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Tale of Two Portals

This is a tale of two US-based African internet portals. One, Africa.com, finally admitted what had been obvious for months and slid into oblivion last Friday. It might have lived had its management followed the example of the other, allAfrica.com.

In the present climate, of course, the words dot-com, even without Africa anywhere near them, are not getting investors juices flowing, unless the juices are acid reflux.

By one count, the number of people laid off since December 1999 by US web ventures which failed to obtain the next tranche of funding or altered their business models to use a couple of common euphemisms is 54 855.

In the content business it is hard to imagine a better brand name than the New York Times. In the first nine months of last year, Times Digital, the company's internet unit, earned \$37,2 million in revenues, mostly from advertising, but still managed to lose \$46,2 million.

If the New York Times cannot make money attracting, daily, to its site hundreds of thousands of the world's most affluent eyeballs in a country where web access is as pretty close to free and universal, under what theory is a dot-com (as opposed to dot-org) about Africa going to work.

Not Africa.com's theory, for sure.

Africa.com, whose founder and CEO was an American fund manager, Justin Beckett, was launched in late 1999 with a \$10 million investment from the New Africa Opportunity Fund. Beckett managed this fund on behalf of, among others, Uncle Sam, who had arranged for it to borrow \$80 million -- two-thirds of its capital -- on a promise to repay lenders should the manager mess up.

Beckett purchased the name Africa.com from the SA company who previously owned it (and which was itself part-owned by Beckett's fund) for \$1,8 million. Lavish offices were set up in Chapel Hill, North Carolina, Beckett's home base, and Johannesburg, between which there was much first-class travel. The payroll was soon carrying nearly 60 employees.

Beckett was ultimately fired by his boss, Maceo Sloan, whose Sloan Financial Group had been chosen by the Clinton administration to run the fund. Its assets, including Africa.com, were later handed to another, less politically connected firm, Zephyr Management, in whose keeping it went into "hibernation" last Friday.

On paper, Africa.com had everything going for it. A name, an African and African-American management team with stellar resumes, and financing, which it spent like water on everything, it seems, an effective website. "The idea", one former executive has been quoted as saying, "was to do whatever it takes to go public in five minutes."

"The problem with venture capitalists," says AllAfrica's president Amadou Mahtar Ba, "is that they want a quick turnover. They want you to start by making your company look like a big gorilla and then do an IPO. They have no interest in the long term."

AllAfrica.com has been around a while in various guises. It evolved from Reed Kramer's Africa News Service, a North Carolina-based non-profit which has been producing stories on Africa for broadcast and print for at least 20 years. Kramer, a highly-regarded Africanist, launched an online service, still non-profit, when the internet was just starting to catch on. Ironically, Beckett was one of his board members.

Last year he commercialised the online service as allAfrica.com and moved it to Washington. It is run out of a former Victorian rooming house in a part of town that is to affluent Washingtonians what Johannesburg's central business district has become to the denizens of Rosebank. There are no Porsches in the parking lot. Inside, the money has been spent on technology and talent. Beckett had 58 people who seemed have difficulty updating their site. AllAfrica.com changes by hour with a complement of 20.

The company has contracts with some 70 African newspapers, including this one, plus the PanAfrican news agency (PANA), to feed it their editorial content by email. With the help of home grown software developed by Kramer's son, Kwindla, an alumnus of Massachusetts Institute of Technology's computer lab, every weekday around 400 stories are formatted, sorted, edited and placed on the site, each with a link to the source if on the web. Some original reporting is thrown into the mix. Pages are designed to load quickly, because bandwidth in Africa is narrow and expensive.

The main source of revenue at this point is the onward sale of the cleaned-up feed to newspapers, services like Nexis, Bloomberg and Reuters, plus Omnisky and Avantgo, which repackaging the site for wireless palm devices. The company also earns commissions by steering visitors to purchase books, music and other items from Amazon.com and other e-tailers.

Advertising provides income, but Kramer is glad that he does not have to rely on it even though the site is averaging around 4,5 million page views a month, 75 percent by mostly "high-end" North Americans. It is increasingly difficult to browse the web for African news without bumping into allAfrica.com, especially now it and the BBC are now promoting each other.

Before Beckett made his Africa.com play, allAfrica.com tickled his fancy. Kramer and his team needed the money, but they also cherished their way of doing things. The pump-it-up-and-take-it-public strategy was not for them, even when it was available before the dot-com bubble broke like a ripe boil.

For the time being, they rely instead on 10 unidentified "angels", six from Africa. The company is tightly held, and does not release financial details. "We are not averse to making money," Ba stresses. "But we want to build a strong business. We are not yet breaking even, but we are generating real revenues. Our business plan calls for us to be profitable in three years."

Lean, efficient and in it for the long haul, they probably will be.

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