

# Media Development Impact Dashboard 2009

## Methodology

### I. Introduction

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Working in countries with a history of media oppression, **Media Development Loan Fund (MDLF)** operates as a mission-driven investment fund, providing independent media outlets with low-cost capital, solutions and know-how. The Media Development Impact Dashboard aims to capture the effectiveness of these efforts over the last nine years by examining how MDLF clients have changed in terms of their sales, audience size (“reach”) and financial viability. Using quantitative data collected from clients, MDLF strives to provide an objective, systematic measurement of the overall effectiveness of its work.

Financially independent media companies are capable of publishing or broadcasting news that holds governments to account, exposing corruption and driving systemic change. However, these successes are often anecdotal and difficult to measure. To better understand the strength and viability of these companies – the extent to which they are reaching the point of financial self-sustainability – in 2005, MDLF began to take a much closer look at clients’ detailed monthly financial reports. In addition to focusing on each company individually, MDLF started to analyze the data in new ways and ask more nuanced questions. These included: how many people have MDLF clients reached compared to previous years? How have the total sales of MDLF clients changed from year to year? Is the length of time a client has worked with MDLF a factor in these changes? MDLF also began using its existing risk rating scale to look at the financial viability of clients across its portfolio.

While annual results from clients are noteworthy, changes over time more accurately show the development of client businesses and the potential impact of MDLF’s work. However, it is in assessing these trends that the methodology for the Dashboard becomes particularly challenging. This report provides details of the three Dashboard indicators and also a summary of the key challenges: accuracy and consistency of data and measurements, and establishing change and causality. In previous versions of the Dashboard, MDLF has been open and transparent about its methodological shortcomings. This year is no different. Moreover, MDLF continues to actively examine ways of overcoming these constraints so that it can present the clearest possible picture both of MDLF’s work and that of its clients.

MDLF is convinced that the Dashboard is a credible attempt to measure its impact, as well as another step towards better understanding the role of below-market rate financing in the field of media development more generally. The Impact Dashboard 2009 – the fourth annual report – includes data for 28 current clients and 14 former clients, dating back to 1999 when MDLF began to compile client data consistently.

## II. Indicators

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MDLF measures its impact on the sustainability of independent media in two ways: **client impact** and **portfolio impact**. It uses several indicators for each.

### Client Impact

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Three indicators measure how client businesses are developing and whether they are moving towards financial self-sustainability: **sales**; **reach**; and **financial viability**. This section of the Dashboard examines how the length of time with MDLF impacts the indicators and how client results have changed from the previous year, 2007 to 2008.

#### Sales

The first indicator – “**sales**” – refers to income from circulation, advertising and printing services, which MDLF considers a reliable indicator of the “size” of a business. Unlike the “reach” indicator described below, growth in revenues is consistently a goal for MDLF clients, and data is readily available through monthly reports from clients and therefore more easily analyzed and less prone to subjective influence. However, an ongoing issue with the sales indicator, particularly when showing change over time, is that inflation has not been taken into account. To best show the percentage change by year, MDLF uses local currency for each country, utilizing the annual conversion rate. However, it remain unclear whether this is sufficient and we continue to examine this issue in preparation for the Dashboard 2010.

#### Readers, listeners and viewers (“reach”)

The second indicator – “**reach**” – refers to the total number of people who receive news and information from MDLF clients. Some MDLF clients have multiple media outlets – many operate both a publication and a website, for example. For such clients, their total reach was compiled for the Dashboard.

#### *Reach for print clients*

Reach for print clients is based on the circulation numbers submitted by clients to MDLF each month. MDLF then applies a “multiplier” to each publication’s circulation to account for the fact that multiple people read each copy sold. This is an industry standard for ascertaining readership.

In 2006, MDLF compiled multipliers identified by the World Association of Newspapers (WAN), an independent organization of newspaper publishers, and determined that a multiplier of **five** was the average and would serve as the default for print clients. An exception was in Russia and Ukraine, where MDLF’s regional office suggested using a lower multiplier of three in Russia and four in Ukraine.

## Client Impact continued...

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MDLF then asked each client to confirm that the default was accurate and, if not, to provide a replacement multiplier. Although in-country estimates for the multiplier are more likely to be accurate than an average determined from WAN's research, MDLF was aware that there might be a risk of overestimation. However, this has not proved to be the case. For the current Dashboard, 12 print clients provided their own multiplier, ranging from 2.3 for a client in Russia to 9 for a popular newspaper in South Africa. Of the 12, only 2 suggested increasing the multiplier from the default figure, suggesting that clients might in fact be conservative in their estimates.

To obtain a multiplier estimate, MDLF asked each print client a version of the following question:

*"Have you done research to estimate the number of readers per copy of the newspaper? If not, would a multiplier of five be reasonable?"*

### **Reach for broadcast clients**

Determining reach for broadcast clients is one of the most challenging aspects of the Dashboard. Unlike print companies, radio and television clients do not have concrete circulation numbers; they measure – or estimate – audience share/size. Generally, clients conduct external research but they do not always seek to measure it in the same way and it is not always done annually. The way in which companies choose to measure their audience varies widely in factors such as age of listenership or viewership and whether they are tracking prime-time or overall audience. Ideally, clients would provide audience data for the Dashboard gathered in a standard format but, as they use different methodologies and it is not MDLF's role to tell companies how to conduct their research, we are only able to ask each company to estimate its audience share.

Of MDLF's 12 radio and television clients in 2008, 9 provided new estimates for this Dashboard:

- Three provided external research;
- Five conducted their own research or put together their own estimates;
- For one, the source of the data was unclear;
- One new client was unable to provide data because they had not yet completed conducting their research;
- One of the clients that provided only an estimate expressed an interest in conducting more detailed research in the future.

For the two broadcast clients who did not reply, a static number was used with the assumption that their reach had not changed significantly.

## Client Impact continued...

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In its letter to clients, MDLF tailored a question to each broadcast company based on data from the previous year's Dashboard. Here is the question as it was sent to one client:

*"For 2007, you reported that there were 90 news stations added to your network. Based on the approximation that the average station has 30,000 listeners, you estimated that there were about 2.7 million new listeners in 2007 for a total of 18.176 million listeners. Is this your estimation for 2008 or should the number be update? Were there any new stations added in 2008? If the number should be updated, how did you come to the new figure? If possible, please include the audience share percentage of the universe and the total audience number we should use."*

### *Reach for online sites*

Two MDLF clients publish exclusively online, while 26 other clients maintain a website along with their primary business. 19 online clients provided website data for the Dashboard this year. Six clients who provided data for their websites last year did not do so this year, so the figures were kept static. In order to be included in the Dashboard, a client's website must have news that was updated on a regular basis, and it needs to have tracked the number of unique visitors to the site. Clients use data tracking software like StatCounter statistics, Nielsen/NetRatings and Google Analytics. For the most part, the data provided to MDLF was for the average number of visitors to the site on a monthly basis.

To obtain a reach estimate, MDLF asked each client the following question:

*"Did you track website traffic in 2008? If so, please provide the average number of unique visitors per month and let us know what tracking tool you used."*

### *Reach for news agencies*

Only one of MDLF's clients is a news agency – Beta Press News Agency in Serbia. Although Beta has been a MDLF client since 1999, and has been included in the Dashboard for two years, MDLF continues to consider how best to measure the company's reach. Beta's subscribers include all the major news media in Serbia, and the company views the entire population of Serbia as its audience. After discussing the issue with Beta and taking into consideration how other news agencies estimate audience size, a static figure for audience reach was determined. MDLF's estimate of 2.2 million started with the adult population of Serbia (6.2 million) and then factored in general newspaper reach (almost all news publications carry Beta reports) of 36 percent (2005 estimate from WAN's World Press Trends report). Although Beta has subscribers outside of Serbia, MDLF did not feel it was possible to provide a reliable estimate of this audience.

This reach estimate is used going back to 1999, as Beta's clients have always included major media outlets in Serbia and surrounding countries.

## Client Impact continued...

### Financial viability

The third indicator – “**financial viability**” – assesses the overall long-term sustainability of client businesses by using a MDLF-generated risk-rating scale. A composite of seven factors, the risk-rating scale assesses a company’s financial position, market position and management capacities. These risk factors are drawn from a larger set of measurements that MDLF uses to assess the risk of loss of each of its outstanding loans. Based on that risk assessment, MDLF sets the level of its loss reserves. MDLF’s management re-assesses the loss reserve three times each year for presentation to and approval by its Board of Directors. The year-end loss reserve is subject to review by MDLF’s auditors.

The factors are measured on a scale of one (minimal risk) to nine (maximum risk). A rating of five is considered the highest rating that is compatible with long-term sustainability and, consequently, MDLF strives to keep clients below this danger zone.

The seven factors and the type of questions asked for each include:

- **Earnings/operating cash flow trends** – Are earning trends substantial or strained? Is there excess operating cash flow and a strong track record?
- **Asset/liability value** – Are assets above average quality? Is leverage low? What is the liability type?
- **Financial flexibility/debt capacity** – Is there access to the best international banks or large banks? What are the credit rankings and status of debt capacity?
- **Industry/industry segment** – What is the level of industry cyclical and vulnerability to sudden economic or technological change? What is the capital intensiveness and operating leverage?
- **Position within industry** – Is the company a pricing leader and low-cost producer? What are the performance ratios in the industry, and where does the company rank?
- **Management and controls** – Is the company a world class organization with a highly experienced management team with continuity and depth? Does the company have modern and highly efficient facilities and excellent internal controls?
- **Financial reporting** – Does the company have a clean audit with no qualifications with a major or reputable accounting firm? Does the company provide detailed and reliable monthly reporting?

Another way of looking at financial viability, in the future, may be to break down the seven factors to see which are most volatile and whether there may be trends over length of time with MDLF.

## Portfolio Impact

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By collating individual client results, MDLF was able to measure the overall impact of MDLF's work using two of the three indicators above: **sales** and **reach**. In this section of the Dashboard, MDLF turned its focus to total growth in sales and reach over the years.

### Sales

In addition to identifying trends in total client sales year-on-year, MDLF compared annual reach and sales totals with its portfolio size to obtain an indication of the "leverage" of each dollar invested in the portfolio. Although there is no doubt that the revolving loan pool means that funds are used over and over to benefit independent media and that each dollar invested in MDLF's portfolio achieves more now than it did in 1999, MDLF continues to assess how this section of the Dashboard should be properly interpreted, as many factors may impact this increased leverage – such as companies seeking additional financing with higher rates of return and increasing profitability among clients.

### Reach

Aggregating client reach totals allowed MDLF to measure the overall number of people in developing democracies who receive news from its clients. Similar concerns as to the real meaning of the "leverage" findings apply to reach as to sales.

### III. Methodological Challenges

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MDLF faced two key methodological challenges when compiling the 2009 Impact Dashboard: accuracy of data and measurements; and establishing change and causality.

#### Accuracy of Data and Measures

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There are several persistent obstacles related to the accuracy of the data used in the Dashboard. The main issues include:

- **Consistency in reach data from broadcast clients:** As described above, MDLF's broadcast clients submit their audience numbers each year in response to MDLF's request for Dashboard data. The specificity – and frequency – of their audience research varies widely, but a best-faith effort is made by both the client and MDLF to be as accurate as possible.
- **The multiplier estimate:** As described above, MDLF based its multipliers for reach on research from WAN and determined a common multiplier of five for most clients and lower estimates for companies in Russia and Ukraine. From there, each client was asked if this was an accurate estimate, and if they provided a different number, that was used instead. Although using multipliers is the industry standard for establishing readership, elements of subjectivity are inherent in this process.
- **Past clients not included:** The 42 clients – past and present – included in the Dashboard are fewer than the cumulative number of clients that MDLF has worked with over the years. This is because rigorous monthly reporting has not always been required for some companies that received very small or short-term loans. Similarly, MDLF has sales data for 42 companies (28 current and 14 former), but reach data for only 38 (28 current and 10 former). For the 8 clients who are new to MDLF within the last year or so, data was collected from those (5) who were already able to provide it, but not included in this year's Dashboard because it was insufficient to make a year-on-year comparison; they will be included in future studies when the data becomes useful. Additionally, in some cases full reporting was not required of small loan clients.
- **Possible double-counting:** A problem of potential double-counting occurs in two situations. First in the overlap between consumers of a client's different news products. One client provided an estimate of the overlap between its print and online readers – others may also have estimates available – and there are cases where clients have multiple media outlets in the same city. Second, MDLF has several clients in Serbia that reach a national audience. MDLF will seek to address possible double-counting in both of these situations in future editions of the Dashboard.

## Accuracy of Data and Measures continued...

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- **Impact on portfolio:** A large percentage of MDLF's reach (nearly 60 percent) is due to one client – a radio network in Indonesia. Total reach in 2008 with this client included was more than 31 million; without the company included it was just under 12 million. As a successful long-term client of MDLF, it was correct to include the company. However, this has something of a distorting effect and presents a risk of diluting the impact of smaller clients. MDLF highlights this in the Dashboard by pulling out the results for that one client in the corresponding chart.
- **Possible redundancy with indicators:** To some extent, it may be redundant to use both sales and reach as indicators because there is some correlation between the two measures. Even so, MDLF determined that enough varying factors contribute to the sales figure to warrant a separate indicator.

In addition to finding concrete solutions to these challenges, MDLF may be able to compensate for some of these problems in future versions of the Dashboard by determining a margin of error.

## Establishing change and causality

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Many factors can impact an independent media company's growth and establishing exactly what change occurred to cause that growth is a complicated issue. To understand MDLF's impact, it is necessary to determine that change in a client's performance over time is due to the intervention of MDLF and not due to a general upsurge in the fortunes of media companies, some other specific factor or even random chance.

This would ideally require comparing the changes that occurred in the average media company (including non-MDLF clients) with the variations that occurred in each indicator across MDLF clients. Unfortunately, it is impossible to obtain the relevant data from companies that do not have a working relationship with MDLF due to the sensitive nature of such information.

However, it may be possible to gain some insight by comparing sales and reach figures to other additional data. For example:

- Tracking a client's progress against its business plan would show whether clients' sales and reach are meeting expectations. If growth matches business plan projections, it would suggest – though still not fully establish – that developments are due to MDLF support.
- Tracking the general or sectoral economic environment in which MDLF clients operate and comparing it to the growth of MDLF clients.

Even without data from clients' competitors, the causal link between MDLF's work and the Dashboard findings can be expected to become more apparent over time as MDLF's client base increases. MDLF clients are a diverse group taken from different regions around the world and various sectors of the media industry. The one thing they all have in common is MDLF involvement. As a result, as MDLF's portfolio of clients expands, it will become increasingly probable that the impact illustrated in the Dashboard is a result of MDLF's relationship with the companies.

#### **IV. Changes to the 2008 Edition of the Media Development Impact Dashboard**

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In 2006, the first Dashboard relied strictly on data collected each month from clients. Since then, MDLF has developed tailored questionnaires that request client feedback on multipliers, potential reach, internet reach and, for broadcast clients, audience estimations. However, there are limits to the demands we can place on clients; MDLF does not want to burden them with unreasonable and time-consuming requests when their energy could be better spent working on their business. So far, however, clients have been cooperative and supportive of our Dashboard efforts.

##### **Future improvements**

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We are convinced that accurately and objectively measuring MDLF's impact is in the best interests of both our clients and funders. We remain committed to improving the methodology used in compiling the Dashboard and, to this end, over the coming months will invite independent specialists to provide advice on how we might improve next year's edition. If you have any thoughts or suggestions on how we might improve the Impact Dashboard 2010, please email [mdlf@mdlf.org](mailto:mdlf@mdlf.org).