

# Inevitable that Caxton and I would fall out - Alec Hogg



By Gill Moodie

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Many in the industry really felt for [Alec Hogg](#) in October 2012 when he [walked away](#) from [Moneyweb](#), the company he built from nothing into a highly respected player in the media industry. Hogg tells Bizcommunity why he's philosophical about the move, what he's doing with his year's restraint of trade and what was so different about the values of majority shareholder [Caxton](#) and his own that made it impossible for him to stay on as Moneyweb CEO and a member of the board.



Alec Hogg

■ ***Because Moneyweb has become such an established, trusted brand, I think many people forget that when you started it (in 1997), people thought you were mad - that a business-news website was never going to last. You guys really were pioneers.***

**Alec Hogg:** You know, looking back, it's so interesting to me now that we were doing stuff that was way ahead of its time - and not because it was the internet but because of the way the business was structured. It was a collegial effort. Everybody got paid the same... Everybody was in the same boat. I earned what everybody else earned. It was a very flat structure and we would all benefit by pulling in the same direction (20% of pre-tax profit was distributed as bonuses every quarter).

Remember, I'd been in the media world most of my [career](#) and there were lots of things I didn't like about the way the industry was structured and run - primarily because I felt the talent was not being adequately rewarded.

In hindsight, something started going wrong when we listed on the JSE (in July 1999). On the one hand, it was good because we raised R10-million and, as a result, we were always going to survive. But on the other hand, it brought completely different priorities into play. We saw that it wasn't too long before we started differentiating salaries... Then, for instance, we started hiring sales people on commission - not on salaries (as was the case previously)... We were told when we listed that we had to hire a financial director who was a chartered accountant. Then we had to bring in auditors...

If it was today, I would probably go to a private investor to raise money and say: "Come along for the ride. This is why we're going to conquer the world". To make it worse we listed right near the top of the market (of the dotcom boom). The share price had a couple of good days but then it started declining...

### ❏ ***Did you ever think of delisting?***

**Hogg:** We always thought about it but the funny thing was that the business itself was actually growing and developing really nicely... A pure capitalist would say that was the time to buy it back from the market but, for me, I felt that we had about 1000 subscribers at Moneyweb who had bought in when we listed. And I still felt: "The business is so much better today than it was when we listed - even though the share price is not reflecting it". So it was always about: "We're all going to enjoy the benefits (of the growing business along with the investors)... In hindsight, maybe I should have been more of a capitalist. There are different motivations for different people.

### ❏ ***The radio show (now at SAfm at 6pm on week days) was always a profitable part of the business, wasn't it? It wasn't just a marketing tool?***

**Hogg:** The funny thing about the radio show is that it wasn't in the business when we listed. I had started that in 1997 (on SAfm) and that was where I earned my salary. I never really drew a salary from Moneyweb's other activities... In 1998 we switched to Talk Radio 702 on the understanding that we would get 16.5% of advertising revenue. When we started off there was no advertising revenue so we were paid a fee and the revenue share postponed. After about a year and I was into my third station manager, the new guy said: "I wasn't involved in this (negotiation). What's this revenue share stuff?"... And that's where (former Primedia CEO) Willie Kirsh and I fell out big time. Maybe he hadn't been party to those original negotiations. I thought that he had. But he felt that Moneyweb was his creation; that he had put us on the map with 702...

And you know, corporates sometimes do that. It's funny that when people get a lot of money to play around with, they become professional managers and they like using the power. They sometimes forget that we're all human beings and that we all have our own points of view...

### ❏ ***They become ruthless.***

**Hogg:** It was a mistake of Willie's. He's a different person today. He became very religious after he lost his company...

### ❏ ***Maybe you're not ruthless enough?***

**Hogg:** Ja, but that stuff also catches up with you, I think. But you know, I felt so bad that the internet wasn't delivering what we all thought it was going to deliver. If you remember, the dotcom crash came in January 2000 so before we listed, we had all these exciting projections that looked pretty conservative in the prevailing market but - with hindsight after 2000 - they were crazy.

We were then in a situation where I felt: "We must always be profitable. If you're profitable, you can't go out of business". It was that simple... The internet was booming. We were growing very rapidly. Our task was to avoid becoming roadkill and let the sector's growth take care of the rest. People like David McKay came on board to start [Mineweb](#) but only after we'd guaranteed his salary would be generated. Mineweb's an amazing business today in its own right. But that was the way it worked - on the basis that we never did anything unless we had the money in the bank to pay for it and, as a result, we were profitable. And we survived when almost everyone else went out of business.

But after listing, the radio show started becoming more important, especially when we left 702 and moved across to Classic FM where we were partners in the revenue generation. Our radio revenues grew by ten times through the Classic deal but, of course, we put a lot of our money into it. We rescued Classic FM. It was losing R400,000 a month and nobody wanted to fund it anymore. It was about to go out of business. We put in R8-million in shares and cash, paid off some of the creditors, injected working capital, downsized the staff and a couple of years later it made R6-million a year.

Then came another big decision: stay with the regional Classic FM or partner with the SABC. We'd been working for three years on a deal to enter the bigger Afrikaans market with RSG. It brought a national footprint with the promise of other opportunities at the SABC (owners of SAfm and Radio 2000, with which Moneyweb also had a relationship). It was a great

decision in the long-term, but we hurt a lot to begin with.

That's another reason why being a listed company was not a smart idea: you've got to make these tough decisions sometimes and you've got shareholders watching your every move and asking: "But why are you going from a really healthy profit to making a loss in the next?" The stockmarket does not reward long-term decisions and long-term investments - and media is all about long term.

■ ***Ja, for sure. Building your brand and building audience takes a long time.***

**Hogg:** It does. You've got to do things that are going to hurt you. That's why (Rupert) Murdoch is always very, very vociferous about his family controlling News Corp because the reality is that there's a lot of and up and down and he can make the decision to take a step backwards with the intention of taking a bigger step forward. That's what this business is all about. To have a small listed media company is actually nuts. If you're going to build something the right way and sustainably, then you're not going to be able to satisfy the short-term demands of shareholders.

■ ***I know you've got a year's restraint of trade but is it time to give up the media business?***

**Hogg:** Within a week (of leaving) I was approached by Vernon Matzopoulos (CEO of BDFM's Summit TV) - who's a bit of a kindred spirit because he's also entrepreneurial. But when I then approached Moneyweb to say: "What's the story if I want to do this with Summit?" they said no (because television will compete with Moneyweb's YouTube offering).

■ ***The restraint of trade seems very onerous because now's the time for you to start something new, surely?***

**Hogg:** You know, Gill, I'm a great believer in [Malcolm Gladwell](#)'s rule he explained in [Outliers](#). We all know some things that have taken 10000 hours to master. I could go into PR or something else - those kind of opportunities have come up. But you know, I've sat for the past 15 years trying to understand how our industry is transforming and changing into something very different. And now, I've got a year to almost do a Koos Bekker (the Naspers CEO who famously took a sabbatical to think about things) - to drop everything and to play, get all my ducks in a row so that, come the end of next year, I can see where opportunity lies.

Technology is transforming our industry radically and, when you're in it, it's very hard to see. When you're outside, you can quite quickly get a grasp of the threats to the old system - and (of the opportunities) in the disruption... In South Africa we haven't really experienced the massive changes that have happened elsewhere in the world. The tide is coming. You can hold it back for a period but you can't hold it back for ever. I've got a year to think about this.

■ ***Also, you love being a journalist. You love asking questions. That would be very hard to give up.***

**Hogg:** Ja, this is my industry. It's the thing that I know. It's the thing that I've done for 30 years. I didn't fall into it by accident. I knew what I wanted to do. But there's a lot wrong with the industry. That brings opportunity.

I don't think internationally - let alone in South Africa - we can really see how the business is going to change. I don't know. The only way to learn about it is by actually trying to find out more and by listening... A part of me is saying: "No, I'm going to fight this (losing Moneyweb)"... But that's a very immature and emotional response to what happened.

I think anyone who has built a business and sweated the way I did - and was so heavily invested emotionally and financially and every other way - if you have it taken away from you - and that's what's happened with Moneyweb; there's no other way to describe it - would understand this.

I actually encouraged Caxton to increase their shareholding. My ex-wife sold them 20-odd percent but it was my decision as to where those shares went. And I encouraged them to take it so that they would build up a bigger stake because I was under the impression that we could be partners. But corporates don't think like partners. It's not a case of them being bad people. It's just the way of the world.

Corporates have a different mindset - a different culture - to the way that the entrepreneur thinks. An entrepreneur is somebody who wants to build something because they think that they can do it better. They don't really want to be told what to do. A corporate on the other hand is there to live off momentum and take the low-risk option. It has a relationship with its

employees that is: "We will give you a job and we will pay you well but you do what we say you must do". So we had this clash of cultures that made it inevitable that at some point Caxton and I were going to fall out although (Caxton CEO) Terry Moolman tried his best to make me a part of everything that they did...

■ ***Is that what you meant when you left Moneyweb and said you couldn't continue there because you and Caxton had different values?***

**Hogg:** In hindsight, I can see that Caxton could never have operated in a way that would have made me happy - and vice versa. So are they wrong and am I right? Of course not. We just have different values...

I think the challenge here (for all in the industry) in the years to come is to choose whether talent attracts capital or the other way around. I've always been a firm believer that the world is changing; that the old hierarchical structures of capital making all the rules no longer hold true - that the future belongs to the talented, the geniuses, and the entrepreneurs. Not to someone just because he has a fat bank balance.

## **For more:**

- Alechogg.com: [Why I resigned from Moneyweb - and the next moves](#), October 2012
- *Business Day*: [Caxton pays R10.6m for Moneyweb shares](#), January 2011

## **ABOUT GILL MOODIE**

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