	56.24	56.24	56.24	56.24
Sport	N/A	100.00	100.00	100.00	100.00

Table 4.7: Compliance Report

Note: The above mandate compliance is based on a variable universe, with "exclusions" being taken into consideration.

The compliance report shows that each genre is monitored weekly to see the percentage of public service programming that was broadcast. The mandate requirement is highlighted. The channel has been consistent in reaching these targets, and in many cases exceeding the percentage set by the SABC Board. Drama requirements are well over the required percentage. The channel reached 42.42 % - higher than its 25 % target.

Despite local programming being expensive to produce, SABC has pulled audiences by making programmes that people want to watch. This process is closely monitored by the financial department on a month-to-month basis, to see which genres are improving and earning more revenue and which programmes are best suited to other channels

4.4.5 Management Interview Themes

The general themes that were noted in the interviews were:

- Revenue streams for SABC 2, (lines 170-175, 34-37)
- Strong audience showing for Afrikaans (lines 225-230),
- The drama strategy to draw viewers from other channels to SABC 2 (lines, 141-144)
- Strong consistent scheduling (lines 126- 35)
- Competitive and Complementary factors within the Corporation (lines 118-122)

4.4.6 Observations

General comments and observations made by both interviewees were important to the study as they provided background information as well as the latest data on programming

4.4.6.1 Observation: PBS

Both Laura and Aletta believed that the channel was not a true PBS as it did not derive revenue from a subsidy but were expected to be commercially viable within the SABC. This was a different response from the questionnaire where most agreed that SABC 2 was a public broadcaster.

4.4.6.2 Observation: Subsidy

Laura wanted a subsidy in the form of licence fee allocation (lines 322-). She felt that the more programming that was PBS mandated, the more costly it would become and eventually the PBS mandate would work against any chance the channel had to become sustainable. This should be seen in the context of Aletta's concerns about the other two channels commissioned

by the government (line 161-164). If two more channels are public service mandated then it was hoped that it would free up SABC 2 and SABC 1 to balance their costly programming against their less costly international programming. SABC 2's revenue is currently being derived from a combination of classical advertising, programme sponsorship and the sale of general merchandising (Lines170-175).

The interviews highlighted the fact that SABC 2, although competing against the other channels for advertising revenue, were focused on their language goals, driving audiences and making programmes that would create advertising revenue. The public service mandate had therefore strengthened their focus, made them constantly consider commercial viability, and made for a strong programming strategy, thereby driving competition in the industry.

4.5 Summary

The research tested the hypotheses that the public service mandate of SABC 2 has led to a significant increase in the viewership of the channel. A two independent sample t-test was carried out using the presence of time slots and categories as the independent variable and quantity of viewers as the dependent variable. The test showed that the hypothesis was true and that the null hypothesis could be rejected. The null hypothesis stated that the PBS mandate had no effect on the channel's viewership. The mandate had a significant impact on the schedule, which could be directly related to the high number of viewers in the time periods under study. The free-to-air channel e-tv does not adhere to a public service mandate with major language implications. SABC 2 outperformed e-tv in prime time, despite having to broadcast in two indigenous languages. Reasons were put forward to substantiate the results of the test as well as recommendations on future studies pertaining to those reasons. The qualitative research showed that management monitored the mandate strictly and that the public mandate was seen as part of the competitive strategy of the channels.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this research, the implications of a public service mandate on the competitiveness or sustainability of a television channel was explored.

The researcher investigated literature resources surrounding competitive strategy and public service mandates, SABC 2 (the case study under analysis) and various literature on the subject including the writings of Michael Porter (1980), Nicholas Garnham (1996), Yannis Bakos (1991), Henry Mintzberg (1994), Gary Hamel and CK Prahalad (1994), Treacy and Wiersema (1995) and James Moore (1996). Garnham's view was that economic theory showed that an unregulated, fully commercial system of broadcasting would result in market failure. The economics of broadcasting are propounded with particular relevance to the concept that programmes are 'public goods' and one person watching it does not curtail someone else from viewing the same programme. The researcher discussed Porter's theory of competitive strategies and the need to make a strategic choice. Linkages in the value chain can create opportunities or be in itself the sources of competitive advantage. Bakos sees constant innovation as being possibly a sustainable competitive advantage but raises questions about the sustainability of advantages not based on unique resources. An application of Hamel and Prahalad's thinking was that companies should change the way they see themselves and derive profitability from - not only its core business - but from new innovative ways it views itself. Treacy and Wiersema dealt with the idea of securing an unassailable competitive advantage by dominating a market - something that SABC 2 does fairly well in markets such as Afrikaans and Sotho. Moore expounds the theory of working together and urges managers to see their business environment as an ecosystem. The SABC as a whole is an example of an ecosystem and the three channels are enjoying a

certain synergy in working together to produce complementing schedules. Following in this literary thinking, Brandenburger and Nalebuff have coined the term “Co-opetition” and suggest that it is game theory that allows companies to move beyond simple ideas of competition and cooperation.

5.2 Key Elements of Research

This research was initiated after the identification of the following sub-problems:

- Is SABC 2 a public broadcaster?
- Can a broadcaster with a substantial public service mandate stay competitive and draw audiences? Or is this a contradiction in terms?
- How can SABC 2 remain competitive in its business model with a costly PBS mandate?

The quantitative element of the research with regard to the sub-problem listed above investigated the contention that SABC 2 was still competing for audiences despite the PBS mandate. A case study investigating SABC 2’s viewership as well as e-tv, a commercial broadcaster, for 5 quarters using a t-test. The data was gained from the Audience Services at the SABC. The null hypothesis (that PBS has no discernable impact on drawing audiences volumes) was rejected. SABC 2 drew audience even though it had to stick to a rigorous schedule of public service requirements. An up-to-date schedule tabled earlier (Table 4.7) showed that compliance with the mandate is ongoing and closely monitored by the channels and SABC as a whole.

Several reasons were put forward why SABC 2 performed so well against e-tv for the same period in the same category. Reasons advanced were – block programming, stripped programming, a dedicated and focused schedule, strict management control, internal and structural problems at e-tv.

5.3 Resulting Conclusions

It can therefore be concluded with reference to the first sub-problem that SABC 2 is a public broadcaster by virtue of its adherence to a PBS mandate

and that it has remained competitive. The research showed that despite a PBS mandate which inhibited the broadcaster from following a full commercial schedule, SABC 2 was still able to compete successfully with other broadcasters. The PBS mandate has become part of its competitive strategy to draw audiences.

A recommendation, in respect of the first sub-problem, is that a different result might have been obtained had the study been conducted in a different genre. Also a different result might have been obtained if more research had been conducted on the advantages of block and stripped programming. A different result may also have been obtained if the management team had allowed frequent repeats. Although this is cost effective, as a second screening – especially if it is local programme – does not cost anything, it does not bring in more viewers.

The third sub-problem was how SABC 2 could build a good sustainable business model. As with the first sub-problem, a case study investigating SABC 2 and its public service mandate was used in a t-test with the primary data being obtained from Audience Service records. A future study could potentially reflect a different result if a longer time period was utilised and a more significant statistical finding could be obtained.

With regard to the sub-problem listed above, the qualitative element of the research involved asking 32 respondents several questions and extracting themes from their responses. A total of 40 questionnaires were sent out. In addition two high-ranking managers at SABC were interviewed to gain historical data and comment on SABC 2's business plan and the problems of sustainability.

The secondary data responses were analysed and the themes are represented in Table 4.4, 4.5 and 4.6. The major themes included the belief among broadcast staff that SABC 2 was a public broadcaster, that money should be spent on advancing PBS requirements such as language quotas, a

general belief in nation building and the fact that all three channels should be given the same treatment despite their mandates being different. With regard to a government subsidy, although many were in favour of it, there was concern about the objectivity of the broadcaster. At the moment the channel receives no government grant but is required to fulfil an ever-broadening public service. The channel management is practising rigorous adherence to the mandate guidelines and compliance obligations.

5.4 Recommendations for Future Studies

It is recommended that the conclusions of the qualitative study be tested quantitatively at a later date. It is further recommended that a purely qualitative study on the impact of a PBS mandate be conducted at a later date using a wider body of respondents. For a future qualitative study, it is further recommended that the questions asked of respondents be less broad and more specific. A greater number of questions and more diverse group of respondents (especially more rank and file) and the inclusion in the study of a commercial broadcaster outside the SABC to be able to make a cognitive analysis of the opportunities, threats and innovations in the industry.

Subsequent recommendations of this study in the light of the findings of the quantitative and qualitative analyses with regard to all of the sub-problems are that further research be undertaken once more data is available and more current information is available on the threat of satellite and cable television. In addition, a study should be undertaken following the recently announced decision to licence two new broadcasting channels, using indigenous languages and a dearth of local content. A study into its impact on SABC 2 will be needed.

5.5 Recommendations for SABC 2

1. McKinsey (1999) found in a survey for the BBC that a strong PBS can play an important role in today's competitive and complex broadcasting markets. In

a world of many channels, a PBS broadcaster can be effective when it airs a distinctive schedule and exerts pressure on commercial broadcasters like e-tv to do the same. Broadcasters are competing for audience share which results in revenue. In the case of SABC 2, the exception to this statement is that Sotho programming draws large audiences but does not attract significant revenue. On the other hand, a strong focused schedule forces other channels to adapt their schedules to meet market demands. This sets off a “virtuous circle” with its commercial competitors. SABC 2 should continue with their “complementary “ programming within the SABC as a whole. An example of complementary programming can be seen in SABC 2’s willingness to move an English lifestyle magazine programme, Top Billing to SABC 3 where the programme will have access to an even greater audience to suit its market profile.

2. Successful PBS’s continue growing. The researcher recommends that SABC 2 keep abreast of technology. A modernisation of operations with an eye to reducing costs should go hand in hand with growth and development into new areas as the market evolves.

3. SABC 2’s funding model should be reinvestigated. A public service channel’s funding model has profound implications for its abilities to successfully pursue new strategies. Studies have shown that the higher the advertising figure as a proportion of total revenue, the less distinctive a public service broadcaster is likely to be. SABC 2 should be aware that advertising revenue might blunt its ability to be competitive and focused on their mandate. The researcher recommends that the broadcaster attempts to access licence fee revenue as highlighted in the research. A BBC report on Broadcasting (1999) showed that a licence fee funding system provides broadcasters with the most stable long term funding source – enabling them to invest in higher risk and more distinctive types of programmes. The ideal funding model should have the following characteristics:

- Substantial enough to create a true competitor to commercial channels
- Independent from undue government influence

- Predictable over the medium term
- Growing at a similar or faster rate than the PBS's costs
- Sufficiently simple and equitable that it can be administered with the minimum of political controversy

4. Maximisation of the ecosystems will bring the SABC closer to its role of being a true public broadcaster. In the literary review, the researcher discussed the writings of Moore who called for the leveraging of resources within an industry. SABC 2 should leverage resources within SABC as well as maximising the concept of "ecosystems" with advertisers, audiences and across the radio and new media platforms.

5. A "lean and mean" approach is recommended for SABC 2. During the transformation from a government mouthpiece to a national broadcaster, the SABC went through several downscaling operations. Although these events were productive in the short term, the long term saw it grow back to its original size and take back programmes that it had shed, e.g. the morning show. The channel has to keep a close watch on its daily operations. The financial manager of SABC 2 said she was reporting financial data on a regular basis and in a different format so that all heads of departments could see, at a glance, when they were on target, over budget or under-performing. This regular reporting of data is crucial to the well-being of the channel.

6. Management commitment is a cornerstone of SABC 2's commitment to its public mandate and competitiveness in the marketplace. The researcher recommends that every effort be made to keep the services of channel managers that perform and to provide incentives for their performance. The SABC has a history and culture of being bureaucratic and bloated with lifetime job offers. Good performances should be adequately rewarded and under-performers should be counselled and removed if they do not make the grade. SABC 2 should be run on business principles.

5.6 Conclusion

The study has highlighted the effect of a PBS mandate on a broadcaster, using SABC 2 as a case study. The research revealed that a PBS mandate can enhance the broadcaster's chances of being competitive and become a cornerstone of their competitive strategy against commercial broadcasters. Both quantitative and qualitative methods were used to highlight the position of the public broadcaster in relation to its PBS mandate. A focused schedule and a distinctive programming strategy will allow the broadcaster to use the mandate to its advantage. The study also showed that SABC 2 was considered a public broadcaster although there was room for growth and expansion. The mandate should be quantified by law so that the broadcaster could take a long-term approach. The maximisation of the three channels using a complementary strategy is already being used to advantage within the SABC although each channel is reporting its status in terms of profit and loss separately. The researcher developed recommendations that could be used to further enhance the role of the public broadcaster and make it more competitive in the broadcasting industry.

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Appendix 1
Survey Instrument

2003 SURVEY OF SOUTH AFRICAN BROADCASTING CORPORATION
AND ITS TRANSFORMATION

You are invited to participate in a survey relating to broadcasting, management decisions and the Public Service mandate implications for SABC 2. This research study is being conducted for the completion of an MBA dissertation at Natal University.

Please respond as soon as possible to the questions below. They relate primarily to management decisions, attitudes and perceptions of a Public Broadcasting Service mandate and the implications for sustainability for the Corporation with a focus on SABC 2.

All responses are confidential. Your prompt response is greatly appreciated. If you have questions relating to the survey, please contact Robyn Smith on 011 7266158 or 082 8563205 or email robyn@theafricanway.co.za.

1. In your opinion, what is the main role of a Public Broadcaster?

- To serve all South Africans
- To make a profit
- To serve as a community mouthpiece
- To serve the interests of the government of the day
- None of the above

2. In which department are you employed at SABC ?

3. Do you think that management decisions are still influenced by the government of the day?

YES. _____ NO. _____

4. Do you consider SABC 2 to be a Public Broadcaster?

YES. _____ NO. _____

5. Do you think that the 3 SABC channels (1, 2 and 3) should compete against each other?

YES. _____ NO. _____

6. What do you consider SABC 2's main objective:

- To be profitable
- To give viewers top notch entertainment
- To satisfy advertisers and thus make money for the channel
- To be the most watched channel
- None of the above

7. Do you see the three channels as being equally important as each other.

YES. _____ NO. _____

8. If YES state the main reason why you think so.

If NO state the main reason why this is so.

9. Are you satisfied with the decisions that management has taken since the start of the "transformation" of the SABC from a government broadcaster to a public broadcaster?

YES. _____ NO. _____

10. If "NO" state your main reason for being dissatisfied.

11. In your opinion, what has been management's priority during "transformation."

- Well-being of staff
- Following the PBS mandate set out by the government
- Being sustainable
- Making a profit
- Competing with other channels

12. Do you think that the government should subsidize SABC 2?

YES. _____ NO. _____

13. If you answered "YES" then state your reason .

14. If you had to choose between a subsidy and competing for advertising spend, which model would you choose.

subsidy OR competing for advertising

15. Do you think that SABC 2 can satisfy viewers and still be sustainable?

YES. _____ NO. _____

16. In your opinion, who should SABC 2 be competing against:

- Other SABC channels (1 and 3)
- Other SABC channels (1 and 3) and etv
- All other channels (including satellite)
- None of the channels
- Only SABC 1

Would you like to receive a summary of this survey? Please state where you would like the summary delivered

.....

THANK YOU FOR YOUR PARTICIPATION!

1 **Appendix 2**

2
3 **Respondents Feedback: Interview 1 Aletta Alberts:**

4
5
6 *Question: Tell the about the background to SABC 2?*

7
8 SABC 2 started in 1996 in February 1996 and was part of the re-launch of the
9 3 SABC channels. Prior to that SABC 2 was the old TV1 as we know it as
10 television started so this channel then basically was the commercial channel
11 by virtue of the fact it had Afrikaans on the channel and they had decided they
12 wanted to combine Afrikaans language and Sotho languages on one channel.
13 Then it became SABC 2 and SABC 3 became the commercial channel. CCV
14 became SABC1. And NNTV became SABC 3.

15
16 *Question: Is there a subsidy for SABC 2?*

17
18 SABC 1 and 2 initially received a subsidy until during the time of Zwelaki
19 Sisulu, when Ivy Matsepe Casaburri was the chairman of the Board. They
20 went to parliament when Jay Naidoo was still the Minister and said that the
21 SABC – at the time the whole thing was about freedom of the press - and kind
22 of like asked what does the SABC do. They didn't want the SABC to be under
23 editorial control of government. They then opted not to take any subsidies. I
24 think that was (I'm talking under correction) that was in 1998. So since then
25 SABC has never received subsidies.

26 The only people who received subsidies until the year before, was education.
27 But they also don't get a subsidy any more.

28 The only money they do get – they get grant money and they do get a certain
29 proportion of government education money but it is on a project-by-project
30 basis. They have to go and motivate very strongly for it – make a case for it.

31
32 *Question: What is the revenue stream for SABC 2?*

33
34 SABC 2's revenue stream basically emanates from its international block at
35 19:30. That's where we make the bulk of our money in combination with the

36 block of Sewende Laan, Afrikaans programming and then selected Afrikaans
37 programming elsewhere on the schedule such as Noot vir Noot, Pasella and a
38 few of those selected ones and then the odd Sotho programmes such as
39 Family Fortunes. But normally, for the Sotho programming, goes hand in hand
40 - that is pre-sponsored.

41

42 Question: *Not just classical advertising?*

43

44 No, it has to be a combination of...

45

46 Question: *Is SABC 2 a true PBS?*

47

48 I don't think that any of the SABC channels are a public broadcast channel in
49 the full sense of the word, of what public broadcast means. I think as soon as
50 you start talking about a PBS channel that it has to be profitable; it is a
51 contradiction in terms. So, just to give you an example... I believe in terms of
52 the language mandate that we serve - you know we do serve the public
53 mandate. But in terms of delivering the factual content and children's and all
54 those various programmes, we are simply not in the position to commission
55 factual and informal knowledge building programmes and put it at 7:30 at
56 night because we are so dependent on that international block. So ultimately if
57 we were to get to a position where we could deliver - we are already
58 delivering 80 % local content, 75 to 80% local content in prime time - but
59 where we could get into a situation where we could be 90% and we could use
60 drama - that slot that we currently use for international drama to deliver
61 content - then we could achieve a true public service broadcaster.

62

63 Question: *What is the essence of the mandate?*

64

65 In terms of language, obviously the Sotho, Afrikaans and the two minority
66 languages Venda and Tsonga delivery as well as a full spectrum genre
67 delivery in terms of complying with all the categories that is required from us in
68 terms of the mandate and the regulator as well as the spread from children,

69 documentaries, drama delivery and then obviously the amount of local
70 content.
71 The Act doesn't quantify but the regulator does. (ICASA) I think – which is
72 difficult. I think when the quotas were set by ICASA, I think it was unrealistic
73 because there's not enough time on your schedule if you were to comply with
74 everything that you have to do.
75 And secondly I would have thought that you rather - if it's about industry
76 developments and delivering in certain areas - which you'd rather quantify
77 percentages in terms of your budgets, than quantify percentage output.
78 Because what is happening now because they are not specifying hours but
79 they are just specifying percentage...I'll give you an example of
80 childrens'...when children for a public broadcaster should be a core area of
81 programming, however, because the quota for local content is 55 % and
82 children is a loss leading genre – we simply can't afford to do hours and hours
83 of children. So we have to reduce the broadcast hours from say 5 and a half
84 hours to two hours to enable us to actually do the 55 % local content. Instead
85 of the channel commissioning a component of local content we are very
86 reliant on what our education department delivers to us because we simply
87 don't have the budget to go there.

88

89 Question: *Should SABC 2's performance be judged individually?*

90

91 You have to see it in the bigger picture –but then you also have to break it
92 down and the channel has to be accountable for... I just think that whatever
93 the targets are – it has to be set realistically. Because...in terms of SABC, I
94 think that we have a history of not managing the channels responsibly. I think
95 that in the last two years that the whole picture has changed and we are a lot
96 more in touch with our business and we are incredibly accurate in terms of our
97 predictions – for audiences and for revenue. In a sense for SABC 2, you
98 almost have to see it as two channels in one, and it has to have a separate
99 business plan for each component. Your Afrikaans component is obviously
100 commercial and very successful, and your Sotho component at this stage –
101 still not. And then just in terms of all the other things that we still have to carry

102 because when you extract the news content and your sport costs which are
103 40 odd percent of - almost 50 % of the channels cost – those are also the
104 biggest loss leaders for us. So, if we were to take that out of the equation we
105 would have been profitable. But because as a public broadcaster we deliver
106 those services, we are simply not.

107

108 Question: *Should we look at all three channels in terms of profitability?*

109

110

111 I think you should look at the SABC as a whole, but then each channel must
112 help – each little bit that they bring to the table. I would think that that would
113 be the reason for having a PCBS channel. The commercial channel should be
114 making money to enable us to do the PBS.

115

116 Question: *Isn't it cherry picking to give programmes that perform to SABC 3?*

117

118 They see it as a competition but when you look at our schedule, they are
119 complementary – although we do compete. Obviously if we don't all compete
120 we will all die... You have to do that - but there is a very strong
121 complementary strategy and we won't go after drama for instance that should
122 be on SABC 3.

123

124 Question: *What major changes at the channel have paid off (or bombed)?*

125

126 I think improvements for the channel is definitely the channels block schedule,
127 a managed block schedule, so that there is specifically dedicated times to
128 each audience group and you know exactly what is working for you and when
129 you can view on that channel. We found that appointment viewing on our
130 channel really really works. I think the fact that our schedule is very consistent
131 now, that we don't run repeats in prime time and if we do run a repeat it really
132 is a planned repeat and not just a repeat for the sake of a repeat. It will either
133 be by popular demand or golden oldie coming back or something like that. ||

134 think what also works in our favour at the moment is the move of the news -
135 the Sotho news from 9:00 to 8:30.
136 The consistent schedule has been basically in place since April last year. And
137 the news move just happened this April but we can already see it paying off
138 for us.
139 The areas that are still a challenge to us is the LSM 5-8 audience, because
140 that audience is so strongly loyal to SABC 1. They really have a home on
141 SABC 1 so it's very difficult to get them to switch. We are using drama as a
142 strong strategy for that audience, and we will increase our drama slot from
143 one to three with a possibility of 4. The entertainment properties that we will
144 be introducing in July - August are black and very very strong.
145
146 Question: *Isn't it a difficult audience for ad revenue? LSM 5-7?*
147 No, it's certainly picking up. We find that we even get fully sponsored
148 programmes – last year we were only broadcasting in one slot for that
149 audience, the 8:30 slot – the entertainment slot not the news, it lost... and that
150 ran at a 16 percent loss where normally that would have run at a 200 % loss.
151 There is a definite improvement but it is definitely content connected.
152
153 Question: *Does PBS affect other channels?*
154
155 PBS sets a standard, looking at the BBC, for instance, money is not an option.
156 Their drama budget is 380 million pounds per year. If you take that on a one-
157 to-one basis, that's what a full channel runs on for a year. And that's just
158 drama. Their drive is also about delivering a service and making good
159 productions – never about “its cheaper to do this or that” – or that we have to
160 make it sponsorable. It's never that.
161 It would be interesting to see what s happening to Channel 4 and 5 now, and
162 how they are going to handle that, and whether they will free these channels
163 up to be a little more commercial, and make those real public broadcasters in
164 the true sense of the word.
165

Interview 2: Laura Mckenzie

166

167

168 *Question: Where does SABC 2 get revenue?*

169

170 Classical advertising that is actual spots - that's 30 second or 50 seconds
171 that an advertiser buys that is a significant portion. It's probably 80 % of the
172 revenue and then there is programme sponsorship, which is probably the
173 other 19%.

174 And then there is 1 % that comes from general merchandising like cds, hats
175 and caps and that kind of thing.

176

177 *Question Any Sponsorship from the state? A subsidy?*

178

179 Not in SABC 2, No.

180 I know that Education does get a government grant and obviously we put
181 some education programming on our channel and on our schedule. But to us
182 it looks like it comes free of charge

183

184 *Question: No license fee money?*

185

186 We are supposed to break even on commercial money at the moment. TV
187 licenses are not advertising and not allocated to the channel.

188

189 *Question: Where does the license money go?*

190

191 We don't know. It's like a separate department, but as we understand it...At
192 the moment they are trying to allocate some TV licenses to us – it's probably
193 going to be based on how much local content we have to produce and
194 mandated but they have not come up with a model yet.

195

196 *Question: What about the other two channels?*

197

198 No license fees.

199

200 *Question* : Who handles the license fees?

201 It called Audiences Services.

202

203 *Question*: The BBC get their revenue from TV licenses.

204

205 There is a lot debate around TV licenses because ...if you are a public
206 broadcaster giving people access - for us access to rural areas means you
207 are supplying information. You want someone to pay a TV licence of 100 and
208 something Rand but they need to buy basic services like food and shelter so
209 they are hardly going to pay their TV licenses but does that mean they don't
210 have access to the information? So I think that just because our level and
211 standard of living has got such a huge gap... and so it is difficult to model on
212 the BBC – because yes everyone in the BBC can afford a TV but not
213 everyone in our area can.

214

215 *Question*: What is the aim of channel

216

217 To break even financially – (not make a profit?) not at the moment we would
218 like to -there is nothing to stop us from making a profit and I think that
219 because local drama is also so significant on the channel. Unfortunately, that
220 costs the most but we also find that local drama drives significant audience.
221 What we struggle with is converting those audiences to revenue.
222 Because the advertiser does not necessary understand the buying power of
223 LSM 5- 8 and those are the kind of audiences that we drive. It is an odd
224 situation.

225 So you will find that our LSM 7-10 Afrikaans audiences generate the
226 programme money because those audiences are there and the advertisers
227 recognize the buying power of traditional Afrikaans households whereas they
228 haven't really gotten the other audiences...Drama drives 5-8 audiences
229 significantly. We've been in a loss situation but from 2002 to 2003 we reduced
230 the loss by 61 million so we've moving in the right direction. The loss hovers
231 around 250 million mark. We are seeing the loss consolidated by the SABC as

232 a whole. You will see from our financial statement that we've managed to
233 break even, so obviously revenue streams like TV licenses cover that
234 shortfall.

235

236 *Question:* What are the significant changes over 3 years?

237

238 In terms of the SABC ...since I arrived ... I've reported the information in a
239 different way to what they had done previously and that makes it easier for the
240 management team too. They always know whether they have money to make
241 a particular programme or not. They are not in the dark as to whether they can
242 afford to invest in a particular programme. So from that point of view we've
243 known what money we have available what we are going to incur so we've
244 managed to remain within budget and curb unnecessary expenditure - hence
245 the reduction in the loss.

246

247 *Question:* How important is leadership of the channel – in terms of reporting
248 info to them?

249

250 I think that ...just a "yes" or "no" answer has been useful over the past 19
251 months because the head of departments need the following... and the
252 answer would be: "I don't know". So at least now I am able to say - "yes" or
253 "no", "well, not at the moment" – and that probably is the most important thing
254 for them have a "yes" or "no" answer so they can go forward.

255 I would say leadership and programming needs to understand finances better
256 than any of the other heads of department because they mainly working with
257 the biggest amount of money. That's where our content lies. So they need to
258 know if they are going to commission a drama that they are going to have to
259 sacrifice something else somewhere and so it is mostly for the head of
260 programming.

261

262 *Question:* Is SABC's performance judged individually?

263

264 At the moment we are judged individually but there is currently a process in
265 place to measure us as television as a whole and that's how we would be
266 preferred to be judged because we also had to take into account that
267 sometimes we might not schedule competitively because it would affect one of
268 the other channels – but that means if we step down in that particular area we
269 can't judge SABC 2 because they've given a gap to SABC 3 because that was
270 better for the Corporation as a whole.

271

272 *Question:* Do you often have to do that - who takes priority of the three
273 channels?

274

275 At the moment it's who shouts the loudest.

276 It should be SABC 3 just in the changes now – restructuring of the SABC,
277 SABC 3 falls under commercial – so the theory is that they take precedence
278 but that's only starting to materialise now – that's not a hard and fast rule at
279 the moment. But something like Top Billing moving to them was a commercial
280 decision – that's where it should be and where it will probably make the most
281 money.

282

283 *Question:* So SABC 3 gets to cherry pick the commercially viable
284 programmes?

285

286 No not really because it wasn't performing audience-wise as what you would
287 have expected it to perform there, and it fits the top profile, so that was the
288 right move in that particular case. We were sorry to let it go but actually if you
289 sit back and look at the big picture it was the right thing to do.

290

291 *Question:* With no subsidy, you have to make your money go further?

292

293 It is an anomaly because SABC 3's content budget is actually very similar to
294 ours and they have so much more foreign content which costs so much less
295 than local programming, so we like to think that we are pulling rabbits out of a
296 hat by pulling it off.

297

298 *Question:* What are the factors that will ensure sustainability?

299

300 We find that there is a move in that ...we find that programme sponsorships
301 are higher than they have been previously. So that it looks like the ad spender
302 is looking for other ways of leveraging his money. So to associate their name
303 with an entire programme and sponsor that programme - they seem to be
304 seeing that as more rewarding. So we are starting to produce programming
305 that is attractive to sponsorships. Because the classical advertising will always
306 be there but we think that it becomes more appealing - that seems to be the
307 way advertisers are moving to want to spend their money by sponsoring a
308 programme.

309 So I think, for sustainability for us, it's producing programming that advertisers
310 can sponsor because we need the extra money to receive money and
311 obviously the programming with the type of audiences - that audiences will
312 want to buy - so we will continue to produce for LSM 7-10 because we know
313 that that's where the money is.

314 Most of our revenue comes from that market. (7-10)

315 Actually of the channel's total revenue, something like 70 % is just in the time
316 band from half past 6 (Sewende Laan) into the news, up until half past 8,
317 which is a foreign slot – so in two hours of programming, 70 % of our revenue
318 sits there.

319

320 *Question:* What about educational programming?

321

322 We find that children's programming tends more towards sponsorships, so we
323 will find that within children's programming there's educational stuff. So if you
324 look at education they are making school TV with money from Takalani
325 Sesame, all money from Sanlam. But that money sits in education – its not
326 shared.

327 We get the programming for free but we also don't show any revenue that
328 comes from that programming.

329

330 *Question:* One thing you would change about the channel?

331

332 I definitely think that TV licences should be allocated. I think across the board
333 (1,2,3) depending on how much mandate we have to fulfil. For e.g. the
334 mandate for PBS, for local content for e.g. if it should be 35 % in August for
335 PBS and it is 25 % for PCBS ...so I'm saying that TV licences should be
336 swung towards public broadcasters - you
337 know - weighted towards public broadcasters instead of commercial.

338

339 *Question:* What's your content at the moment?

340

341 Local content at the moment is 25 %, going up to 35, almost 50 % of the PBS
342 is local, purely because we have to deliver on the language mandate and that
343 means by its nature it will be local content because it has to be in a vernacular
344 language or a ...something other than English. It's not quantified and that's
345 what makes it difficult for us. The current drive from top management at the
346 moment is to get our Sotho delivery equal to our Afrikaans delivery and that
347 will require additional Sotho programming. Of our total schedule, 15 % is
348 Afrikaans and about 10 % Sotho. We want to bring Sotho up to 15 %, which
349 will mean local content at local prices.

350

351

352

Summary Of LSM Groups *(from SAARF AMPS 2002A)*

LSM 8

DEMOGRAPHICS

35+

Matric and higher, Urban

R7 587 per month

MEDIA

Wide range of commercial/community radio

TV: SABC1,2,3, e.tv, M-Net, DStv

Daily/Weekly Newspapers, Magazines

Accessed internet 4 weeks

Cinema & Outdoor

GENERAL

Full access to services

Full ownership of durables,
incl PC and satellite dish

Increased participation in
activities

LSM 9

DEMOGRAPHICS

Male, 35+

Matric and higher, Urban

R10 245 per month

MEDIA

Wide range of commercial/community radio

TV: SABC 2,3, e.tv, M-Net, DStv

Daily/Weekly Newspapers, Magazines

Accessed internet 4 weeks

Cinema & Outdoor

GENERAL

Full access to services

Full ownership of durables,

incl PC and satellite dish

Increased participation in activities, excluding stokvel meetings

LSM 10

DEMOGRAPHICS

35+

Matric and higher, Urban

R15 076 per month

MEDIA

Wide range of commercial/community radio

TV: SABC 2,3, e.tv, M-Net, DStv

Daily/Weekly Newspapers, Magazines

Accessed internet 4 weeks

Cinema & Outdoor

GENERAL

Full access to services

Full ownership of durables,

incl PC and satellite dish

Increased participation in
activities, excluding stokvel
meetings

Appendix 4

Questions: Focused Interviews

(Aletta Alberts and Laura McKenzie)

1. Is SABC 2 a public broadcaster?
2. As the largest, legislated public service mandated television channel in South Africa – should SABC 2's performance and sustainability be judged individually or as part of South African Broadcasting Corporation as a whole.
3. What key elements should the broadcasting business model for SABC 2 include

Appendix 5

Replies to Question 8

- Questionnaire Replies to Question 8 which required a Reason and was used in Themes

Do you see the three channels as being equally important as each other? If yes” state reason.

“Yes”

1. The mandates of the three channels are completely different and need to serve the entire population collectively.
2. They have different mandates to implement
3. Broadcasting a television channel countrywide is an expensive exercise. People who watch television do so for their own entertainment 80% of the time. News and current event programming needs to be very “current” and of interest to the viewer. If a channel gets preferential treatment, whether financial or in its management processes, the other would be neglected in one way or another and become a financial burden to the corporation. Once this happens, the quality of programming goes down, the viewership goes down and the perception of the viewers become that of the “SABC” programming is crappy, regardless of whether the other channels are good. It chases viewers away to other broadcasters. Do all channels better than good or close down those you cannot afford?
4. The three channels make up SABC, and each one uniquely addresses and serves the entertainment needs of our rainbow nation”.”
5. All three have certain roles (educate, entertain, etc) to play and different audiences to serve.
6. They belong to the same PBS
7. The three channels target different audiences.

SABC 1 Youthful channel

SABC 2 Family Channel

- SABC 3 Cosmopolitan commercial channel for the higher income groups
8. Entertain, educate and satisfy language requirements
 9. All 3 serve different communities and are equally important in that regards as well as their combined role of meeting the viewing needs across the nation.
 10. They exercise the public mandate, jointly and disparity in budgets, funding or caused by other factors lead to less quality programming.
 11. Each has their own unique role within the corporation.
 12. As three sister channels, they need to reach the broadcast possible audience with the broadest possible range of information, education and entertainment options.
 13. They all deliver a targeted output.
 14. They serve different communities (1+3)
 15. Each delivers to a different target audience
 16. Because they can see each serve various communities
 17. The channels should complement each other commercial viability
 18. PBS mandate SABC 1,2 for youth and family and SABC (3) for commercial viability
 19. Each of the channels have a very specific positioning of target audience and role in the environment
 20. Three is better than one by having 3 channels your service can improve and you become more competitive
 21. Management treat them the same
 22. To fulfill the vision/ mission/ objective: the pulse of Africa's creative spirit
 23. Some have educational programming of importance to the public
 24. Quality broadcasting on all channels should be the main imperative
 25. Because every channel has its own target market
 26. Each channel has a different brief, e.g. S2 =PBS S3 =commercial cash cow
 27. Each carries one of the objectives of the Public broadcaster

“NO”

1. SABC 3 is required to be profitable and inevitably support the other channels. Without the SABC 3 the other channels may not have adequate funding which will result in them closing.
2. They have different mandates. SABC 3 is more commercially driven with less of a public service mandate.
3. Entertainment draws viewers
4. 3 SABC and 1 SABC would remain profitable
5. Commercial channels more entertainment and revenue-driven

Appendix 6

Replies to Question 10

- Questionnaire Replies to Question 10 which required a Reason and was used in Themes

Are you satisfied with the decision that management has taken since the start of the “transformation” of the SABC from a government mouthpiece to a public broadcaster?

If “no” state your main reason for being dissatisfied

1. Slow progress, too much politics
2. Still too much government influence
3. Too much of conflict
4. The process is taking too long and we (the workers and lower management structures) do not know what decisions have been taken. We observe that the management and control structures are growing without any change to the number of channels being increased or any indication of the rumoured “north/south channel split.” We hear cryptic messages without seeing any action plan. We are told that there is no money for many of our requirements, from HR to technology but yet the management structures grow.
5. It has become even more ponderous instead of more streamlined.
6. Government still has a lot of say in decisions – especially news
7. De-prioritising of budgets in some areas which lead to juniorisation – lower salaries, so cost centers look better) and ineffective editorial directives
8. No tangible differences have been experienced

Appendix 7

Replies to Question 13

- Questionnaire Replies to Question 13 which required a Reason and was used in Themes

Do you think that the government should subsidize SABC 2. If you answered 'yes' then state reason.

1. TV licenses (public money) does not suffice to carry this PBS channel
2. Can't be commercially viable on its own
3. The service SABC 2 provides is for all South Africans and is costly since much of the programming is local. To create a self sustaining entity would be impossible due to high costs of local production s and the limited revenue available in the market
4. So it can focus on its PBS rather than profitability
5. To meet quotas on non-profitable mandate. To meet costs of producing variety of national interests programmes – state funeral and opening of parliament
6. Any public service mandate requires some funding from government especially for special national interests programming
7. Poorly run channel – not financially inclined
8. To enable the channel to feature more PBS content
9. To afford the broadcaster the opportunity to deliver on PBS Prog (factual, kids) without pressure of profit
10. Many of the PBS programmes we carry cannot pay for their production costs
11. Government subsidy in selective areas where is editorial independence won't be compromised is ok

12. The public broadcasting mandate is supported by governments around the world. It is not commercially feasible to sustain a public service that needs to address a multitude of languages in disparate audience sizes without the public funding.
13. The SABC is the national broadcaster
14. The approach of programming should be such that you can maximize the viewership during prime time and do the mundane public broadcast things during the dead hours. Local production is very expensive and the public broadcast requirement is for local content and non-revenue generating broadcasts. SABC 2 will not be able to generate any income from these broadcasts and therefore as it is the government of the day that was given the mandate by the people to legislate the PBS requirement, the people's government should pay for it. If the people don't want the PBS channel, it should be let known and the SABC should be released from these responsibilities. (a very simplistic view)
15. SABC 2 has to satisfy the needs of other languages and in order to do this local productions have to be commissioned, however, these are drastically expensive. The "subsidization" should merely be a "grant" and not bind SABC 2 to being the puppet of the government.
16. Not the entire SABC 2 but possibly certain programmes
17. SABC 2 should remain not profitable and stick to media education – government must subsidize the channel
18. Channel cannot be profitable with a public service mandate and with several languages- no real identity.
19. To assist in the move to cater for other marginalized languages