

IN SHORT:

THE SOUTH AFRICAN CULTURAL INDUSTRIES

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# INTRODUCTION

The terminology of economics and industry is changing everyday. Terms such as the “service sector”, and the “information economy” are bandied about by economists and politicians alike, but the terminology is not just a new fashion or a useful sound-byte. The relations of production are shifting significantly across the globe, traditional sectors such as manufacturing, mining and agriculture continue to decline. The new economy that is emerging is based on information, and the competitive advantage will be human capital, creativity, innovation and knowledge.

The Department of Arts, Culture, Science and Technology (DACST) has identified this shift as having significant potential for growth and development in the South African economy. DACST’s lead project in this regard is the Cultural Industries Growth Strategy (CIGS).

The arts and culture sector is often regarded as a “soft” sector, a drain on the economy. The cultural industries all over the world, from India to the United States have proved this conventional wisdom wrong. Products of the cultural industries, from the Hollywood movie to the craft object from the Philippines are consumed by millions of people all over the globe. Every day, these sectors employ more people than manufacturing, even in developed countries.

Internationally, the cultural industries are recognised as having significant economic benefits. For example:

- The craft industry constitutes 15% of Morocco’s GDP
- The Canadian cultural industries generate \$22 billion and generate 670 000 jobs
- In Mexico, cultural tourism contributes 6% to GDP
- Arts and culture contribute 3% to Australia’s GDP, generating \$36 million per annum

The cultural industries can be distinguished from other art forms by the commercial activity that is their prime motivating force. Those art forms that are “not-for-profit” are important resources for the cultural industries, and have been addressed through the establishment of the National Arts Council (NAC). The characteristics of the cultural industries are as follows:

- Knowledge intensive, involving highly skilled workers
- Labour intensive, creating more than the average number of jobs
- Differentiated, taking the form of Small and Medium Enterprises (SMMEs) *and* large enterprises and
- Linked with close, interlocking but flexible networks of production and service systems, allowing the sector flexibility in the face of economic recession

The Cultural Industries Growth Strategy has developed out of this context, and at its core lie four central premises:

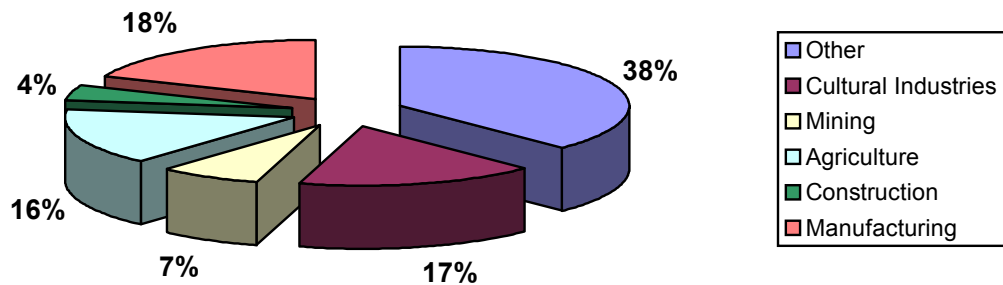
- The ability of the cultural industries to *create employment and wealth*
- The potential of these industries to *create significant returns on investment*
- The ability of the cultural industries to *drive our new economy* by generating innovative and creative human capital

- The necessity of a *collaborative approach* between the public and private sectors to develop these industries

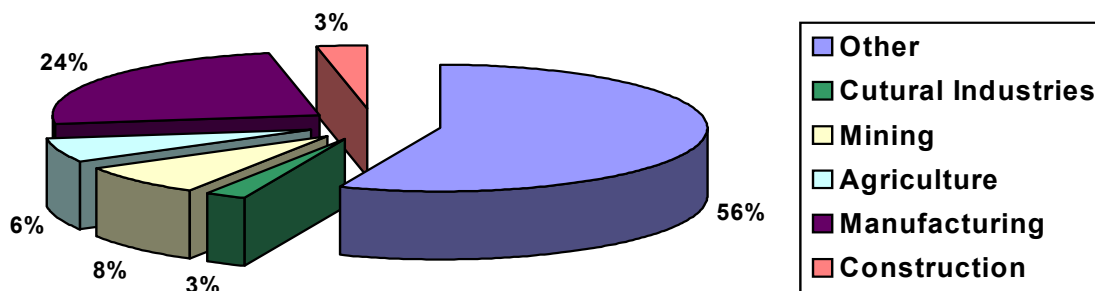
The information contained in the chapters of this document is a summary of the research initiated by DACST in 1997 as part of the Cultural Industries Growth Strategy process. The craft, film and television, music and publishing sectors were selected to be a part of this process, based on the following criteria:

- They are identifiable industries in South Africa
- They are potentially internationally competitive
- They have the potential to create employment and wealth
- They offer opportunities for rural and urban job creation
- They accord with international best practice such as UNESCO's definition of the cultural industries
- They offer emerging market potential

**Employment in the South African cultural industries<sup>1</sup>:**



**Contribution to GDP:**



These key findings, and the more detailed information contained in four sector reports, form a solid foundation upon which a strategy to develop the cultural industries in South Africa can be based.

<sup>1</sup> The employment figures are slightly inflated by the inclusion of the crafts and related trade figures from the recent 1996 Census. Unfortunately it is impossible to disaggregate the present information to isolate employment figures for the craft sector.



Telephone wire baskets and colourful patterned candles are typical of South African crafts

## THE SOUTH AFRICAN CRAFT INDUSTRY

### *Size of the industry*

It is estimated that there are at least 1.2 million people active in the trades and related sectors in South African, a figure that encompasses the craft industry. The value of the sector is estimated at approximately R1.8 billion. The global turnover of the craft industry is estimated at over US\$35 billion per annum. In the United States alone the craft industry generated \$10.85 billion in 1995.

Over a thousand formal craft retail outlets exist in South Africa which sell curios, arts and crafts. Numerous craft markets and several festivals also exist and the informal selling of craft is becoming a familiar feature of our landscape, with craft being sold by the side of roads and busy public spaces.

### *Structure of the industry*

The craft industry includes a broad range of utilitarian and decorative items, media, materials and functions ranging from glass, textiles, ceramics and jewellery to curios, industrial appliances and everyday utility objects. It is possible to discern five broad categories within the craft industry:

- **Traditional Art** constitutes culturally specific products, whose meaning and significance is generated and shared by members of a specific community. Such goods are often produced for the domestic market, for example clay beer pots in KwaZulu-Natal.
- **Designer Goods** result out of the deliberate adaptation of Traditional Art to satisfy the tastes of the high-income market and are often decorative in nature. For example, Ndebele patterned beaded headbands or Swazi Christmas ornaments.
- **Craftart** overlaps significantly with Traditional Art and has been defined as products that are produced entirely by hand, by skilled producers but which are not considered 'fine art'.
- **Functional wares** are mass-produced handmade goods that are produced in small batch production processes, either in small workshops or factories. Examples include pottery, furniture and utility objects such as crockery and cutlery.
- **Souvenirs** are "inexpensive, universal trinkets or simplified crafts" which often sell the memories of a particular location.

### *Characteristics of the market*

South African craft is not a large player in the global craft industry and unfortunately has a poor reputation in the formal international business sector due to the lack of quality and unreliable supply. The greatest success in the penetration of international markets has been with Alternative Trade Organisations such as ProTrade in Germany. Local exporting success has been

experienced by those agencies focusing solely on crafts and which deal with a limited selection of crafters, influencing their product lines and operating with much smaller volumes than the more commercial export agencies.

Low barriers to entry into the industry have allowed women entrepreneurs to become involved, often adapting traditional skills such as sewing and beading to generate a source of income. Craft production is often home-based meaning that women can integrate it with household or agricultural work. Craft production is recognised as playing a key role in product and process innovation. Products initially produced in the craft industry are often later manufactured on a larger scale. The process of innovation mirrors the nature of craft production through an adaptive approach towards materials and a close relationship between designer and production, customer and manufacturer.

The craft sector is closely linked with a number of other industries such as the tourist industry and the formal manufacturing and retail sectors. This happens through joint supply and distribution chains, product development and marketing strategies.

### ***The future of the industry***

#### **Obstacles to development**

At present the craft industry in South Africa is undeveloped and uncoordinated. Key obstacles to successful development are linked to:

- a lack of access to credit facilities and micro-finance services;
- inadequate access to appropriate communication, transport and utilities infrastructure;
- problems related to production processes, volumes and deadlines, product quality and product development;
- irregular and inappropriate marketing strategies; and
- difficulty in obtaining materials for production.

#### **Opportunities in the craft sector**

Several countries such as Mexico and Morocco are actively promoting the development of their craft sectors. Strategies are mostly focused on sustained support in the form of financial assistance to craft enterprises, quota systems, and the stipulation that public sector contracts contain an element of craft production where appropriate. In addition, the promotion of fair trade is assuming increasing importance in the marketing of goods imported from developing countries around the world. In many cases Alternative Trade Organisations play an important role in the international craft sector. The turnover of Fair Trade in Europe in 1994 amounted to 200 million ECU.

The three largest markets for South African crafts are Europe, the UK and the United States of America. Germany is a particularly faithful market for South African products. A recent study of the market in the USA maintains that a window of opportunity has emerged for African manufacturers to supply major US retailers. African Americans are the single largest ethnic group, representing almost 30 million consumers.

# Craft Industry Fact Sheet

## The size of the craft industry

A recent census revealed that the craft and related trades sector employs up to 1.2 million people. The value of this sector is estimated by one source to be approximately R1.8 billion. As research in one province showed, crafters can earn an income of up to R450 per month. The global turnover of the craft industry is estimated at over US\$35 billion per annum. In the United States alone the craft industry generated \$10.85 billion in 1995.

Over a thousand formal craft retail outlets exist in South Africa which sell curios, arts and crafts. Numerous craft markets and several festivals also exist and the informal selling of craft is becoming a familiar feature of our landscape, with craft being sold by the side of roads, in busy public spaces and just about anywhere where intersections occur.

## Summary of figures

- 18 different initiatives, public and private, currently collecting data on crafters and the craft sector in general.
- More than 66 formalised markets retailing craft and an unknown number of roadside or sidewalk 'markets'.
- 707 retail outlets identified nationally, which indicates many more.
- 12 electronic web sites advertising South African crafts.
- 21 domestic trade fairs and exhibitions.
- 18 training courses and facilities identified thus far.
- 28 training facilities for sewing.
- 3 national associations.
- 109 home industry co-operatives which are more than likely involved in the production of crafts.

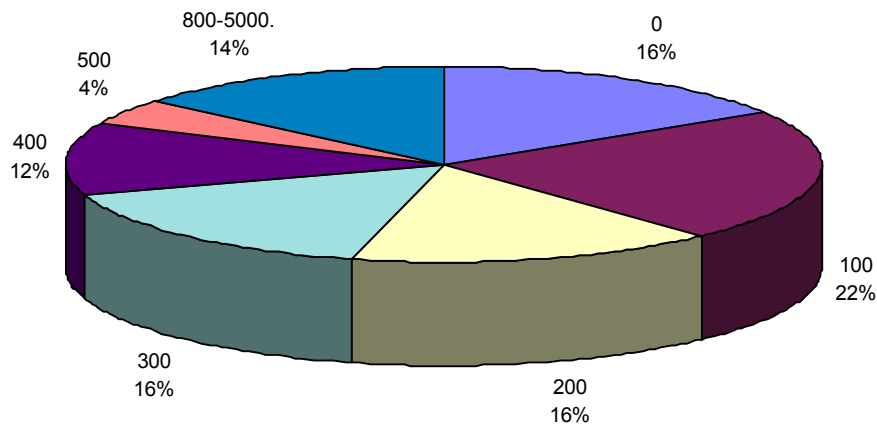
## Contributions of the sector to the South African economy

The contribution to the South African economy by the craft sector must be examined in terms of three aspects:

- the primary contribution
- spin off economic benefits
- social benefits of the sector.

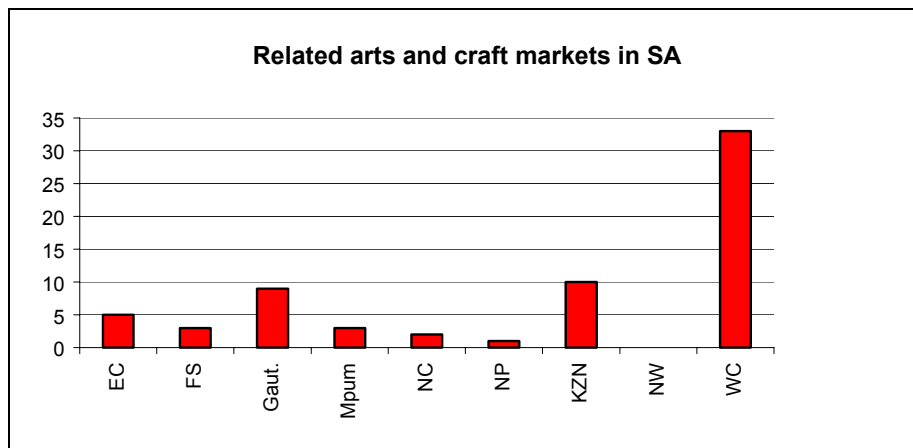
Aggregated data regarding the primary contribution of the craft sector is unavailable and estimates are unreliable. The spin-off effects of the sector are better researched but the information tends to be qualitative as opposed to quantitative.

The graph below is based on a micro-survey of the earning power of rural crafters in the Eastern Cape:



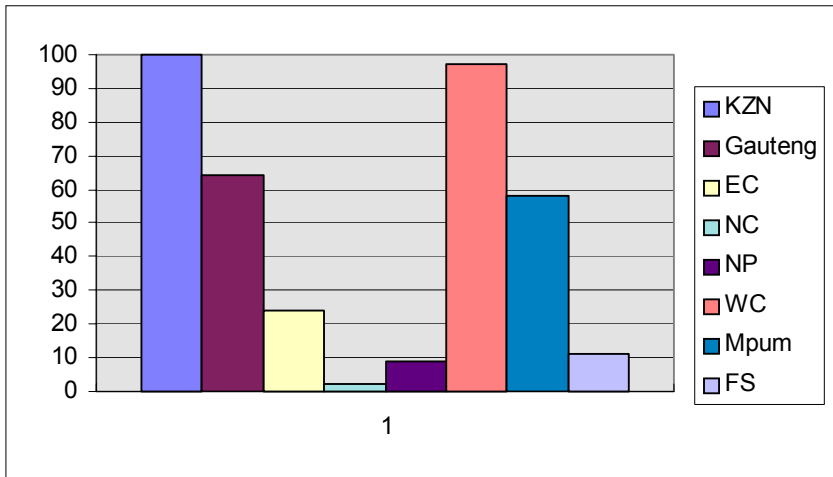
### The Spatial distribution of the industry

The craft industry is spread all over South Africa with the highest concentrations of activity found in the Eastern Cape, KwaZulu-Natal, Mpumalanga, Gauteng and the Western Cape. The spread of the industry bears a resemblance to the graphs below:

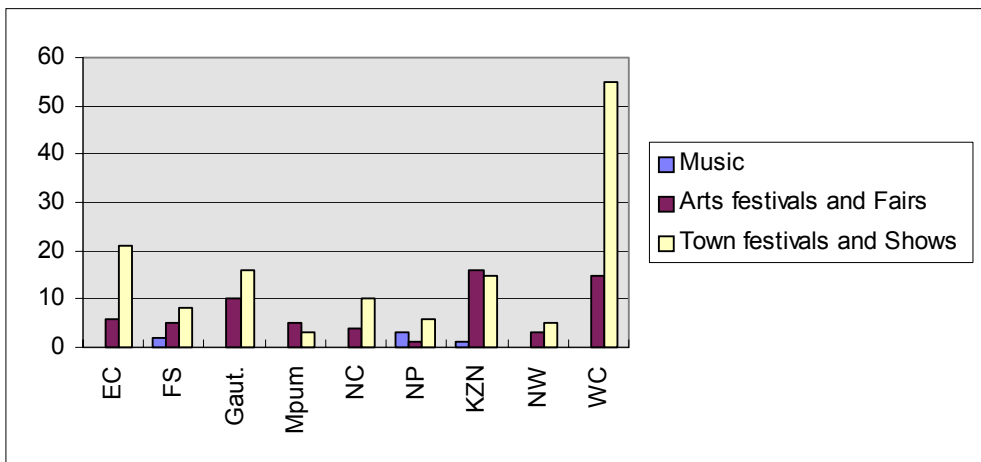




The spatial distribution of formal retail outlets in South Africa:



The spatial distribution of events generally involving the sale of crafts:



# THE SOUTH AFRICAN FILM AND TELEVISION INDUSTRY



Film-maker Katinka Heyns and producer Anant Singh flank Ellis Pearson on the set of Paljas

## ***Size of the industry***

The South African entertainment industry is valued at approximately R7,4 billion and employs an estimated 20 525 people. Of this, film and television is worth R5,8 billion with a strong technical base of skills and infrastructure. The global entertainment industry generated US\$172,50 billion in 1997.

The industry generates jobs in production and post-production companies, casting and crewing agencies, equipment-hiring companies, set design, manufacturing companies and prop suppliers. Jobs are also created indirectly in supporting

industries such in catering firms, hotels and the transport industry.

## ***Structure of the industry***

The South African industry reflects a number of global trends that include:

- companies are increasingly involved in all areas of the value chain which could lead to foreign control of local content;
- increased concentration of multinational ownership through the acquisition of nationally based broadcasting services such as the SABC;
- higher barriers to entry for new entrants or smaller nationally based firms into the global industry;
- increased distribution channels due to the advent of digital and satellite technology;
- the rise of a secondary pricing system whereby production studios recoup a great deal of their costs in the domestic market and then sell to foreign markets at a cost below that of production; and
  - the creation of niche markets through the fragmentation of audiences.

## ***Characteristics of the market***

The South African domestic market is approximately 0,8% of the world market and is fragmented. It is not big enough to sustain a thriving local production industry and therefore needs to export. Emerging opportunities for the export of television productions into Africa is rapidly expanding. Other export opportunities outside of the US and Western Europe are in Asia, Western Europe and Latin America. For the past two years the film and television market held in Cape Town has provided an opportunity for networking and deal-making between South African film makers, distributors, exhibitors, broadcasters and international players and has been well attended by all.

## ***Future of the industry***

Although the industry is poised to grow, a number of challenges facing it need to be addressed. These include:

- The lack of audience development
- Low investment and a fear of risk-taking
- A lack of training provision and an absence of standards development
- Poor representivity in the
- The high cost of local productions
- Intellectual property rights and opportunity

Film and television is thriving in South Africa as recent developments indicate. These include:

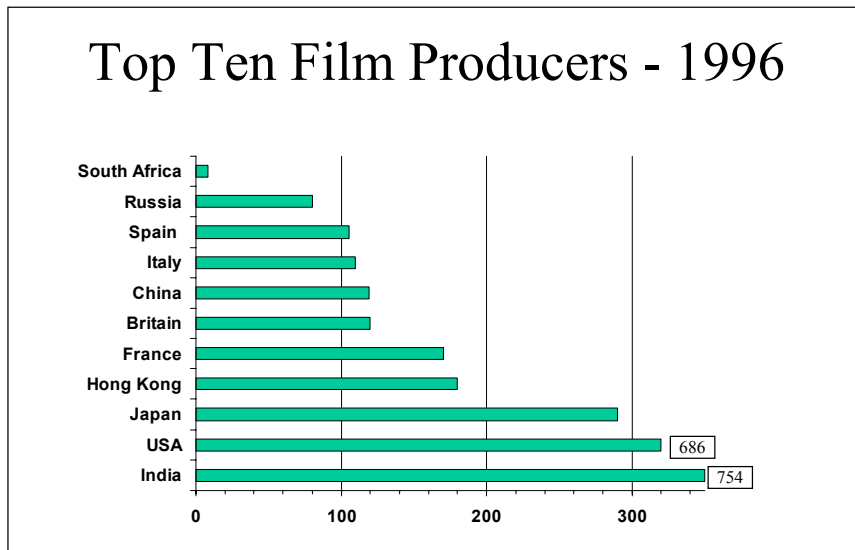
- *A realignment of ownership:* during 1997 there was a significant realignment of ownership structures in the South African industry which has led to a renewed vision within the industry.
- *New finance and funds:* the DACST Interim Film Fund has helped to stimulate the film and television industry, as has the increased number of co-productions. Big players within the South African industry are investing in the local industry and are in preliminary discussions to invest in a film fund.
- *More distribution outlets:* changes in the global broadcasting environment have resulted in a greater number of distribution outlets for audio-visual productions providing opportunities for niche markets.
- *A distribution pipeline:* previously, there was no pipeline between producers, distributors and exhibitors and distribution was monopolised. Recently a national and international distribution pipeline for South African productions has begun to emerge.
- *Local productions:* television production is expected to grow with the advent of the new free-to-air television station. This should provide local producers with more work.
- *Locations:* the successful marketing of South Africa, particularly Cape Town as a location, has led to rapid growth in this area and the development of post production facilities and businesses which service this industry.
- *Scriptwriting:* whilst there is a small pool of talented scriptwriters in South Africa, initiatives such as SCRAWL and M-Net's New Directions have been established to assist in the development of scriptwriters.
- *Government commitment to the industry:* the government is implementing a number of important initiatives aimed at developing the industry. These include:
  - The National Film and Video Foundation
  - The Interim Film Fund of R10 million
  - Deregulation of the Broadcasting and Satellite Industries

As a result of the increasing opportunities for export and the increasing demand for local products in South Africa, the central finding of the CIGS research was the necessity to prioritise the development of the television industry as a strategic choice for the growth of this industry.

## Film and Television Industry Fact Sheet

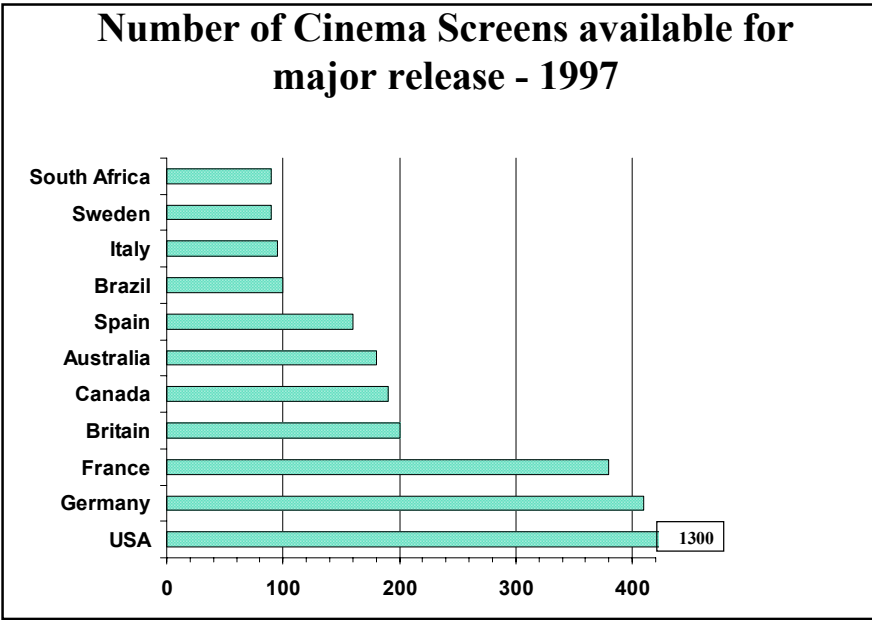
The entire South African entertainment industry is worth approximately R7,4 billion out of a media industry which is worth about R15 billion. The entertainment industry is worth approximately 1.75% of gross domestic product, and it represents approximately 0.8% of the global industry. The South African entertainment industry represents 1,75% of GDP and 0.8% of the global market.

### South Africa as a Global Player



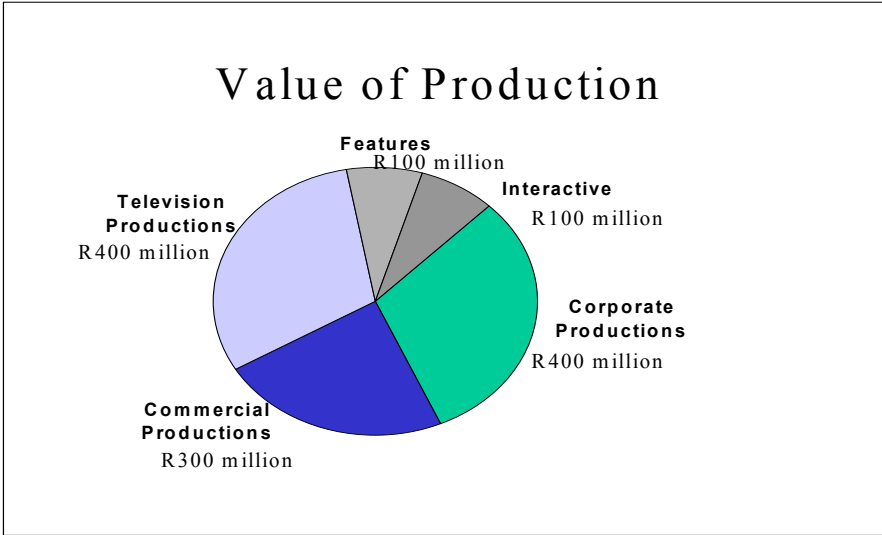
### US and Domestic Box Office

Country	Total Domestic % of box office	Total US % of box office (US\$m)
South Africa (1994)	3%	90%
UK	5%	91%
Australia	7%	85%
France	33%	58%
Germany	10%	83%
New Zealand	2%	na
US	96%	96%



**Production**

The value of the local content production industry is estimated at approximately R1,3 billion.



Foreign productions shot in South Africa 1995 – 1998:

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998 (as at April 1998)</b>
Commercials	138	246	317	134
Features	16	14	33	13
Documentaries	93	118	154	53
Television	12	12	5	1
<b>TOTAL</b>	<b>259</b>	<b>390</b>	<b>509</b>	<b>201</b>

Filming in the Cape is 30-40% cheaper than in Europe or the US, and 20% cheaper than Australia.

### **Broadcasting**

The broadcast industry is growing considerably in South Africa. It is estimated the growth rate is 6.1%, nearly twice the rate of the world economy, and that the industry's revenues exceed R815 billion. The broadcast industry as a whole contributed approximately 0.60% to the GDP of South Africa in the 1995/1996 financial year. This figure is expected to rise to 0.85% with the introduction of the new free to air television channel. The trend in other countries is a little higher.

### **Employment in Film and Television**

	<b>Full Time</b>	<b>Part Time</b>	<b>Total</b>
Production		3925 (1995)	3 925
Facilities	600		600
Distribution and Exhibition	4 000		4 000
Broadcasting	12 000 (directly and indirectly)		12 000
<b>Total</b>	<b>16 600</b>	<b>3925</b>	<b>20 525</b>

### **The South African Market**

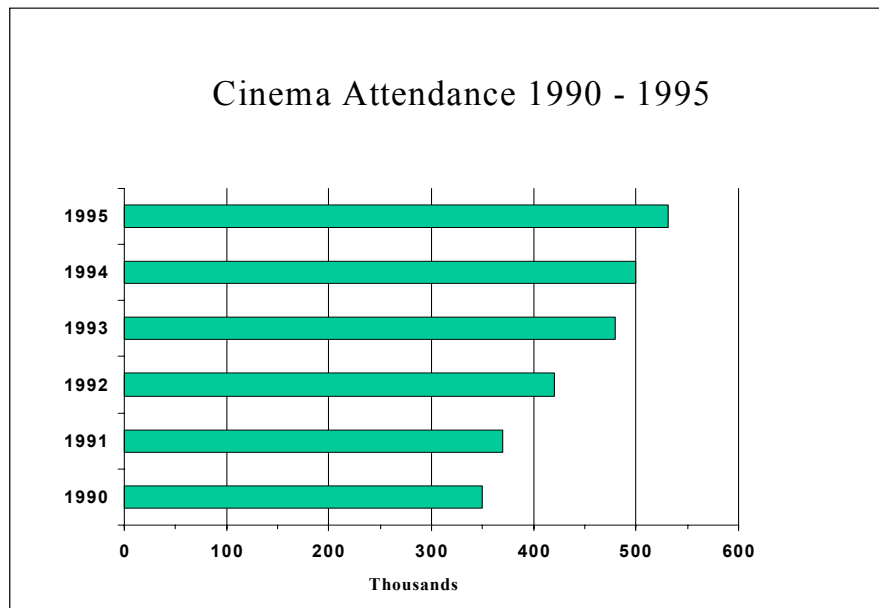
While the South African market for television and cinema is fairly small in comparison to many developed countries, it has been growing steadily over the last years.

Television audiences have increased quite significantly over the last year (28% for SABC1, 36% for SABC 2, 43% for SABC 3 and 28% for M-Net). This is related to a growth in television ownership from 91 per 1000 inhabitants in 1985 to 105 per 1000 inhabitants in 1996.

## Television Audiences 1996-1997

	SABC 1	SABC 2	SABC 3	M-Net
1996	8 245 million	5 955 million	3 020 million	2 477 million
1997	5 955 million	8 096 million	4 324 million	3 139 million

VCR ownership is also growing. About 1.9 million households have VCRs (1997). This represents about 21.4% of households up from 11.7% of households in 1996. In 1996 there was a growth in the black cinema audience of 36% from 1995. There are now approximately 2 million black cinema-goers.



The total number of screens has grown from 506 to 639 since 1996. The number of cinema screens in South Africa has increased consistently at an average annual rate of 4.2% over the past seven years.

### Local Content in South Africa

**30%** local content for private terrestrial channel (40% of this to be sourced from local producers)  
**50%** by 1998 for the public broadcaster (with a minimum of 30% per channel and 40% sourced from independent producers)  
**5%** for terrestrial pay television, 20% local content for open time



Jazz saxophonist  
Zim Ngqawana

## THE SOUTH AFRICAN MUSIC INDUSTRY

### ***Size of the industry***

The South African music industry is a vibrant and growing sector of the economy and grew in value by 70.7% between 1992 and 1996 making it the 23<sup>rd</sup> fastest growing music market in the world. The gross turnover of the South African industry in 1996 was approximately R900 million.

Industry experts estimated that the industry is worth around R2 billion and employs approximately 12 000 people. The industry is well organised and is characterised by a range of multinational and independent record companies; significant recording and manufacturing capabilities; an extensive retail and broadcast network for the collection of copyright revenues and strong professional organisations.

The rapid growth of the industry can be attributed to:

- the promulgation of local content legislation;
- an explosion in radio broadcasting services as a result of deregulation;
- increasing synergy between local musicians and international musicians through cultural exchange programs and industry development initiatives;
- a critical mass developing within the industry which has led to the development of numerous projects; and
- the high percentage (23%) of local content - we like listening to our own music.

### ***Structure of the industry***

Dominating the world music industry are five multinational companies, four of which have South African subsidiaries. This presence provides a network through which South African music can be sold although there are considerable barriers to entry into foreign territories for artists.

Reducing these barriers is vital for export success. Networks of managers, promoters and companies that are ambassadors and champions of South African music need to be established to spearhead new markets for our products.

### ***Characteristics of the market***

There are significant niches within international and regional markets that can be exploited with great reward to South African musicians. South Africa has a variety of musical genres based on a rich cultural heritage. This has the potential to suit a wide variety of markets.



## ***Future of the industry***

The industry does face a number of challenges such as:

- the limited finances available for investment in the development and promotion of South African artists;
- rampant piracy and the lack of its control;
- racialised music consumption due to the limited disposable incomes of different racial groups;
- conflict over the distribution of royalties;
- the concentration of the industry mainly in Gauteng even though the 'raw material' is drawn from all over South Africa; and
- a lack of integration between the live music venues and other activities such as tourism and the hospitality industries.

We believe however that the South African music industry is set to expand and grow due to:

- an immensely talented pool of musicians and a diverse range of music products;
- a strong industrial base with internationally comparable consumption and growth rates;
- the opportunity to export into niche markets; and
- the high degree of domestic consumption of local music.

# Music Industry Fact Sheet

## South Africa as a Global Player

In 1996 the South African industry accounted for R585 834 743 of the total R160 billion gross turnover of the sound recording industry, equalling 0.375% of the total turnover in the world's recording industry. However if one considers that the 7<sup>th</sup> to 10<sup>th</sup> world's largest markets are each worth 2% of the world market, South Africa is not an insignificant global player. Indeed South Africa was the world's 28<sup>th</sup> largest market for legitimate album sales in 1996. In the period 1992 to 1996 the South African music market expanded by 60% making it the 15<sup>th</sup> quickest growing music market in the world.

<b>TOP MUSIC MARKETS - 1996 (Source: IFPI)</b>	
<b>COUNTRY</b>	<b>% OF WORLD SALES</b>
United States	31
Japan	17
Germany	8
Britain	7
France	6
Brazil	4
Canada	2
Australia	2
Netherlands	2
Italy	2

## Employment

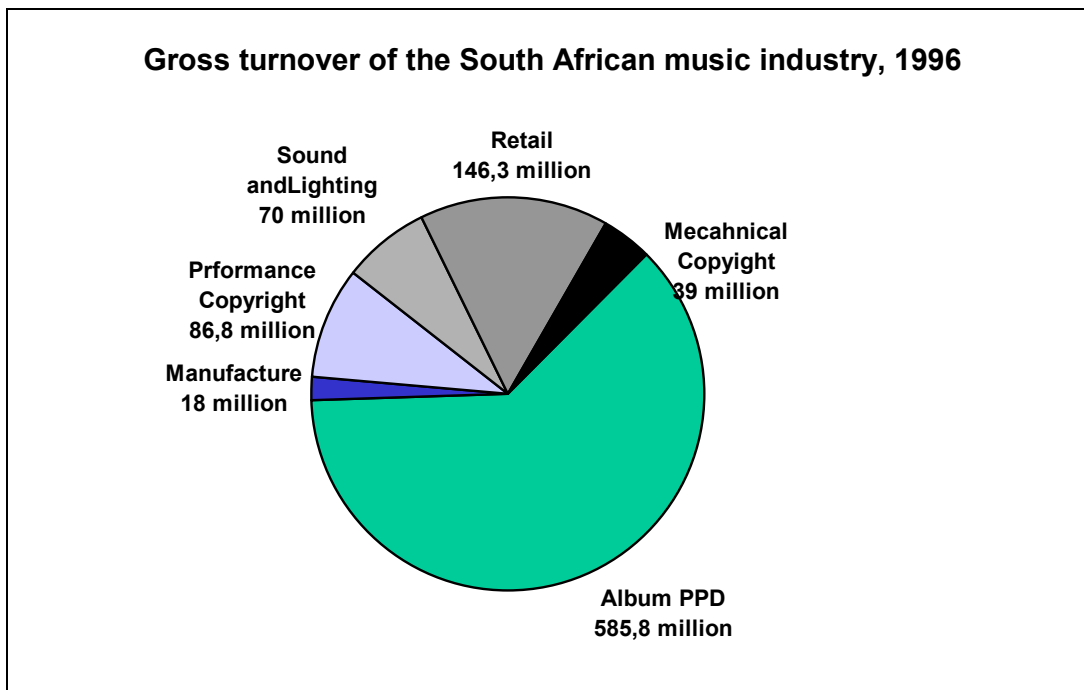
<b>SECTOR</b>	<b>TOTAL</b>	<b>FULL-TIME</b>	<b>PART-TIME<sup>2</sup></b>
Musicians	7500		mostly
Composers	1000		mostly
Technicians	750	250	500
Record Companies	580	mostly	
Manufacture	315	230	85
Distribution	500	400	100
Retail	1500		mostly
<b>TOTAL</b>	<b>12 145</b>		

The above table demonstrates two important features of employment in the music industry. Firstly the core music industry is a significant employer providing a source of income to over 12 000 people. The number of jobs that are dependent on the music industry are clearly a lot higher than that figure. If one were to take account of jobs in the supply-side environment and in the service sector that were indirectly dependent on music that figure would increase dramatically.

<sup>2</sup> The category part-time does not necessarily mean that a person holds down two jobs, but instead reflects the contractual nature of the cultural industries. Thus someone who is a musician may not have another job, but be unable to find sufficient music work to keep him in full-time employment.

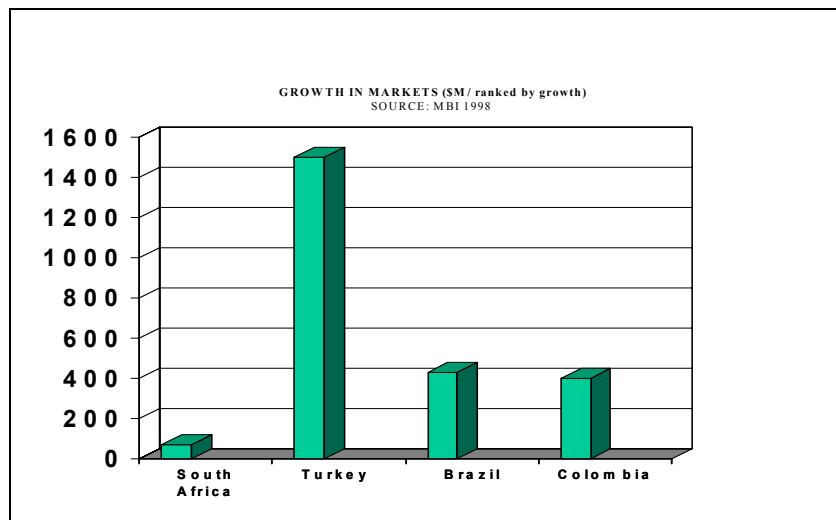
## The Size of the South African Industry

The South African music industry is worth approximately R928 million.



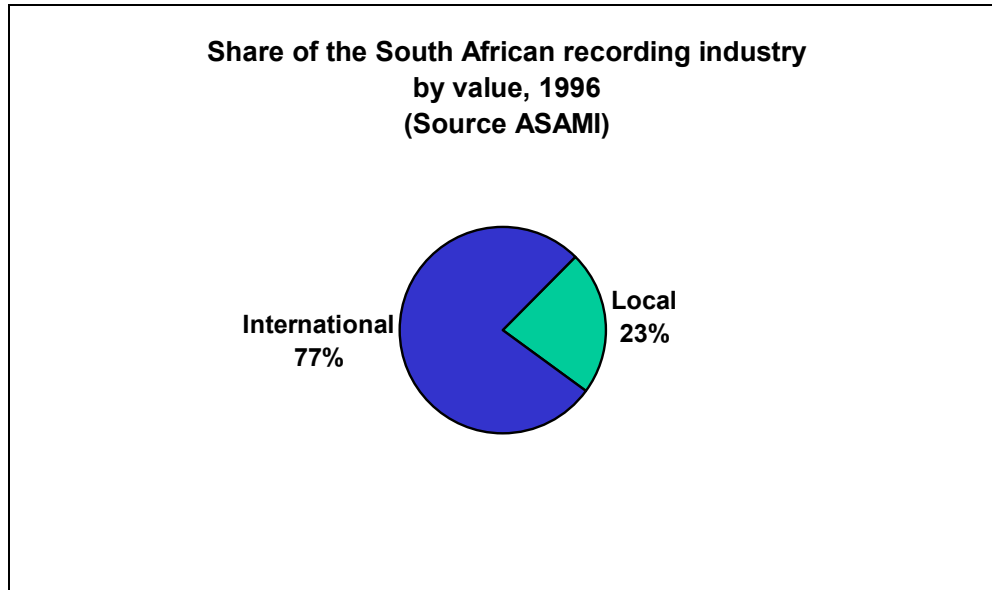
## Growth in the Market

The South African market has experienced steady growth over the last five years, between 1992 and 1996 the value of the market expanded by 70.7% - the 23<sup>rd</sup> fastest growing market in the world. During the same period the number of units sold in the South African market expanded by 60%, the 15<sup>th</sup> fastest growing market in the world.

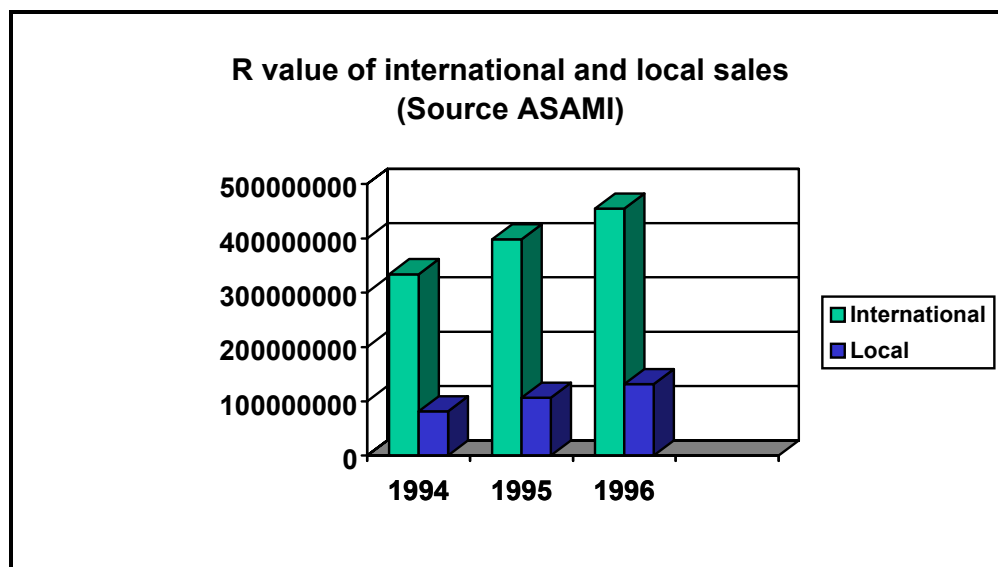


## The Market in South Africa

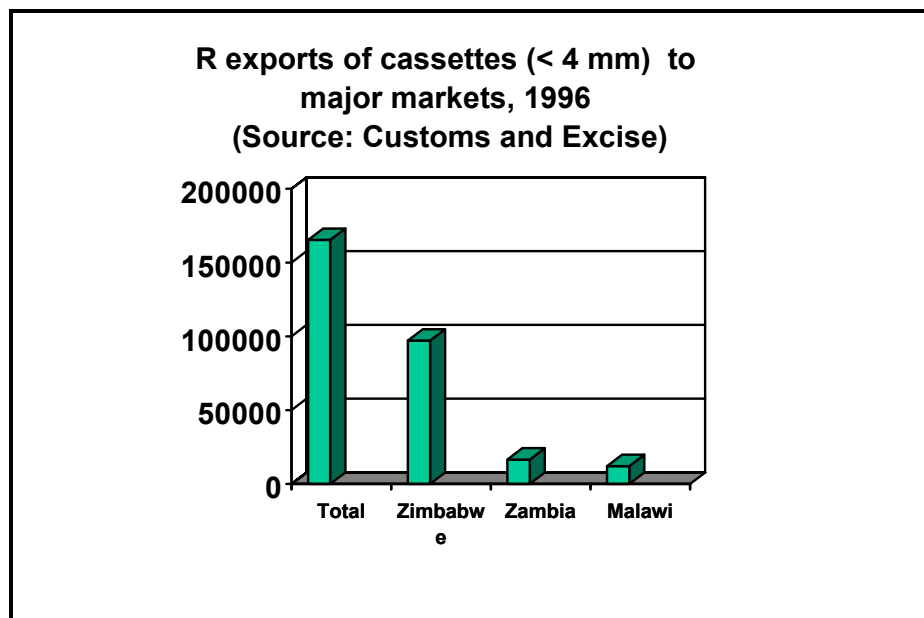
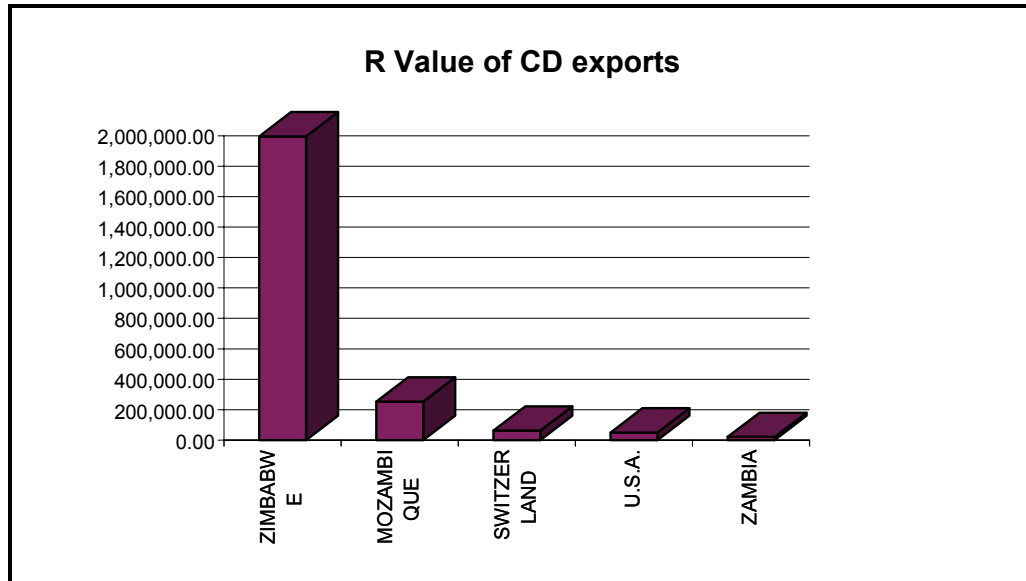
Sales of international repertoire dominate the value of the South African market, accounting for a total of 77.5% of the market during 1996. In the same year local product accounted for only R131.4 million (22.5%) of the total R585.8 million sales by value in the recording industry.



The table below demonstrates that since 1994 South African music has been progressively accounting for more of the sales by value in the South African recording industry. In 1994 local product accounted for 19.6% of the total value of sales, in 1996 local product accounted for 22.5% of the total value of sales.



Southern Africa constitutes South Africa's biggest market for the export of physical music product<sup>3</sup>. The most significant of the regional markets is Zimbabwe.



<sup>3</sup> NB: As Customs and Excise data does not differentiate between domestic product and international product manufactured in South Africa, it is impossible to determine whether the music exported is international or domestic.



Award-winning author and academic Nhlanhla Maake brings a fresh voice to fiction

# THE SOUTH AFRICAN PUBLISHING INDUSTRY

## Size of the industry

The domestic publishing industry is worth in the region of R6 billion and employs between 60 to 80 000 people. It has recently grown at a rate of 17% although this has been unevenly felt across the industry. The global industry in 1995 was worth approximately \$30 billion.

The industry generates jobs for writers, editors, photographers, journalists, printers, booksellers, web site designers and marketers amongst others.

## Structure of the industry

Conglomerate ownership dominates the industry that has become a feature of media companies around the globe. In South Africa, companies such as Naspers and Times Media Limited have recently moved outside of their traditional areas into the electronic and broadcast media, absorbing small and medium enterprises in the process. Key trends that are impacting on the publishing industry, both locally and globally are:

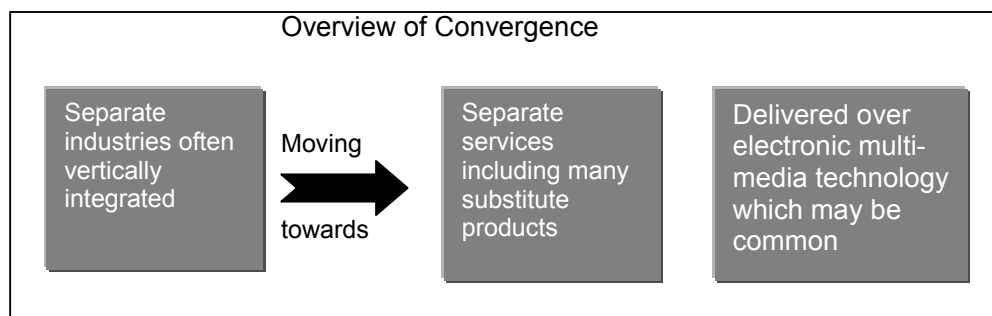
### 1. Convergence

South African publishing companies have responded strategically to manage the convergence between different media platforms such as Primedia, the Mail and Guardian (eM&G) and Kagiso.

The term "information revolution" is used to describe technological advancement, new forms of economic production and management and the formation of a global economy. One of the most important results of this process is the phenomenon of convergence. Convergence occurs in two ways, namely between industries and technologies:

- The information communication and entertainment based industries are converging around the digitisation of content
- Telecommunications, computer and electronics technologies are converging around the creation of integrated multi-media delivery platforms.

The following diagram provides an overview of this process:



At the heart of this "information revolution" is the notion that there is a new production equation at work, one which in addition to the traditional resources of capital, raw materials and labour, recognises the importance of information as a factor of production. It is the accessibility of information and knowledge that allows for the creation of the learning environment essential for innovation. And it is innovation that drives competitiveness. Information is therefore more than a commodity to be packaged for consumers; it is nothing less than a strategic resource, as essential to the new economy as energy and mineral resources were for previous industrial revolutions. Companies and industries rich in information and knowledge are the gold mines of the new economy. They are able to take advantage of and contribute to several key trends including:

- increasing consumption of information, both as commodity, but increasingly as a resource for the further development of knowledge and innovation;
- increased demand for information to be customised to suite particular needs, tastes and desires; and
- increased importance of the ability to originate and add value to information.

Because the cultural industries are "information-rich" and a source of original content they are increasingly becoming a site where convergence occurs. In addition, they hold the potential to be a source of innovation, technology development and "technological leapfrogging".

## **2. Specialisation**

Similar factors that have led to the convergence of differing media forms has also led to specialisation and the 'niching' of markets. In South Africa there is a growing awareness of differentiation within the reading market leading to different approaches to content and marketing, such as the recent success of the football magazine "Kick Off".

## **3. Transformation**

Throughout publishing and its related industries, the positive impact of post apartheid policies are being experienced. Recognition of changes within the profile of the reading market amongst writers has led to exciting new opportunities such as African children's books.

## **4. Globalisation**

South African publishers have to increasingly compete with international publishers in the local market, particularly for the sale of books. In addition, exchange rate differentials have become an important determinant of local prices and wages, that has led to increased volatility in the South African market, compared to non-emerging markets.

The local industry has responded positively to the growth of the Internet in publishing with many capitalising upon the value of new technologies and the unique requirements of the local reading market.

### ***Characteristics of the market***

Despite the challenges imposed by obstacles to growth and the complex impact of the above trends, a number of opportunities exist within the industry:

- the existence of a very large untapped potential market for published products which is growing;
- the increasing cost of advertisement space meaning that magazines and newspapers are more sustainable; and
- the success and growth of community newspapers and magazines hold the potential for the development of SMME's in the publishing sector.

### ***Future of the industry***

The future growth of publishing in South Africa depends on:

- the resolution of the crisis in educational publishing;
- the development of a reading culture and the expansion of the reading market beyond the traditional sector; and
- the improvement of access to libraries, retail outlets and the Internet.
- The recently established Print Industries Cluster is aimed at uniting the various components of the industry around a series of programmes designed to grow the size of the reading market.

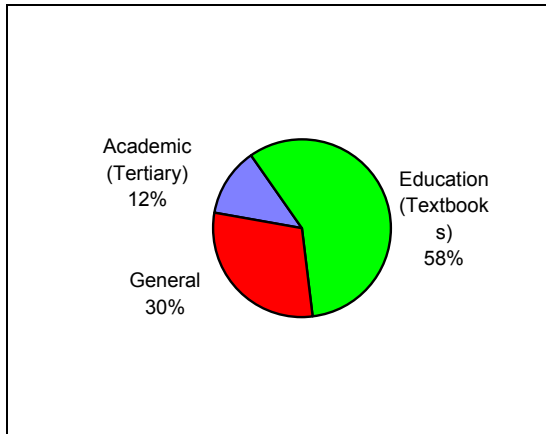


# Publishing Industry Fact Sheet

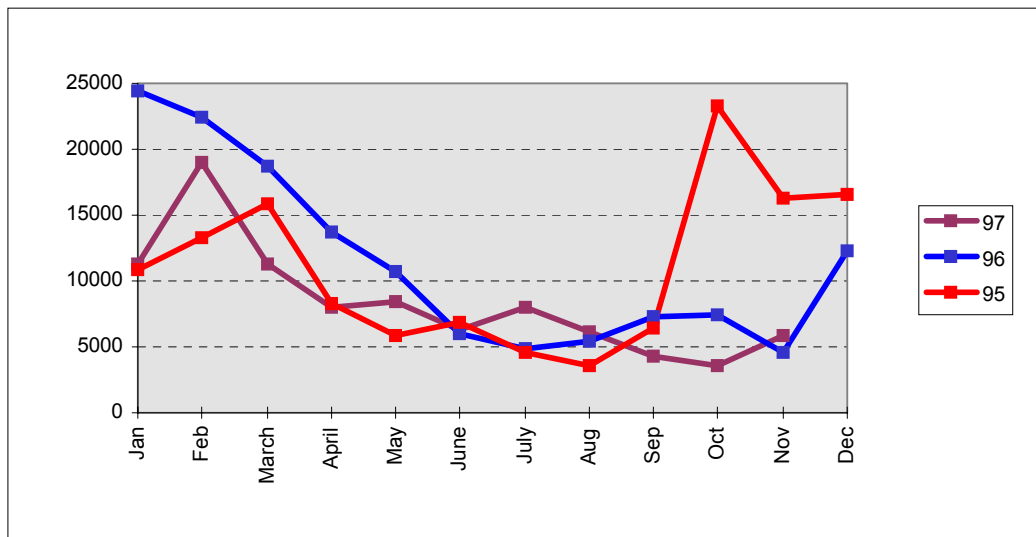
## BOOK PUBLISHING

The book publishing industry in South Africa directly employs approximately 2800 people and turns over between R1.9 and R 2.1 billion per annum. This figure is divided between three main types of publishing:

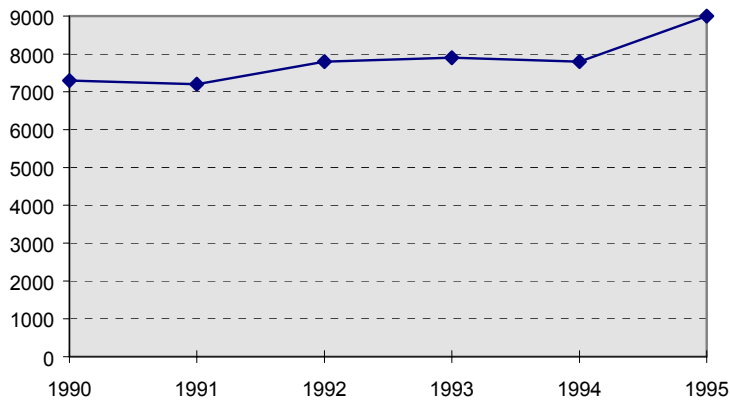
### Book publishing revenue in South Africa



### Value of textbook manufacturing 1995-1997



### Annual book title production 1990-1995: South Africa

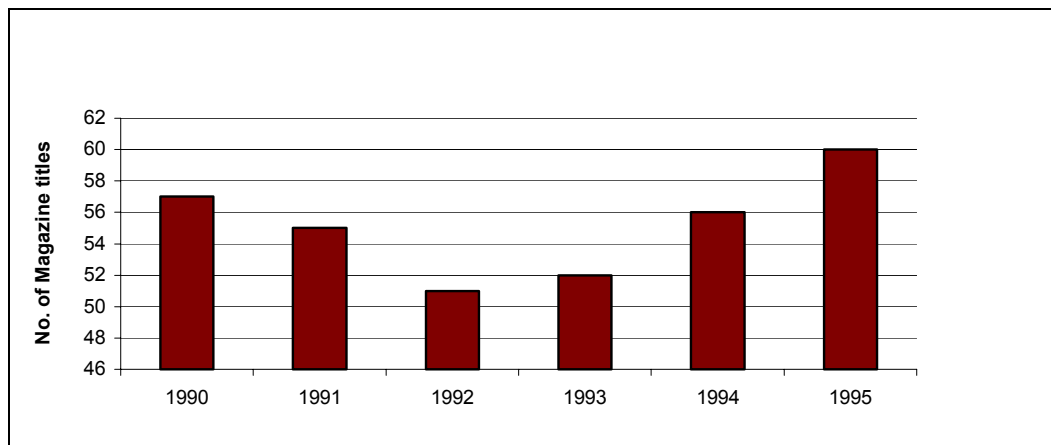


### MAGAZINE PUBLISHING

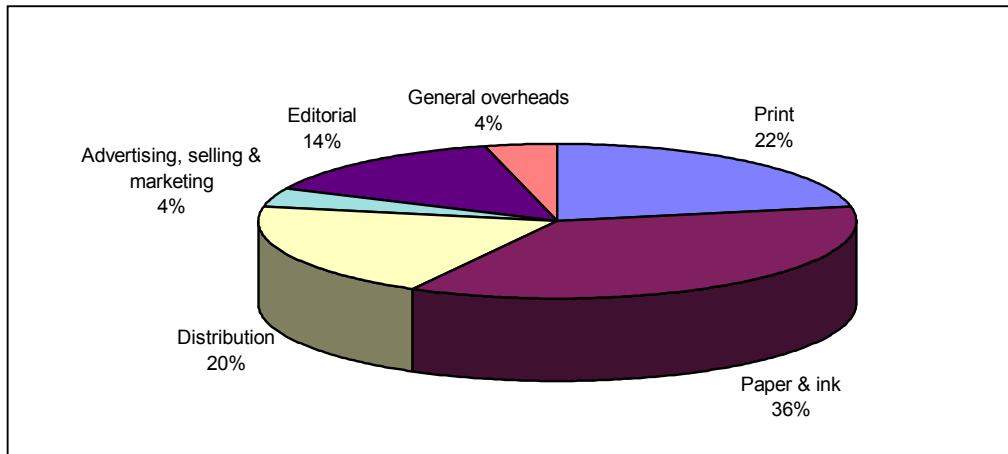
While there are no official statistics about the size of the magazine industry, turnover is estimated at between R1.8 billion and R2 billion per annum. The sector is divided up as follows:

Category	No. of titles	Turnover
Mass Consumer	+100	R 1 billion
Specialist Consumer	+700	R 550 million
Trade and Technical	+500	R 350 million

### Magazine titles in circulation



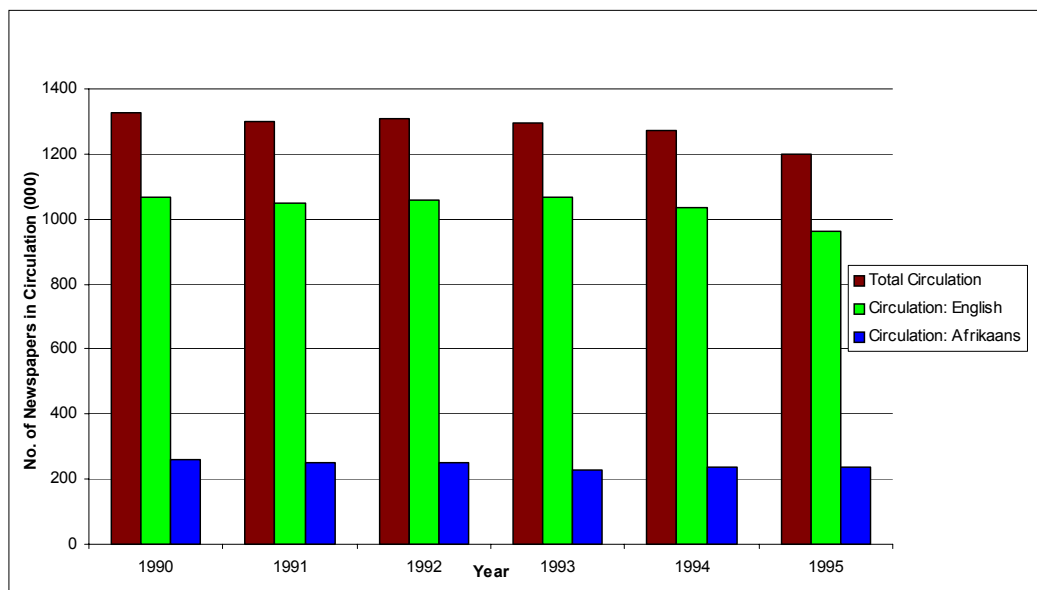
## Magazine production - cost profile



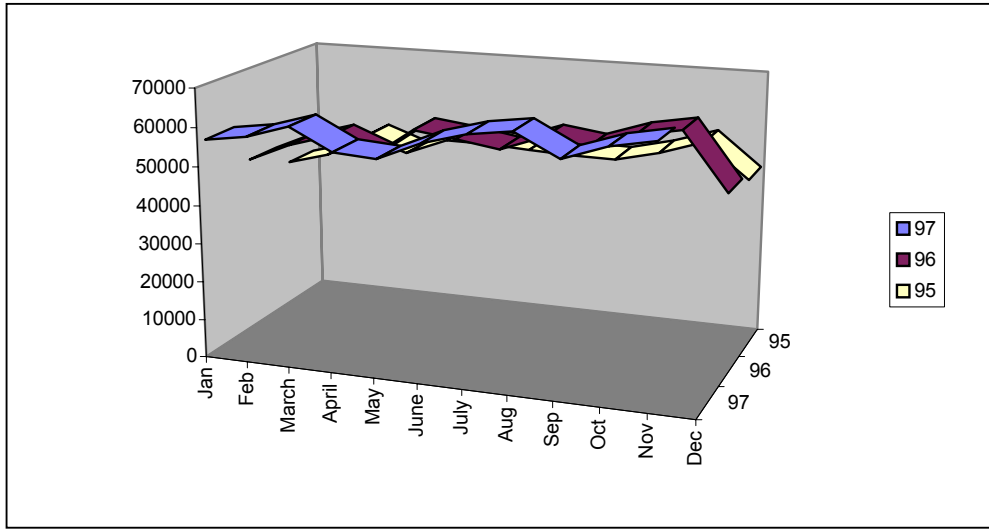
## NEWSPAPER PRODUCTION

Auditing Bureau of Circulation distribution figures reveal that South Africans spent approximately R19m on newspapers in 1996. An estimated 1.3 million newspapers are sold in South Africa. Per capita newspaper consumption is worked out to around 3%, which is on a par with Tunisia, India, Botswana and Brazil, while Norway, Japan and the UK boast newspaper penetration of 62%, 58% and 36% of their markets respectively. While South Africa circulates 17 mostly English and Afrikaans newspapers, other third world countries such as Brazil far outstrip this number with 352 dailies. Within this market, circulation has shown a downward trend. This has somewhat improved if latest figures are compared to those of 1996.

## Newspaper circulation 1990-1995



**Newspaper manufacturing - R'000 (3 dimensional representation) 1995-1997**



**ELECTRONIC PUBLISHING**

South Africa has adopted Internet technology relatively quickly and the electronic publishing sector has grown rapidly since 1994 when commercial service provision began in earnest. During 1996, when most companies went on-line, the number of subscribers grew by over 100 percent. Since then, the growth rate has stabilised at around 40%, lagging behind the world-wide growth rate of approximately 52 %, although South Africa remains well within the top 20 Internet using countries. There are approximately 160 000 IP addresses in South Africa, with an additional 570 000 users having access to Internet through leased lines at work or through tertiary institutions.

The revenue generated through Internet related activity is estimated at between R450 million and R500 million per annum. This figure is set to grow dramatically because of the fact that electronic commerce is expected to increase and that penetration of the existing market is relatively low.

**Size of the Internet in South Africa**

Number of IP addresses	Worldwide	South Africa
January 1996	9 472 000	48 277
July 1996	12 881 000	83 349
January 1997	16 146 000	99 284
May 1998 (est.)		160 000