

PENDING INDUSTRY CRISIS

12TH December 2011

Dear Marketing Industry leader,

The Marketing Association of South Africa (MASA) Board wishes to advise its members, and other leaders in the marketing industry, of recent developments which impact the sustainability of industry bodies critical to the marketing function in South Africa, namely the ASA and SAARF.

The ASA is critical in ensuring a sustainable, self-regulatory institution for the management of Advertising practices, that is able to

- *Manage and adjudicate disputes between marketers in terms of the agreed Code of Advertising – thereby avoiding highly expensive litigation*
- *Adjudicate and respond to consumer/organisation complaints concerning Advertising – acting in this capacity as an accredited body on behalf of the CPA*
- *Regulate advertising practices through the agreed Code of Advertising, thereby avoiding the necessity for Government to regulate Advertising.*

SAARF is critical in ensuring a sustainable Media and Brand research capability which manages the independent, credible and integrated research of all media in South Africa, together with the survey of population media and product usage (AMPS) which enables the Media schedule planning and measurement/evaluation for all marketing organisations, through their appointed Media/Advertising agencies.

Background:

Decades ago the marketers agreed to the funding of these Industry organisations through a levy collection system – initially collected through the advertising agencies, but subsequently (since 1975) through an add-on levy on media invoices. The add-on levy (1% of Media billings) was therefore collected by the Media owners on behalf of the marketers and paid across to the levy collection body (now called MAMCA). MAMCA's mandate is the management of the fund, and the distribution thereof to the ASA and SAARF. During the late 1990's the 'add on' system unfortunately changed to an 'add in' system, which made the levy collection invisible to the marketers.

The pending crisis to the established system was signalled several months ago, through the threat from OHMSA (Out of Home Media Association of SA) that they would withdraw their funding of the levy contribution to MAMCA. In addition, SAARF were flagging the need to significantly increase their budgets to accommodate the research of the proliferation of television channels that is occurring.

MASA initiated several Industry meetings of all stake holders to obtain agreement to the continued funding of our Industry organisations (ASA and SAARF) and to re-implement a transparent manner for the collection of the levy through the media owners.

Despite several meetings and proposals from MASA, the industry has failed to reach consensus.

- The Print Media Association (PMSA) has refused to rejoin the levy collection body and have stated that they will continue to fund the ASA and SAARF to an amount at their own discretion.
- OHMSA has withdrawn from the levy collection body and have halted any payments to the ASA, but have continued to fund SAARF through direct payments, at their own discretion.
- The Broadcasting Association (NAB, which represents radio, television and cinema) have consequently withdrawn from the levy collection body, and have stated that they will fund the ASA and SAARF directly, at their own discretion

THE IMPLICATIONS:

The consequences of these decisions and actions are as follows:

- 1. There will be zero transparency in terms of the % of funding allocated to these vital industry bodies (ASA & SAARF), and the amounts to be paid over are entirely at the discretion of the media owners**
- 2. There will no longer be an industry body in place that will approve the Budgets of ASA and SAARF, or agree the funding thereof.**
- 3. There is no acknowledgement from the media owners as to the marketers' ownership of the funds, nor of the role that the marketers should play in the allocation and management of these funds.**
- 4. There is a very real threat to the sustainable existence of the ASA and/or SAARF, should the media owners be unable/unwilling to fund the required budgets of these organisations.**

The marketers will be marginalised and our "ownership" of the funds ignored. The marketers will have no role in the management or allocation of the funds.

Should the ASA cease to exist the implications would be:

- Code of Advertising practices would disappear
- No vehicle for dispute resolution between marketers – expensive litigation will be the only alternative
- No vehicle for consumer complaint channelling – this will now need to go to the CPA
- Advertising stake holders / media owners will not be bound to honour any ruling made concerning the withdrawal of advertising
- Government will step in to regulate advertising

Should SAARF cease to exist the implications would be:

- There will be no audience/media usage/product usage database
- Research conducted by media owners themselves will not be integrated and therefore not cross comparable, as it is currently with SAARF media research
- Media research will no longer be independent or credible
- There will be no measurement tools for media planning or monitoring. Media planning as we know it will cease to exist, and post campaign analysis will be impossible.

PROPOSED ACTION:

The MASA Board met on 7th December to discuss the situation and have agreed to take the following actions:

- An urgent letter has been sent to the Media Owner associations (NAB, PMSA & OHMSA), copy to ASA, SAARF and other stakeholders (Media Agency association (MFA), Advertising Agency association (ACA), Direct marketing association (DMA) and PR agency association (PRISA))
- The letter outlines our serious concern about the decisions taken by Media Owner associations and the failure to reach a consensus solution on the way forward. The Marketers do not accept the right of media owners to withdraw from the contractually bound levy contribution body, nor to unilaterally decide to make direct contributions to the Industry bodies (SAARF & ASA) at their own discretion.
This action by Media owners does not recognise the Marketers' rights to, nor their role in the management and allocation of the levy fund.
We reserve our rights in this matter.
MASA will take the necessary steps to protect the interests of the marketers and will investigate alternative options for the collection of the levy fund.
- MASA is taking legal counsel concerning our possible courses of remedy
- MASA will call a final meeting with the Chairpersons and CEO's of the stakeholder organisations in January in a last attempt to arrive at a consensus solution
- MASA will call a meeting for the marketing industry to discuss the outcome of the above stakeholder meeting and the proposed course of action.

YOUR ACTION:

As a member of MASA, you are called upon to support the proposed course of action as outlined by the MASA Board.

If you are a non-member, we call upon you to join MASA as a member organisation, thereby strengthening our representation and the ability of MASA to act on behalf of the entire marketing industry. Please contact our MASA office (info@marketingsa.co.za)

Any comment or suggestions that you may have should be sent to the CEO of MASA, Sarel du Plessis (sarel@marketingsa.co.za)

Please assist us in making known the recent events and the proposed course of action.

Please attend the meeting for the marketing industry that will be called early in the new year.

We thank you for your continued support, and assure you that MASA is continuing to work in the interests of the marketing industry.

Yours sincerely,

A handwritten signature in cursive script that reads "Brenda Koornneef". The signature is written in black ink and is positioned below the "Yours sincerely," text.

Brenda Koornneef

CHAIRPERSON, MASA