

Opinion & Analysis

QUOTE OF THE DAY

How you spend your time is more important than how you spend your money. Money mistakes can be corrected, but time is gone forever. – David Norris, Irish politician

Market rally bypasses troubled major US banks

BUSINESS WATCH

IT HAD been four years since the global financial crisis started, when French bank BNP Paribas closed three money funds in August 2007, Investec chief executive Stephen Koseff said at the Banking Association summit this week.

He said there were bubbles in many economies at the time, and the banking system was deeply indebted. In major European economies, banks' debt was 60 to 70 times their capital base.

This compared with South Africa where the ratio was 15 to 16 times. The more prudent approach to debt was why local banks remained profitable throughout the crisis while a number of the world's biggest banks wrote down vast sums and some of them simply collapsed. Koseff said even today the market capitalisation of major banks was about 50 percent of their book value.

CNN columnist Paul La Monica yesterday recorded some of the banks' latest trials and tribulations. Bank of America's shares have plunged 53 percent this year "as investors continue to worry about the bank's numerous legal risks. Shares were down again Tuesday to a new 52-week low."

And he said shares in Goldman Sachs tumbled nearly 5 percent on Monday, on the news that its chief executive, Lloyd Blankfein, had "hired a defence lawyer to help handle government investigations into the firm's behaviour during the subprime mortgage craziness."

"Shares fell again on Tuesday. Goldman Sachs is down more than 35 percent this year, leading some to wonder if the so-called 'vampire squid' of Wall Street is now nothing more than a batch of overly chewy fried calamari."

And La Monica recorded that, despite a big market rally on Tuesday that included most of the financial sector, the shares of JPMorgan Chase, Citigroup and Morgan Stanley were still all at or near 52-week lows as well.

However, he had some good news too: the list of problem banks compiled by the US Federal Deposit Insurance Corporation has shrunk, La Monica said. The number of banks on the list fell in the second quarter from the first quarter – the first decline since the third quarter of 2006.

Blue Label Telecoms

One could be forgiven for listening with half an ear to Brett Levy, the joint chief executive of Blue Label Telecoms, who forecast yesterday that money transfers would grow significantly over the next five years, especially in the rural areas.

After all, the launch of Vodacom and Nedbank's M-Pesa initiative, by their own

admission, has failed to gain noteworthy traction among consumers since the launch in August last year.

But it appears that challenges on the consumer front are not the only hurdles to propelling roll-out of the technology to the height of anticipated success in South Africa. Users of the M-Pesa cellphone-based money transfer service do not need to have a bank account.

If what Levy said is to be believed, then ridiculously onerous regulation, or rather an illustration of just how out of touch big institutions could be with reality, discouraged independent spaza shop owners and other vendors from selling M-Pesa locally.

Blue Label Telecoms managed the process of signing up the distribution network. "Rica registration requirements proved to be a very big task," he said.

Levy's company approached several hawkers in downtown Johannesburg posing

two questions related to M-Pesa, which Nedbank managing banking experts had told Blue Label Telecoms to ask vendors.

They wanted each vendor to provide an audited statement of their business and a tax clearance certificate. After surveying three vendors Levy said it was clear not one of these hawkers would satisfy Nedbank's criteria. In addition, it took 25 days to sign up one merchant if they were still interested after being confronted with a more than 20-page contract.

It is no surprise then that out of 300 applications, only 20 percent were processed.

Now Blue Label Telecoms has set its sights on correcting the inconvenience and digitising the process by allowing a merchant's details to be scanned on the spot. "We will see a rapid increase of merchants. The next 24 months to 36 months will be a real indication of whether this product has worked or not. It is still a very exciting product."

"It has always been a three- to five-year play for us," he said. **page 4**

Farmworkers

Farmworkers being abused and earning a pittance from employers is nothing new.

Media reports and documentaries have, over time, illustrated the often shocking conditions under which they live.

It took a Human Rights Watch report for the government to condemn such malpractices in the industry.

Many questions arise from the shock-

ing revelations, the most notable one being that if the wine and fruit industries were fully transformed, would we encounter such stories of people working on farms with no access to water or toilets on the job and houses not fit for human habitation?

Previously disadvantaged farmers still feel excluded, and now, with the Human Rights Watch report, it has been revealed that there are some workers who live in conditions strikingly similar to those of the cotton plantations during slavery in America's Deep South.

Some argue that the sample size of 117 interviewed farmworkers out of a possible 121 000 was not large enough, but even if it was one worker out of a million, nobody should live in such conditions in the 21st century in South Africa.

In a press release VinPro, the representative organisation of South Africa's 4 000 wine grape producers, said: "Show us who does it and where. If some of our members are guilty of malpractices towards their farmworker communities or allow inhumane living conditions, we want to identify them so that we can address it."

Other questions include, how will this issue be addressed? What action will be taken against the perpetrators? And will these people be allowed to continue running businesses that treat workers as slaves in our democratic dispensation?

Edited by Peter Delonno. With contributions by Ethel Hazelhurst, Asha Speckman and Ayanda Mdluli.

Subsidies, grants can tackle youth joblessness



Pierre Heistein

FORTY-NINE percent of the working-age population below the age of 25 in South Africa is unemployed. This is nearly double the official national average of 25 percent. If we extend the age bracket a bit, we find that 72 percent of South Africa's unemployed are below the age of 34.

Youth unemployment is therefore a huge challenge and the problem extends far beyond a simple lack of income flows.

Opportunities of employment during this period provide incentives for secondary and tertiary education, build the work experience and skills needed for further employment advancement, and allow individuals and the country to build the spare reserves that will go on to pay for pensions and support once employment is no longer possible.

The government, with the objective of increasing the welfare of those employed, has signalled that relaxing the labour laws is unlikely. Given this framework, there are two options on the table to try to intervene to support youth employment.

First is the consideration of extending social grants to the unemployed youth. The grant system would work by handing out a certain payment to all individuals who have proven that they are unemployed youth and in need of support.

The benefit of such a system is that it is very direct. It supports all unemployed youth, and, if properly administered, will only benefit the unemployed. It will allow this group the spare resources to search for work and not be forced into desperate, often illegal activity to get by.

The problem is that such a system is a huge burden on the state. It is expensive, requires an enormous amount of administration, and its information-heavy as the onus is on the state to monitor the employment activity of those in need.

There is a sentiment that this kind of system creates an environment of reliance and will discourage unemployed youths from entering the labour force to earn income for themselves. However, extensive research has proven that there is no concrete evidence to support this and in many cases grants increase labour participation.

The other option being suggested by the Treasury is to put in place a wage subsidy. This would work by paying firms a percentage of their wage bill if they employ workers between the ages of 18 and 29, who earn below R60 000 a year.

The subsidy would last for two years and, depending on the amount earned, the Treasury would subsidise up to 50 percent of the wage. The two-year time limit is based on the assumption that, in this time, workers should build enough skills to support themselves in the labour market.

The main problem with this policy is that it is relatively blunt. The Treasury accepts that many of the jobs subsidised would be created anyway. In other cases, the subsidy may not be enough to incentivise firms to employ the lower-skilled youth. However, it is a policy that directly targets the problem.

The fundamental difference between the two policies is that grants directly support the person, whereas subsidies directly focus on employment.

Evidence from other countries has shown that the first step to increasing employment is getting idle hands into the workforce. From there, policies can be designed to guide its growth, steer its benefits, and improve its quality.

Pierre Heistein is the convenor of the UCT Applied Economics for Smart Decision-Making course presented online. To interact with him, visit www.facebook.com/understandingeconomics.

Jump on the fast, powerful social media bandwagon

SMME FOCUS

Liza van Wyk

A FEW years back, who could have predicted that adult conversation would be laced with words such as Twitter, Facebook, Ning, Plurk, Friendster, Myspace, hi5 and Tagged, Digg, StumbleUpon, Flickr, Epinions, BizRate, Behance and Goodreads?

Social media is the new buzzword for social life and commerce of all varieties these days. Big and small businesses are seeing the power of reaching out virally through social networking platforms.

Consumers, especially those in the Generation X and Y demographic, are seeking advice and information from these resources before deciding on their purchases.

From the social media comes social networking, which is transforming word-of-mouth communication between consumers. It comes in many varieties: online banner advertising, viral marketing, interactive websites, blogs, podcasts and the list goes on. But no matter the tactic, the purpose is the same: turning potential customers into enthusiasts and buyers.

At the heart of social networking is a desire to interact with people you know or who are introduced to you by people you know, rather than to interact with the anonymous general population of Net users. The main value of social networking sites to their users is to create and sustain interactions with broad networks of people on a range of topics while building the trustworthiness of those networks.

In practice, most people create and participate in networks of people who they actually know, and the social networking platforms provide an easy way to share and exchange information, photos, gossip and all kinds of data at any time from any place.

This may be just for fun, but it can be also for constructive purposes such as teamwork and collaborative activities. Social networking sites are perceived as informal and fun. While it is true that one does not necessarily know the actual

identity of the participants in many of the large networks, over time one can develop a sense of their authenticity and trustworthiness based on the pattern of their interactions and contributions.

What do you want?

A business must first determine what it wants to achieve from social media: is it increased sales? Is it better customer interaction? Is it tailored marketing?

It needs to be clear about who it is trying to reach: is it customers or other businesses in niche markets? Each social medium, whether Twitter, Facebook or LinkedIn, has very different demographic profiles.

By engaging with online communities instead of trying to control them, we can manage our brands and enhance our reputations in the eyes of millions of potential customers.

Some say if the primary aim of a business is to connect with other groups in the sector, often known as business-to-business (B2B), a good place to begin would be to set up a professional profile on LinkedIn, often referred to as the business equivalent of Facebook. The purpose of LinkedIn is to allow registered users to maintain a list of contact details of people they know and trust in business.

There are other narrower niche sites offering social media tools that are specific to particular sectors of industry or interest groups such as Behance for graphic designers and GoodReads for books.

If a company is looking for a platform for business-to-consumer marketing, research gives Facebook the edge; its format allows for the inclusion of photographs, multiple outbound links, videos, surveys, promotions, direct engagement and other business-to-consumer applications.

Indeed, while some are widely known,

others aren't. The social bookmarking sites of Digg and StumbleUpon, sharing sites like Flickr and YouTube and sites that publish reviews and ratings such as Epinions and BizRate are also in the frame. Some sites have a more specific role such as Digital Photography Review, news aggregators (RSS, Google Reader) and three-dimensional networks (Second Life, Active-Worlds).

If you get your company's name out to many people in a variety of ways, it will spread faster and wider than ever before.

This is where viral marketing comes in, but it's not just a matter of making video adverts that wouldn't normally get past the advertising standards authorities and hoping bored teenagers and office workers will pass them on to their mates. It's a question of getting people talking about your product or service in a positive way.

If you sell insurance, for example, there will be people blogging about their experience with your company, discussing it in chat rooms, or posting about it on review sites. You may choose not to get involved in those chats, but you should at least make sure you know what's being said in them.

But there is nowhere to hide online. So make sure that every experience the customer has with your company is a good one. And we all know that bad news travels further and faster than good news does.

Dos and don'ts

Unfortunately, blogs and social media networks can be double-edged swords. On the one hand, they are powerful communications tools with extraordinary reach. While all seems fun in the world of online social networking, there are several concerns among users regarding identity and the potential for predatory behaviour against minors and other vulnerable people.

Also, it is easy for people to misrepresent their age, gender and location to form links for illegal or immoral purposes. Other concerns include accidental disclosure of sensitive information and the fact that data on social networking sites can fall into strangers' hands for unknown purposes.

You also never know where those embarrassing photos of your business posted by your friends will be used.

Don't let social media dominate your marketing. As great as the internet is, people still need to feel a connection with your company. Get away from your computer regularly and work on strengthening



Twitter and Facebook are two of the best-known social media applications that are transforming the way businesses and consumers interact.

PHOTO: LEON NICHOLAS

individual relationships. Don't forget that people want to do business with people.

Also, using networking sites requires discipline. And for those who prefer face-to-face contact, it can seem a bit impersonal. Then there's the puzzle of keeping your business life separate from your personal life. Don't post anything that you wouldn't want your parents, future employer or potential client to see.

Monitoring online chatter is a great way of alerting a business to potential problems. People might complain about a particular product, or you might notice a lot of complaints coming from a particular area.

Of course monitoring is only half the battle. A negative post needs an appropriate response. Companies must be prompt; consider responding offline; if it's factually incorrect, correct it quickly, and always be courteous. If you control the problem pub-

licly on the blog where the original complaint was posted you can create an advocate out of the person who posted the blog, as well as other people who visit the site.

The next few years will be a steep learning curve for many brand makers as they come to terms with the fact that online, they don't own the brand – consumers do.

By engaging with online communities instead of trying to control them, we can all manage our brands and enhance our reputations in the eyes of millions of potential customers.

Organisations, companies and corporations that have not yet ventured into the world of social media are missing a sizeable business opportunity.

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DILBERT



DIARY

Load of bull stymies US highway

A SPILL of frozen bull semen bound for a breeder in Texas triggered a scare that shut down a US highway during the morning rush hour on Tuesday.

The incident began when the driver of a Greyhound bus carrying the freight alerted a Tennessee fire department he had lost a part of his load while negotiating the ramp on a highway near Nashville.

When firefighters arrived, they saw "four small propane-sized canisters (that) began to emit a light vapour", said a fire department spokeswoman.

The bus driver turned around to retrieve the canisters. Once emergency personnel learned the smoking canisters were not hazardous and simply contained bull semen stored on dry ice, fire department workers cleared the ramp. – Reuters

Social media eclipse literature

BRITISH youngsters are ditching Dickens and Shakespeare for Facebook and Twitter, with one in six failing to read a single book in a month, according to a survey.

The poll, which questioned 18 141 children aged eight to 17, also showed less than half of youngsters choose to read a book outside of class at least once a month. Instead, children's exposure to the written word arises mostly from sending messages via texting, e-mails, and social networking sites.

"Getting these children reading... is the way to turn their lives around," said National Literacy Trust director Jonathan Douglas. With indications that reading frequency had a direct link to attainment, fresh approaches were "urgently needed" to encourage young people to read, the charity said. – Reuters