

STATE OF CREATIVE ECONOMY IN KENYA

Spotlight on the
Film Industry



Acknowledgement



Deepest gratitude to the film industry practitioners who took the time to engage with the Viffa team to bring the report to fruition.



About Viffa Consult

Viffa Consult is a Kenyan-based management consultancy that is dedicated to developing Small and Medium Enterprises (SMEs) and start-ups in Africa. We believe that African businesses can transform their socioeconomic status through profitable trade and business engagement.

Since our inception, we have had a positive impact on the Kenyan entrepreneurial ecosystem through our policy and strategic opinion pieces, SME policy advocacy

at local and international levels, and consultancy services. We have supported over 500 SMEs in Sub-Saharan Africa and are committed to helping alleviate the challenges faced by these businesses.

Our approach combines granular research with practical support, including corporate engagement, market intelligence, and direct support. Our goal is to build a knowledge base that can inform SME and start-up policies and help these businesses succeed.

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Introduction

Did you know that Kenya's film industry has a rich history dating back over a century? The earliest film shot in Kenya, "Roosevelt in Africa," documented US President Teddy Roosevelt's visit to Kenya in 1909, setting the stage for many more safari-themed productions that would be filmed in the country.

1953	Mugambo	1985	King Solomon's Mines Out of Africa	2001	Nowhere in Africa
1966	Born Free	1987	White Mischief	2003	Lara Croft Tomb Raider: The Cradle of Life
1975	The Wilby Conspiracy	1995	Ace Ventura: When Nature Calls	2005	The Constant Gardener
1981	Rise and Fall of Idi Amin	2000	I Dreamed of Africa	2010	The First Grader

International Films of Note Shot in Kenya

Today, Kenya's film industry is thriving, offering exciting investment opportunities for those looking to get involved. With a growing domestic market and a reputation for producing high-quality films, Kenya's film industry is on the rise.

But what makes Kenya's film industry stand out? For one, the government is actively looking into strengthening the industry with policies and incentives that encourage growth and investment. In addition, Kenya has a wealth of talented and creative filmmakers, actors, and crew members, who are passionate about producing compelling stories that resonate with audiences both in Kenya and around the world.

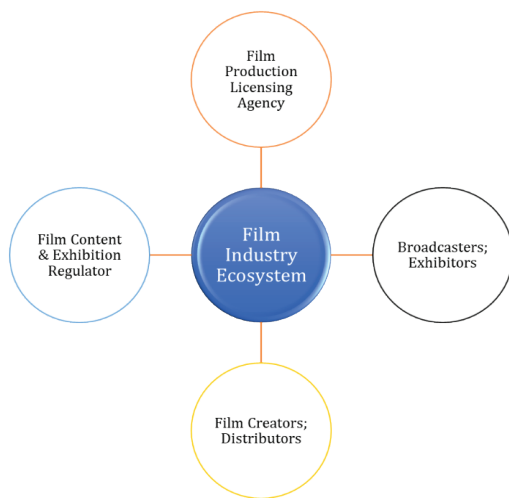
And it's not just about the local market. Kenya's central location within the East African region makes it a strategic hub for filmmakers looking to access the wider African market. With the growth of streaming services and digital distribution platforms, the demand for African content is growing, creating new opportunities for Kenyan filmmakers to showcase their work to global audiences.

This report explores opportunities in Kenya's film industry, as an indicator of the potential of the country's creative economy.

Kenya Film Industry Structure

The film industry ecosystem across Africa has four main players:

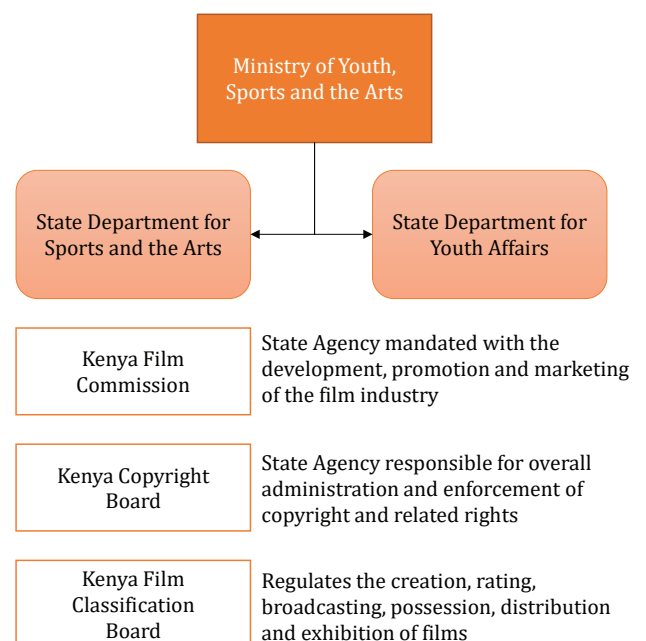
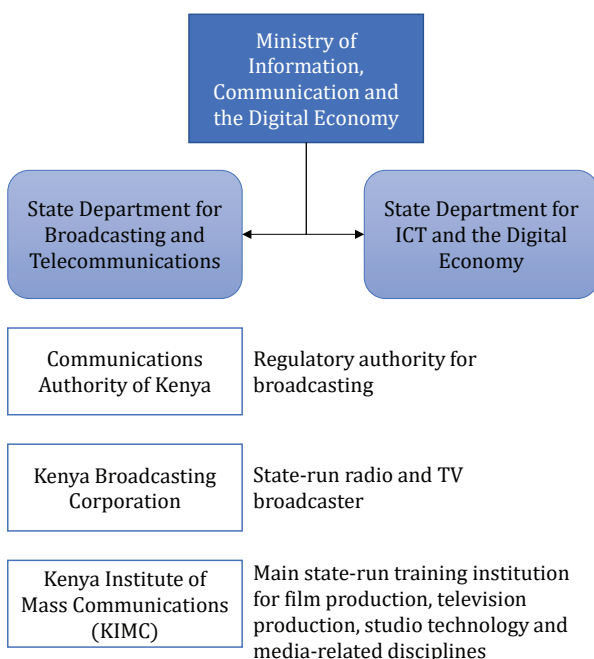
- (1) state agency responsible for licensing film productions;
- (2) state agency responsible for rating films and regulating the exhibition of films;
- (3) state-owned and private film broadcasters/exhibitors; and
- (4) film creators (including producers, actors, editors and other film crew members).



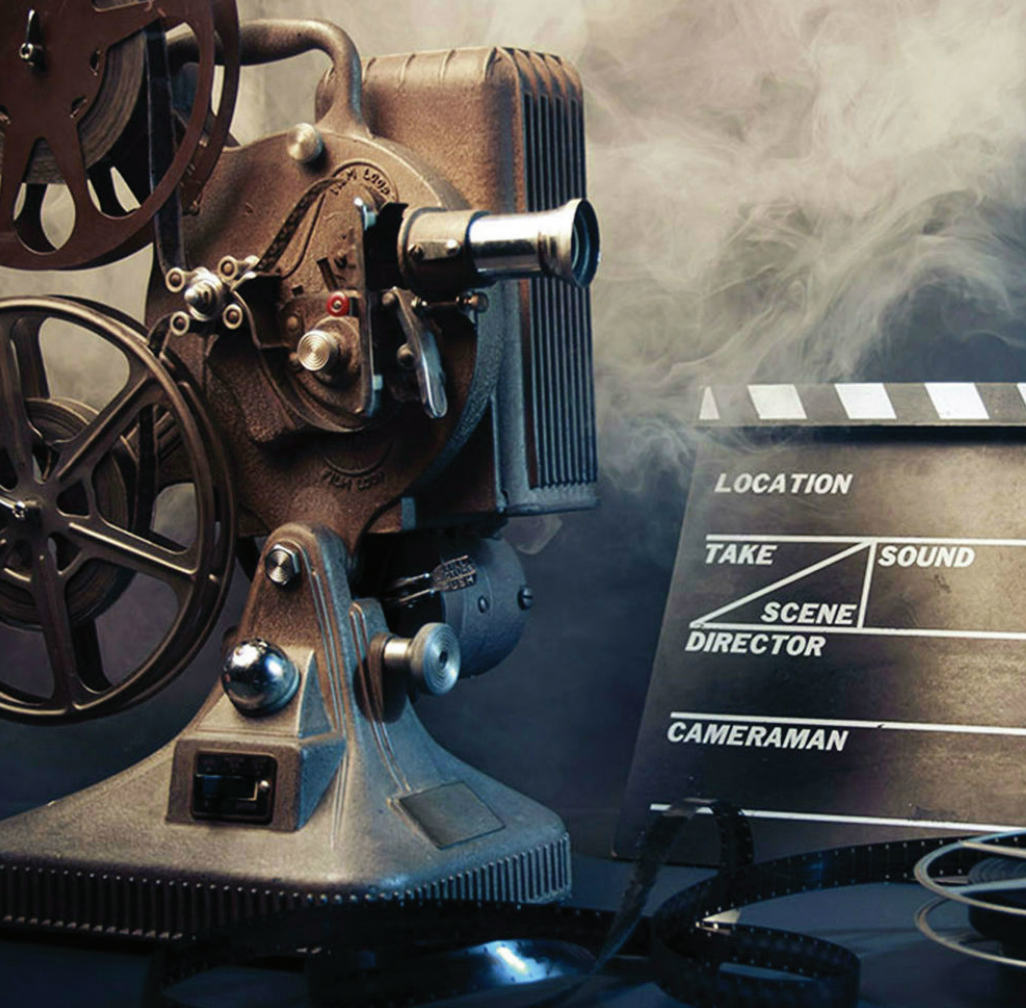
One of the main challenges facing Kenyan film producers is reaching audiences. Unlike Morocco, Nigeria, and South Africa, there is no strong lobby group that represents distributors and exhibitors in Kenya.

- Such a lobby would be instrumental in ensuring adherence to the government's policy that requires broadcasters and exhibitors allocate 40% of airtime to local content
- The lobby would also provide audience preferences to producers in a structured manner so as to guide their creative direction.

At the government level, oversight of Kenya's film industry is split between two ministries - the Ministry of Youth, Sports, and the Arts, and the Ministry of Information, Communication, and the Digital Economy.



Source: Executive Order Number 1 of 2023: Organization of the Government of the Republic of Kenya

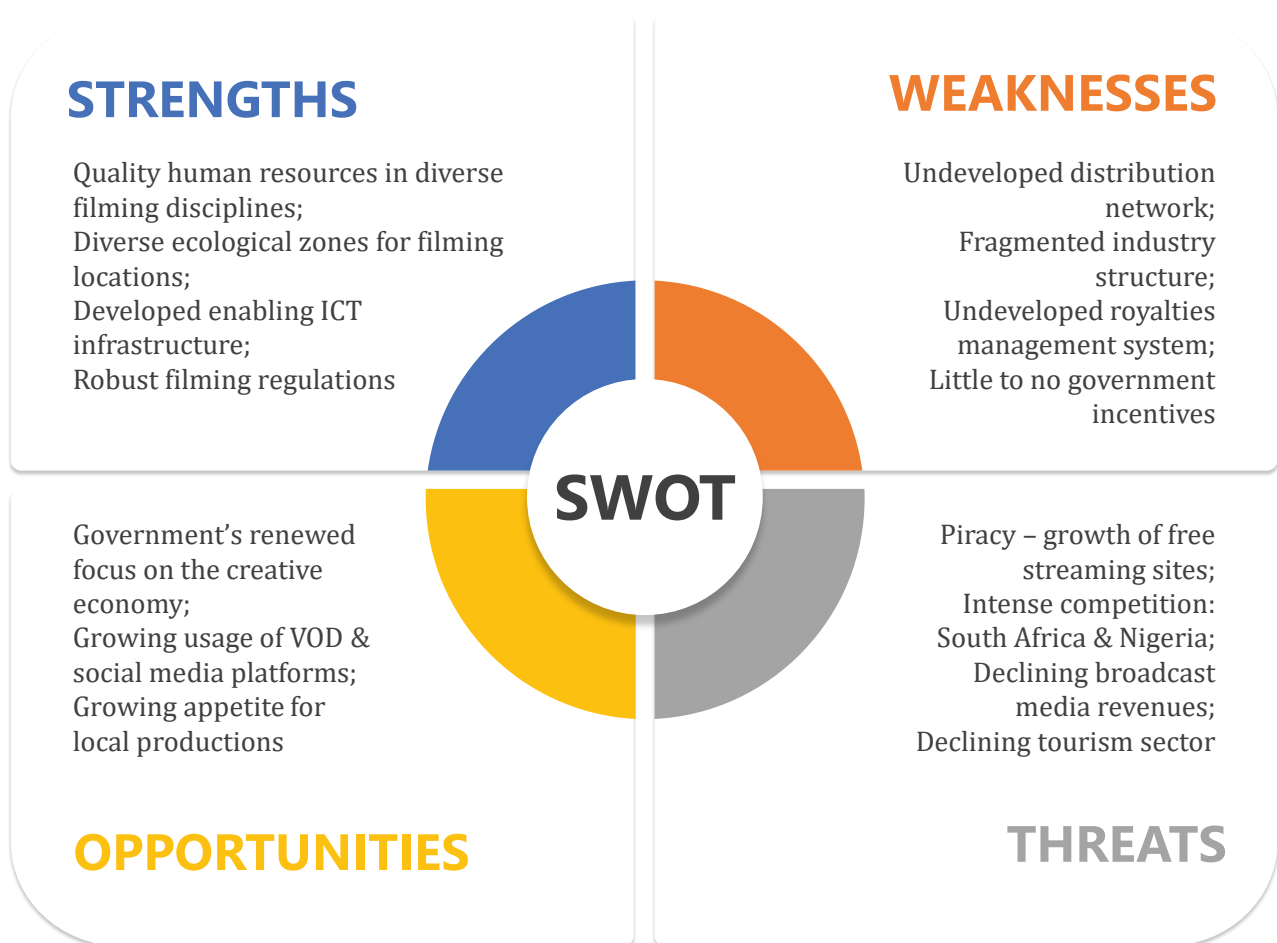


While the State Department for Sports and the Arts is primarily responsible for policies that impact the film industry, institutions that drive and strengthen the distribution of film works are housed within the State Department for Broadcasting and Telecommunications. This calls for a close collaboration between the two departments – a role that can be taken up by the recently created Creatives Technical Committee of the Ministry of Youth Affairs, Sports, and the Arts. Alternatively, the government may opt to follow the Moroccan model where the development of the film industry is channelled through one public institution - the Centre Cinématographique Marocain (CCM - Moroccan Centre for Cinematography). CCM executes the roles played by three state agencies in Kenya: the Kenya Film Commission, the Kenya Copyright Board, and the Kenya

Film Classification Board. This streamlined setup simplifies engagements with local and international producers while securing distribution networks for published works.

There is an opportunity to strengthen the role of Kenya Broadcasting Corporation (KBC) in following the example of the South African Broadcasting Corporation (SABC). SABC is the main catalyst of the development of South Africa's film industry by providing financing and broadcast airtime to local productions. SABC commits at least 15% of its annual budget to local content. As a result, South Africa has emerged as a key source of African films and telenovelas. While Nigeria has more film productions than any other African country, African countries are yet to match the quality of production that is delivered by South African studios.

Kenya Film Industry SWOT



The future of the industry is promising with the government's renewed focus on the creative economy, as evidenced by the establishment of the Talanta Hela Council and the Creatives Technical Committee by the Ministry of Youth Affairs, Sports, and the Arts. Further opportunities can be found in

the growing usage of Video on Demand (VOD) and social media platforms, and a growing appetite for local productions. Industry players will need to rise above piracy, intense competition from other countries, and declining broadcast media revenues to succeed locally.

Film Industry Drivers

1. Government Support

Many countries have realized that film production is an equal sector just like tourism that can contribute to the GDP. Nigeria, for instance, reports that the creative industry is the second highest employer after agriculture. Morocco and South Africa have been able to harness the power of film production to their advantage.

Country	Government Support	Outcomes
Morocco	<ul style="list-style-type: none"> • Foreigners and non-Moroccan production companies are exempt from VAT on all goods and services purchased in Morocco • Construction of an elaborate international film village in Ouarzazate. • Reimbursement of 20% of film production expenditure (maximum of USD 2 million per production) • Facilitation of film production logistics (discounts on the national carrier, discounts on fees charged to film at historical sites, and discounts on equipment importation fees). 	<ul style="list-style-type: none"> • Morocco is one of the world's 10 best film locations and regularly hosts shoots for high-budget international films.
South Africa	<ul style="list-style-type: none"> • SABC spends 15% of its budget on local content • Promotion of the film sector is enshrined in the country's trade policies. The Department of Trade, Industry and Competition is required to attract large-budget international films, TV production and post-production work • Tax-free grant for international productions that include a South African as a co-producer 	<ul style="list-style-type: none"> • South Africa generates a production value of USD 600 – 750 million annually • The country is the top location for post-production work across the continent • The county is the preferred location for the establishment of VOD platforms for Africa

The Kenyan government needs to explore the film industry as an important area for economic growth. Key informant interviews revealed that producers in Kenya have a hard time obtaining the necessary permits required to film at most locations. This goes for international producers who attempt to film in Kenya as well, hence driving them to countries with simpler regulations. The Kenya Film Commission and the recently established Creatives Technical Committee of the Ministry of Youth Affairs, Sports, and the Arts will need to rethink the policies on both local and foreign films and relax some of their restrictions to allow the production of more films in the country. The Government could also emulate Morocco and South Africa in promoting filming infrastructure development and the creation of a favourable business environment for filmmakers.

2. Technology

The creative industry has undergone a revolution in recent years, thanks to technological advancements that have simplified production and distribution. The rise of internet penetration and low-cost smart devices has also enabled a larger pool of audiences to consume social media and video-on-demand content. In Kenya, internet penetration rose from 18% in 2020 to 33% at the start of 2023, demonstrating the increasing demand for online content.

However, while video streaming technology has revolutionized the film scene in Kenya, it cannot replace the critical role that cinemas play in the industry. As our key informants noted, VOD platforms present fixed incomes and audiences, offering limited opportunities for film producers to expand their income streams. Similarly, social media platforms such as YouTube have opaque revenue models, despite having the widest audience reach.

It is, therefore, not surprising that the most vibrant African production countries have vibrant theatrical scenes. For example, South Africa has over 100 active spaces in the country offering music, dance, indigenous drama, satire, classical opera, and Broadway hits. Nigeria, on the other hand, has over 250 cinemas that primarily screen local productions, a culture inculcated by the government during the country's independence.

To promote the culture of attending cinema halls and watching local productions, the government and local investors can put money into building cinemas and theatres across the country. This will provide more opportunities for filmmakers to screen their films and boost the earnings of films since ticket sales provide film producers with broader revenue generation opportunities. As young people join theatres as audiences, the trend towards attending theatrical

performances is likely to continue to grow, creating new opportunities for the industry.

3. Intellectual Property

Intellectual property rights play a crucial role in the creative industry, as studios heavily rely on the success of franchises and sequels to drive revenue. However, piracy remains a perennial challenge, with unscrupulous websites presenting pirated premium content for free, denying content creators their rightful earnings. According to KreativeKenya, copyright infringement is a major issue in Kenya, with many people purchasing pirated DVD movies without realizing that it's an illegal act that hurts the film industry. In the past, infringement of one's copyright was taken seriously, and it was the reason behind the closure of the iconic Globe Cinema.

It is also essential to ensure that content creators receive their fair share of royalties. While the film industry has not raised any major complaints, the trend seen in the music industry is worrisome. Kenyan musicians have often complained that royalties paid by the Music Copyright Society of Kenya (MCSK) are far less than what they deserve based on actual airplay. As online streaming continues to grow, caution must be taken to ensure that streaming platforms remit a fair share of incomes or pay acceptable royalties to film producers. This would encourage more investment in the industry and ultimately lead to the production of more quality content.

4. Globalization

Globalization has had a significant impact on the creative industry, with movies now produced and distributed across borders, leading to increased competition and the need for studios to cater to a diverse audience. Nigeria's film industry, popularly known as Nollywood, is a trendsetter in

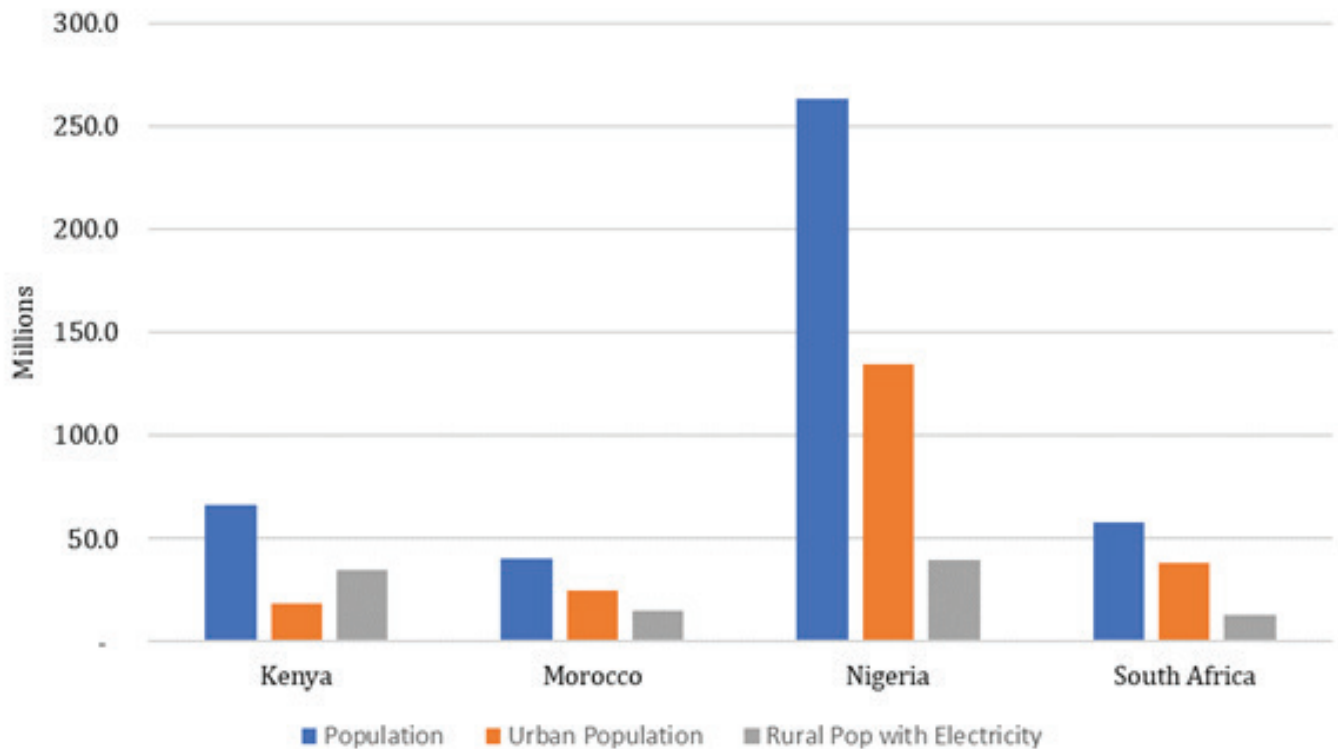
producing films for domestic consumption, with storylines that find audiences outside their borders. Nollywood leverages common themes among African communities to export its content. It's worth noting that Nigeria's music industry follows the same pattern.

In Kenya, producers are now venturing into telenovelas that can attract African audiences, such as the TV series "Second Family," "Housewives of Nairobi," and "Selina," which tell African stories to global audiences. The export market is critical for Kenya, considering the smaller domestic audience base compared to Nigeria. Morocco and South Africa are also seeking to engage global markets due to their small domestic audiences. This trend underscores the importance of creating content that resonates with diverse audiences and

leveraging common themes that transcend national borders. Ultimately, this approach not only boosts the industry's earnings but also promotes cultural exchange and understanding across different regions of the world.

5. Distribution

Film distribution and marketing are essential aspects of the film industry that significantly impact a movie's success. However, in Kenya, these aspects are still underdeveloped, and filmmakers face challenges finding distribution channels and marketing their films effectively. To address this, many filmmakers are turning to VOD platforms such as Netflix and Showmax, which not only offer distribution opportunities but also provide funding for production work. However, Kenya's



Domestic Market Sizing

subscription base on these platforms is still relatively low, with only about 50,000 Netflix subscribers compared to Nigeria's 17 million. Moreover, Kenyan filmmakers face difficulties in meeting the platforms' quality criteria, limiting their access to these channels.

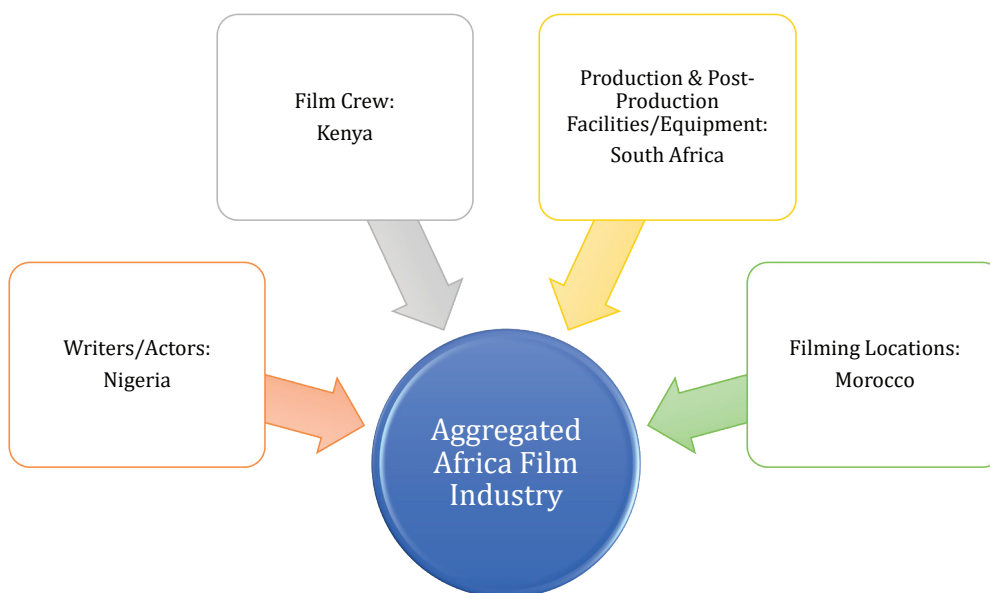
In contrast, Nollywood productions in Nigeria use VOD as a complement to cinema screenings, accounting for at least 55% of total box office sales. In comparison, Kenya has only 22 cinema screens, a fraction of South Africa's 663 cinema screens across 90 sites. Therefore, film distribution and marketing remain significant challenges in Kenya's film industry that require attention to improve the sector's growth and success.

In addition to production talent, Kenya also has a rich pool of acting talent, with many talented actors and actresses who have appeared in both local and international productions. Some of the well-known Kenyan actors include Lupita Nyong'o, who won an Academy Award for Best Supporting Actress for her role in "12 Years a Slave," and Edi Gathegi, who has appeared in several Hollywood films and TV shows.

However, despite the availability of creative talents, the film industry in Kenya faces many challenges, including limited funding, lack of distribution channels, and inadequate marketing. These challenges often limit the industry's potential for growth and development.

6. Creative Talent

Kenya's film industry is known for its high-quality production values, and this is partly due to the availability of skilled and talented professionals in key production roles. Kenya's film schools and training programs have produced many successful filmmakers, cinematographers, editors, and other production crew members who have gone on to work on international film projects.



Monetization in the Film Industry

1. Film Production Financing Models

There are two main ways that film production is funded in Kenya:

Model	Definition	Advantages to Producers	Disadvantages to Producers
1. Commissioned Works	An individual or organization contracts a film producer to undertake a production. Commissioned works are typically used to frame certain socioeconomic perspectives or to advance a given agenda. The majority of documentaries are commissioned works	<ul style="list-style-type: none"> • The film sponsor caters for the entire budget – thus the film producer is saved from the strain of raising funds • Distribution is pre-defined and pre-arranged ensuring the intended audience is reached 	<ul style="list-style-type: none"> • The film sponsor directs the creative direction thereby potentially limiting the producer • The film sponsor owns the works and any commercial engagements thus limiting the producer's revenues
2. Privately Funded	The film producer is fully responsible for raising funds required for the production through various means	<ul style="list-style-type: none"> • The film producer has a free hand in determining the film's creative direction • The film producer owns the works and is free to pursue multiple commercial engagements including merchandizing • The film producer can extend the life of the film through sequels and other products 	<ul style="list-style-type: none"> • Production schedule can be delayed by the time it takes to raise funds • Bear risk of losses from the low performance of distribution channels • Limited exhibition opportunities

Many Kenyan producers prefer commissioned works as it is difficult to raise film production funds from investors locally. Nigeria on the other hand, focus on privately funded projects. Nollywood has developed to a level where film producers can rely on financial institutions and

individual investors to support projects. It is reported that Nollywood releases about 50 films a week as a result. Governments of Morocco and South Africa have set up grant funds that producers can tap into to finance projects.

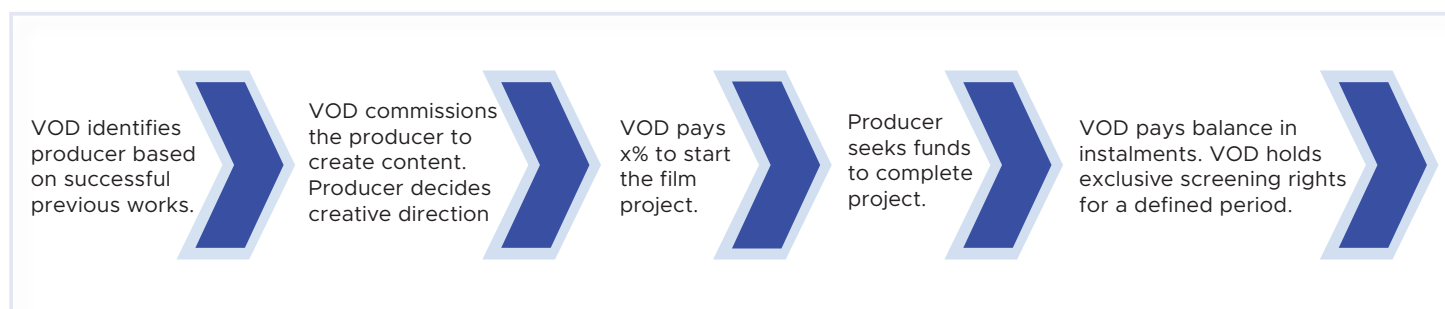
2. Approach Taken by VOD Platforms

VOD platforms have become popular with African producers as they offer higher pay compared to local TV stations as well as reach global audiences. The platforms have also invested significantly in the development of the African film industry.

According to a recent report by Capital Business, Netflix has committed to investing USD 300,000 in supporting local scholarships for Kenyan creatives in 2022. The move was a part of the company's efforts to develop human capital and bolster the country's digital content ecosystem. Of the total allocation, USD 100,000 was

earmarked for scholarships at the Kenya Film School and the African Digital Media Institute, while the remaining USD 200,000 was to support aspiring creatives studying at other Kenyan institutions offering film and TV courses.

Video-on-demand (VOD) platforms are continually exploring innovative ways to support local producers by adopting a hybrid commissioned and privately-funded model. Under this emerging model, the VOD platform will engage a producer to create content for a mutually agreed film genre. The platform will provide some upfront funding and pay the remainder in instalments once the finished works are screened.



3. Monetizing via Social Media

Over the past decade, social media usage has experienced a significant surge. With platforms like Facebook, Twitter, YouTube, and Instagram becoming increasingly popular, they have become an essential way of reaching young people on political, emotional, and civic issues. The emergence of TikTok has also changed the game, transforming social media into a means of making a living. Those who create content on TikTok are now referred to as “TikTokers.”

Unlike feature films, social media content creators don't incur massive production

costs. Typically, they use their mobile phones to film and only incur internet costs to upload their content onto social media sites. Additionally, they don't need to seek regulatory clearance before or after creating their videos.

The key revenue stream for social media content creators is via product placement, where organizations pay them to feature their products or messages in video presentations. However, to secure product placement deals, content creators need to have a significant following (in the millions). Social media platforms themselves can also pay content creators for the traffic

generated by their posts, based on the number of views or a share of revenue generated via an advertisement placed by the social media platform owner within a post.

According to key informants, social media is not a sustainable channel for the film industry as it is too focused on personalities. However, it can still be used to promote a film or elevate the profile of local actors. The informants suggest that audiences tend to choose films to watch based on actors – if a particular actor is in the film, it is assumed to be worth watching.

Film producers can leverage social media to promote their films or scout for talent that can enhance the profile of their works.

4. Investor Opportunities

Investor opportunities in the Kenyan film industry can be quite lucrative, particularly in the production of TV series and low-budget films. The cost of production is a major hurdle for film producers, with shooting costs typically making up the bulk of the budget. However, revenue can be generated through screening fees, product placement, and merchandising.

Telenovelas are currently the highest-grossing product in Kenya, and there is a growing appetite for African content on VOD platforms. VOD platforms typically pay between USD 3,600 – USD 4,500 per episode for a Kenyan TV series, with some productions in Nigeria fetching more than USD 25,000 per episode. A good 12-episode series could attract about USD 60,000 against a production cost of about USD 52,000, resulting in a 15% profit margin.

Low-budget films in Kenya also have the potential to generate high returns if the distribution is done well. For example, the movie “Click Click Bang” recouped 42% of its production costs on its first screening and made a margin of nearly 200% by the end of its screenings. However, to succeed in the low-budget film segment, producers are required to generate content quickly, typically at least two films per year.

Investors can leverage the growing demand for African content by partnering with local producers to deliver content to VODs and local TV stations. By doing so, investors can potentially earn significant returns while supporting the development of the Kenyan film industry.

Conclusion

The Kenyan film industry has immense potential for growth and development. The country is blessed with a rich cultural heritage and diverse stories that are waiting to be told. With the rise of digital platforms, content creators and influencers, there are many opportunities for Kenyan filmmakers to reach a global audience and monetize their content.

Investors can play a significant role in the growth of the industry by partnering with local producers to deliver quality content to VODs and local TV stations. By doing so, they can not only earn significant returns

but also contribute to the development of the industry and create employment opportunities for Kenyans.

As the industry continues to evolve, Kenyan creatives must be given the necessary room to express themselves and showcase their talent. With the growing demand for African content, there has never been a better time for Kenyan filmmakers to share their stories with the world. The future of the Kenyan film industry is bright, and with the right support and investment, it has the potential to become a major player in the global film industry.





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