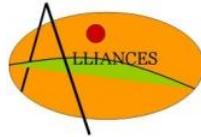




ALLIANCES-SJ MINI CASE STUDY



Southern Gates Newspaper: Product Diversification and Commercialization in a Non-Commercial World

Country: Georgia (Samtskhe-Javakheti Region)
Sector/s: Beef & Dairy
Target Group: Small-Scale Livestock Producers (SSLPs: 5 or fewer breeding female cows)

Intervention: Facilitated research, development, launch and marketing of a supplement to an existing local newspaper called “The Agriculturalist” aimed at reaching farmers with information and articles.

Total Cost of Intervention: \$13,500 with 25% co-investment from partner

Number of Enterprises Supported: 1

Impact Generated: Total number of subscribers now 2,100 of which 750 are women & 943 are farmers of which around 800 are small-scale livestock producers. Subscriptions rose by around 549 extra per month on average across the year which is 42% on average, and is still rising. 47 weekly editions of The Agriculturalist have been produced and it is still in print a year after the last support from Alliances.

Economic impact on income of SSLPs is difficult to calculate, but 73% of farmers said they had adopted a new practice and 58% purchased a new input and 37% used a new service as a result of reading The Agriculturalist. In addition for every farming subscriber another 0.8 additional families borrowed it, 87% of subscribers said they shared information informally with family and friends and 82% said they felt that they had become a more valuable source of information to these people.

The logic behind the intervention

“All media is donor funded in Georgia”; that is certainly the perception and partially true. Newspapers, TV and radio has a long history since the fall of the Soviet Union of the involvement of government, oligarchs bilateral donors and NGOs who fund them with various agendas¹, this in part due to the poor attention to the business side of newspapers, especially advertising. Most rural Georgian businesses believe that word of mouth is sufficient for marketing.

The effect of all this is that Georgian regional newspapers are not motivated to expand their readership into rural areas where 55% of the population reside. This untapped market are therefore unable to access important information on farming such as new technologies, market prices and where to find inputs and services. As a result their businesses are held back and they are particularly disadvantaged in transactions with intermediaries in selling cheese and livestock where there is no price transparency and farmers have to rely on hearsay.

¹ See <http://www.pressreference.com/Fa-Gu/Georgia.html>



In 2009 the director of the regional newspaper Southern Gates (*Samkhretis Karibche*, the only local newspaper in Samtskhe-Javakheti), approached Alliances-SJ to ask how many articles they wanted to put in the paper and explaining the price structure². The newspaper had a peak circulation of around 2,600 (1,800 in Georgian and 800 in Armenian) with large seasonal variations. The majority of copies were sold in the regional and municipal centres to a largely urban readership. The newspaper was used to supporting its self through publishing articles written by the various INGOs operating in the area, particularly on farming subjects, and dedicated more time to pursue this than to commercial income streams. It was explained that their current business model was not sustainable, especially given that the amount of donor funding was in decline, that there were fewer donor funded projects in the area and that they should be looking towards diversifying their income for the long term viability of their product.

Alliances-SJ saw an opportunity. Farmers, comprising 90% of the population in the region, had no ongoing access to any formal written information. Farmers mostly obtained information on market prices, for example, from their neighbours which they did not always find reliable. Moreover marketing by local firms of agricultural inputs, services and products was very weak and often ignored with the perception that word of mouth was all that was needed: even simple signboards were often absent.

A farmer's newspaper product would therefore serve several purposes: provide farmers with access to a variety of information on farming techniques, market prices and local services and products; provide local firms with a place to market their products and services; potentially link buyers and sellers of agricultural products and, importantly, expand the readership of Southern Gates and help to diversify their income sources. However Alliances-SJ original vision of a fully commercial product, in the climate of heavy donor support, proved unrealistic.

The underlying market constraints and consequences

- There was, and still is, a general climate of external support to media in Georgia from donors, government and oligarchs. This leads to apathy among newspapers to pursue a commercial course at the expense of potential advertisers and other sources of revenue.
- Weak marketing of firms in rural areas who rely on word-of-mouth to reach potential customers. This leads to low advertising revenue potential for newspapers and apathy towards commercialization.
- The Southern Gates newspaper was primarily urban because there was nothing in it for rural residents; i.e. nothing on farming. When there had been articles on farming they had been written and paid for by donor-funded projects and now that the funding was no longer available there was no more agricultural content.
- Farmers had no *formal* access to information on market prices, improved agricultural technology or where they could buy inputs and services. This information was mostly obtained through other farmers and friends which, though useful, was not deemed very reliable and in the case of market prices could not be verified.
- There were no reliable, verifiable sources of market price information. This meant, for example, that in negotiating the sale of livestock, both parties had to rely on hearsay on the previous week's price and farmers were disadvantaged as the buyer had more knowledge than the farmer.
- Women suffer most from information poverty and yet are most active as producers and traders in the cheese value chain.

² 300 GEL (\$170) for a full page, divisible into four, with the front and back pages being more expensive.

What Alliances-SJ did

Alliances-SJ met with Southern Gates and asked whether they were interested in developing agricultural content, by way of a supplement, as a way of increasing their readership in rural areas, but on condition that this would be developed with commercialization in mind. They were unsure that there was a market and had little experience in commercial, business-minded media so the first offer was made:

Facilitation 1: Market Research

Alliances-SJ wanted to help Southern Gates investigate the market potential of agricultural content, whether this would help to increase their circulation and whether this could be done commercially. So the offer was made to assist them in conducting their own in-house market research so that they would be central to learning about their current and potential markets.

Alliances-SJ co-invested in this research which took three months and consisted of women's and men's focus groups in various locations including the Livestock Market, and a small household survey of around 100 families. The research centred around current sources of information on agriculture etc and how reliable they thought those sources to be, and respondents were also asked what they would like to see in the Southern Gates newspaper. In addition they contacted potential local and national-level advertisers to see what the potential for advertising revenue was.

The research was revealing, especially when almost no rural respondents considered Southern Gates to be relevant (only 6 said they had ever gotten any information on farming from the paper), and that they were crying out for an agricultural product. All respondents expressed a need for an agricultural newspaper and 68% farmers saw it as a way of overcoming certain agriculture related problems.

Facilitation 2: Product Development

During the market research Southern Gates were becoming more convinced that an agricultural product had potential. They were also offered technical support from two international media organizations which they directed towards the development of the product. One of these they had to compete for, and won based on their idea to develop the supplement. This research culminated in the development of a concept product which was tested with potential readers. The product was branded "The Agriculturalist".

Facilitation 3: Roll-Out of "The Agriculturalist"

Sothern Gates were confident from their market research that there was a demand for the Farmer Supplement product which they called The Agriculturalist, and that they could expand their readership to rural areas through this new product. Alliances-SJ recognized that the product had to be produced as cheaply as possible and that advertising revenue was going to be important to help pay for it. During the research, Alliances-SJ also made some contacts with other semi-commercial agricultural journals based in Tbilisi.

One of them, *Chemi Mamuli* was also working with the program as a contractor to import some agricultural machinery but also produced a quarterly farmer magazine and had several years' worth of content. Alliances-SJ facilitated a linkage and they signed a collaboration agreement that *Chemi*





Mamuli would provide content in return for advertising for their input and machinery products for a limited 3 month period. This provided key-interest agricultural technology stories cheaply and without the need for expensive journalists.

Alliances-SJ co-invested with Southern Gates in the development and publication of *The Agriculturalist* and incorporating it into their existing product with marketing and promotional activities (billboards, posters and free samples in key locations such as the market). The supplement incorporated content from *Chemi Mamuli*, market price data from the Livestock Market³ and other stringers for cheese and potato prices, personal advertisements (all subscribers were given one free personal advertisement as an incentive) and business advertisers. Their target was to increase their readership by an average of 300 additional subscribers per month over the 3 months during which Alliances-SJ co-investment covered.

Impact created

The first edition of the farmer supplement was published in September 2010 and it has since been published weekly (47 editions in total) and has been completely unsupported by Alliances-SJ since November, 2010. Subscriptions are seasonal⁴ but have risen consistently by an average of 579 additional subscribers per month. Farmers comprise 943 of these subscribers of which an estimated 800 (32%) are small-scale livestock producers (the target group) and 750 (30%) are women.

A survey of 45 subscribers and 45 non subscribers conducted by Alliances-SJ in October 2011 revealed the following:

- Within the household *The Agriculturalist* is read by primarily by the subscriber and spouse, but 20% were also read by the children and 16% by the grandparents⁵.
- It is estimated that for every subscriber there are an additional 0.8 non subscribers who also read *The Agriculturalist* by borrowing it (61% of which are neighbours and 39% relatives), meaning that access to information has been extended to 640 additional farming households (1,440 in total, assuming that non-farming households are not sharing with farming neighbours and relatives).
- 87% of subscribers said that they also share information informally with friends, family and relatives. One main forum for this was through the male institution of the *birja*: a group of men who gather informally in set locations by the roadside to chat and exchange news. Moreover 82% of subscribers felt more valuable as an information resource as a result of *The Agriculturalist*.
- Of particular interest to readers was on new technologies, market prices, other markets and agricultural services and products available in the region. Market prices proved especially important as their placement gave farmers and buyers a verifiable source of price information on which to begin negotiations. 56% of subscribers said that this information had given them a stronger position in negotiating sales, resulting in higher prices. “[*The Agriculturalist*] helped me to sell my calf for a better price since I had information about market prices and took my animal to the livestock market when the prices were high”.
- 58% had purchased an agricultural input as a result of seeing it featured (seeds, fertilizers, vet drugs) mostly from the vendor who advertised. In addition 37% of subscribers had used a service featured in *The Agriculturalist* such as artificial insemination.
- 73% of subscribers had adopted a new practice featured in *The Agriculturalist*. The main ones adopted were animal disease care (especially timely vaccination), artificial insemination, plant protection and drip irrigation.

³ This came from a database and management system facilitated by Alliances-SJ.

⁴ Subscribers sign up for 3 months at a time. Government offices and other public offices are a major outlet and hence subscriptions decrease in summer when these offices are less active.

⁵ Most rural Georgians live in large extended family units.

Southern Gates Subscribers

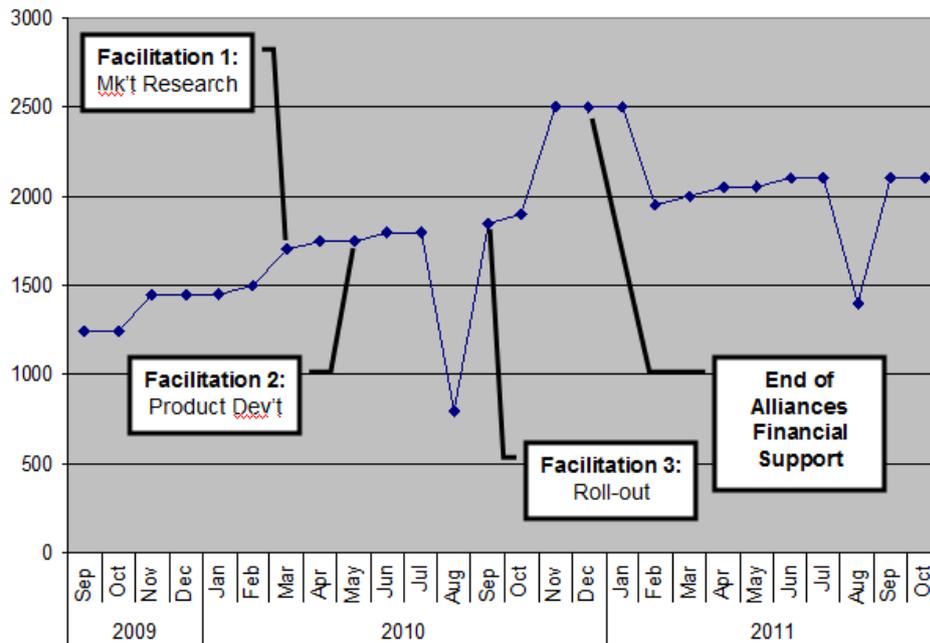


Figure 1: Alliances Timeline and Southern Gates Subscriptions

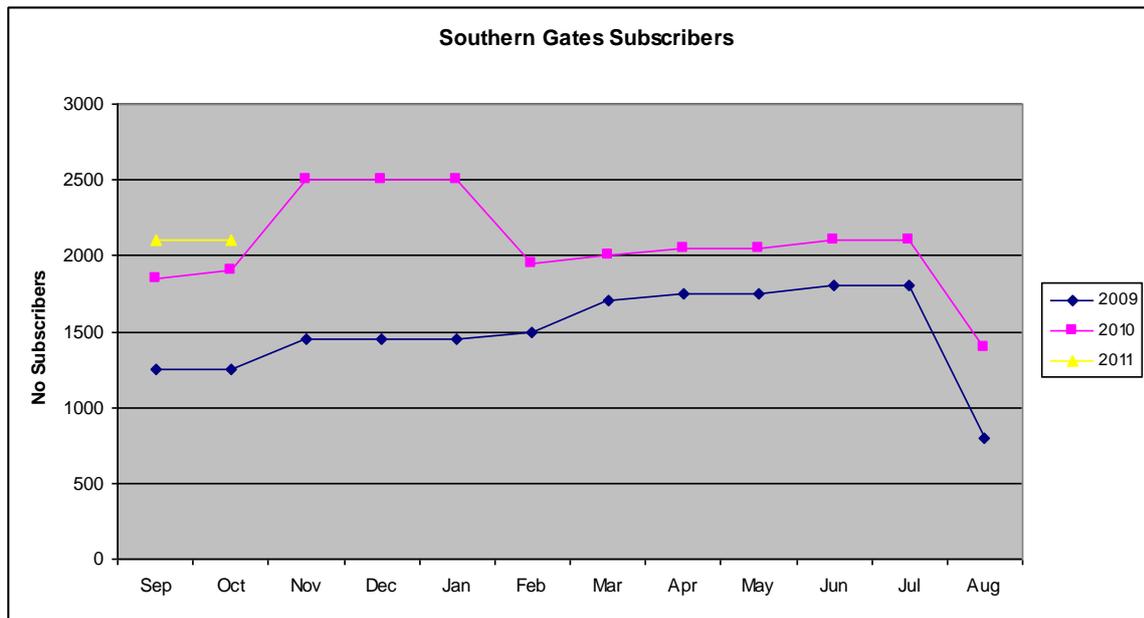


Figure 2: Southern Gates Subscriptions, 2009-2011

Southern Gates has come to regard *The Agriculturalist* as their most important product. Moreover agricultural and rural affairs content is now also prominently featured in their main product with recent examples including coverage of the new food-safety law implementation and the relocation of the food market (with angry opinion from local traders and farmers). The staff of Southern Gates is now focussed on driving this content and they hired a new member dedicated to agricultural stories.



Lessons & challenges

Despite the value of *The Agriculturalist* and the significant increase in sales as a result of its inclusion and popularity, the newspaper is still a major loss-making enterprise. This is due to a number of reasons:

- The cover price for the newspaper (0.5 GEL) was not increased, mostly because they feel that farmers and their urban customers will not pay it. However there are other more expensive national weekly newspapers (at least double the price), and the price rise required to cover costs and make a profit (+ 0.5 GEL) is the equivalent of sending 5 text messages. Revenue from subscriptions still only accounts 56% of the costs of production and only 11% of total costs (including fixed costs such as rent and salaries). The annual losses accrued are more than made up for by donor funding and this looks set to continue for the foreseeable future.
- The increase in subscribers is impressive. However there are a number of large, easy-to-reach villages that are currently unreached and other potential outlets such as the three farm input supply shops (serving >100 customers per day between them) and the livestock market (where more than 200 farmers and traders meet once a week). Southern Gates' current business model is solely subscription based rather than retail. Whilst this allows them to predict accurately the number of copies to print, it relies upon expensive subscription agents to get the product to the customer (almost 25% of the cost is distribution).
- Southern Gates is also not proactively pursuing commercial advertisers though both farmers and the current few advertisers state that adverts are important and have led to services and products being purchased as a direct result. What the newspaper currently terms "advertising" is actually sponsorship of articles by donor funded projects. Their reluctance to pursue this potentially lucrative source of revenue is mainly because the effort required for a busy newspaper editor in finding advertisers yields less in the shorter-term than expending the same effort on finding donor funding. This may change if and when the newspaper enlarges to reach more readers and can therefore charge higher advertising fees (see below).

In the light of these challenges, Alliances-SJ has revised the expected goal of full commercialization, and concluded that this had been unrealistic given the overall environment of donor support to the media. The program has begun to engage with some of these large programs to advocate for a more business-centred use of their funds which may yield results in the medium-term.

Southern Gates now has strong linkages to content providers through mutually beneficial relationships that are in themselves financially sustainable. Chemi Mamuli is a large retailer of machinery and agricultural inputs and provides key-interest stories. The livestock market provides livestock prices which are generated by their management database with little additional work. Both of these benefit through free advertising. Other content providers outside of the region also provide content such as spot prices through stringers. As such there is a network of interdependent market players linked through *The Agriculturalist* and there are opportunities for this to be strengthened.

Ironically, the improvement of Southern Gates through the inclusion of *The Agriculturalist* and their growth in circulation has strengthened their position to win more donor funding⁶. Until there is a unilateral shift in donor priorities this situation will persist. Ultimately though, Alliances-SJ considers this to be a good result as farmers have ongoing access to information that looks to continue.

Future steps & crowding-in

In the shorter term, Alliances-SJ has presented Southern Gates with their analysis of their intervention and some financial projections that show that more commercial viability is possible over time. Alliances-SJ aims to take this forward to more facilitation around trialling new sales models with village shops, input retailers and possibly local busses with improved marketing to increase revenue.

The Mercy Corps Alliances program recently expanded into a new adjoining region (Kvemo-Kartli; Alliances-KK) where farmers face similar constraints to accessing information and where there are four local newspapers servicing three different ethnic groups (Georgian, Azeri & Armenian), all operating in a similar environment of external support from donors. Alliances-SJ and Alliances-KK is

⁶ Donors are particularly interested in Southern Gates because it reaches the Armenian minority and is a vital source of information on local political affairs etc to them.



currently perusing options to assist Southern Gates to franchise *The Agriculturalist* to one or more of these newspapers thereby expanding readership further potentially by at least 4-5,000. The local franchisee would just need to add one or two local interest stories and local spot prices; something Alliances-KK is also working on with the regional livestock market.

The existence of *The Agriculturalist* affords opportunities for local and national firms to reach a rural readership who were previously inaccessible. With expanded readership, the potential for advertising revenue is increased as economies of scale are improved and more can be charged for advertising as it will reach a larger readership. Alliances-SJ may also facilitate access to business services that would assist Southern Gates more concretely in seeing the financial opportunities that exist from advertising. Alliances-SJ could also stimulate the market by providing temporary incentives for advertisers to approach Southern Gates independently and covertly to place adverts and pay for them.

There is evidence of crowding-in locally with a new local TV station seeing the popularity of agricultural stories in the newspaper and recognizing that this needs to be included in their schedule. Alliances has provided some assistance and they now have regular talk-shows and phone-ins that have proven to be popular and they are now expanding this content.

Conclusions

Farmers in Samtskhe-Javakheti now have access to a valuable source of information through *The Agriculturalist* in villages that are reached by it. In these villages the formal access to information has been greatly strengthened among subscribers and also extends to those who borrow copies from subscribers. Moreover access information through informal networks has been strengthened by the presence of more informed community members accessing *The Agriculturalist* and sharing information verbally.

The heavy presence of international donor support to the media means that Southern Gates, like most other regional newspapers, has become dependent on this to remain economically viable. The potential is there for Southern Gates to become commercially viable but they would need to change their business model to peruse advertising revenue, expand into more villages and rely less upon subscriptions and more on retail through key outlets such as village shops and regional markets.

In the meantime the newspaper is growing and reaching small scale farmers. Southern Gates remains economically viable and looks set to remain so in the climate of long-term donor commitments to support the Georgian media industry. Indeed USAID recently committed \$13m to this for the next 4 years⁷ and one of the first recipients was Southern Gates who's position has been greatly strengthened by their inclusion of *The Agriculturalist*.

⁷ <http://georgia.usaid.gov/news/usaid-news/2011/02/18/718>