11. The Nigerian film industry and lessons regarding cultural diversity from the home-market effects model of international trade in films

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11.1 INTRODUCTION

Nollywood, the Nigerian video film industry, is an unlikely success story. With an output of between 800 and 1500 films per year, it is one of the most productive, if not *the* most productive, of the world's film industries.[2] Its success is even more remarkable considering that Nigerians have long had easy and pervasive access to inexpensive, pirated versions of both Hollywood and Bollywood movies. Nollywood thrives, even against titanic competition from the West and East.

In a mere two decades, Nollywood has become one of the world's most important creative industries.[3] It has been an explosive commercial success, with vast numbers of videos available in shops and on street corners throughout Africa and beyond.[4] The films are widely shown on

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[2] Jonathan Haynes, *Nollywood in Lagos, Lagos in Nollywood Films*, Afr. Today 131, 137 (2007).

[3] Also see Sean Pager, Chapter 12 in this volume, for a similar discussion of Nollywood's commercial and cultural significance.

[4] Jonathan Haynes, *Video Boom: Nigeria and Ghana*, Postcolonial Text (vol. 3, May 2007), http://postcolonial.org/index.php/pct/article/view/522/422 at 1–2.

broadcast and satellite television in African countries.[5] They are now enjoying larger budgets and glitzy international premieres in locations such as London's West End.[6] Culturally, Nollywood is arguably Africa's first mass pop culture phenomenon, enjoying widespread popularity and cultural influence across the continent.[7] Significantly, its birth and life have been almost wholly indigenous, arising with no significant aid or technical assistance from foreign co-productions or donor money from international cultural agencies.[8]

Nollywood's success suggests that cultural diversity can persist and grow even as economies and communications become more globalized.[9] Its vitality contradicts pessimists who fear that globalization will lead to "a growing standardization of cultural production as dominant centers flood . . . the world with their products and shut out less powerful voices."[10] Instead, Nollywood heralds the rise of a multipolar world, with many centers of culture.[11] Nollywood demonstrates the possibility that smaller, less wealthy countries can withstand the onslaught of United States (US) consumer culture.

Significantly, Nollywood succeeds by telling familiar stories that accord with local sensibilities. It reflects and preserves local sensibilities, rather than simply contributing to a global monoculture that some fear is developing.[12] It stands in hopeful contradiction to the dire warning that free trade in media products "would at once mean the tendential extinction

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[5] *Id.; John McCall, The Pan-Africanism We Have: Nollywood's Invention of Africa*, 28 FILM INT'L, 92, 93 (2007).

[6] *See, e.g.* Ovwe Medeme, Excitement as Mirror Boy Arrives, DAILY INDEPENDENT (LAGOS), July 21, 2011, http://allafrica.com/stories/201107220589.html (describing the successful premier of the Nollywood film *Mirror Boy* at Empire Leicester Square, London, as well as in Ghana and Nigeria).

[7] Haynes, *supra* note 5, at 1–2; McCall, *supra* note 4, at 93.

[8] Haynes, *supra* note 4, at 1–2; McCall, *supra* note 5, at 93.

[9] Other chapters in this volume also consider general policy issues regarding diversity in a digitized, globalized world. *See* Burri, Garon and Napoli (Chapters 9, 15, and 8, respectively). In particular, Pager, Mann and Christen (Chapters 12, 13, and 14, respectively) provide specific case studies that to varying degrees echo the optimistic view that this chapter provides.

[10] Moradewun A. Adejunmobi, *Nigerian Video Film as Minor Transnational Practice*, Postcolonial Text (vol. 3, May 2007), http://postcolonial.org/index.php/pct/article/view/548/405 at 2.

[11] Jonathan Haynes, *"Nollywood": What's in a Name?*, THE GUARDIAN (Lagos), Sunday, July 3, 2005, *available at* http://www.africine.org/?menu=art&no=8042.

[12] Frederic Jameson, *Notes on Globalization as a Philosophical Issue, in* THE CULTURES OF GLOBALIZATION 54, 77 (Frederic Jameson and Masao Miyoshi, eds, 1998).

of new national cultural and artistic production elsewhere, just as the free movement of American movies in the world spells the death knell of national cinemas elsewhere, perhaps of all other national cinemas as distinct species."[13]

This chapter's methodology is to examine Nollywood through the lens of the home-market effects model of international trade in media products pioneered by Wildman and Siwek.[14] This widely used model examines the factors that influence the size of domestic media industries under conditions of bilateral trade. It tends to predict that the largest markets, particularly the US, will dominate the trade in media products, all things being equal. The caveat is as important as the primary conclusion, because the model highlights factors that can mitigate the advantage of the US and other large markets. This feature of the model makes it useful for understanding what conditions support or diminish cultural diversity as new technology makes it ever easier for large-market media products to reach consumers everywhere.

This chapter's primary contribution to the literatures on Nollywood and on cultural diversity is to apply the home-market effects model to highlight some of the variables that likely have helped Nollywood to rise, grow, and thrive despite competition from foreign movies with much higher production values from much larger markets. It also shows to some extent how piracy limits and shapes supply, likely yielding far more films but with lower-value creative inputs.

The home-market effects model highlights both the challenges that Nollywood has overcome as well as some likely drivers of its success. The home-market effects model is often cited and employed to explain why the US dominates global film markets.[15] When compared to other markets, including European film markets, Nollywood is a truly impressive underdog success story. Its market, by most measures, is much smaller than markets in wealthier countries with less successful film industries. The model points to two factors that may help to explain Nollywood's success:

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13 *Id.* at 61.

14 Steven Wildman and Stephen Siwek, International Trade In Films And Television Programs (1988).

15 The informal or verbal description of the model, which could be summed up as "large markets win," is much more categorical than its formal description, as Wildman noted in later work. The formal model indicates factors other than market size that influence outcomes and tend to diminish the tremendous weight of the US market advantage. *See* Steven Wildman, *Trade Liberalization and Policy for Media Industries: A Theoretical Examination of Media Flows*, 20 Can. J. Comm., 367 (1995).

a preference for local cultural goods (the "cultural discount") and production cost advantages. This chapter also examines the role of piracy in the home-market effects model, heretofore underconsidered, but essential to understanding the film market in developing economies.

Every aspiring film industry must deal with the challenge posed by Hollywood, but filmmakers from Nigeria and other developing economies must do it with relatively fewer resources. The fact that Nollywood is thriving in an environment with so many challenges suggests that cultural diversity can persevere, even in a world where the Internet and digital media breach borders and make Hollywood's ubiquitous products even cheaper and easier to obtain. The home-market effects model of international film trade helps to illuminate and suggest how Nollywood has overcome these challenges: mainly through a robust consumer preference for local content.

Section 11.2 of this chapter briefly explains the home-market effects model. Section 11.3 extensively analyzes Nollywood and its circumstances using the home-market effects model. Section 11.4 considers some possible directions for Nollywood's future. Section 11.5 concludes with policy conclusions suggested by the lessons yielded by applying the home-market effects model to Nollywood.

11.2 THE HOME-MARKET EFFECTS MODEL OF THE INTERNATIONAL FILM TRADE

In recent years, policymakers, scholars, and commentators have been optimistic about the growth prospects for creative industries worldwide.[16] If creative industries can perform as well as some hope, the prospects are promising for preserving and enhancing cultural diversity. The positive signs are abundant: the creative industries are among the fastest-growing industries in the world and are making an increasingly large contribution to economic output.[17] Many contend that developing countries could enjoy the same benefits from their creative industries, given the right institutional environment.[18]

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[16] *See* Diana Barrowclough and Zeljka Kozul-Wright, *Voice, Choice and Diversity*, *in* Creative Industries and Developing Countries: Voice, Choice and Economic Growth 3 (Diana Barrowclough and Zeljka Kozul-Wright, eds, 2008).

[17] *Id.* at 3–6.

[18] *See, e.g.* Mark F. Schultz and Alec van Gelder, *Creative Development: Helping Poor Countries by Building Creative Industries*, 97 Kent. L.J. 79 (2008).

Despite the promise of the creative industries, there is reason to question whether creative industries in smaller countries can overcome the market dominance of creative industries based in larger countries. On the one hand, creative industries seem to be likely to be more subject to localized preferences than most other industries. They are highly differentiated products, unlike a washing machine or a television that fulfills similar functions and serves similar needs wherever the consumer lives. For cultural products such as music, books, and films, however, languages, dialects, local interest, and culture should play a larger role in determining preferences.

On the other hand, it is clear that large countries, particularly and by far the United States, dominate trade in cultural products in spite of cultural differences. Concerns about cultural diversity have largely been motivated by the observation that US cultural products, especially movies, dominate world markets.

11.2.1 Background on Earlier Studies

The challenges facing producers of cultural goods in smaller markets have been well known in the economics literature for the past two decades. This literature attempts to explain why the US has dominated (and continues to dominate) the world trade in media products, particularly movies.[19] Although earlier work had attributed the US strength to inherent cultural appeal, or to more purposeful acts such as unfair trade practices or cultural imperialism, more recent research has identified a structural economic advantage: the benefits conferred by a large home market.

The home-market effects theory of international trade in media products, first pioneered by Wildman and Siwek[20] and Hoskins and Mirus,[21] contends that relatively high consumer spending on media products leads to relatively high exports of those products. In the context of cultural products, the home-market effects model predicts that a country with a large and wealthy market will tend to dominate bilateral trade in cultural products.

The basis for the home-market effects model of the creative industries

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19 For a recent review of the literature, see Sang-Woo Lee and David Waterman, *Theatrical Feature Film Trade in the United States, Europe, and Japan Since the 1950s: An Empirical Study of the Home Market Effect*, 20 J. of Media Econ. 167, 188 (2007).

20 Wildman and Siwek, *supra* note 14.

21 Colin Hoskins and Rolf Mirus, *Reasons for US Dominance of the International Trade in Television Programmes*, 10 Media, Cult. & Soc'y, 499, 515 (1988).

lies in the international trade literature analyzing trade under conditions of increasing returns to scale and monopolistic competition. In seminal papers, Helpman and Krugman showed that countries with relatively large markets tend to account for a larger share of production of goods from industries with increasing returns to scale.[22] For most goods, this process is driven by significant transportation costs – industries locate in large markets with significant demand for their products.

Several studies have applied this model to the creative industries, with a few significant changes to account for the different nature of creative works. Unlike manufacturing industries, transportation costs for creative works are relatively trivial. Nevertheless, the home-market effects have been shown to operate through a different mechanism: a "cultural discount."[23] Other things being equal, consumers tend to prefer creative works in their own language that reflect familiar cultural references. They thus "discount" foreign works, and this discount acts like a transportation cost, representing a cultural distance between markets.[24]

The cultural discount works to protect the home market for creative industries. Each country thus has the advantage of unfettered access to its own market, with limited access to other country's markets.[25]

For larger countries, access to the home market proves to be a decisive advantage. This advantage derives from the fact that creative industries have relatively high fixed costs (of production) and low marginal costs (of reproduction and distribution). Relatively large markets can support higher budgets, and thus higher production values and a greater variety of products, than smaller markets.[26] A smaller country's cultural discount thus may be partly overcome by a larger country's production value advantage.

This theory has been tested empirically in the context of movies by several scholars. For example, Marvasti found a significant relation-

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[22] *See* Elhanan Helpman and Paul Krugman, MARKET STRUCTURE AND FOREIGN TRADE: INCREASING RETURNS, IMPERFECT COMPETITION AND THE INTERNATIONAL ECONOMY (1985).

[23] Wildman and Siwek, *supra* note 14; Hoskins and Mirus, *supra* note 21.

[24] Gordon H. Hanson and Chong Xiang, *Testing the Melitz Model of Trade: An Application to US Motion Picture Exports* (Nat'l Bureau of Econ. Res.,Working Paper No. 14461, 2008).

[25] David Waterman and Everett Rogers, *The Economics of Television Program Production and trade in Far East Asia*, 44 J. COMM. 89, 111 (1994); *see also* Wildman and Siwek, *supra* note 14; Hoskins and Mirus, *supra* note 21.

[26] Wildman and Siwek, *supra* note 14.

ship between movie exports and country size.[27] Oh found that domestic share of box office was significantly related to gross domestic product (GDP) and certain measures of cultural distance.[28] Lee and Waterman show a significant relationship between the dominance of the US film industry after the 1970s and the rapid growth of US consumer spending on movies.[29] Hanson and Xiang find a significant relationship between share of movie exports and market size, as measured by GDP and certain measures of cultural distance.[30] In Chapter 17 this volume, Lee and Wildman examine the relative importance of the various factors in the home-market effects model in achieving market share in the media industries.[31]

11.2.2 The Model

These studies have focused on several key factors to explain the success of the US in cultural markets, particularly movies: market size, the advantage it confers in terms of ability to fund high production values, and the offsetting disadvantage of a "cultural discount."

The model posits two-way trade between two countries (Country A and Country B) in media products, for example movies. The following discussion provides a brief summary of the model, with some additional considerations relevant to analyzing Nollywood. For the original specification of the model and a more extensive, formal treatment see Wildman and Siwek[32] and the extensions developed in Frank.[33] The discussion here is intended to be brief and largely informal.

The key variables in the model are:

- Market size: total revenue from consumer spending on movies in each country.

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27 Akbar Marvasti, *International Trade In Cultural Goods: A Cross-Sectional Approach*, 18 J. Cultural Econ. 135, 148 (1994). *See also* Akbar Marvasti, *Motion Pictures Industry: Economies Of Scale And Trade*, 7 Int'l J. Econ. Bus. 99, 114 (2000); Akbar Marvasti and Ray Canterbery, *Cultural And Other Barriers To Motion Pictures Trade*, 43 Econ. Inquiry 39, 54 (2005).

28 Jeongho Oh, *International Trade In Film and the Self-Sufficiency Ratio*, 14 J. Media Econ. 31, 44 (2001).

29 Lee and Waterman, *supra* note 19.

30 Hanson and Xiang, *supra* note 24.

31 Sang Yup Lee and Steven S. Wildman, Chapter 17 in this volume.

32 *See* Wildman and Siwek *supra* note 14, at Appendix B.

33 Björn Frank, *A Note on the International Dominance of the US in the Trade in Movies and Television Fiction*, 5 J. Media Econ. 31, 38 (1992).

- Cultural discount: the "handicap" that the movies of Country A face upon import into Country B.
- Creative inputs: the discretionary up-front costs of making a movie, which might include money spent on a script and revisions, premium fees paid to better-known actors, the cost of special effects, extra takes and reshoots, and any other factors that contribute to higher production values or audience appeal.[34]

Several key assumptions of the model are:

- Other things being equal, people prefer to see movies in their own language that reflect their own culture and experiences. This cultural discount acts a natural trade barrier, giving movies from the home market an advantage. As Hoskins and Mirus put it: "As a result of diminished appeal, fewer viewers will watch a foreign [movie] than a domestic [movie] of the same type and quality."[35]
- Producers in larger markets start out with a built-in revenue advantage. Take the case of two countries, A and B, where A is the larger country and B the smaller. Producers in each country are protected by the cultural discount, but those in the larger country have greater potential revenues. A gets a large slice of its own large market and a small slice of B's market, while B gets a large slice of its own small market and a small slice of A's market.
- Cultural industries enjoy increasing returns to market size. Cultural industries, particularly the movie industry, have relatively high set-up costs and relatively low marginal distribution costs. Producers in large markets, protected from foreign competition by the cultural discount, have more potential customers from whom to recoup their high set-up costs. Producers in such markets can thus afford higher set-up costs including creative inputs.
- Higher spending on creative inputs leads to more spending on creative inputs, higher production values, and greater consumer appeal. The model assumes that producers spend money on creative inputs in pursuit of maximizing their revenue. Spending more on the script, likable stars, additional takes, or other elements thus may not inevitably make a movie "better" in terms of aesthetic value or professional critical opinion, but will on average make the movie more appealing to viewers. The model thus assumes that more spending

34 *See* Wildman and Siwek, *supra* note 14 at 178.
35 Hoskins and Mirus, *supra* note 21 at 500.

> on creative inputs leads, on average, to greater ticket sales or sales of copies. It is the expected relationship that leads to the existence of big-budget "blockbusters" and the high expectations that producers, investors, the press, and the public have for them. While one can find many examples of big-budget flops and small-budget hits, the amounts poured into movie budgets by Hollywood studios confirm that this assumption is conventional wisdom.

These assumptions lead to the following conclusion: *larger markets lead to a production values advantage that reduces barriers to export.* The cultural discount is based on the assumption that consumers prefer domestic movies "of the same type and quality." But producers in larger markets make movies of a different, "better"[36] type and quality than producers in smaller markets because of their home-market advantage. In the case of the US and its European trading partners, research has indicated the existence of the US home-market advantage: as US consumer spending on US films has risen over the past few decades, the US has gained a greater share of the European markets.[37]

Frank extends that model to consider the market entry conditions for a potential country with a smaller film market that currently produces no films (e.g., essentially, Nigeria in the late 1980s), that currently imports films from a country with a much larger market (e.g., the United States).[38] Frank derives the following entry condition from the Wildman and Siwek model:

$$R_B > h * R_A \qquad (11.1)$$
$$0<h<1$$

where R_B is the market of a small country, B, with no film production that imports films from a large country, A. A filmmaker in B will be induced to enter the market if he sees an opportunity to make at least some profit. That condition is met where the size of B's market is greater than the size of A's market as "handicapped" by the cultural discount. As Frank says, "The smaller the value of h, or the greater the handicap, the smaller is the size of B's market ($R_{B)}$ needed to induce entry of a producer from B."[39]

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[36] As noted earlier, "better" only in the sense that the production values tend to yield more purchases.
[37] Lee and Waterman, *supra* note 19.
[38] Frank, *supra* note 33.
[39] Frank, *supra* note 33 at 34.

Frank also takes account of the lower production costs in the smaller market. Essentially, this discount acts as a further "discount," δ, in addition to the cultural discount, from A's market advantage. If A currently derives no revenue from B's market because of piracy, as in the case of US films in Nigeria, then Frank's variant can be written as:

$$R_B > \delta * h * R_A \qquad (11.2)$$
$$0 < \delta < 1$$

Finally, as explained in detail in section 11.3, any analysis of the Nigerian film market should take into account piracy of domestic content in the home market. Thus far, few analyses of home-market effects account for piracy. Marvasti and Canterberry treat piracy as a trade barrier to US motion picture exports.[40] That makes sense when examining the financial success of US studios in exporting, but from the point of view of a potential producer in the pirating country, it creates zero-price competition. The problem for the domestic producer is that its works are pirated too, thus reducing any potential advantage derived from the cultural discount or lower production costs.

Frank's entry condition can and should be extended to consider the effect of piracy. Piracy severely constrains the size of the market for each film in Nigeria, limiting them to the market allotted by first-mover advantage. A filmmaker has about a two-week window before piracy forecloses further sales, and some likely competition with pirates or dishonest distributors doing those first two weeks. Therefore, from the point of view of the potential filmmaker looking to enter a small market such as Nigeria, the potential home market, R_B, is reduced by a piracy rate *rho* or ρ. Thus the entry condition considered in this chapter looks like this:

$$R_B > [(\delta * h) / (1 - \rho)]\ R_A \qquad (11.3)$$
$$0 \leq \rho \leq 1$$

To enter the market, the size of the opportunity for the new entrant must be greater than its foreign competitor's market. The size of the foreign competitor's market is determined by its the size of the Country A home market, but its advantage over Country B is reduced by the cultural discount in B (h) and the production cost discount in B (δ). However, once piracy is considered, any advantage conferred on B market filmmakers

40 Akbar Marvasti and Ray Canterbery, *Cultural and Other Barriers to Motion Pictures Trade*, 43 ECON. INQUIRY 39, 54 (2005).

by the cultural discount and production cost discount must be weighed against the piracy rate. Essentially, B's "home-market advantage" is determined by the ratio of its advantages (cultural discount and production costs) to its disadvantage (piracy).

In answering the question, "How does Nollywood compete and succeed in light of competition from Hollywood?" this model illustrates the relevant conditions and relationships. The following section considers each of the following factors: relative market sizes (R_A and R_B); piracy (ρ); creative inputs and the cost advantage (ε and δ) (ε, creative inputs, drops out in the version of the model derived here, but is determined by the market size R and confers the production value advantage that is central to the model);[41] and last, but not least, the cultural discount (h), which given the magnitude of the differences between market sizes here is likely very large.

11.3 NOLLYWOOD AND THE HOME-MARKET EFFECTS MODEL

Nollywood has overcome tremendous challenges to become one of the largest and most productive movie industries in the world. There are a number of excellent accounts of Nollywood's rise and continuing vitality, and there is no need to rehash them here.[42] However, the home-market effects model of international film trade provides insight into Nollywood's rise by highlighting the factors that likely aided and impeded it. The following discussion considers each in turn, concluding that the cultural discount – the preference of Nigerians for films that tell their stories – likely was decisive.

11.3.1 History: The Initial Conditions

When the video industry in Nigeria emerged in the late 1980s and early 1990s, Nigeria was hardly the most promising place for a film industry, but it did have a few factors in its favor. Most importantly, it possessed the human capital so essential to starting an industry: trained actors, technicians, and directors. It also possessed some of the necessary infrastructure for distribution and viewing.

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41 *See* Wildman and Siwek, supra note 14, at Appendix B for a detailed explanation of all variables.

42 *See, e.g.* John McCall, *Nollywood Confidential: The Unlikely Rise of Nigerian Video Film*, 13 TRANSITION 98, 109 (2004); Haynes, supra note 3; Brian Larkin, *Degraded Images, Distorted Sounds: Nigerian Video and the Infrastructure of Piracy*, 16 PUB. CULTURE 289, 314 (2004).

Nigeria had a short-lived celluloid film tradition that largely died out by the late 1980s. Celluloid film is expensive, and film-makers had to purchase and process it abroad. In the economic collapse that followed Nigeria's 1970s oil boom, the hard currency for these activities was hard to come by.[43] Moreover, movie theaters were dying out because crime and disorder were keeping people home.[44] There was thus virtually no traditional movie production, and there were very few places to show movies in any event.

Nigeria did, however, have trained, but out-of-work, television professionals. Government policy had created this situation more by accident than design. During better economic times, the Nigerian government had invested heavily in television.[45] It also adopted local content rules, mandating that significant time had to be devoted to Nigerian programs.[46] TV stations desperate for content were willing to film almost anything to fill the requisite air time. Fortunately, the Yoruba had a well-established theater tradition, so in some cases TV producers simply filmed plays. Such ad hoc programming quickly evolved into television programs filmed with video equipment, especially soap operas, which enjoyed a great deal of popularity.[47]

This brief boom period for television ended as budgets declined and payment disputes forced popular television programs off the air.[48] Out-of-work television directors and actors began to make their own work by producing video movies. The Nigerian video film industry is thus the "child of television."[49]

The advent of inexpensive video technology was essential to developing an industry. Before inexpensive video cameras became available in the 1980s, commercial filmmaking was out of reach for most African countries. As McCall explains: "Celluloid film production requires extensive funds and a large crew with years of technical training. Most Africans who pursue this elite art form are schooled abroad and remain dependent on the largesse of foreign funding agencies – particularly French

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43 Jonathan Haynes, *Nigerian Cinema: Structural Adjustments*, 26 Res. Afr. Lit. 97, 119 (1995); Babson Ajibade, *From Lagos to Douala: the Video Film and its Spaces of Seeing*, Postcolonial Text (vol. 3, May 2007), http://postcolonial.org/index.php/pct/article/view/524/418.

44 Haynes, *supra* note 4 at 1.

45 Don Pedro Obaseki, *Nigerian Video as the "Child of Television," in* Nollywood: The Video Phenomenon in Nigeria 72 (Pierre Barrot, ed., 2008).

46 *Id.*

47 *Id.*

48 *Id.;* Haynes, *supra* note 42 at 2.

49 Obaseki, *supra* note 45.

ones devoted to promoting French aesthetic sensibilities in their former colonies."[50]

In a poor country, such a significant cost can be a very high, even absolute, barrier to entry. In theory, if the potential profit exceeded this cost, then the production should happen. However, conditions on the ground in developing countries may present a more daunting challenge than theory allows. Capital is not readily available and importing equipment may require scarce foreign currency. Moreover, in the case of celluloid film, human capital is a challenge, as trained personnel are scarce and difficult to import. Such human capital is essential to media industries, and its absence can be a decisive disadvantage.[51] Therefore, the amount of fixed costs imposed by celluloid is a potentially important barrier.

Many observers agree that the introduction of relatively inexpensive video cameras and production was what lowered barriers sufficiently to allow the Nigerian film industry to get started. Haynes observes that "Cheap and easily operated video technology allowed [filmmaking] to arise as an informal sector activity."[52] Indeed, Nollywood director Tunde Kelani contends that "digital production and distribution is the only way to succeed, especially if you are operating in the [developing] world."[53]

This inexpensive form of production has enabled filmmaking in Nigerian to become an informal sector activity open to virtually anyone. In the words of McCall, its organization is "radically horizontal," with each production a self-contained, shoestring enterprise. "Instead of a handful of large corporate players, Nollywood is made up of a shifting field of countless independent contractors."[54] "Virtually anyone who can rent the equipment for a few days can become a Nollywood producer."[55]

Conditions were also favorable for video distribution. As several scholars have observed, the infrastructure created by piracy of Hollywood and Bollywood movies was instrumental to building a domestic industry.[56] Larkin documents how the northern Nigerian city of Kano became a

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50 John McCall, *The Pan-Africanism We Have: Nollywood's Invention of Africa*, 28 Film Int'l, 92, 93 (2007).

51 *See* Wildman, *supra* note15 at 368.

52 Haynes, *supra* note 2 at 134.

53 Tunde Kelani, *Spielberg & I: The Digital Revolution*, *in* Nollywood, *supra* note 45 at 90.

54 McCall, *supra* note 4 at 96.

55 *Id.*

56 *See* Ramon Lobato, *Creative Industries and Informal Economies: Lessons from Nollywood*, 13 International Journal of Cultural Studies, 337–54 (2010); Ajibade, *supra* note 43; Larkin, *supra* note 42.

distribution center for Hausa-language film.[57] The city was already the center of a well-established transnational trading network for goods. Pirated videos from the Middle East simply became another commodity to flow through this trading network. Through this pirate trade, Kano merchants developed the expertise and capital stock to duplicate, package, and distribute video films. They thus provided a ready-made distribution network for domestic video. Of course, this pirate infrastructure has proved both a boon and a bane to Nollywood, as it has facilitated both legitimate commerce in Nollywood videos and widespread piracy of them.

Finally, the demand conditions were ripe for a video industry. The oil-fueled prosperity of the late 1970s had led to mass dissemination of cassette technologies.[58] A 2003 study estimated that 67 percent of urban homes had VCRs or VCD players.[59] Meanwhile, conditions and events over the years – public disorder, curfews, Sharia law restrictions on women in Northern Nigeria – have often caused Nigerians to seek their entertainment in their homes. These factors all made Nigerian consumers a ready market for video entertainment.

In pointing out that Nigeria had a few prerequisites for a video movie industry, one should not minimize the challenges. That would rob Nollywood of the best part of its story, an unlikely underdog story that is itself worthy of a movie plot. The industry has grown and prospered under extremely difficult conditions. Participants regularly announce that it is in peril even as it has grown phenomenally. Infrastructure is generally poor, and money is scarce for everybody. Among other things, its home viewers must contend with Nigeria's unreliable electricity, which ensures that power could cut off at any moment and stay off for days. Movies are self-financed on miniscule, shoestring budgets, with little or no capital available from the formal sector. Nevertheless, Nigeria at least had people with the requisite skills to make video movies, a distribution capability, and somewhat favorable demand conditions.

11.3.2 Competition with Hollywood

An important reason to examine Nollywood is to consider the lessons it holds for preserving and promoting cultural diversity despite globalization

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57 Larkin, *supra* note 42 at 316.
58 *Id.*
59 Pierre Barrot, *The Italians of Africa*, *in* NOLLYWOOD, *supra* note 45 at 14.

and the ready availability of content from abroad. Of course, the ability to draw any compelling lessons depends on whether Nollywood actually competes with other film industries in its home market. That is indeed the case.

Although Nigeria may not be considered a viable export market by the world's film producers, its consumers are nevertheless full participants in global film culture. Videos of Hollywood, Bollywood, and Hong Kong films are widely available and popular in Nigeria.[60] Nigerian consumers owe this access to Nigeria's status as the center of the pirated goods market in Africa.[61] As Lobato observes, "Like virtually everywhere else on earth, audiences in Nigeria are familiar with the pleasures of the Hollywood blockbuster, the gold standard of global film culture."[62] Like film-makers around the globe, Nigerian film makers must compete with Hollywood, and its well-honed technical expertise, expensive locations, realistic, appealing sets and costumes, inspiring special effects, thoroughly developed scripts, and glamorous stars.

Film piracy in Nigeria is notably efficient and tied into global networks. Larkin describes how high-quality master versions of pirated movies are produced abroad and shipped by express courier to Nigeria, where they are then copied and further distributed.[63] As a result, Nigerians can get copies of first-run movies from abroad. As Larkin observes, piracy ensures Nigerian consumers equal access to global movie markets. Indeed, they are at an advantage to many other more developed markets where Hollywood delays its release dates:

> Where cinema screens were once filled with outdated films from the United States or India, pirate media means that Nigerian audiences can watch films contemporaneously with audiences in New York or Bombay. Instead of being marginalized by official distribution networks, Nigerian consumers can now participate in the immediacy of an international consumer culture – but only through the mediating capacity of piracy.[64]

Despite Nigeria's irrelevance to the formal, legitimate trade in films, Nollywood thus must compete with Hollywood (and other major film producers) for its audience. In this regard, it is in much the same position as film industries in any other country. In fact, Adejunmobi recounts that "pirated Hollywood movies imported from Asia are not only widely

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60 Adejunmobi, *supra* note 10 at 4; Larkin, *supra* note 42 at 316.
61 Larkin, *supra* note 42 at 297.
62 Lobato, *supra* note 56 at 348,
63 *Id.* at 296–97.
64 *Id.* at 297.

available, they are often cheaper than Nigerian video films in Nigerian markets."[65]

Nollywood films not only compete with films from Hollywood and other foreign markets, but they do so quite effectively. As noted earlier, Nollywood is widely heralded as a commercial and cultural success[66] (even if sometimes met with skepticism regarding its artistic merits). Where the shelves of Nigerian shops were once filled with movies from the United States, India, and Hong Kong, by the late 1990s domestic products had taken their place.[67] Since then, Nollywood films have spread globally, and in particular throughout Africa, through distribution of videos and satellite television.[68] Its films are widely enjoyed and its stars are recognized around the world.

11.3.3 Relative Size of the Nigerian Film Market

At the center of the home-market effects model is a comparison between the size of the foreign market (in this case, the United States) and the size of the domestic market (Nigeria). If the foreign trading partner is larger, the difference in size between the two markets determines the size of the challenge the domestic industry must overcome. As discussed in the previous section, the larger of the two markets will be able to produce more films with higher production values. In the case of a large disparity, the strength and viability of the domestic market is determined by cost advantages in the domestic market (if any) and the size of the cultural discount for foreign films or preference for local films.

The question, then, is just how much bigger is the US film market than the Nigerian film market? The question is difficult to answer with any reliability because of a paucity of statistics on the Nigerian side, but the figures available show that the gulf is vast.

There are a number of ways to measure and compare each market. The home-market effects model looks to revenue spent, although given a lack of reliable revenue statistics, other relevant measures include population, gross domestic product (GDP), and GDP per capita. By any of these relevant measures, Hollywood's market vastly dwarfs Nigeria's.

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65 Adejunmobi, *supra* note 10, at 4.
66 *See supra* notes 4–8 and accompanying text.
67 Larkin, *supra* note 42 at 296–97.
68 Haynes, *supra* note 2 at 134.

Table 11.1 Comparison of US and Nigerian market sizes

Measure	United States	Nigeria
Film Industry Revenue[a]	$28.38 billon (2009)[1]	$200 million[2]
Population	310 million (July 2010 est.)[3]	152 million (July 2010 est.)[4]
GDP (PPP)	$14.26 trillion (2009 est., 2009 USD)[5]	$357 billion (2009 est., 2009 USD)[6]
GDP Per Cap (PPP)	$46 400 (2009 est., 2009 USD)[7]	$2400 (2009 est., 2009 USD)[8]

Notes:
1. Sarah McBride, *Cinema Surpassed DVD Sales in 2009,* Wall St. J., January 3, 2010, http://online.wsj.com/article/SB10001424052748704789404574636531903626624.html. Includes all consumer spending on feature movies, including box office, purchases and rentals. Available statistics are for the North American market, which includes Canada.
2. Haynes, *supra* note 42 at 7.
3. Central Intelligence Agency, CIA World Factbook: 2010, *available at* https://www.cia.gov/library/publications/the-world-factbook/.
4. *Id.*
5. *Id.*
6. *Id.*
7. *Id.*
8. *Id.*

Thus, the difference in movie revenues is over 100:1, the difference in population is about 2:1, the difference in GDP is about 40:1, and the difference in GDP per capita is about 19:1. In addition, the Hollywood revenue figures are only for North America. Unlike Nollywood, Hollywood enjoys and counts on a healthy revenue stream from abroad. In 2009, ticket sales alone outside of the North American market added another $19 billion to Hollywood revenues.[69] Nollywood also reaches a large regional market, but with the exception of satellite television royalties, producers receive very little revenue from this larger market due to piracy.[70] Although the model discussed in this chapter is one of bilateral trade, it is worth noting the reality that Hollywood's global market increases its ability to spend lavishly on creative inputs.

These vast differences in market size make Nollywood's success and vitality all the more remarkable. Revenue for the entire Nigerian film

[69] MPAA, Theatrical Market Statistics 2009 at 3 (2010), *available at* http://www.mpaa.org/Resources/091af5d6-faf7-4f58-9a8e-405466c1c5e5.pdf.

[70] *See* Larkin, *supra* note 42.

industry is estimated at $200 million, far less than the production budget for the 2009 Hollywood blockbuster *Avatar*, which has been estimated to be $280 million or more.[71] Nollywood clearly cannot compete on production values, whatever its cost advantages. In fact, it is quite clear that Nollywood is not competing on production values, as is discussed more below. Nevertheless, the size of the difference highlights just how much Nigerians must prefer their own movies to foreign movies, despite the disparity in ability to spend on creative inputs.

In addition, the Nigerian market is actually fragmented into many smaller markets. Speaking of a single Nigerian marketplace, or characterizing the entire Nigerian marketplace as "Nollywood," is grossly inaccurate.[72] The Nigerian film industry is actually composed of several regional film industries. As is the case in most of sub-Saharan Africa, national borders reflect a colonial legacy rather than any particularly logical grouping of peoples. Aside from the common language of English, Nigeria has three main languages and ethnic groups – Yoruba, Igbo, and Hausa – as well as about 500 other minority languages. Movies are made in English, as well as the other main languages and some of the minority languages of Nigeria.[73] The Hausa and Yoruba film industries in particular comprise separate, distinct film industries with their own geographic focus and style.[74] Over the years, the market has become more segmented.[75] While there is some overlap between both production and consumption of films in these different languages, these divisions further reduce the scale that the Nigerian film industry can achieve.

11.3.4 Piracy as a Limit on Domestic Market Size and Spending on Creative Inputs

Piracy further radically curtails the market for each Nigerian film. In a country where piracy is limited, such as the US or European countries, a movie producer faces a market where the opportunity is a function of the size of the overall market and the likely appeal of the movie to some portion of that market. By contrast, in the Nigerian market, piracy puts a ceiling on the size of the overall market for each movie, so the opportunity

71 Rebecca Keegan, *How Much Did Avatar Really Cost?* VANITY FAIR (December 22, 2009), http://www.vanityfair.com/online/oscars/2009/12/how-much-did-avatar-really-cost.html.

72 Haynes, *supra* note 11.

73 Lobato, *supra* note 56 at 343.

74 Larkin, *supra* note 42 at 4–6.

75 Lobato, *supra* note 56 at 343–44; Haynes, *supra* note 4 at 4–6.

is still also defined by the likely appeal of a movie, but only within a fraction of the overall market.

As a home video industry, Nollywood is particularly vulnerable to piracy. Until recently,[76] few movie theaters existed. As Ajibade describes, there are many, many video viewing rooms throughout the region that show videos to consumers for a fee.[77] But these video rooms are small and informal, with no system for paying royalties to the original film owner. Theater exhibition presents the advantage of selling an experience that can only be gained by purchasing a ticket. The film-maker can charge exhibition fees or royalties to the theater, with a far better chance of collecting. By contrast, videos can be and easily are copied with no recourse to the film-maker.

In a market where piracy rates are high, and no relatively secure outlet such as the movie theater exists, one of the few ways in which a producer can recoup their investment is through first-mover advantage. In other words, they have only a short time in which to sell their product before demand is cut off by piracy. Compounding this challenge is what Haynes describes as an "extremely dysfunctional distribution system."[78] The system works rather well, in a way, to get movies to the public through extensive copying.[79] It is difficult, however, for the original producer to move product quickly while holding distributors accountable for paying for copies.

The limited legitimate market for each film thus creates a market with more numerous smaller productions. Haynes describes the business practices resulting from piracy: "The most workable business strategy is to make films as cheaply and quickly as possible, shooting in a week, trying to recoup the investment in the two weeks or so before the pirates can catch up, and then moving on to another film."[80]

In pursuing this strategy, producers must limit the amount they spend on creative inputs. Without piracy and under the model discussed in this chapter, the producer will add creative inputs until they fail to attract more consumers; in other words, until their marginal product is zero. Film-makers in Nigeria face the same choice, but their market is different from the one in the original Wildman and Siwek model. In the original model, film-makers are competing for a share of national

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[76] See *infra* section 11.4 for a discussion of the recent changes in the industry with respect to movie theater exhibition.

[77] Ajibade, supra note 35.

[78] Haynes, supra note 2 at 134.

[79] Larkin, *supra* note 42 at 2–3.

[80] Haynes, *supra* note 4 at 3–4.

film revenue. In Nigeria, piracy limits the market so that film-makers will employ the amount of creative inputs necessary to maximize profits within the very small market and short window of time left to them by piracy. Haynes describes exactly the effect that limited budgets have on creative inputs: while Nollywood professionals are seasoned, competent, and use reasonably good equipment, "the low budgets show in the lack of script development and rehearsal time, the bad lighting and sound recording quality, and the minimal attention to sets, costumes, and makeup."[81]

Reliance on a first-mover strategy also likely affects the type of movie that can be made. With a very small potential market, movies need to capture as much of that audience as possible. As small as Nollywood budgets can be, there is some absolute minimum fixed cost that must be recouped. As Adejunmobi puts it, Nollywood film-makers "create their film narratives with the aim of making an immediate impression on a local and national audience upon release of the film."[82]

Estimated sales illuminate how piracy limits the market. In a large country where these videos are by all accounts ubiquitous, estimates of legitimate sales are surprisingly low. The numbers cited are consistently well below 100 000 copies. Haynes observed in 2007 that at that time, films were "lucky to sell 60 000 copies."[83] He further states that "legend has it that a few films have sold a quarter of a million copies," which would include all-time top sellers such as Living in Bondage.[84] Other common, more recent estimates in the press range between 20 000 and 30 000 copies.[85]

These relatively low sales severely limit budgets. Haynes estimates the average as "perhaps $20 000, with a high end around $75 000."[86] These statistics are likely broad guesses, but they correspond to numbers commonly stated by industry players, with the average commonly stated to be between $20 000 and $30 000.

In the end, Nigerian consumers may pay the highest price for piracy. While producers focus on the profits they miss from each feature subject to piracy, those profits likely would not last long in a dynamic market.

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81 *Id.*
82 Adejunmobi, *supra* note 10 at 11.
83 Haynes, *supra* note 4 at 3–4.
84 *Id.*
85 *See, e.g.* Michael Mukwuzi, *For Sale! Nigerian Movie Industry*, Naija Rules (Mar. 31, 2009, 11:23 AM), http://www.naijarules.com/vb/nollywood-industry-matters/32793-sale-nigerian-movie-industry.html (2009).
86 Haynes, *supra* note 4 at 3–4.

With a larger market, they likely would spend more money on creative inputs in pursuit of more sales. Competition for a share of the entire market (not just the piracy-"capped" market for each film) would likely thus put upward pressure on costs. The overall effect on consumer welfare is hard to gauge, as it would depend on whether producers were able to raise prices. Assuming, however, that prices would remain the same, the likely result would be movies with higher production values of more varied types. On the other hand, there might well be fewer movies produced as the budget "cap" imposed by piracy would be removed, thus precipitating larger budgets and fewer movies, as each producer claimed a larger share of total revenue.

Finally, piracy tends to increase the riskiness of large investments in film-making, thus reducing access to the formal sector and capital. As Haynes observes: "the industry remains disengaged from banks, government loans, and other formal sector sources of capital; it still consists of myriad very-small-scale producers, who make each new film on the profits from the last, or on advances from marketers."[87]

The very recent development of films shown in newly opened theaters in Nigeria has changed this lack of access to capital somewhat, as discussed in section 11.4 below. The cinema offers a more secure return on investment, which has facilitated access to bank loans and other formal capital.

11.3.5 Creative Inputs and Production Costs

Spending on creative inputs in Nollywood movies is apparently quite low. Creative inputs, in the model discussed in this chapter, include anything that might increase the audience appeal of a film: script development, special effects, rehearsal, additional takes, editing, and other inputs. A bit of experience in viewing Nollywood movies confirms the statements made in both scholarly and popular commentary: creative inputs in Nollywood movies leave something to be desired (notwithstanding the fact that the viewer may, as this author does, find some of the movies entertaining, interesting, and compelling).

Observers and industry participants generally agree that production values are low. Typical are comments such as: "Nigerian video films lag a very long way behind in their production values."[88] They contain "poor sound and rudimentary camera-work."[89] "Lighting is a neglected art,

[87] Haynes, *supra* note 2 at 134.
[88] Lobato, *supra* note 56 at 348.
[89] *Id.*

seldom used creatively, filmmakers think they can get along without it because their video cameras are good at picking up ambient light."[90] Not much is spent on costumes or sets, and it produces anachronisms as when stories are told across generations but "they never attempt to reproduce the look of a historical period."[91]

These choices, however, are most likely not the result of lack of skill or care, but rather of extremely low budgets necessitated by the structure of the industry and the limited opportunity to recoup investments. The statement above that creative inputs "leave something to be desired" is a deliberate choice of words. Surely directors wish they had bigger budgets, and consumers might wish for higher quality. For example, in an essay written by leading Nollywood director Tunde Kelani, he wryly commented on Steven Spielberg's passionate rejection of digital filmmaking: "I could also be as passionate about the look and feel of celluloid if I had access to US$50 million, the average Hollywood budget for a film. But reality and experience have conditioned me to think differently."[92]

As Haynes recounts, financial realities in Nollywood do not give much scope for creative vision: "The films are made so fast (shooting typically takes about two weeks, and often less), on such minuscule budgets, and under such unrelenting commercial pressures, that individual artists have few resources and little time to realize a distinctive vision."[93]

As described earlier in the discussion of the effects of piracy, these limitations are in part a result of the "cap" that piracy places on potential sales. Regardless of total consumer spending on movies nationally, rising incomes, or popularity of the industry, each movie can only aspire to tens of thousands of sales before it is pirated. Nollywood filmmakers do not try to satisfy consumer preferences for higher quality, because they cannot. It does not pay to do so.

11.3.6 The Cultural Discount

One of the most notable results from using the home-market effects model to analyze Nollywood is what it suggests about the size of the cultural discount that Nigerians place on foreign content. The US market is vastly larger than the Nigerian market, which is beset by piracy, segmented

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90 Haynes, *supra* note 2 at 138–39.
91 *Id.* at 139.
92 Kelani, *supra* note 53 at 90.
93 *Id.* at 138.

into several regional industries, and characterized by very low production values. The seemingly decisive advantage of the US is apparent from viewing any Nollywood movie against almost any Hollywood movie: the Hollywood movies have undeniably better production values as confirmed by scholars, industry participants, and Nigerian viewers. Yet, Nigerians still embrace Nollywood movies. Both the model and extensive anecdotal evidence suggest that the preference for local, relevant content is the decisive factor.

In an interview with John McCall, filmmaker Kabat Esosa Ebgon described what Nollywood films have to offer their audiences:

> Nigerian filmmakers have been able to touch a sort of sensibility of the people – their life, their aspirations, their family values, their worldview, their cosmology, spiritual and otherwise . . . The content, the form, is African . . . I think this is the truly African cinema we have been waiting for . . . We are telling our story now for the first time.[94]

Filmmaker Charles Igwe offers a similar explanation in an interview from the documentary *Good Copy Bad Copy*:

> We can't go to the LA film schools, but we can tell our stories with our own pictures. They look atrocious, the acting is horrible and all that, but it's piecing together the stories . . . The American market has definitely set the pace for most people. They are probably the most advanced in the world. That's accepted . . . So we give them the best in the world––yes you take that, you take the high end of the market, you take the biggest things in the market. But there's a lot of room to play somewhere else, and we occupy that space quite gladly.[95]

Nigerian movies thus occupy a space that can never really be filled by a foreign film industry.[96] That space is large enough to support an industry because of the great differences between the Nigerian culture and experience and the US culture and experience. Nigerian cinema prospers by satisfying this preference for material that speaks to Nigerians: "The commercial success of Nollywood films depends on their expression of a point of view – the values, desires, and fears – of their popular audience."[97] The films address local issues, and themes and plot elements include: social ills such as corruption, prostitution, and crime; family strife arising from

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[94] McCall, *supra* note 42 at 95. Video of the interview is available at http://www.youtube.com/watch?v=Bq8O7JvpxU4.

[95] Quoted in Lobato, *supra* note 56 at 348.

[96] Adejunmobi, *supra* note 10 at 11.

[97] Haynes *supra* note 2 at 133.

polygamous marriages, money troubles, and success abroad; historical epics; native doctors; recent news events; and many other issues particularly relevant to local audiences.[98]

Nollywood movies' local appeal is squarely in pursuit of a popular audience: they are unreservedly, unabashedly commercial. These are neither tame art house films nor quaint depictions of traditional culture. Instead, the movies are lively, sometimes sensationalistic, and draw heavily on popular formulae and conventions long tested and proven by Hollywood. Nollywood's only agenda is commercial, unlike the self-conscious (albeit often brilliant) national cinemas subsidized by governments around the world. McCall elaborates: Nollywood "has no view, no agenda, no ideology. It is a sprawling marketplace of representations. Its storylines are plucked from newspapers, political rumour and urban folklore."[99]

In watching these movies, the Western viewer may be struck by how they can seem both familiar and unfamiliar at the same time. The movie series *Issakaba* is a compelling example of how Nollywood blends African sensibilities into Hollywood conventions. It is a vigilante story, in the tradition of the American movies *Dirty Harry* and *Death Wish*, where the heroes protect the innocent and exact vengeance where an ineffectual establishment will not or cannot. However, it has a distinctly Nigerian twist. The story is "ripped from the headlines," as the events are based on real-life events in Nigeria where vigilantes, the Bakassi Boys, took justice into their own hands to much popular acclaim.

In many ways, the *Issakaba* story is more complex and ambivalent than its US counterparts, as befits the Nigerian experience. As McCall (who introduced Western audiences to the film) explains, recent history tells Nigerians that "the 'goodness' of any action is never absolute, regardless of the evident 'evil' of its target," that "power, no matter who wields it will eventually corrupt," and that "replacing one band of armed thugs with another offers little hope for true political reform."[100]

Such differences within similarities illustrate how a smaller market film industry can exploit its unique cultural differences while catering to viewers long accustomed to Hollywood conventions. Every culture has its unique stories, experiences, and sensibilities upon which film-makers can draw. This advantage may give them the ability to compete with Hollywood on its own ground—even the classic action movie.

Some scholars offer an alternative explanation, other than cultural

98 McCall, *supra* note 4; Ajibade, *supra* note 43; Adejunmobi, *supra* note 10.
99 McCall, *supra* note 4 at 96.
100 McCall, *supra* note 42 at 57.

differences, for how the Nigerian film industry levels Hollywood's many advantages. Larkin documented the way in which a distribution infrastructure built on piracy degrades the Nigerian experience of Hollywood movies. Experiencing "Hollywood or Indian films on VCRs in Nigeria, where there is no official distribution of nonpirate media, means necessarily watching the dub of a dub of a dub."[101] This experience lowers expectations regarding quality of picture and sound. Adejunmobi goes so far as to say it neutralizes the Hollywood advantage entirely: "it does not really matter that Nigerian video film directors do not have as much money to invest in their films as do American film directors. In the end, the technical quality of distinct films as accessed by the audience in a place like Nigeria is not vastly dissimilar."[102]

These arguments about how piracy lowers quality expectations may have some merit, but they likely overstate the case. The home-market effects literature on the movie trade is once again helpful. As Wildman and Siwek and others have observed, there are many creative inputs that increase the appeal of a movie.[103] Sound and picture clarity are certainly among these factors and much affected by copying. But creative inputs also include script development, multiple takes of a scene, rehearsals, special effects, staging, sets, locations, and other elements that remain quite noticeable, even on a degraded copy. The budgets facilitated in the larger US market give Hollywood a decisive advantage in these elements, which Nollywood counters with local appeal.

11.3.7 Nigeria's Cultural Policy (or Lack Thereof)

Cultural policy or government intervention is not considered in the model discussed in this chapter, nor is it a factor in Nollywood's success. Nigeria's film industry has grown with essentially no government support and with occasional interference at the state level. This unassisted commercial success stands in contrast to the film industries of some of its Francophone neighbors, which have used government and donor funding to produce masterpieces revered by film scholars but seen by few Africans.

The contrasts between Africa's subsidized celluloid cinema and Nigeria's commercial video industry are marked. For one thing, the subsidized films have not been commercial successes and enjoy virtually no distribution within Africa. Francophone film culture in Africa has produced enduring

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101 Larkin, *supra* note 42 at 307.
102 Adejunmobi, *supra* note 10 at 6.
103 Wildman and Siwek, *supra* note 14 at 68–70.

masterpieces by *auteurs* such as Ousmane Sembene. However, these films are largely unknown to Africans: "By the mid 1990s, African films accounted for less than 0.1 percent of titles screened on the continent."[104] Film critic Emmanuel Sama lamented that: "African films are foreigners in their own countries."[105] The main audiences for this African film tradition are the global film festival circuit, Western university classrooms, and collections of film aficionados in wealthy countries.[106]

On the other hand, while Africa's subsidized film industry has enjoyed tremendous critical acclaim, Nollywood is considered something of an embarrassment. Because of the "fast-and-cheap nature of the video film medium . . . it is not taken seriously as 'cinema' by cinema scholars."[107] From its earliest days, Nollywood has provoked calls for censorship and control because of embarrassment, mortification, and alarm at its frequently sensationalistic, vulgar themes and its fascination with witchcraft and ritualism.[108] By no means are all Nollywood films of this type, but they certainly are decidedly commercial and crowd-pleasing. These films, often self-financed, must aspire to profits first and art second, if at all.

Nollywood thus promotes cultural diversity and African sensibilities, but not the sort always embraced by intellectuals. As McCall relates, the subsidized African film industry was animated by a desire to create a pan-African consciousness.[109] Governments and intellectuals recognized the power of the medium of film and sought to use it to instill a top-down vision of what it meant to be African. Moreover, when not overtly ideological, these films nevertheless reflected the sensibilities of their foreign funders:

> Foreign interests funded most celluloid African films, and European review boards vetted most of the scripts. The film-makers too, were schooled in the auteur sensibilities that appeal to such boards. The films that resulted were often politically sophisticated and aesthetically exquisite, but not necessarily targeted at African viewer sensibilities. Most of the films were of the "art-house" variety that rarely sees distribution outside of urban centres—even in the west.[110]

By contrast, Nollywood provides a bottom-up vision of what it means to be African. These commercial films have created, in McCall's memora-

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104 Lobato, *supra* note 56 at 339.
105 Quoted in McCall, *supra* note 42 at 95.
106 McCall, *supra* note 4 at 96.
107 Lobato, *supra* note 56 at 339.
108 McCall, *supra* note 4 at 96.
109 *Id.*
110 *Id.* at 93.

ble phrase, "the pan-Africanism we have."[111] "In market stalls and corner stores across Nigeria, and increasingly in cities and towns across the whole of Africa, these market-driven movies have become the engine of a distinctively African popular culture."[112]

Nollywood may not be what some scholars and intellectuals have in mind when they call for cultural diversity in a globalized world, but it certainly represents a powerful alternative voice that actually reaches people. A productive and extremely popular film culture likely stands a better chance at preserving cultural diversity than a small, struggling industry dependent on governments and foreign donors.

11.4 FUTURE DIRECTIONS

Like all dynamic, open markets, Nollywood evolves quickly as old opportunities are fully realized, new opportunities are spotted, and competition drives profits ever downward. Recent years have yielded both concern and new hope for the industry's future.

One way that Nollywood might improve its lot is by increasing the size of the audience that actually pays the original film-makers or producers. There are, perhaps, two routes to doing so: by reducing piracy, and by reviving the cinema. At this time, the latter route is enjoying some success. Movie theaters ensure revenue for producers, and as a handful of new theaters have opened in Nigeria, Nollywood has begun to seize on the opportunity. As one report recounts: "With the industry's new romance with the cinema, perhaps a foretaste of better days seems imminent. Producers and directors that had otherwise shunned the cinema are gradually finding their way back to it, forced as it were, by circumstance of poor movie sales and piracy."[113]

The new turn to the cinema has produced some impressive results. Director Lancelot Imasuen has hosted star-studded premieres for his latest film at cinemas in various Nigerian cities.[114] The past year (2009–2010) has seen the emergence of films aimed at the cinema audience, with bigger budgets and higher production values, and with resulting box office success. There have been a string of box office hits. In fall 2009, *Through*

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111 *Id.*

112 McCall, *supra* note 42 at 99.

113 *At Premiere, Vote of Confidence for Home in Exile*, NIGERIAFILMS.COM, http://www.nigeriafilms.com/news/6823/16/at-premiere-vote-of-confidence-for-home-in-exile.html (last updated Mar. 27, 2010).

114 *Id.*

the Glass was the first Nigerian film to be a number one box office hit in its own country, beating several Hollywood films.[115] It grossed about 22 million naira, which is about $140 000. A string of hits followed, including *Ije* which as of this writing has outgrossed *Through the Glass.*[116]

Larger audiences may not necessarily mean larger profits. These films are competing for their audiences with larger budgets and higher production values. Instead of weeks, these films took months to shoot, including months spent in post-production and reshoots.[117] Such attention – and expense – were heretofore unheard of. The result could be fewer, higher-quality movies with larger budgets. "*Through the Glass*, *Figurine* and *Ije* are high budget movies. They gulped so much money that could make over 100 normal Nollywood movies."[118]

The cinema outlet is lowering the risk of Nollywood film production, giving Nollywood its first entrée into the formal sector. "I think Nollywood has come of age with the advent of cinemas . . . producers and investors have more confidence in producing more high budget movies. The risk is lower as there are avenues of realizing one's capital," said one film-maker.[119] "New faces of Nollywood are willing to approach banks, get investors and corporate bodies to stake huge cash in their efforts to achieve better results."[120] Notably, banks provided loans for the movie *Figurine.* The players in this new Nollywood are also signing formal contracts, engaging public relations (PR) firms, and conducting sophisticated marketing campaigns.[121]

Significantly for purposes of the analysis in this chapter, Nollywood is holding its own in this growing cinema niche. Many feared that the renewal of cinema culture would mean that Nollywood would lose out to higher-production-value foreign films. Indeed, cinemas initially refused to screen Nollywood films, seeing them as inappropriate for theater exhibition. But the industry rose to the challenge and Nigerian consumers responded. Nigeria's own home market advantage seems to be holding according to early reports.

Although the current revival of Nigerian movies in the cinema is a welcome development, the home video industry still matters. Cinema

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115 Samuel Olatunji, *The New Nollywood*, DAILY SUN, August 15, 2010, http://www.sunnewsonline.com/webpages/features/showpiece/2010/aug/15/showpiece-15-08-2010-005.htm.

116 *Id.*

117 *Id.*

118 *Id.*

119 *Id.*

120 *Id.*

121 *Id.*

ticket prices are out of reach for most Nigerians, so the home video market remains important. Moreover, vast numbers of Nigerians still lack access to cinema, because they live in rural areas or, in the case of Muslim women in the north, because they cannot attend.

The home video industry must still contend with piracy. In that market, piracy represents both a challenge and an opportunity to Nollywood and its African competitors (potential, and current, such as Ghana). So long as the bar is set so low (as noted earlier, mere tens of thousands of copies), there is room for growth. Government enforcement of copyright laws is often called for, and would be conducive to a stronger industry with higher production values. But alternative distribution networks from the current "leaky" and dysfunctional system might also wring more return from the industry. In the past few years, dissatisfaction with the existing distribution and marketing system has encouraged film-makers to form new organizations in an attempt to supplant the existing infrastructure.[122] It remains to be seen whether they will be successful.

11.5 POLICY ANALYSIS AND CONCLUSIONS

Nollywood has managed an enviable feat in overcoming the dominance of the US in its local film market. Despite a market size disadvantage of upwards of 100:1, ethnic and linguistic fragmentation of its market, severe constraints imposed by piracy, and lamentable production values resulting from these limitations, Nollywood has fostered a lively, vital, and commercially successful film industry that is among the world's most productive.

This achievement is a tribute to the entrepreneurial spirit of Nigerians; it is also a tribute to the strength of the cultural discount. The potential lessons suggested by this analysis are encouraging for other small markets. As Lobato observes, not all countries manage to achieve such success, even ones with far greater resources. He observes that the Australian film industry has only achieved a 4 percent domestic market share, despite large government subsidies and a huge difference in per capita GDP.

The case study method used in this chapter yields little exact data, but offers some strong indications as to the magnitude and direction of effects. The nature of Nollywood as an informal industry precludes exact data, but a few things are clear. First, the size of the Nigerian market, although robust, is much, much smaller than its foreign competition. Second, piracy

122 *Id.*

rates are very high. Considering the entry condition for home market effects model presented in this chapter then:

$$R_B > [(\delta * h) /(1 - \rho)]\ R_A$$

Given that the size difference between the Nigerian and US film markets (i.e. R_B:R_A) is between 1:20 and 1:100, and that piracy rates (ρ) are very high, it becomes clear that that δ, the production cost advantage, and *h*, the cultural discount, must be quite large, vast even, in the case of Nollywood. This model simply reduces to variables what commentators such as McCall have observed in other forms: Nollywood succeeds by appealing to local tastes and sensibilities. The efficacy of modeling here is to give a sense of the magnitude of the importance of the preference for local content and the opportunity such a preference may thus represent in other markets. Further research might profitably consider the nature of the cultural discount in Nigeria and other African markets, particularly which indicators of cultural distance appear to be most influential.

Moreover, this chapter's analysis of Nollywood in light of home-market effects suggests that several tools and "levers" are available to policymakers and industry. The analysis here does not indicate a single, specific solution to the challenge of preserving and fostering cultural diversity in smaller markets, but it is suggestive of several things.

First, Nollywood shows that where the cultural discount is high enough, an opportunity exists despite gross disadvantages versus Hollywood and other global creative industry giants. It may be difficult to determine beforehand if a large cultural discount advantage exists. However, Nollywood's ability to compete in English is a heartening sign. The literature on the cultural discount sees language differences as one of the key drivers of the discount. Other countries and cultures exhibit far greater cultural and linguistic distance from the United States than does Nigeria. Therefore, it is possible that creative industries in other countries may enjoy a similar or even greater opportunity.

Second, the development of human capital may be an important initial condition. Nigeria had the advantage of a brief flowering of government-supported television along with the Yoruba theater tradition. These advantages gave some initial impetus to the industry. If donor money, support, and subsidy are to be focused anywhere (and the proposition may be debatable), it may be best spent on developing an initial talent pool.

Third, the African experience does not suggest that direct film subsidies are a particularly effective way to preserve cultural diversity. The vision may be of multinationals and local governments vying to form the consciousness of the masses, but the reality is quite different. The masses have minds of their own, and they prefer the mass pop culture of Nollywood. The self-conscious national cinemas funded by government have limited success, even in wealthy countries. People choose movies that actually reflect their circumstances, not the preferences of elites and leaders. The good news conveyed by Nollywood is that they may prefer a local version of popular culture to the Hollywood import.

Fourth, a bit of copyright enforcement might go a long way. Nollywood has emerged in an environment where piracy was supreme (although perhaps Nollywood was aided to a degree by this pirate infrastructure). While it flourished in this hostile environment, it flourished on a very small scale. Two lessons might be drawn. First, it is possible for cultural industries to grow, based on small-scale markets. Second, where an industry has failed to arise yet in the mode of Nollywood, efforts to help film-makers, musicians, and other creators secure even a small commercial return might be enough. Enough copyright enforcement, even located in just a particular locale or physical market where the products are initially distributed, might provide that base.

Fifth, and alternatively, movie theaters may present a commercial opportunity. Two sorts of opportunities exist: well-appointed movie theaters of the kind familiar in wealthy countries, and video viewing rooms as are common in Nigeria. Even a relative handful of upscale theaters may support a modestly higher-budget industry, as in South Africa, and as may be emerging in Nigeria. However, video viewing rooms may present an even bigger opportunity. As described extensively by Ajibade, small-scale video viewing rooms are a significant outlet for viewing Nigerian videos.[123] They may be somewhat overlooked, however, in the commercial infrastructure of the industry because they return nothing to the original filmmakers due to the fact that there is no system for collecting royalties. If they could be integrated into the film industry however (e.g., via vertical integration), they might become a significant market for film industries among the emerging consumer class in Africa's growing urban centers from Cape Town to Dakar to Nairobi.

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123 Ajibade, *supra* note 43.