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ICT



"We're buying sexy mobile tech" - Naspers

A small investment for SA's media giant, but \$10m buys BuzzCity technology and resource for aggressive growth

Mandy de Waal
29 August 2008 14:07

Naspers' (JSE:NPN) new investment, BuzzCity, already gets the largest slice of its mobile advertising revenue from South Africa. The name of the mobile media and social networking company may be unfamiliar to locals, but 578m ads were served to South Africans from April to June 2008 by the company's mobile ad-network for household brands of the likes Standard Bank and Vodacom. "South Africa is a fast-moving market for the mobile industry," says BuzzCity's CEO KF Lai, "Mobile phone owners are happy to receive and respond to advertising on their handsets. It is a trend that we are seeing in the emerging markets, where the mobile is the access point to the internet, not the PC."

Lai believes it is the beginning of the beginning of the mobile ad boom. "We are only touching the tip of the iceberg. South Africa has about 40m mobile phone users but only 8m of these are active on social networks or are surfing. That means a market potential of some 32m that we can attract if there's relevant mobile content like banking or ticketing."

The attraction for advertising, media and content markets is that the pervasive mobile user numbers include an audience in emerging territories that previously could only be targeted with one-way advertising mediums like television. "India has a population of 1.1bn with 40m internet users and 250m internet users. This is expected to grow to 500m in a couple of years. What's important to understand in these markets is that these users can now be reached interactively for the very first time. This opens up a whole new unique audience with huge potential," says Lai who says he is in discussions with Naspers to finalise their growth strategy which will become clear in the next three to four months.

"From a broad stroke perspective Naspers has a lot of complimentary content and media products that will be integrated and allow for product bundling with the selling of advertising across platforms and mediums. Then we will be able to use some of the content Naspers has to distribute to our community, and attract new users. BuzzCity gets more content and Naspers finds a way of monetizing content and reaching a bigger audience."

Lai says the cash injection will be used to invest in technology and the mobile advertising platform to enhance the end user experience. "We will also have more resource to put people on the ground to grow more aggressively in Africa, Latin America and other emerging territories. Then we're looking at acquisitions but currently don't have any targets."

The CEO of MIH's global internet interests, Antonie Roux, says the investment was attractive because BuzzCity has "two things that are sexy. They have a fully fledged mobile service that has attracted a vast amount of users, and they have a sexy mobile advertising platform. It's a relatively small investment but fits well into our mobile portfolio and we'll be placing a lot of emphasis on leveraging the collective power of our mobile assets." Naspers owns 30% of Mxit locally and has shares in mobile social networking and media companies in India, Brazil and China.

Roux adds that internet companies are hamstrung in the mobile space because they don't have what it takes to realise the potential of the technology. "New media and traditional media companies just haven't been able to successfully make the transformation to mobile. Our experience shows internet companies that originated with the PC as their core DNA are incapable of making mobile work. Look at the 100 most successful companies in the world, the vast majority of which come from the US, and you'll see none of them have had significant mobile success. Facebook is one such web centric offering that has been unable to create a mobile offering able to the market by storm. Now watch BuzzCity take on markets that traditionally have belonged to the Silicon Valley start ups."

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