

MAC

Marketing, Advertising &
Communication Sector Code

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The Amended Marketing, Advertising and Communications Sector Code (MAC Code) was Gazetted on the 1st April 2016. The MAC Code applies to organisations who derive more than 50% of their profit from Advertising, Public Relations and Communication as marketing vehicles in all media, including digital platforms.

Welcoming the MAC Code is Solly Moeng, Managing Director and Senior Consultant at Cape Town based DonValley, Brand Marketing & Communications. DonValley falls into the category of organisations who are measured against the MAC Code. Moeng's unique perspective within the MAC sector stems from his experience working within a corporate environment and that of a consultant. He recognises the challenges of implementation, the current sector shortfall in meaningful Transformation, as well as the positive long-term impact of the MAC Code.

"The signing into legislation of the Amended MAC Code, will bring with it what some will no doubt consider to be onerous administrative responsibilities for businesses in this sector.

However, as with other sectors, it seems it is only when there is a stick hanging over their heads, supported by legislated imperatives, that businesses in the Marketing, Advertising and Communication fields will take real Transformation seriously. One only needs to attend many sector events, especially annual award events such as the PRISM Awards, to see the skewed racial representation and stubborn dominance in this sector, especially on the Ownership and Management Control side of things.

It cannot be denied, however, that efforts have been made in recent years to train and integrate young 'Black' practitioners, especially women, in middle and senior management positions. But more remains to be done, especially in creating opportunities for newly qualified graduates or, those seeking internship opportunities in the sector. The major task lies in seeing those who are in middle management positions progressing to senior management and, in some cases, Ownership of their own business.

Ownership should not be limited to buying shares in existing entities. The industry should play a role in facilitating the integration of new, 'Black' owned, agencies into the broader MAC food chain, for example through smart project partnerships. While it happens in all

sectors that the first three years will either make or break any new business, much needs to be done to ease new sector entrants from over-reliance on government projects. For some reason, new market entrants with heavy reliance on government contracts tend to fold as soon as such contracts conclude, as their capabilities are often not trusted by private sector clients.

If implemented correctly, the MAC Code will provide much-needed guidance and measurement tools to ensure compliance and faster implementation of Transformation. Furthermore, more people stand to benefit through smart procurement and Skills Development opportunities within the sector. The industry has much to gain by embracing the MAC Code, however seemingly onerous to implement at first glance."

The MAC Code contains a Values Statement, which forms the foundation on which the code is based, and commits itself to the following values:

- › Inclusivity and Diversity;
- › Soul of the Nation (pride in the South African brand);
- › Respect and Human Dignity;
- › Business and People's Needs (recognising that the industry serves business to create wealth);
- › Responsible Creativity.

The Large Entity scorecard consists of six elements totalling 124 points. Separate compliance targets are set respectively, until 31st March 2018 then from that day onwards. The Large Entity MAC Code scorecard is summarised below:

Element		Weighted Points
1	Ownership	25
2	Management Control	27
3	Skills Development	20 + 10
4	Enterprise & Supplier Development	42 + 4
5	Socio-Economic Development Initiatives	5
6	Responsible Marketing & Communications	5
Total Weighted Points		124 + 14

Similar to the Amended Codes, the size of an entity determines which scorecard is applicable to a particular entity. The MAC Code, however, sets different thresholds for the various sub-sectors as follows:

	Marketing, Advertising, Communication & Research	Public Relations
Exempted Micro Enterprise (EME)	Is determined by an annual turnover of R10 million or less.	Is determined by an annual turnover of less than R5 million.
Qualifying Small Enterprise (QSE)	Is determined by an annual turnover of between R10 million and R50 million.	Is determined by an annual turnover of between R5 million and R10 million.
Large Entity	Is determined by an annual turnover above R50 million.	Is determined by an annual turnover above R10 million.

Aspects and features unique to the MAC Code are as follows:

Ownership

Compliance targets exceed those of the Amended Codes as illustrated below:

Ownership element	Indicator	Prior to 31/03/18	Target from 31/03/18 onwards
Voting Rights	Voting rights of 'Black' people	40%	45%
	Voting rights of 'Black' women	20%	30%
Economic Interest	Economic interest of 'Black' people	40%	45%
	Economic interest of 'Black' women	20%	30%
	Economic interest of 'Black' natural people	3%	5%
	Involvement of 'Black' New Entrants	2%	4%

Management Control

Management Control includes Employment Equity targets. The scorecard is the same as the Amended Codes, other than the weighted points which differ.

Skills Development

The Skills Development scorecard measurement indicators are similar to those of the Amended Codes, apart from the weighted points and compliance targets which differ.

- › The Skills Development expenditure target for 'Black' people is 4% of leviable amount until 31st March 2018 thereafter it increases to 6%.
- › The compliance target for Skills Development expenditure for 'Black' employees with disabilities is 0.2% of leviable amount until 31st March 2018 thereafter it increases to 0.3%.
- › Targets for the two Learnership indicators are set at 1.5% of total employees until 31st March 2018 thereafter it increases to 2.5%.

“Ownership should not be limited to buying shares in existing entities.” -Solly Moeng

Enterprise and Supplier Development

Similar to that of the Amended Codes, other than the 31st March 2018 onward targets for the procurement spend on QSE and EME indicators being set at 20% of total measured procurement spend, as opposed to 15% in the Amended Codes.

Socio-Economic Development

This target is similar to that of the Amended Codes, other than the 31st March 2018 onward target which is set at 2.5% of Net Profit After Tax (NPAT), in contrast to the 1% NPAT within the Amended Codes.

Responsible Marketing and Communications

The MAC Code introduces a separate element measuring Responsible Marketing and Communications. A total of five weighted points are allocated against a target of 1% of NPAT, which increases to 2.5% from 31st March 2018 onwards. This element measures the value of contributions and participation within a sector specific programme, whereby an organisation promotes responsible behavioural changes in line with government's strategic objectives.

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