

1.12a The funding system of the South African Advertising Research Foundation

I have been asked to give a brief overview of the South African method of funding our national media survey which I do with pleasure because we are rather proud of the system and the interest that it has created internationally.

This is what Charles Ramond, Editor of the *Journal of Advertising Research* had to say on this subject.

"But as a model for the rest of the world the most interesting approach is that of South Africa. There, anticipating the introduction of television in 1976, the major advertisers have agreed to pay the whole cost of a multimedia, multiproduct survey administered by a body the advertisers intend will represent all sides of the industry – clients, agencies, press, and the South African Broadcasting Company.

"The Society of Marketers has established an Advertising Research Foundation, recognising the importance of creating a system whereby objective and sophisticated media audience measurement research will be undertaken.

"The key to the Society's proposal lies in its ingenious method of funding the South African ARF: a surcharge on all media costs not to exceed half of one per cent. Appearing as part of the total media budget, it is not likely to antagonise company accountants. And since the advertising agencies will not take a commission on this surcharge, they will pay their share."

Let me make it quite clear at the outset – it is not a perfect system but it is certainly the best we have seen anywhere in the world. Initially we did not decide on it by choice, but having been forced into a specific direction if we were to survive in a battle for valid media and product research we adopted this particular course and, with the passing of time, introduced a number of changes until we have, today, a system which functions satisfactorily and one that we can recommend to all of our friends.

To understand the system fully however, it is necessary to understand some of the background to the South African Advertising Research Foundation, and AMPS – the all-media and product survey. I will also briefly cover some of the problems that were encountered along the route – how we solved them and exactly how we operate at the moment. I will also try to illustrate how we intend dealing with future problems.

Between 1962 and 1973 the national readership survey – NRS – was sponsored by the print media and financed by them with – in later years – a small contribution by advertisers. Coverage of non-print media and products was rather limited.

As a result of a number of problems – which I will not dwell on at this stage – it was decided by the advertisers – the South African Society of Marketers – that the only solution to all the problems would be to form an independent, separate and objective body, and to finance future surveys by means of a levy on advertising revenue. This concept was, incidentally, mooted as long ago as 1962 by Wally Langschmidt and one of our earlier colleagues.

Very briefly, it was decided to form an Advertising Research Foundation, to find somebody to run it, and to raise a 0.5% research levy.

SAARF was formed in December 1974; I was appointed to launch and operate the Foundation and the levy was introduced on print, radio and cinema advertising – and then the fireworks started.

A levy system of this nature requires one major ingredient, the cooperation of the total industry. It was therefore essential to involve the whole industry from the outset. The first Board of SAARF consisted of: advertisers – SASOM; print media – NPU; broadcast media – SABC; cinema – Cinemark; ad agencies – AAPA; outdoor media – OAASA.

For obvious reasons the Board was dominated by advertisers and I believe this was essential at the time in order to get the concept off the ground, financed, and operative.

The 0.5% levy was raised on all national and regional display advertising and paid over to SAARF by the three media groups covered in AMPS – print, radio and cinema. Outdoor media, although being a member of the Foundation, was not covered in AMPS and therefore not subject to the levy.

A number of other factors became critical at this stage.

- (1) not all advertisers were members of SASOM.
- (2) not all ad agencies were members of the AAPA.
- (3) not all media were members of the NPU or the SABC.

Consequently, it was decided to obtain the cooperation of non-member advertisers, agencies and media and the flow of funds continued from and via both SAARF members and non-members.

In principle, advertisers were paying the 0.5% SAARF levy and the resulting funds were paid over to SAARF. However, the levy was raised and stated on the rate cards of the SABC and Cinemark but *not* in the case of the NPU (ie print media), and there was a subtle difference of opinion where advertisers maintained that it was advertising money while the print media contended that

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the funds were, in effect, paid out of their existing research budgets. At the time, it was decided not to press the issue as long as the concept functioned satisfactorily. The available funds were sufficient, and the first survey was published in 1975.

The project was repeated in 1976, but prior to publication, the NPU – print media – decided that the results were 'not right', refused to cooperate further, and subsequently resigned as members of SAARF (1977).

The Foundation – in line with the original concept – published *AMPS '76* and was confronted in 1977 with the problem of the levy collection.

The importance of the composition of SAARF membership became apparent at this stage and it was here that the role of ad agencies (AAPA) played its part. It was agreed by advertisers to authorise their agencies to raise the 0.5% levy on all print media in *AMPS* at the billing stage and to transfer such funds direct to SAARF on a monthly basis.

This situation immediately introduced a few unexpected complications. Firstly, not all ad agencies were members of the AAPA and some of these non-members elected not to cooperate with SAARF. Secondly, a number of major advertisers were not members of SASOM and had the choice whether to cooperate with the new system or not. It is a credit to advertisers to be able to record that most non-SASOM members realised the importance of *AMPS* and instructed their agencies to raise and transfer the levy to SAARF.

It was interesting to watch from the sidelines how SASOM members who used non-AAPA agencies 'induced' their agencies to cooperate with the levy collections.

In all, the resignation of the NPU resulted in a massive reorganisation in the levy collection system and a great load on SAARF administration to handle and control, on a monthly basis, the receipts of levies from some 80 agencies – rather than a single payment from the NPU.

This new system resulted in the collection of: all levies via broadcast media (SABC); all levies via cinema; and 80% of all previous levies for print media, via agencies.

In total, the funding of SAARF and *AMPS* was still more than satisfactory and three major factors were re-emphasised: the importance of the role of the advertiser; the loyalty of other media; the cooperation of ad agencies.

Historically, 1977 and 1978 were uneventful and *AMPS '77* and *AMPS '78* were published according to schedule.

During this period, however, a few interesting developments took place.

(1) the number of non NPU publications in *AMPS* increased – with the result that direct collection/payment of the SAARF levy was a matter of negotiation between such media and SAARF.

(2) SABC introduced television – and eventually commercial television – and the SAARF levy increased dramatically.

(3) A number of independent radio stations were started in territories outside the borders of South Africa. These operators were keen to be included in the measurement of *AMPS* and they agreed to raise and remit to SAARF the required levy of 0.5%.

(4) During these two 'troubled' years with non cooperation by print media, it was actually possible to decrease the rate of the SAARF levy to 0.39% and 0.45% for certain periods.

1979 can be termed the 'year of consolidation' in which the NPU (print media) applied for readmission as SAARF members and they were accepted as Founder Members – a status given to the NPU with the original formation of SAARF.

As a gesture of goodwill and cooperation, the South African Society of Marketers (SASOM) agreed to a change in the SAARF constitution with the readmission of the NPU and accepted a minority representation on the Board. It was also agreed to add a new group of 'ordinary' members, to cater for the numerous additional media, both print and electronic, all such members being represented on the Board by me as General Manager, and levy collections being paid direct to SAARF on a monthly basis.

In conclusion I would like to give a very short overview of what the total SAARF budget contains and how it is spent.

65% is spent on the main study, *AMPS*.

5% is devoted to educational projects.

7% is budgeted for validation studies.

8% is required to operate the Foundation.

3% is retained as a contingency fund in the event of unexpected problems or new projects.

7% is invested and the interest used for a number of interesting projects.

5% is devoted – at this stage – to supplementary studies such as one- and two-child studies.

In monetary terms, the total SAARF budget amounts to about 1,500,000 rand.

As I said at the beginning, it may not be perfect, but it works!