

Nollywood: The Nigerian Film Industry

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1. Introduction

This paper analyzes the potential of Nollywood, the film production industry in Nigeria, Africa's most populated country. First, it will provide an overview of country, one of the fastest growing economies of the region, including an assessment of the Nigeria's recent economic performance and global competitiveness. Next, it will describe the film production cluster and analyze its unique strengths and weaknesses. The final section will present recommendations to further improve the competitiveness of Nollywood within Nigeria's economy and the global context.

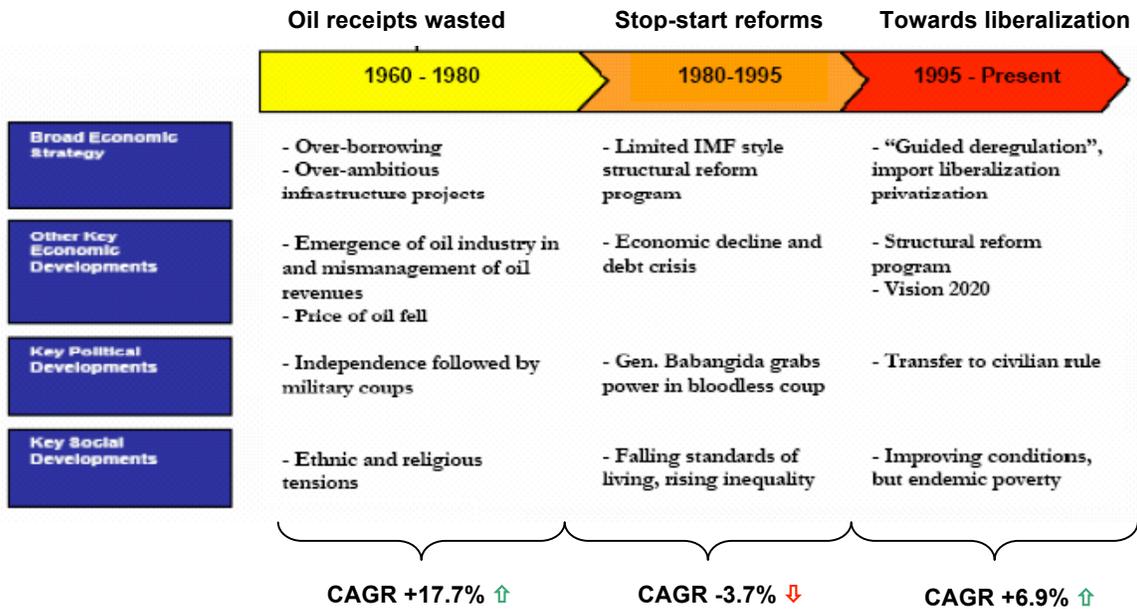
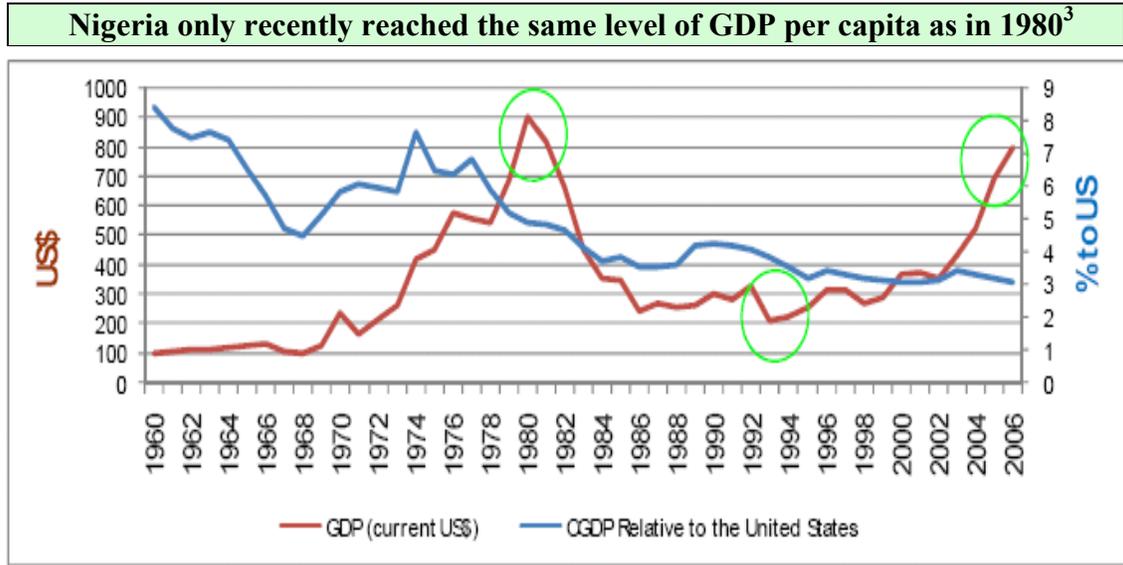
2. Country Analysis

The election of Umaru Yar'Adua, candidate of the PDP¹ and former Governor of Katsina State in the April 2007 elections, represented the first transfer of power between two democratically elected Presidents. The new Government continued to face the daunting task of reforming a petroleum-based economy, whose revenues had been wasted through corruption and mismanagement, and institutionalizing democracy. The Nigeria Industrial Development Strategy, created with the intent of promoting clusters in non-oil industries as the future engine of growth, was approved in January 2008 as part of a broader program that will be launched at the beginning of 2009, with the ambitious goal of positioning Nigeria among the world's 20 largest economies by 2020.²

¹ People's Democratic Party of Nigeria

² Country Profile 2008, Nigeria, EIU

Graph 1. *GDP per capita and relevant economic, political and social context.*



President Yar'Adua inherited a country with a turbulent history. After independence from Britain in 1960, sixteen military coups and erratic economic initiatives interrupted the country's progress. Domestic tensions can be traced to a highly

³ Country Profile 2008, Nigeria, EIU

fragmented population, with over 250 dialects and ethnic groups⁴, and to religious differences. Muslims, who represent approximately 50% of the population, are the majority in the north, and Christians, accounting for about 40%, are overwhelmingly in the south. The remaining 10% of the population adheres to indigenous beliefs such as animism⁵.

Nigeria has the tenth largest proven oil reserves in the world⁶, which has led to an increased demand for regional autonomy, especially in the Niger Delta. Natural gas reserves are also significant⁷, positioning Nigeria as the seventh largest reserve holder in the world and the largest in Africa. However, the majority of the population has not benefited from the country's rich natural endowments.

According to the Nigeria Living Standard Survey⁸ (2004) 51.6% of the population lives under US\$1 per day, with a higher incidence in the northern states and lowest in the relatively more developed south-east and oil-rich southern regions. Despite high oil revenues, infrastructure is in an abysmal state with only 57% of the population accessing safe drinking water, and a slightly lower percentage accessing adequate sanitation. The erratic electricity supply is one of the key impediments to business development with only about 30% of the population accessing electricity.⁹ Regardless of major investments in transport infrastructure (port capacity, roads, bridges and airports) in the 1970s due to

⁴ Hausa and Fulani in the north represent the 29%, Yoruba in the southwest 21% and Ijaw in the Niger Delta 10%

⁵ Nigeria Country Profile, Library of Congress, Federal Research Division, June 2006

⁶ 35.9 billion barrels

⁷ Estimated at 185 trillion cubic feet

⁸ Survey conducted by the National Bureau of Statistics (NBS) in 2004

⁹ Nigeria Millennium Development Goal Report, United Nations Development Program, 2006

the development of oil activities, the lack of maintenance and further investment led to a growing infrastructure gap. Domestic fuel supply remains a problem, and airports are considered among the worst in the world.

2.1 National Economic Performance

2.1.1 A Dual Economy

Nigeria displays the characteristics of a dual economy characterized by a strong oil sector with few links to the rest of the other sectors. The non-oil economy is heavily dependent on traditional agriculture, trade and some limited manufacturing. During the colonial era, cash crops were introduced, harbors, railways and roads were developed, and a market for consumer goods began to emerge. At independence in 1960 agriculture accounted for well over half of GDP and was the main source of export earnings and public revenue, with the agricultural marketing boards playing a significant role.¹⁰

However, the rapid development of the oil sector in the 1970s meant that it quickly replaced the agricultural sector as the leading engine of growth. According to official Nigerian government estimates, the oil sector accounts for 70-80% of federal government revenue, around 90% of export earnings and around 25% of GDP. Agriculture, which still provides employment for the majority of Nigerians, constitutes around 40% of GDP. In recent years, the manufacturing sector continued to decline to well under 5% of GDP, while services have continued to grow and currently account for the remaining 30% of GDP. The country is now a large importer of agricultural produce despite having been a significant exporter in the 1960s.¹¹

¹⁰ Country Profile 2008, Nigeria, EIU

¹¹ Ibid and Country Report 2008, Nigeria, IMF

The states in the south and around the major urban centers, such as Lagos State and Rivers State, have the highest population and the most developed economic structure. Much of the country's manufacturing is based around Lagos. In the north, population density is lower and economic activity is concentrated in the agricultural sector and agro-industry.

2.1.2 The Non-Oil Sector Has Grown In Importance

Since the return to civilian rule in 1999, the steep rise in oil prices coupled with higher oil production and increased growth in the agricultural sector: GDP growth accelerated and reached an exceptional peak of 10.4% in 2003, remaining in the range of 5.5-6.5% since then. However, GDP growth in 2006 and 2007 was not driven by the oil sector, since oil production growth was actually negative due to disruptions in the Niger Delta region. Instead, the strong performance of the non-oil sector has driven growth.

In addition to the agricultural sector, growth has been strong in the transportation and communications sectors, in particular in the aviation industry and mobile phones, and in the banking sector, since the consolidation carried out by the Central Bank of Nigeria¹² in 2005. Nonetheless, the oil sector is expected to remain the dominant factor in the foreseeable future. With the start of greater off-shore production that is less susceptible to militant activity, oil production should grow relatively strongly during 2008, which is expected to drive economic growth to around 7.5%.¹³

¹² Bank assets have grown by 162% from 2002 to 2006

¹³ Country Profile 2008, Nigeria, EIU and Doing Business Report 2008, Nigeria, World Bank

2.1.3 Global ranking

President Yar'Adua embarked on an ambitious structural reform program, signaling that Nigeria is “open for business”. The economy is experiencing its highest growth in the last 25 years and FDI is increasing rapidly. The country’s Global Corruption Index¹⁴ has slightly improved from 102nd of 118 (2006) to 95th of 131 (2007), although the country’s unfavorable reputation due to corruption remains very poor. The Human Development Index ranks the country 158th of 177 (2005)¹⁵. The U.S. Patent and Trademark Office granted 42 patents to Nigeria in the last 40 years, which compares well to neighboring countries, but reflects a very low absolute capacity for innovation.

2.2 Nigeria Diamond Analysis: National Business Environment

2.2.1 Factor Conditions

Strengths: Nigeria has enough oil to export for the next 40¹⁶ years at current production levels. Minerals and tourism are the two other main national endowments: Nigeria is the 6th largest tin producer in the world and for most of the 20th century exported 95% of the world’s columbite (used in electronic components). The country scenery brings around one million tourists a year¹⁷. Other important factors to consider in Nigeria are the growing remittances, about US\$3.3bn per year¹⁸; the lowest external debt per capita in Africa, just US\$7.7bn; and very high international reserves, US\$50bn. The country has a

¹⁴ Global Corruption Report 2007, Transparency International

¹⁵ Human Development Report 2007/2008, UNDP

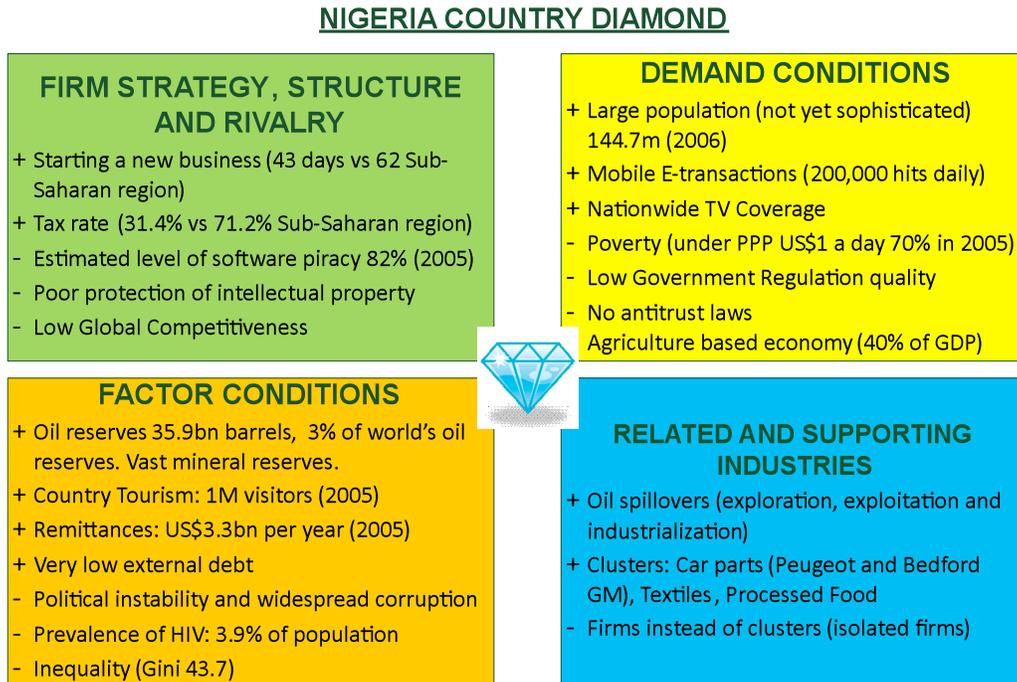
¹⁶ Nigeria produces 2,5M barrels per day (EIU)

¹⁷ Global Competitiveness Report 2007-2008, World Economic Forum

¹⁸ Country Profile 2008, Nigeria, EIU

growing demand of cellular phones with more than 12.4 million mobile phones, equal to 20% of potential mobile phone users.

Graph 2. *Country Diamond*.



Weaknesses: There are three strategic factor conditions where Nigeria needs to improve: governance, health, and infrastructure. Only 15% of the country's roads are paved¹⁹, and 52% of the population is without access to fresh water. Although energy generation has increased in recent years, 35% of the population does not have access to the electric grid. Furthermore, only 3.8% of the population has direct access to the Internet. The most worrisome weakness of Nigeria is its decaying health system, although in the last 7 years mortality rate has improved by 8% to 191 per 1,000 people. Life

¹⁹ World Development Indicators 2008, Nigeria, World Bank

expectancy is 46.8 years and the prevalence of HIV is 4% among the population between 15 to 49 of age.

2.2.2 Demand Conditions

Strengths: Nigeria is the most populous country in Africa and tenth in the world, and has the potential of being a huge market for many sectors, in particular in the two largest cities, Lagos and Abuja, with 8 million and 1 million respectively. Also, thanks to the large demand and growth of mobile phones in Nigeria, a few financial institutions are using the cellular devices for electronic transactions. Glo Mobile²⁰ registers more than 200,000 financial transactions daily. Financial institutions like the First Bank Nigeria offers mobile electronic transactions for most of their consumer products. Another cluster that can benefit from improved demand conditions is the television and radio networks. According to the BBC country profile “Nigeria’s media scene is one of the most vibrant in Africa. State-run radio and TV services reach virtually all parts of the country and operate at a federal and regional level.” Nigeria launched its first communication satellite named NigeriaSat-1 in 2003 aboard a Russian rocket. This satellite delivers national broadcast of television and radio to the country.

Weaknesses: A significant binding constraint for Nigeria’s growth is its high poverty and inequality rate. With 70% of the population living under US\$1 a day²¹ and a Gini Index of 43.7, the country faces a daunting challenge in creating much needed

²⁰ Largest mobile provider in Nigeria

²¹ Country Profile 2008, Nigeria, EIU

demand for its products and services. With the agriculture sector accounting for 40% of GDP, Nigeria needs to shift to more service related jobs and foster innovation.

2.2.3 Related and Supporting Industries

Strengths: Many supporting industries are connected to the oil sector and may benefit from the positive spillovers from oil production: for example, petrochemical, plastic, and fertilizer clusters. Also, experts claim that more than one hundred pipes burning natural gas could generate enough electrical energy to cover current demand. Nigeria has two small clusters of auto parts (Peugeot and GM) and textiles that have room for improvement.

Weaknesses: Since there have been no incentives to foster the creation and the development of clusters in the past, the country has relied on isolated firms producing cement, construction materials, footwear, ceramics, food products, and steel.

2.2.4 Firm Strategy, Structure, and Rivalry

Strengths: It takes 43 days to start a business in Nigeria, versus 62 in Sub-Saharan Africa, 40% fewer days. Worker's wages have increased from US\$90 in 2000 to US\$112 in 2005 per month. The average tax rate charged to the business sector is 31.4% versus 71.2% in the Sub-Saharan region. The solid mining sector enjoys tax holidays²².

Weaknesses: Nigeria lacks an antitrust law and it has generally weak legal and regulatory environment²³. The software market has an alarming 82% of piracy rate

²² Country Commerce 2007, Nigeria, EIU

²³ According to the World Bank Governance Indicators, the regulatory quality in Nigeria is -0.89 (-2.5 min)

(2005), contributing to a loss of more than US\$82m per year. There is no formal protection of intellectual property²⁴, which undermines the film industry. Nigeria also needs to improve its educational indicators to be more competitive: currently it has 76% primary completion rate²⁵.

2.2.5 Government

Strengths: The Government's ambitious reform program guided by the Nigeria Economic Empowerment and Development Strategy (NEEDS) is beginning to show results. The recent strong performance of the telecommunication and financial sectors demonstrate the growth potential once regulatory frameworks are established and macroeconomic conditions are favorable. The authorities are making efforts to achieve the Millennium Development Goals and have established targeted programs financed, for example, through a virtual poverty fund with debt relief resources. Oil revenue windfalls were directed into the "excess crude account" and used to build up savings and repay most external debt. The growing financial sector supports private sector activity, while Nigeria is increasingly integrating into global financial markets.

Weaknesses: The greatest challenge of the current government will be addressing the electricity supply problem. In general, reform will be impeded by deeply entrenched vested interests, pressure to adopt more nationalistic economic policies, the weak state of the civil service, and confusion caused by overlaps and contradictions between local, state and federal government actions.

²⁴ Country Profile 2008, Nigeria, EIU

²⁵ World Development Indicators 2008, Nigeria, World Bank

3. Nollywood: The Nigerian Film Industry

The Nollywood industry today is the biggest film industry in Africa and one of the leading industries in the world with respect to the number of films produced per year. A Nollywood film costs between \$40,000 and \$210,000 to produce and sell up to 120,000 copies locally and more when exported on video or DVD. Although the economic contribution of the Nollywood industry to the overall GDP of the country is not highly significant, it has notable value for the nation in terms of employing a large number of young people, spawning off or boosting related industries and decreasing inequality between the rich and the middle class. Looking at the industry today, it is hard to imagine that it started only 15 years ago with a modest beginning. This partly explains why the government has indicated its interest in promoting the industry, which has previously been self-financing.

3.1 Genesis of Nollywood

The first celluloid movies were introduced to Nigeria at the beginning of the twentieth century by colonial Britain, but an indigenous film industry failed to grow due to the prohibitive cost of raw materials and the lack of expert technicians.²⁶ As in other African countries, film production used to be a sporadic, elite cultural activity. At the same time, Nigeria experienced the growing success of the popular traveling theater along the Yoruba cultural tradition. Starting in the 30s and 40s in Lagos, Yoruba-speaking artists traveled around the country with performances that combined “music,

²⁶ Benibo (2008) “The Nigerian Film Industry (Nollywood)” Nigerian Film Corporation, p.2

dance, acrobatics and drama.”²⁷ This tradition flourished in the 80s and provided a platform where genuine storytelling about indigenous traditions, costumes and aspirations developed at great length.

The digital revolution in the film industry started at the beginning of the 90s, when digital camcorders substituted 35mm motion film cameras, and digital supports replaced celluloid as recording and distributing devices. The film production industry went into turmoil worldwide and rapidly adapted to the new technology. Nigeria had an abundant supply of digital technology coming from Asian countries eager to quickly renew their own stocks of technological devices. As a result, in the 90s Nigeria had an ample supply of cheap blank VHS tapes, Video CDs and DVDs, and VHS players reached a household penetration rate of approximately 57 million.²⁸

In 1992, Kenneth Nnebue, an electrical equipment salesman in Lagos, needed to dispose thousands of blank VHS tapes that were unsold in his store.²⁹ Armed with a cheap digital camera and a number of good-hearted friends, he shot a movie along the tradition of the Yoruba traveling theater and dubbed all the unsold tapes with the film, with the hope of making his tapes more palatable to costumers. “Living in Bondage,” a movie about human sacrifices, became an instant hit and gave birth to the modern Nollywood.³⁰ The film industry in Nigeria now produces more than 2000 movies a year,

²⁷ Künzler (2006) “The Nigerian Video Industry as an Example of Import Substitution,” p.1

²⁸ Ibidem, p.11

²⁹ The Economist (2006) “Nollywood Dreams;” Malaysia Sun (2008) “Nigeria’s Little Known Film Industry Spring a Surprise.”

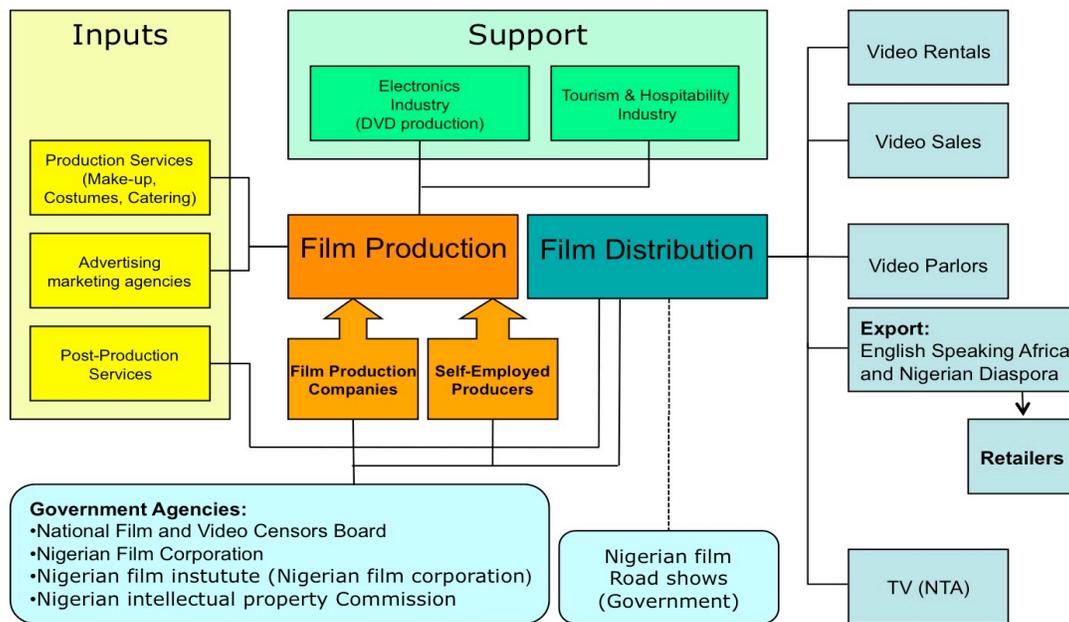
³⁰ Onishi, Norimitsu (2002) “Step Aside, L.A. and Bombay, for Nollywood.”

employs over a million people, and shows total sales of US\$200-300 million per year.³¹ The digital miracle hit the cultural industry in a developing country like it never happened in history.

3.2 Mapping of the Cluster

The basic unit of the cluster is the film production, which characteristically includes both formal production companies and informal, self-employed producers. This duality reflects the high level of informality of the Nigerian economy, estimated around 40-45% of GDP:³² individual, self-employed producers often operate for years outside any recorded economic transaction, making difficult to accurately trace the basic data of the industry. We employed several proxies to tackle this issue, as explained further on.

Graph 3. *Actors in the Film Industry Cluster.*



³¹ The Economist (2006) “Nollywood Dreams.”

³² BBC Business News (2001) “Nigeria ‘fuelled’ by black economy.”

Both film production and distribution have strong linkages with collateral industries created to provide the services needed for production and post-production. A DVD manufacturing industry was created directly after the rise of Nollywood and, with the tourism industry, is the strongest collateral industry that the cluster shows.

As Graph 3 indicates, the government has variously tried to intervene into Nollywood through many agencies and initiatives with alternate results, like the National Film and Video Censors Board (NFVCB) and the Nigerian Film Corporation (NFC). There is ample space for a more strategic government intervention in the industry. One of the most successful interventions has been the promotion of Nigerian films within the country through road shows.³³

On the end side of the market chain, films are typically distributed through direct sales, individual rentals, or shown in video parlors. Recently NTA, the main Nigerian state-operated TV channel, has started to show Nollywood films; movie theaters keep instead showing mainly American or Indian blockbusters, and they constitute potential development for the future of distribution within the country.

3.3 Value Chain Analysis

3.3.1 Production

The production process starts with a script, which is taken up by a producer to turn into a film. The producer hires the director and the technical crew for the production, and makes arrangement for the filmmaking equipment. The duration of shooting a film generally ranges from 10 to 20 days. Films are made in digital format, which reduces the

³³ Mba (2007) “Setting the Scene: The Nigerian film industry – Yesterday, Today and a Glimpse of Tomorrow!”

cost of editing, that takes about 1 to 2 weeks. So, the entire process of making a film is usually completed within 4 to 5 weeks. In Hollywood and Bollywood the format used is 35mm and the entire process of filming from start to finish easily takes several months, even more than a year for bigger-scale projects.

Graph 4. *The Value Chain.*



3.3.2 Distribution

After a film is completed, it goes directly to video stores for rental and sales. There is very limited theatrical release due to (1) the severe dearth of theatres across the country, and (2) the specific audience of these films, the rural and urban poor, who cannot afford to go to theatres. This is also significantly different from the other film industries, where the main source of revenue comes from box receipts – so the DVD release is postponed till the production company feels that they have made enough revenue from theatrical releases.

In Nigeria, there are limited options for formal distribution channels, a phenomenon that has given rise to scores of informal distribution channels which make and distribute illegal copies of the DVDs. There is almost no formal channel for distribution to international markets.

3.3.3 Consumption

End-consumers generally rent or, to a lesser extent, buy DVD/ VCD or VHS copies of films once they are available in stores across the country. A small segment of the society sees movies in theatres. For the less affluent portion of the population, there are some lost-cost movie screenings in rural areas using video projectors. The following table gives a broad comparison of Nollywood with other major industries.

Table 1. *Hollywood, Bollywood and Nollywood.*

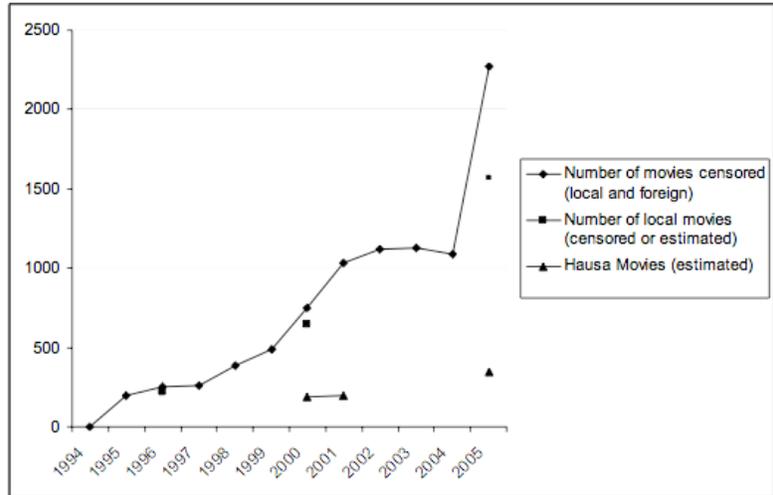
	Hollywood	Bollywood	Nollywood
Format of Films	35 mm	35 mm	Digital
Films Produced	815	1041	2300
Major Rev. Source	Theatres	Theatres	DVD Rentals

3.4 Performance of Nollywood

The number of films produced per year has grown from virtually none in 1992 to an estimated figure of over 2000 movies in 2006. Following Künzler (2006), we use the amount of film censored by the National Film and Video Censors Board (NFVCB) as an indicative proxy for estimating the number of films produced and the production trend over the past decade (see Graph 6); other sources confirm the magnitude of this figure and its exponential growth.³⁴

Graph 5. *The output of the Nigerian video industry from 1994 to 2005.*

³⁴ The Economist (2006) “Nollywood Dreams;” Mba (2007) “Setting the Scene: The Nigerian film industry – Yesterday, Today and a Glimpse of Tomorrow!”



Source: Künzler, 2006.

Conservative estimates of revenues from film sales indicate a figure of approximately US\$97 million.³⁵ Since the bulk of the revenues comes from DVD and VHS rentals and video parlors, estimate of the total revenue of the industry are about \$540 million.³⁶

The film industry has also created huge employment for specialized technicians (cameramen, soundmen, electricians, editors) and indirectly has contributed to employment growth in the tourism industry as well as the connected electrical equipment cluster. Government sources indicate the total number of people working in the industry as over 1 million, whereas more conservative estimates put this figure at 500,000.³⁷ In any case, the industry has developed into a profitable cluster without the intervention of the government, creating positive anomaly not just within the developing countries of the

³⁵ Mba (2007) “Setting the Scene: The Nigerian film industry – Yesterday, Today and a Glimpse of Tomorrow!”

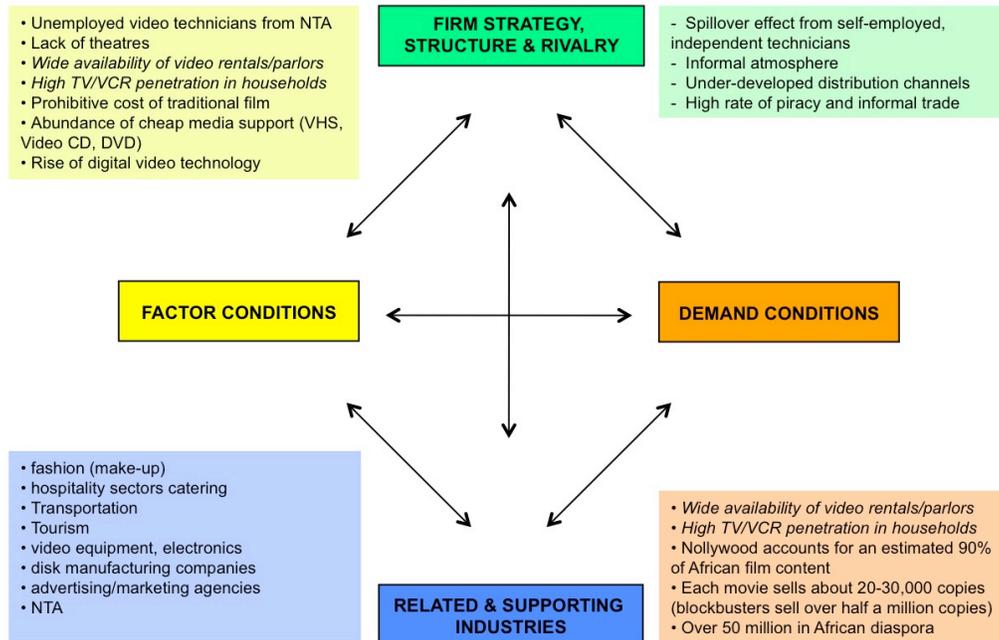
³⁶ Ibid

³⁷ Ibid

region but also compared to the cultural industries of the developed world, all used to be dependent from government subsidies.

3.5 Nollywood Diamond Analysis

Graph 6. *The Cluster Diamond.*



The success of the film production cluster in Nollywood was at first primarily based on the specific factor conditions present in Lagos at the beginning of the 90s, which interacted with the peculiar demand of culture in the form of movies that the Nigerians increasingly asked, and the digital revolutions happening worldwide in moviemaking. In the following sections, we analyze in detail the different elements of the Nollywood diamond, which are summarized in Graph 7 above.

3.5.1 Factor Conditions

The Nigerian Government inaugurated in the mid-seventies the Nigerian Television Authority (NTA), which became relatively successful in the eighties.³⁸ This success created a workforce of skilled technicians in the crafting of indigenous video productions, like cameraman, electricians, film editors and writers. NTA also subcontracted many productions to independent companies, besides offering work opportunities to local advertising agencies and talent-hiring agencies. The government thus helped to form and train a relatively abundant number of skilled workforce.

The NTA changed its strategy in the early nineties, when it decided to sever its ties to the local producers and started favoring the import of video productions from South America, in particular soap-operas from Mexico. The local production was almost brought to a halt, creating the conditions for a successful redeployment of this workforce into the newly born Nollywood.

Lagos did not have a single movie theater from the 80s, when existing theaters were converted into churches, until 2004, when the first Cineplex was inaugurated in the biggest city of Nigeria and Sub-Saharan Africa.³⁹ However, there was ample availability of Video Parlors throughout the country. Video Parlors are small huts or barracks where a local entrepreneur buys a TV set and a VCR or DVD player, and plays the film for a small fee. According to NFVCB, there are 6,841 Video Parlor registered in the country, and an estimated 200,000 unofficial parlors.

³⁸ Igwe (2008) “The Plight of a Nollywood Producer.”

³⁹ Borzello (2004) “Take two: Cinema returns to Lagos.”

Films started to be rented in markets or official video rentals for a small fee (approximately \$0.17 in 2006),⁴⁰ and the diffusion of markets made this distribution channel powerful because readily available. Lagos alone has an estimated 100,000 video sales/rental shop, while Nigeria has an estimated 500,000.⁴¹ The rental industry developed thanks to the presence in the country of 57 million video recorders in Nigerian households, and estimates indicate that the total number of televisions per household is about 44 million.⁴² At the same time, the availability of cheap VHS tapes and Video CD, imported from growing Asian economies in the process of changing their standard to DVDs, was another important factor.

3.5.2 Demand Conditions

While the estimated contribution to the Nigerian GDP of the film industry was to be about \$661.5 million for 2005, or 0.7% of total GDP, the relative size of the internal cluster as compared to other “culture industries” in Africa and even in developed countries is remarkably strong. According to NFVCB, the Nollywood’s revenues (estimates) can be subdivided according to Table 2.

Table 2. *Nollywood’s Revenues.*

Rentals	Sales	Box-office receipts	Exports
US\$328 million (at US\$0.26 per rental)	US\$149.8 million (at US\$ 2.3 per copy)	US\$4.8 million	US\$107.6

⁴⁰ Künzler (2006) “The Nigerian Video Industry as an Example of Import Substitution,” p.11

⁴¹ Benibo (2008) “The Nigerian Film Industry (Nollywood)” Nigerian Film Corporation, p.2

⁴² Künzler (2006) “The Nigerian Video Industry as an Example of Import Substitution,” p.11; Benibo (2008) “The Nigerian Film Industry (Nollywood)” Nigerian Film Corporation, p.2

Each movie sells on average 20,000-30,000 copies, while Nollywood blockbusters can sell over half a million copies.⁴³ The consumer is avid at popular stories of Yoruba, Igbo and Hausa traditions and is happy to consume cultural products that depict its daily life, as opposed to the American and Indian blockbusters and the Mexican soap operas that NTA showed in abundance.

Nollywood turned to English language almost from its inception because it saw the potential to distribute films not only throughout the country, but everywhere in English-speaking Africa. In addition, there are an estimated 169 million Africans in the Diaspora across the world that could be a potential huge market.⁴⁴ The UK alone has around 2 million Nigerians, and local video rentals show a high demand for Nollywood films.⁴⁵

3.5.3 Related and Supporting Industries

The rise of Nollywood sparked the formation of a thriving cluster of disk manufacturing companies that supply the industry with part of the needed optical supports: there are now over twenty-five plants in the country capable of producing over 500,000 optical discs (Video CDs and DVDs) every day.⁴⁶ In addition, IIPA reported the presence of 15 pirate operations, not licensed by the government, mostly run by

⁴³ The Economist (2006) "Nollywood Dreams."

⁴⁴ Luna (2007) "African Diaspora Key to the Continent's Development."

⁴⁵ DFID (2004), "Country Assistance Plan for Nigeria," p.13.

⁴⁶ source

management from China, Malaysia and India.⁴⁷ A smaller sized cluster of producers of electronics (in particular DVD players) also appears to be thriving.⁴⁸ The proximity of the suppliers of the optical and magnetic support to the film cluster helps the former to target its production tightly to the forecast of the local ongoing production.

NTA has tapped into the booming production of Nollywood films by outsourcing some of its production to local workforce, in addition to showing regularly Nollywood films. While it would be difficult to estimate the impact that Nollywood had on tourism in Nigeria, the branding of Nollywood has indirectly positioned the overall Nigerian cultural industry at the forefront of the African landscape, thus possibly stimulating indirectly indigenous and foreign tourism, also in concordance with the numerous local film festival. Other industries are directly connected with Nollywood and have strict working relationships and exchanges of knowledge: for example, the transportation industry (rentals of vans during film productions), the advertising and marketing agencies, and the general fashion (make-up) industry.

3.5.4 Firm Strategy, Structure and Rivalry

Nollywood is geographically located in the Surulele area of Lagos, a residential and commercial area of the former capital of Nigeria. The proximity of the producers, directors, and technicians has favored a spill over of knowledge being accumulated within a production company, and quickly redeployed in another. The cluster is thus more similar to the independent film production industry of New York than that of

⁴⁷ International Intellectual Property Alliance (2007), “2007 Special 301: Nigeria,” p. 349.

⁴⁸ Ibidem, p.350.

Hollywood, where the industry is more geographically dispersed within greater Los Angeles.

Nollywood was born out of fierce competition among many independent film producers, and competition continues to characterize the cluster, with an average of about five movies released every day and an estimated average industry growth rate of 20%. Film production almost calls for the existence of a cluster in that it requires diverse skills provided by different resources: the closer they are, the easier is to complete a movie. It is in fact irrelevant where the shooting will actually take place, be it in the North or in the Southeast coastal towns. The competitive advantage is created by the proximity of the production phase, and Nollywood could never have reached the level of business maturity had not been for the geographical vicinity of all its participants. Since the cluster was created out of brand new technology, people involved literally learnt skills within on-going productions.

Since the cluster developed in a business area almost aloof with norms and regulations, the Government has tried in the past few years to provide framework for competitions and incentive. In particular, two initiatives are worth mentioning: 1. New Distribution Licensing Framework (NDELFF), which includes efforts to streamline and formalize the distribution process, and develop links with international distributors; 2. Nigeria in the Movies Initiative, which is a broader project that includes issues ranging from global market expansion and international business links to developing technical competency and curbing piracy.

4. Strategic Issues

Nollywood is a relatively young industry but it has shown clear indications of great potential. However, at this critical juncture of its growth phase, it faces some crucial bottlenecks that can impede the industry and the nation from benefiting from its full potential.

- *Gross violation of intellectual property:* When the Nollywood industry was in its initial phases, piracy was a positive factor rather than a deterrent, since it facilitated in distributing film copies across the country in a short span of time and thus helped in popularizing Nollywood films to the masses. Now, however, the scenario has changed and piracy has turned into a menace. Nollywood has now become a popular industry domestically but the profit margins from a film remain low and unpredictable, one major reason being that producers are not always able to make adequate profit margins on their investments due to piracy. Although there are laws against piracy, these are hardly implemented, leaving scope for “film pirates” to control a large part of the distribution and retail outlets.
- *Inadequacy of formal distribution channels within the domestic market:* Another major challenge that the industry faces is the inadequacy of formal distribution channels, thus making the industry much more vulnerable to piracy than they otherwise would be. The fact that a large section of the audience of Nollywood films lives in sub-urban and rural areas scattered across the country adds to the complexity and challenge of distribution through informal channels.
- *Lack of distribution channels with the international market:* The Nollywood industry currently does not have established links with international distribution channels.

Although copies of Nollywood films can be found in a few video retail outlets in some major cities in the US and Europe, those are often pirated copies. The producers of the film get little or no financial benefits from the revenues generated from selling these. Most of the export revenues generated come from other African countries rather than the US and Europe, where the profit margins and royalty fees can be much larger.

- *Lack of access to financing*: Currently, the Nollywood industry has almost no access to formal financing mechanisms. The independent self-employed producers generally re-invest the revenues earned from one film for the next one. Due to the unpredictable nature of the profitability of a film, the banks and other financial institutions do not have procedures for assessing the credit-worthiness of film projects. This significantly hampers the growth of the industry and discourages producers from innovating and pushing the boundary in terms of quality.
- *Lack of technical skills*: Due to the lack of formal training institutes in filmmaking, the industry severely suffers from inadequacy in technically competent people. While the initial technical base of the workforce came from former employees of the Nigerian Television, there has been little scope for training and capacity development of the personnel involved in the industry. This is evident in the relatively deficient quality of Nollywood films when compared to Bollywood or Hollywood films. Improvement in quality is essential if Nollywood has to make a mark in the global film industry and reach a global audience.
- *Lack of branding*: The inadequacy in global marketing of the industry is evident from the fact that relatively few people outside Africa know about the Nollywood industry.

Without a branding of Nollywood, it would be difficult for this industry to compete with other well-established industries at a global scale. Currently, international marketing is more focused on individual films rather than the industry as a whole, without which a national-level industry branding will not get established.

5. Policy Recommendations

The industry has come this far with relatively little support or patronage from the government. For the industry to rise to the next level, government support in certain key areas will produce a major boost. In addition to economic gains, growth in the industry can lead to major political mileage for the government with respect to increasing youth employment, reducing inequality and improving the image of Nigeria across its borders.

5.1 *Recommendations for the Nigerian Government*

Recommendations for the Nigerian government has been divided into short, medium and long term, based on the immediacy of needs and ease of implementation. While the Government of Nigeria has taken some laudable steps towards providing support to Nollywood, the efforts need to be more targeted and prioritized based on the needs of the industry. The following recommendations provide a guideline to the steps that the government may take.

Short-term

Anti-piracy implementation: The government already has anti-piracy laws in place that are hardly put into practice. Due to the strategic nature of the Nollywood

industry, the government may create a special task force with the police department to fight piracy in this industry similar in nature to what the Indian government created for fighting piracy in the software sector. This special task force may be given special responsibilities to randomly raid video stores that allegedly carry pirated film copies. The force may also be given special power to put heavy fines or even arrest owners of stores that are caught selling pirated film copies.

Formalize distribution channels within Nigeria: Another effective method for fighting piracy may be to formalize distribution channels within Nigeria as much as possible. There are many distributors, video retail stores and rental outlets which are not licensed. The government may want to create strict policies and fines against unlicensed operators to encourage these entities to acquire government license. This would significantly reduce the incentive for selling pirated copies of films.

Ensure safety in theatre “regions”: One of the most under-utilized sources of revenue for the Nollywood industry is movie theatre since there is currently very limited revenue generated from box office receipts, although there was a time during the 1960s and 1970s when there was a cinema-going culture in Nigeria. It is commendable that the government has taken steps to create theatres and bring that culture back; however this process can only be sustainable and expandable across Nigeria if this sector is opened to the private sector. The task of the government is to provide a safe environment where movie theatres and the incentive to go to these theatres can flourish – if the government itself gets into the business of creating theatres and running them, it can run the risk of developing non-profitable enterprises due to lack of proper management.

Support in organizing film festivals in and outside Nigeria: An area where the government can immediately and effectively play a significant role in is in sponsoring or organizing film festivals that recognize the film talents in the country. It should also organize festivals in locations outside Nigeria which have a significant African Diaspora such as the US and the UK. This will help develop a “fan-base” of Nollywood films across the world, which can be leveraged for international distribution and marketing.

Medium-term

Mobilize domestic capital: One of the biggest hindrances to growth of the Nollywood industry is access to finance. While the government cannot directly enforce policies for private banking institutions to provide financing to film producers, it can help develop mechanisms to assess the potential profitability of a film and encourage financial institutions to share risks in producing a film. The government can also create its own fund to patronize producers in a policy of joint investment and profit-sharing.

Develop formal distribution channels within Africa: Since the biggest export revenues come from other African countries, the government should take steps to formalize distribution channels within Africa before putting emphasis on markets beyond Africa. The government may facilitate the process of producers and distributors in Nigeria linking up with distributors and broadcast media in other African countries.

Develop training institutes: The government should take steps to establish formal training institutes for filmmaking and facilitate the process of technology and knowledge transfer from other film industries across the world. Right now, there are

some small private initiatives, which are more like tutoring services rather than full-fledged training institutes with recognizable certifications. To make the industry more mature, there is a strong need for formal centers of learning and training.

Long-term

Help create branding for Nollywood: For the industry to gain worldwide recognition, it is essential to create a Nollywood branding. There is no major film industry in Africa other than Nollywood that represents the culture of the native African population. Nollywood is in a very unique and strategic position to represent an entire continent in the global film industry. The government should take specific steps to develop a Nollywood branding, such as organizing African film festivals in major cities across the world, patronizing Nollywood producers for sending their films to international film festivals, and developing a global marketing strategy for the Nollywood brand.

Develop extensive international distribution channels: In addition to establishing formal distribution channels within Africa, it should look beyond the continent and link up with global distributors. While it may be difficult with link with distributors which deal with multi-million dollar movies, there are many international distributors in the US and Europe which distribute movies with smaller budget and can also target specific ethnic and racial communities.

5.2 Recommendations for the Film Industry

Anti-piracy campaigns: While the government has the major role in fighting piracy, the industry can also play an important role in raising a social awareness against buying pirated copies of films. Since even the original copies are priced at a very reasonable level, this kind of a campaign may resonate with the Nigerian population if it is linked with the success and growth of the Nollywood industry as a matter of national pride. The stars of the industry may be engaged to serve as the face of this national-level campaign.

Create Training Institutes: The industry associations should take up developing a training institute as an explicit aim. The association can hire professional management team to coordinate the operations of this training institute. If quality can be ensured, the certification from this institute can be a well-recognized barometer of the competence of an individual. Due to the recognition of Nollywood in the rest of Africa, it is conceivable that this institute can also attract students from other parts of Africa.

Create Nollywood Fund: The industry associations may come together to develop a Nollywood Fund that can provide scholarships to talented filmmakers to study abroad, extend support for deserving filmmakers to go to film festivals across the world, and to sponsor film festivals and awards.

6. Conclusion

Nigeria has never been short of ambitious blueprints formulated to propel the country to realize its potential and more. What has been lacking is an understanding by its rulers and policy-makers of the pivotal role of economic incentives in stirring individuals and firms to create wealth. In order to success in the future, the private sector should play a major role in facilitating funding for Small and Medium Size Enterprises (SMEs) in the film industry. Institutes of Collaboration (IFCs) should pool the interests of businesses, especially SMEs, to coordinate training and learning centers around Nollywood. Finally, the Government should facilitate the creation of a proper holding environment for this budding industry to flourish.

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Appendix

Graph 7 – Country data on GDP from 2000 to 2005 (Source: EIU)

Country Data (2000-2005)	Units	2000	2001	2002	2003	2004	2005
Gross Domestic Product							
Key indicators							
GDP (% real change pa)		5.3	4.4	3.8	10.4	6.4	6.5
Nominal GDP (US\$ at PPP)	PPP bn	133.6	154.2	159.3	179.9	195.8	215.2
Structure of GDP (% of GDP)							
Private consumption (% of GDP)		43.8	41.8	49.4	43.9	38.1	40.9
Government consumption (% of GDP)		22.8	26.5	24.7	23.7	22.2	21.8
Ratios, GDP at factor cost (%)							
Agriculture/GDP		28.8	30.6	31.2	26.4	16.6	16.9
Industry/GDP		43.6	47.8	43.8	49.4	56.9	56.0
Services/GDP		27.6	21.6	25.0	24.2	26.5	27.1
Demographics and income							
Population	m	123.3	126.6	129.9	133.2	136.5	139.8
GDP per head (US\$ at PPP)	PPP	1080.0	1220.0	1230.0	1350.0	1430.0	1540.0

Graph 8 – Comparative economic indicators, 2006 (Source: EIU)

Comparative Economic Indicators (2006)	Nigeria	Ghana	Côte d'Ivoire	Came-roon	Gabon
GDP (US\$ bn)	117.1	11.9 ^a	17.6 ^a	16.5	9.0
GDP per head (US\$)	813	518 ^a	928 ^a	906	6,866
GDP per head (US\$ at PPP)	1,628	1,229 ^a	1,652 ^a	1,851	14,019
Consumer price inflation (av; %)	8.2 ^b	10.9	2.4	5.1	4.0 ^b
Current-account balance (US\$ bn)	13.8	-1.0	0.5	0.0	1.7
Current-account balance (% of GDP)	11.8	-8.7 ^a	3.0 ^a	-0.1	18.9
Exports of goods fob (US\$ bn)	59.1	3.7	8.2	3.6	6.0
Imports of goods fob (US\$ bn)	-31.1	-6.8	-5.0	-3.1	-1.7
External debt (US\$ bn)	7.7	3.2 ^a	13.7	3.2 ^b	4.4
Debt-service ratio, paid (%)	10.2	3.7	1.3	11.6	1.3