



**STRUCTURED DISTRIBUTION:
IMPERATIVE FOR THE SURVIVAL OF NOLLYWOOD**

6th African Film and TV Programmes EXPO: BOBTV 2009

ALTERNATIV

Fresh thinking.

OUTLINE OF PRESENTATION

- Our Vision
- Our Mission
- Our Ethos
- Our Approach
- Global Industry Structure
- Local Industry Structure
- Current Position Assessment
- Industry Revenue Potential
- Conclusion

Vision

***Promote economic development by
creating wealth opportunities for
businesses***

Mission

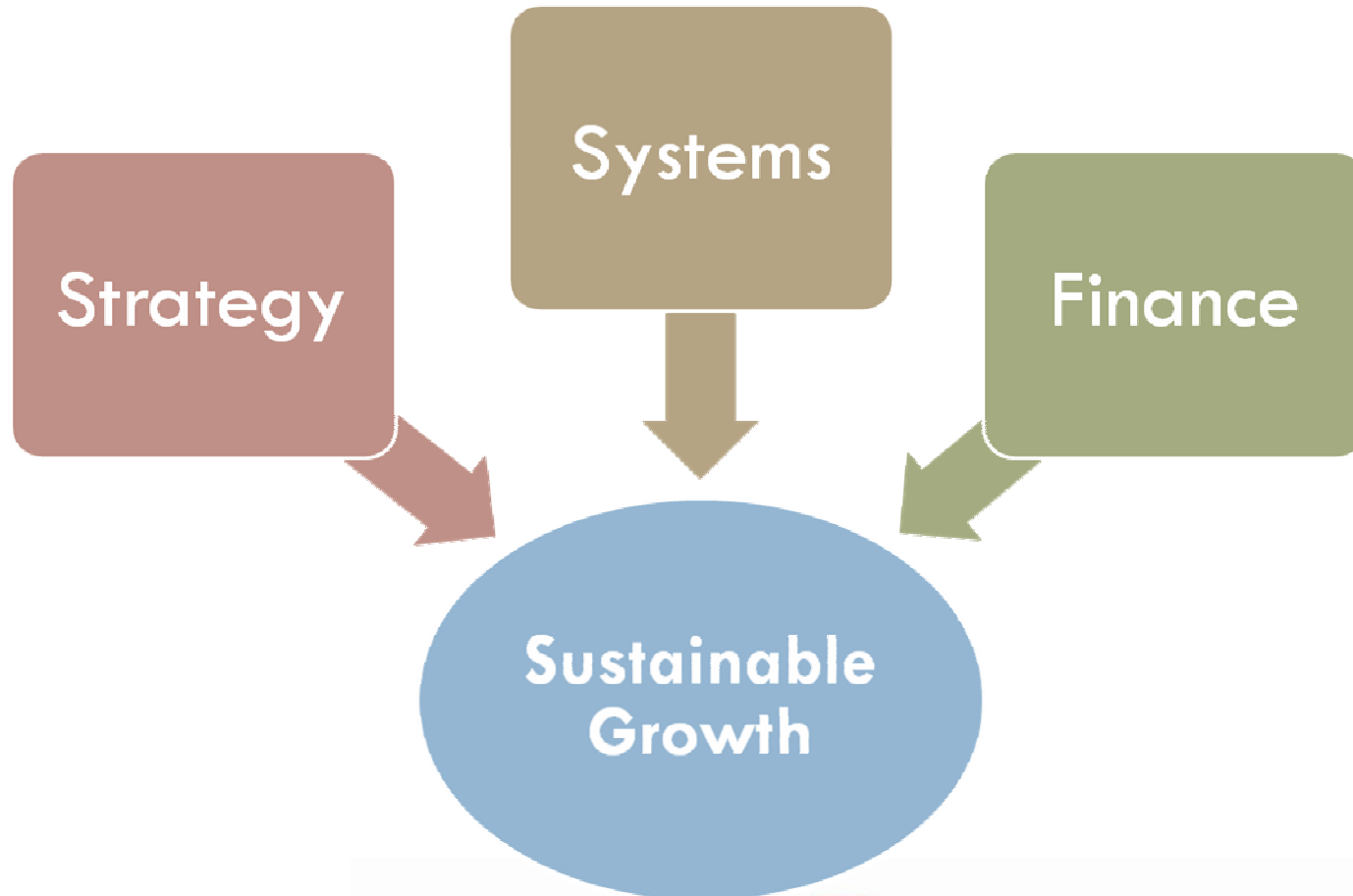
To aid growth in small & medium enterprises by providing relevant business support services



Our Ethos

- Alternativ was formed out of a passion to support the growth of small and medium enterprises within the Nigerian economy.
- Our approach to providing business support services is based on three pillars of business thinking; Strategy, Systems and Finance. We believe the good management of these three pillars leads to sustainable growth and business success.

Our three step approach to developing businesses:



POSER!!!

**IN NOLLYWOOD, IT IS
*MONKEY DEY WORK,
BABOON DEY CHOP!***



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HOW COME?

***A WHOPPING 82% OF
NOLLYWOOD REVENUE
IS LOST TO PIRACY! NVFCB***



Global Industry Structure

Structure of the Global Industry

- ❖ Global industry structure is best described as a modified *oligopoly*.
- ❖ There are 7 – 11 major production / distribution / financing studios
- ❖ These interconnect with a number of specialized service and production firms, as well as some independent firms.
- ❖ These specialized firms consist of the powerful creative forces of actors, producers, directors and writers; as well as independent production companies
 - ❖ Independent production companies contribute financing, foreign sales, "soft money" arrangements
 - ❖ strategic relationships to the filmmaking and marketing enterprise.
- ❖ The following table summarizes the key players in the industry

Global Industry Structure

Global Industry Structure

Players	Examples	Functions
Major Studios	<ul style="list-style-type: none">o Warner Brotherso Sony Pictureso Universal Studioso Paramounto NBSo 20th Century Fox	<ul style="list-style-type: none">o Productiono Distributiono Financing
Specialized Service Providers	<ul style="list-style-type: none">o Talent Agencies	<ul style="list-style-type: none">o Actorso Producerso Directorso Writers
Independent Production Companies	<ul style="list-style-type: none">o Lions Gateo Fox Searchlighto Focus Featureso Fine Line	<ul style="list-style-type: none">o Financingo Foreign Saleso Soft Money Arrangement
Regulators	<ul style="list-style-type: none">o British Board of Film Certo Motion Picture Association of Americao UK film Council	<ul style="list-style-type: none">o Certification rating

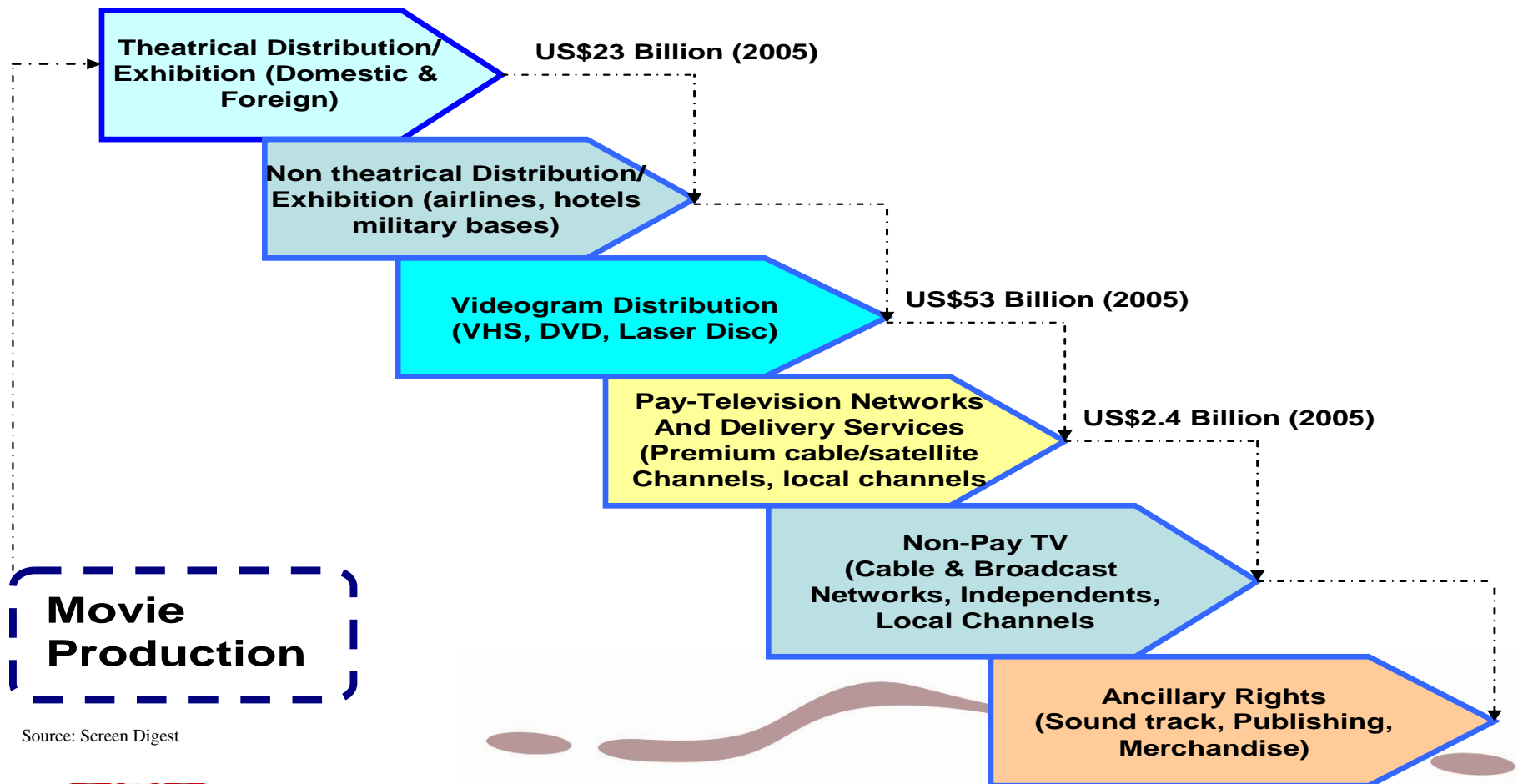
Global Industry Structure

Industry Characteristics – Global

- ❖ Global industry structure spans Production, Distribution (Exhibition - *Video* - Television / Cable)
- ❖ Revenue is extracted at both the Exhibition and Distribution stages
- ❖ Revenues is received in the following order: theatrical distribution; videogram; non-theatrical distribution; and finally, television license fees.
- ❖ The timing of receipts of ancillary rights revenues are often unpredictable
- ❖ It depends on type of product, marketing efforts of licensees, and factors related to public tastes and trends in popular culture.

Global Industry Structure

Schematic of Distribution Structure – Global



Source: Screen Digest



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Local Industry Structure

Overview of Local Industry / Nollywood

- ❖ The Nigerian local industry (Nollywood) is still rudimentary in nature
- ❖ There are no formal distribution channels – both at home and abroad
- ❖ This lacuna has spurred a flourishing *black market* – 82% piracy
- ❖ Nollywood consists of producers who in most cases double as directors, marketers / distributors, regulators and independent organizations

Local Industry Structure

Local Industry Players

Players	Industry Players
Producers/Directors	Don Pedro Obaseki, Charles Novia, Chico Ejiro
Marketers/Distributors	Infinity Merchants, Madam Remdel, O.J. International, Andy Best Electronics, Remy Jest Nig. Ltd, Louis Merchandise
Marketers (Independent)	Don Pedro Media, OGD Pictures, Africa Mega Entertainment
Regulators	Nigerian Copyright Commission, Nigerian Film and Video Censors Board, Nigerian Film Corporation
Independent Organizations	Film Makers Corporative, Directors Guild, Association of Movie Producers.

Local Industry Structure

Industry Structure Comparison – Local

- ❖ There are huge gaps in the local industry
- ❖ There are structural defects especially in the distribution stage
- ❖ These defects lead to a poorly exploited value chain
- ❖ The Nigeria industry is weak in the distribution stage of the value chain.
- ❖ The distribution market in Nigeria is not robust and has become a major source of revenue loss in the value chain
- Poorly organized independent production outfits with weak / no governance structures
 - Unable to attract institutional critical funding
- Poorly developed industry / players – unable to exploit conventional channels - cinema, video, television
- Rising influence of distributor-marketer cartel with attendant backward integration to finance production.
- Marketers' interference had spurred proliferation of production, at the expense of content quality.

Current Position Assessment

Nollywood Market Performance

- Nollywood is the world's most prolific film industry - >2300 films in 2008
- Yet it realises a paltry US\$540 million per annum in revenue
 - Vs Bollywood – US\$2.2 billion on 1041 films
 - Vs. Hollywood – US\$10 billion on 815 films
- This anomaly is largely attributable to inefficiencies in the distribution chain
- In addition, there is a thriving cluster of disk manufacturing companies that supply the industry with part of the needed optical supports
 - >25 plants in Nigeria capable of producing over 500,000 optical discs (Video CDs and DVDs) daily *Source: HBR*
 - About 15 piracy optical disc manufacturing operations backed by China, Malaysia, India *Source: IIPA*

Current Position Assessment

Nollywood Demand Potential

- Nigeria is Africa's most populous nation – 150m population
 - 169m Africans in Diaspora - a potential market
 - 2m Nigerians in the UK – a captive market
- 6,841 Video Parlors registered in the country
 - Vs. an estimated 200,000 unofficial parlors.

Current Position Assessment

Summary of Industry Revenue

- Rental revenue – **US\$328m** (at US\$0.26 per rental)
 - Implication: 1,261,538,461 *total rentals* (= 8.4 times total population)
- Sales revenue - **US\$149.8m** (at US\$ 2.3 per copy)
 - Implication: 65m copies *sold*
- Box Office revenue – US\$4.8m
- Exports revenue - US\$107.6 Source: NFVCB (2005)

 {Industry piracy level = 82%}

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Industry Revenue Potential

Industry Revenue Potential

Source	Revenue (US\$)****	Assumption
Box Office	US\$4.80m	Based on 2005 figures
Sales (local)	US\$120.75m	Based on 35% market penetration
Rentals	US\$114.80m	Based on 35% market penetration
Exports		
○UK	○US\$1.61m	○Based on 35% market penetration
○Diaspora	○US\$58.30m	○Based on 15% market penetration
Total (US\$m)	US\$833.43m	Based on 50% piracy level
	US\$1.0 bn	Based on 40% piracy level
	US\$1.25 bn	Based on 18%% piracy level

On 18% piracy



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Conclusion

- There is only one way forward:
RESTRUCTURE OR WITHER!





THANK YOU!

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Fresh thinking.