

NIGERIA’S FILM INDUSTRY: NOLLYWOOD LOOKS TO EXPAND GLOBALLY

Erick Oh, Office of Industries
erick.oh@usitc.gov, (202) 205-3033

The Nigerian film industry, also known as “Nollywood,” produces about 50 movies per week, second only to India’s Bollywood and ahead of Hollywood. Although its revenues trail those of Bollywood or Hollywood at the global box office (\$1.6 billion and \$9.8 billion in 2012, respectively), officially Nollywood still generates, on average, \$600 million annually for the Nigerian economy, with most of these receipts coming from the African diaspora. It is estimated that over one million people are currently employed in the industry (excluding pirates), which makes it Nigeria’s largest employer after agriculture. Although Nollywood’s long-standing “informal” structure and rampant piracy initially helped to establish the country’s film industry, these same factors now inhibit future domestic and international growth. The industry relies on cash transactions and oral agreements (rather than written contracts) between local filmmakers, producers, and the marketers who finance and sell their works. As a result, competing claims on intellectual property rights are common, but with little to no documentation, few avenues for legal redress are available. However, foreign observers believe that if the industry was more actively regulated, particularly in the case of copyright enforcement, a million more jobs could be created within the sector. Consequently, the World Bank and private investors are helping the Nigerian government and local film producers to combat piracy and better legitimize its entertainment industry.

HIGH VOLUME, INFORMAL NETWORKS SPURRED NOLLYWOOD’S GROWTH

Nigerian films have a large following in Africa and among African emigrants around the world (over 30 million worldwide and growing). They initially gained popularity during the early 1990s, when camcorders replaced 35-millimeter film cameras and digital systems replaced celluloid as recording devices. These technology changes allowed rapid, low-cost production and distribution capabilities.

- According to the British Broadcasting Corporation (BBC), producing a movie in Nigeria costs on average \$25,000–\$70,000 compared to \$250 million for a top Hollywood film. Almost all Nollywood films are intended for non-theatrical release and tend to be of lower technical quality than Western films. Nonetheless, films can be produced within a month and are generally profitable within two to three weeks of release. Most titles are recorded in English and sell over 200,000 units (the usual break-even sales point in Nigeria). For further background, see USITC, [Recent Trends, 2011](#), 3–5.
- To a large extent, the Nigerian film industry remains informal. Its structure benefits a cartel of Nigerian film marketers who have for many years controlled the financing, production, and distribution of films in Nigeria. These marketers operate networks of shops and other outlets and wield significant influence over which films are made and sold. Revenues are almost exclusively derived from home video rentals and sales, and this has worked primarily in the marketers’ interests. An early byproduct of this informal structure was the emergence of complex international piracy networks. Paradoxically, it was due to these illicit trade networks that Nollywood films first gained the attention of foreign audiences, and ultimately, established its global following.

RAMPANT PIRACY HAS LIMITED INTERNATIONAL TRADE AND INVESTMENT

Nollywood’s popularity has led to serious piracy problems. Nigeria’s copyright law expressly provides for written contracts to prove ownership of films, but the ubiquity of informal agreements and weak enforcement mechanisms have made it difficult to deter illegal film distribution. Reportedly, within hours of a film’s release, pirates are selling bootleg copies for a fraction of retail price. Demand for Nollywood films—particularly among the African diaspora—has also fueled a surge in the export of Nigerian films. In practice, the legal and illegal markets grew to coexist as Nigerian film marketers began to adjust their storylines to appeal to wider audiences, incorporating more diverse plot formulas.

- Although Nollywood films are purchased and watched throughout Africa, the Caribbean, Europe, North America, and parts of Asia, almost all exports are pirated copies. The World Bank estimates that for every legitimate copy sold, nine others are pirated. Consequently, with limited channels for

Disclaimer: The views expressed are those of the author and not those of the USITC or any of its Commissioners.

exporting movies legitimately, few or no international returns go to the actors, directors, and producers, and practically no related tax revenue goes to the Nigerian government. The Nigerian Copyright Commission (NCC) estimates that the country is losing over \$1 billion annually to piracy.

- The industry’s informality and persisting high piracy rate has deterred international co-productions and closed the door on potentially lucrative investment and distribution opportunities in foreign markets where “chain of title” (the bundle of documents that prove ownership of the rights in a film) is a prerequisite. Moreover, the rise of low-cost Internet access has compounded Nollywood’s piracy problems, particularly through the unauthorized streaming of films.
- In response, the NCC has ramped up its efforts to shut down illegal DVD printing presses and prosecute infringers. Additionally, the Nigerian government is creating targeted public awareness campaigns to educate the public about the damage piracy causes and to encourage them to stop buying pirated films. The NCC indicated (as of April 2014) that a new bill would soon be passed into law to begin to tackle digital piracy and that it has received private assistance from Microsoft, Google, and MultiChoice, a South African satellite television broadcasting company.

PUBLIC AND PRIVATE EFFORTS TO DEVELOP THE FILM INDUSTRY ARE INCREASING

In recent years, recognizing the film industry’s huge economic potential, the Nigerian government has worked with international groups and has set aside public funds to support the industry (table 1). Greater investment from private sources in digital streaming platforms for licensed Nollywood films has begun to make illegal online distribution more difficult. Meanwhile, growing international recognition of African films and artists has brought more attention to the sector in general—even attracting U.S. actors to perform in Nigerian films. (*Doctor Bello* [2013] features both Hollywood and Nollywood stars.)

TABLE 1 Nollywood funding initiatives

Group	Funds	Project
World Bank	\$20 million	In 2010, the World Bank identified Nollywood as a leading non-oil sector and included it as part of its Growth and Employment in States (GEMS) project. As part of GEMS, the industry received funds to aid sector growth and boost employment.
Nigerian Government	\$200 million and \$17–\$18 million	In 2011, Nigerian President Goodluck Jonathan pledged a \$200 million government loan for the film industry, and in March 2013, announced a \$17–\$18 million grant called “Project ACT-Nollywood,” to back training and skills acquisition for film production and distribution. In addition to federal initiatives, various Nigerian state governments are supporting the industry by funding movies, award ceremonies, and production villages.
Tiger Global Management and Kinnevik	\$8 million	In 2011–12, U.S.-based hedge fund Tiger Global Management (an early Facebook investor), along with Swedish investment firm Kinnevik, backed iROKotv, the world’s largest online distributor of licensed Nollywood films. Aspiring to be “Africa’s Netflix,” iROKotv spent \$5 million of the initial funds to amass the rights to 5,000 Nollywood films.

Sources: *CovAfrica*, April 10, 2014; *UN African Renewal Online*, May 2013; and *WIPO Magazine*, May 2014.

FUTURE OPPORTUNITIES AND CHALLENGES

- Led by Nollywood, the entertainment industry’s contribution to Nigeria’s annual GDP, at 1.4% in 2013, evidences both the industry’s overall importance and its potential for greater investment. While this is less than half of the industry’s 3% contribution to U.S. GDP, it triples India’s 0.5% GDP share.
- Growing digitization and increasing demand for licensed streaming video content from the United States and other foreign markets—iROKotv reports a global audience of 6 million in 178 countries—are beginning to help boost Nollywood production budgets locally and improve overall film quality.
- Industry challenges going forward include (among many): (1) continued revenue losses due to informal marketing and sales practices that breed film piracy and weaken investor confidence; (2) inadequate enforcement of ambiguous and dated copyright laws; and (3) a lack of basic infrastructure, such as a consistent supply of electricity and reliable power grids.

Sources: *CovAfrica* (Covington & Burling LLP), “Nollywood, Intellectual Property and Nigeria’s New GDP,” April 10, 2014; *UN African Renewal Online*, “Nigeria’s Film Industry: A Potential Gold Mine?” May 2013; *WIPO Magazine*, “A Peek Inside Nigeria’s Film Industry,” May 2014; Oxford Business Group, *Nigeria: Media and Advertising*, 2013; *FastCompany.com*, “The Mogul of Nigeria,” April 2013; *Time.com*, “Nigeria’s Nollywood Is Thriving despite Terrible Conditions,” May 13, 2014; Krings and Okome (eds.), *Global Nollywood*, 2013; USITC, *Recent Trends in U.S. Services Trade*, 2011 and 2014.

Disclaimer: The views expressed are those of the author and not those of the USITC or any of its Commissioners.