

# News sites go after critical mass, ad model still elusive

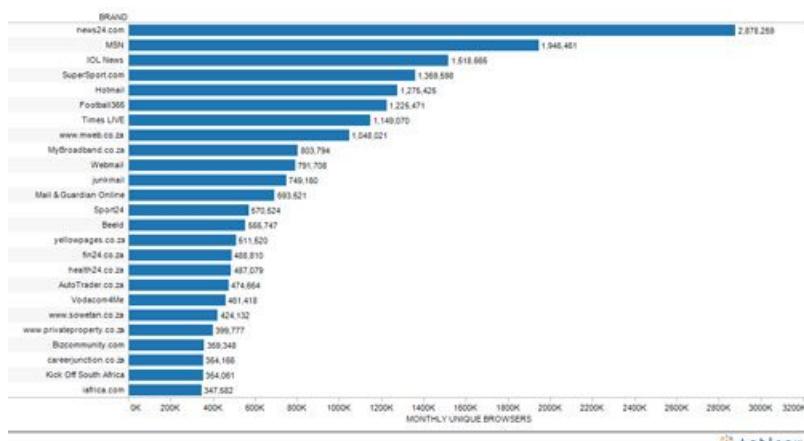
 By Gill Moodie: @grubstreetZA

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The [announcement last week](#) by *News24* that in April it hit the two million mark for South African unique users is no small potatoes. When you consider that the South African internet audience is estimated to be between five and 6.5 million, it means that Naspers's *News24* has certainly got the recipe right for general news websites in this country.

And that 2.1 million users figure from Nielsen released by Online Publishers Association (OPA) excludes the popular value-add zones such as *Women24*, *Sport24* and *Health24*. Counting international users, [News24](#) had 2.87 million unique users in April. The experts point that part of *News24*'s growth is organic as the internet audience in South Africa is on the upswing but let's give credit where it's due: These are good figures and puts *News24* streets ahead of its competitors.

Nielsen's figures puts the Independent Newspapers-owned [IOL News](#) and Avusa's [Times Live](#) at 1.51 million 1.14 million and unique users respectively.



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On the value-add zones, JP Farinha, the CEO of Naspers's 24.com digital division under which *News24* falls, told Bizcommunity: "In terms of numbers both *Sport24* and *Fin24* are pretty big with between 400 000 and 500 000 uniques each. *Health24* is next and then we have *Women24*, *Wheels24*, *Weather*, *Food24*, *Channel24*, *Careers24*, *Parent24* and *Gotravel24*. Time spent on site is highest on *Careers24*, *Blueworld*, *Games* and our email product because of the types of activity. Our blogging platform, *Letterdash*, gets substantial audience but is spread across all our brands so can't be counted as a single destination but its users also tend to spend more time on site."

## Pondering pay walls

*News24*'s milestone comes at a critical time for media houses in South Africa as they ponder whether to put up pay walls on their sites - giving away users but hopefully gaining subscription revenues, more time spent on site and demographic information of paying users so that they can net advertisers which want more targeted audiences. [Avusa is preparing to do just that with the websites of its Eastern Cape newspapers, the Daily Dispatch and The Herald.](#)

However, for national general news sites such as News24, putting up a pay wall is not an option as a user can just as well head off to the competitors as they all offer much the same commoditised news. So *News24*, *IOL* and *Times Live* are in the game of achieving critical mass - making the audience numbers so compelling that advertisers will finally catch the drift.

In the UK, there is a similar story with [\*Mail Online\*](#), the website of the *Daily Mail* national tabloid. The *Mail Online* is the UK's most visited newspaper website with 2.2 million average daily browsers in March 2010 and its online publisher recently said he believes the site is now [big enough to make the advertising model pay](#). On the other side of the spectrum in the UK, the website shared by [\*The Times\*](#) and [\*The Sunday Times\*](#) has withdrawn its [audited web traffic figures](#) as it prepares to put up a pay wall in June.

## **SA lagging**

In Britain online advertising is undoubtedly on the rise and last year [it beat TV ad spend for the first time](#). A study released by PricewaterhouseCoopers and the Internet Advertising Bureau showed that online spending in the UK grew almost 5% to £1.7 billion (about R19.44 billion) in the first half of 2009 while TV spending shrank 16% to £1.6 billion (about R18.3 billion). (Though one must bear in mind that the UK online ad-spend calculation includes e-mail campaigns, classified adverts, display ads and search marketing.)

South Africa is way behind on this curve and, according to the OPA, online ad spend last year in SA was at about R419 million though this doesn't take into account ad spend with Google South Africa. By comparison, Nielsen's AdEx figures put TV ad spend at R10.4 billion last year, print at R8.9 billion and radio at R3 billion. AdEx figures, however, are calculated on rate cards and do not factor in discounting and media houses doing deals across their different titles or stations.

While more and more South Africans are getting online, internet penetration for our 49 million population is also low. The OPA points out that Belgium, which has an online ad spend of about US\$500 million (about R3.805 billion) annually, only has an internet user audience of only 5.5 million but then the population of the country is only 10 million.

One would think that News24 has reached critical mass, for crying out loud, to start making that elusive advertising model work.

Farinha says he thinks News24 has had critical mass for quite a while but the online advertising market has a lot of catching up to do.

## **Penetration relatively low, but...**

"Although online penetration is still relatively low in SA as a whole there is high penetration in the mid to high LSM segments," he says. "The current 2% of online advertising share is far below the 9-10% world average so we feel there is lots of growth to come even if penetration remained as it is."

"This last year was a tough one, given the economic climate, but we still managed very good growth while the overall advertising market declined. We still foresee very strong growth in online advertising over the next five years."

For the foreseeable future advertising will be the chief earner, says Farinha, but other revenue streams such as referral fees from Kalahari.net and subscription and listings revenue on *Careers24* are growing while *News24* is starting to test out payment for online games.

"So we are diversifying our revenues and will continue to do so," he says.

It is certainly peculiar that advertisers continue to sit on the fence while online audiences in this country grow. I'd say a huge opportunity exists for those willing to be first to market on this score.

## ABOUT GILL MOODIE: @GRUBSTREETZA

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