Introduction

The media is part of any developed or developing society, a crucial part of moving the latter into the former. The Fourth Estate has been cited by many as the eyes and ears of the general public, tasked with collecting and dispensing information in an unbiased, non-partisan and completely neutral manner and thus allowing the world to know what happens as it happens. Media houses across the globe have gained mass followings, in some countries even gaining more trust that the government. Objectivity and transparency are the key driving forces behind those in the media fraternity. While the size and scope of media houses differ, there are media houses whose scale and reach is enormous, going past national borders. This report covers the Nation Media Group, one of the mainstream media houses in Kenya. the report includes details on the history of the media in Kenya and that of Nation Media Group. It also gives information on the performance of the media house as well as the risks that it faces in its operations and execution of its core business.

General Overview

Publication in Kenya dates back to the late 1800s, prior to the introduction of broadcast. In 1895, the *Taveta Chronicle* was launched, existing as a Christian Missionary publication. However, it was more of an aid to the Bible than a newspaper, which the Missionaries used at the time in a keen bid to introduce Christianity to Africa and spread the religion. In 1902, Kenya’s first official newspaper was published and distributed by Alibhai Mulla Jeevenjee, going by the name the *African Standard*. It would later be renamed the *East African Standard*, a title that it held until 1977 when it became *The Standard*. Throughout the colonial period, several newspapers rose to prominence, at the time most catering to regions and these were published in a variety of local dialects. *Baraza* is the oldest Swahili newspaper, launched in 1930 to provide a means through which the wider majority could obtain news in the more understood Swahili language. It has since gone out of print.

The introduction of broadcast in Kenya brought with it considerable ease of access to news and happenings around the country and select parts of the world in general. It was particularly important since it accommodated the illiterate, excluded by newspapers' use as the only medium of information relay. Broadcast in Kenya was set up in 1927 under the colonial government and used to spread its intended messages. The oldest existing broadcaster and the only state broadcaster, the Kenya Broadcasting Corporation was founded, at the time offering purely radio services.

As at 2016, Kenya has about 15 local television broadcast stations and over 100 radio broadcast stations, with almost all of them targeting specific markets. The media has grown from merely a means of relaying news as was the case in the 1920s to a powerful and wide-reaching advertising tool. Price Waterhouse Coopers estimates that in 2015, advertising revenue hit the $1.7 billion mark, rising from $484.6 million in 2010. Nation Media Group took advantage of a growing market earlier on to establish itself as a dominant player in the region.

Corporate Analysis

About Nation Media Group

The Nation Media Group (shortened to NMG hereon) is a media house which is based in Nairobi, Kenya. It operates across several media segments which will be discussed under its portfolio offering section. NMG has set up its operations beyond the Kenyan borders, and operates in Uganda and Tanzania as well. It was established in 1959 by His Highness the Aga Khan and is the second longest running media house after the Standard Group Limited, whose early form published The Standard. The entity is a publicly traded company which is listed on the Nairobi Securities Exchange, the Uganda Securities Exchange and the Rwanda Stock Exchange, trading under the common stock ticker *NMG*. The company's stock is one of the most highly priced and the most stable on the Kenyan bourse. NMG has been noted as one of the largest media houses in East and Central Africa, and is one of the mainstream outlets in Kenya. The main competitors at the moment are Royal Media Services, Standard Group Limited and Mediamax Network Limited.

Product Portfolio

NMG is involved in several media segments. Key among them is the publication of the *Daily Nation*, a daily newspaper which enjoys countrywide distribution and is printed in English. Its sister daily newspaper is *Taifa Leo* (a direct translation in Swahili) which also enjoys countrywide circulation and is printed in Swahili. There are several other publications under NMG's belt the most famous of which include *Business Daily* (focusing on economic issues in the country as a daily newspaper) and *The East African* (focusing on political and economic issues affecting the East African region), *The Citizen* and *Mwananchi*. *The Daily Monitor* is the most widely read daily newspaper in Uganda, and is also printed by NMG.

In connection to print media, NMG has ventured into online news content, offering its Daily Nation, Business Daily and The East African in digital format. There is also the option to subscribe to packages for the reception of the digital newspapers on a range of digital devices. Through this, NMG has been able to reach a wider market than it previously did when relying solely on physically printed newspapers.

The company is also heavily invested in television broadcast. It operates *NTV*, a nation-wide television station. On its launch in 1999, the station was known as Nation TV, eventually relaunching as NTV in 2005. The tagline is “Turning On Your World”. The station covers news, live events as well as lifestyle and urban programming, ranking among the most watched in the country and primarily broadcasting in English. NMG additionally owns and operates *Q TV*, a television station in Kenya which broadcasts primarily in Swahili. It averages a weekly viewership of 6.5 hours.

Radio is included in NMG’s product portfolio. The company operates *Nation FM*, previously known as Easy FM. It was set up in 2002 and primarily broadcasts in English. Its coverage is not nationwide, but its frequency reaches a majority of Kenyan towns and major cities. Q TV’s sister radio station under NMG is *Q FM*, and like the television station, primarily broadcasts in Swahili and commands significant coverage. In Uganda, the group operates the radio station *K FM*, which primarily broadcasts in English.

The distribution requirement of its published products pawned the idea of a carrier division. Nation Carriers Limited and its subsidiary Nation Courier maintain a fleet of vehicles which allow efficient countrywide access without the need to rely on third party distribution services.

Brand Distribution

The NMG brand operates across East Africa. It runs a variety of print and broadcast outlets in Kenya, Uganda and Tanzania and is cross-listed in the Rwanda Stock Exchange. This wide geographical location helps to give it a regional face and increases its viewership and readership tremendously. Its online newspaper and live online television offering also allows NMG to reach the diaspora with added ease.

Industry Risks

Industry risks refer to unexpected occurrences which affect the media industry in its entirety. They cut across all media houses as opposed to affecting NMG in a unique manner. For the purposes of this report these will be restricted to business cycles, product obsolescence, technology and tastes and preferences.

Technology

Print media has evolved with the advent of technology. The internet is perhaps the single most used avenue for information access throughout the world, and media houses globally have taken advantage of its reach capability. To avoid having a numerically restricted consumer base, NMG has invested in online offerings, with its daily and weekly newspapers being digitized.

Additionally, the use of an analogue signal restricted transmission speeds and meant that the elements affected transmission quality. The digital migration which was effected in 2015 has solved this problem, allowing the broadcast of more content and better quality live transmission. With more media houses digitizing their services, NMG is faced with the challenge of keeping up with the competition or innovating to stay ahead of competition. The dynamic nature of technology and the advent if social media platforms in news and information conveyance places entities at risk in the event that they fail to accordingly incorporate the dynamics.

Tastes and Preferences

Consumer tastes and preferences are key in driving sales and advertising across both print and broadcast media. Failure to appeal to these leads to diminished content reach, which in turn reduces revenue streams to media houses. NMG has attempted to entice more consumers to take up its products through ease of access, by allowing the viewing of its content via mobile applications on smartphones and tablets. Its radio and television broadcasts are also packed full of well-known celebrity journalists and reach out to the young-to-middle-aged population which is tech-savvy and conscious of trends. An all-rounded program offering which includes local programming and the promotion of local talent has also helped the company to retain consumer preference.

Business Cycles

Each industry has unique business cycles, which are periods of booms and busts that characterize any business operations. The media industry’s business cycles have been considerably mild, but with the digitization campaign and the inflow of foreign pay television service providers with alternative channel offerings, such cycles have become more protracted. To counter this and to safeguard revenue streams, NMG has sought to endear itself to the public through increased coverage of local events and issues of social, economic and political importance. Among these include features on the environment, crime, agriculture and so on, which have served to retain viewership, thus attracting more advertising firms and consequently countering busts. In Kenya there have not been significant enough business cycles with adverse effects on the media industry.

Product Obsolescence

As has been mentioned, NMG has invested in technology to avoid product obsolescence. Digitization of media has renewed the public's interest in publications and allowed the company to be more versatile. This coupled with a variety of print pullouts and better program offerings have jointly served to reinforce NMG's influence as a brand and significantly delay product obsolescence. Parallel product offerings, with newspaper publications also offered online have kept NMG's core business alive in the face of diminishing demand for physical publications.

Company Analysis

The company section will examine NMG based on its revenue sources and the stability of such identified sources.

Primarily, NMG relies on advertising for a bulk of its revenue. The advertisements run across all its media segments, from print to broadcast. However, it is worth noting that advertising as a source of revenue has been dealt a significant blow after the Communication Authority's (CA) proposed and enforced strict advertising bans and restrictions. In 2016, the CA has seen sports betting as well as advertisements deemed to offensive or suitable for a mature audience pushed to airing only after 10PM. This has thus meant less airtime and a more diminished reach by advertisers. Additionally, NMG sources its revenue from selling its print publications and offering paid subscription packages for digital copies of the same.

Revenue from advertising is largely stable since firms are able to reach a wider audience through print and broadcast. Despite competition with other media houses, NMG has continued to thrive from its advertising slots, and this has been increased even more by the country's lower middle-income economy status. Increased consumption from increased disposable income by the local middle and upper class has also increased the need to advertise.

With technology quickly sweeping through the media industry, NMG's decision to digitize its publications has ensured that its newspaper revenue has not significantly diminished. The concept of subscription for daily newspapers is still in its infancy stage in Kenya, but with adequate marketing it is set to pick up speed.

Business Risks

Business risks are risks which are specific to a business entity. Under this report, the aspects considered and examined in detail will be NMG's operational diversity, financial diversity and regulations.

Operational Diversity

Operational diversity is concerned with an entity’s product lines, its plants and the number of businesses under its parent brand. As aforementioned, NMG has a variety of products falling under the product lines. Newspaper and magazine publication and distribution rank highest in the company’s product list, having earned it regional repute. Broadcast and digital content presentation also stretch the product lines further. Moreover, NMG is the only media house in the country with its own carrier and courier services which can be extended to external clients. It is worth noting that Nation Carriers Limited is an entity on its own, owned by NMG.

To facilitate its activities, NMG has set up offices and runs prints in Nairobi, Kigali and Kampala. Location distribution has made published content more in touch with occurrences on the ground and additionally eased distribution.

Financial Diversity

Operational diversity has yielded financial diversity, with a broadened revenue stream. By May 2016 the company was estimated to earn revenues of about KES13.01 billion ($129 million) and a net income of KES2.34 billion ($23.2 million). Such figures point to a financially sound institution whose operations are currently and for the foreseeable future, profitable.

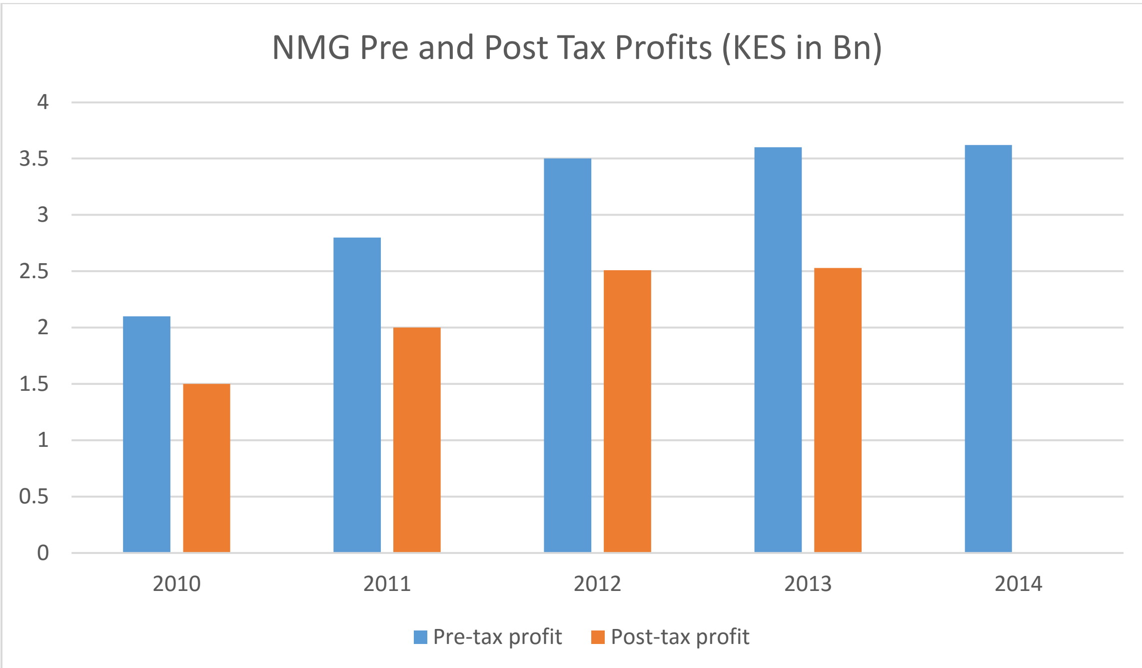
Regulations

The regulatory environment can potentially help a business entity’s cause or present significant challenges which are likely to impede growth and progress. The media industry in Kenya is regulated primarily by CA in conjunction with the Kenya Film Classification Board, which oversee proper competition and suitability of content where broadcast is concerned. The Media Council of Kenya is restricted to journalism, affecting NMG's magazine and newspaper content. With such a significant number of regulators involved in local media, NMG is faced with the task of compliance across the board, which presents the risk of contradictory provisions and requirements.

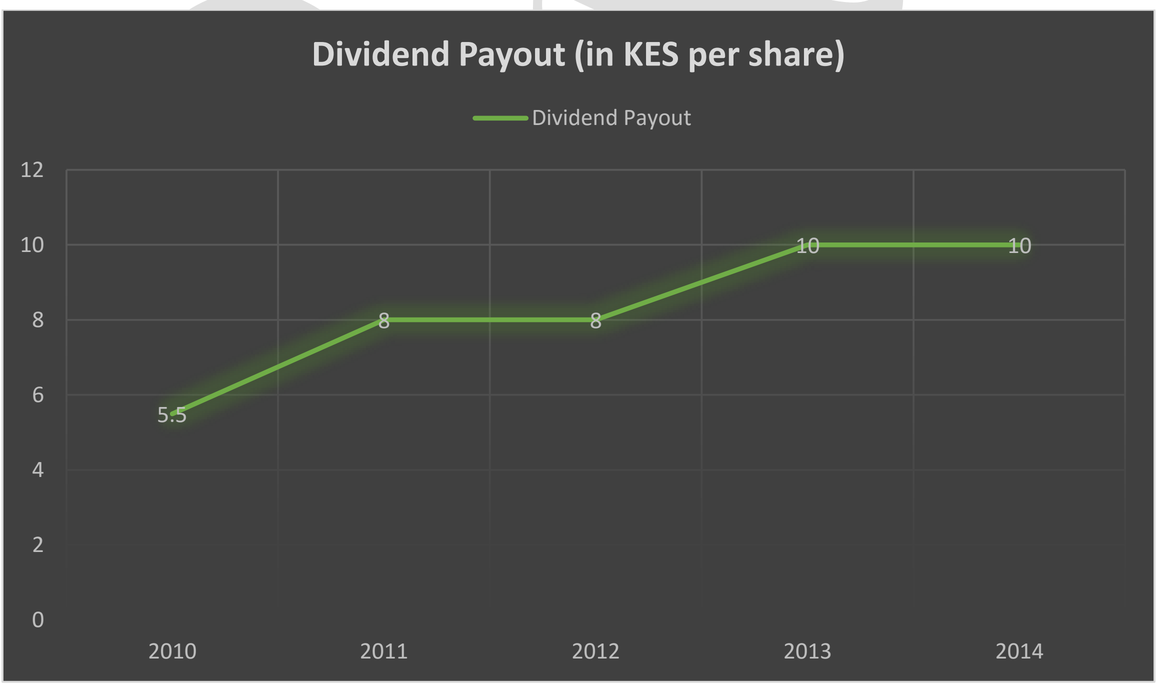
Management Analysis

The management of NMG for the purpose of this report will be analyzed based specific criteria; operational and financial performance, and tolerance or averseness to risk.

In 2010, the group's revenue was KES9.5 billion, with KES1.5 billion in after-tax profits. This increased to KES11.2 billion in 2011 turnover and KES2.8 billion in post-tax profit for the same year. 2012 turnover stood at KES12.3 billion and pre-tax profit was recorded at KES3.5 billion. For 2013, the figures were KES13.4 billion and KES3.6 billion respectively. The turnover in 2014 remained stagnant at KES13.4 billion but pre-tax profit edged up slightly to KES3.62 billion. Based on the revenue and net income statistics, NMG's management has posted positive results. The following illustration presents a summary of this data:



Sources: Business Daily and NMG Annual Reports



Sources: Business Daily and NMG Annual Reports

NMG’s management can be assessed as being risk averse. This is informed by the group’s decision to concentrate efforts on the media industry and related ventures as opposed to diversifying and investing in other industries. By so doing, NMG has capitalized on its area of specialization, allowing the expansion into Uganda, Tanzania and Rwanda with considerable ease since it has accumulated experience from the Kenyan market. a steady financial streak points to the success of a risk averse approach by the company.

Conclusion

Nation Media Group as one of Kenya’s mainstream media houses illustrates the successes that specialization and a risk averse philosophy can present. In business, it is assumed that risk tolerance and broad cross-industry diversification is the key to success. Based on NMG’s sustained financial performance, this is not always the case. The company has invested in broadcast, print and courier services, all of which have worked in an interdependent manner to broaden the group’s national and regional footprint. Regional presence has also increased revenue far beyond what would have been obtained from a strictly Kenyan operation. The most significant business risk faced is presented by the presence of a considerable number of regulatory bodies within the media industry, which call for compliance from several angles. A KES2 billion printing plant expansion is set to increase the company’s print capability and further reinforce its revenue-generating ability, thus allowing NMG to retain its status as one of the most recognizable and valuable brands in East and Central Africa.