

# CREATIVE INDUSTRIES IN RWANDA: DIGITAL PATHS TO GLOBAL MARKETS





# Creative industries in Rwanda: Digital paths to global markets

## About the paper

Rwandan creative industries are exploring ways to tackle challenges and develop products and services for domestic and international markets.

This ITC paper uses case studies to illustrate how music and film companies in Rwanda tap global platforms to expand outreach, follow the diaspora to enter overseas markets, tailor production and marketing for specific markets, and apply new business models and monetization channels. They are working to maximize visibility, collaborate with stakeholders and address fair sharing of revenue with artists and creators. These experiences provide insight for creative businesses in developing countries seeking a foothold in the global market.

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## Foreword

The digital revolution has vastly expanded the frontiers of the creative industries, turning it into a sector that generates \$2.25 trillion of revenues globally. This is comparable to the gross domestic product of Brazil or India.

Digital trade is a fast-growing segment of international trade. New technologies allow small and medium-sized enterprises (SMEs) from developing countries to leverage their culture and heritage by producing and distributing creative products and services to a global audience. This trade generates jobs and income, and also contributes to cultural diversity and national branding.

Listening to music from Africa or watching movies from Latin America has never been easier, thanks to digitalization. Creative talents are brought closer to their audiences, even though they could be thousands of miles apart.

In Rwanda, small and medium-sized enterprises (SMEs) as well as individual artists are leveraging digital technologies to reach a wider global market. They create online platforms to deliver Rwandan music to growing audiences, wherever they may be. With new technologies and business models, they are improving user experiences and helping artists monetize their creative work. Equally importantly, as these artist-entrepreneurs use technology, they are shaping a brand for Rwanda that is dynamic, innovative and powered by youth.

This report presents original stories from these Rwandans, sharing their experiences in exporting music, films and apps through digital trade.

It also sheds light on common challenges for small businesses exporting creative products and services in developing countries. These include the need for fair revenue sharing with artists; access to, and costs of, operating on global platforms; and the tough choice between producing original content versus adapting content for international clients. These challenges call for policymakers and industry players to take action to ensure inclusive and sustainable development of the creative sector.

The techniques used by Rwandan companies to overcome resource and market size limitations are a useful reference for companies facing similar challenges. These range from creating and operating their own platforms to share music; diversifying into new business lines such as co-production and teaching; and exploring financing options such as advertisements, revenue sharing, freemium and crowdfunding.

ITC has developed online training for SMEs in the creative industries, connected handicraft makers to tourism value chains, and supported governments develop sector export strategies. This guide represents a new contribution to support SMEs in the creative industries. We stand ready to work together with partners and agencies to help more of these small businesses and creative talents benefit from the global trade in creative goods and services.



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## Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

B2B	Business-to-business
B2C	Business-to-consumer
GDP	Gross domestic product
ICT	Information and communication technology
KFI	Kwetu Film Institute
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization

## Executive summary

Rapid digitization has contributed to the robust growth of creative industries in recent years, generating \$2.25 trillion in revenue and 29.5 million jobs globally. It has also made digital export in the creative industries more accessible to small and medium-sized enterprises, including those from developing countries.

Digital export in creative industries could underpin overall developing countries exports, providing a channel to leverage their rich culture and heritage for economic growth and diversification.

Developing countries have already gained a foothold in the global creative export market. They account for 53% of worldwide exports of creative goods, amounting to \$265 billion<sup>1</sup> in export revenue. Although developed economies still dominate global trade in creative services, momentum is building in developing countries, with least developed countries' share in exports of personal, cultural and recreational services growing 22.7% a year since 2012.

Rwanda is riding the wave of increasing opportunities in the digital creative industries. The Rwandan music and film companies that service not only the expanding domestic market, but also a growing international client base, have exciting stories. The insights and lessons shared by entrepreneurs in this paper might provide useful guidance for enterprises and policymakers in developing countries that aim to build competitiveness for their creative products and services in the international market.

The major takeaways are the following:

### *It matters where you export: Remuneration varies, depending on destination markets*

The fact that digital content is accessible from everywhere at the same marginal cost does not diminish the need to tailor production and marketing efforts to service specific target markets. As advertising is often the main source of revenue for digital exporters, it matters where efforts are made, as remuneration varies from market to market. Creating targeted content for specific markets is often more effective than producing general content for a non-specific audience.

### *Exploring new business models: Not the entrée, but the main course*

Creative industries generate creative business solutions, especially with the advancement of digital technologies. The interviewed companies used a range of strategies that have proven to be effective for businesses developed with limited financial and human resources. These include leveraging global digital platforms, ad-supported free services, revenue sharing with content contributors, developing home-grown solutions such as local e-payment and music and film festivals, co-production schemes, and collaborating with companies in the ecosystem for greater synergies.

### *Fair revenue sharing: Ensuring sustainable development of the creative industries*

Creative industries involve a complex network of artists, creators, producers, distributors, platforms and intermediaries. Fair sharing of revenue has been a critical issue, as artists and creators are often individuals or small businesses and have less bargaining power against the networks and platforms that often dominate the distribution channels. Digitization is exacerbating this problem, as 'winner-take-all' is a common strategy for digital companies.

To ensure sustainable development of the creative industries, new technologies and business models must be explored to allow artists and creators getting their fair share and fully exploring their creative talents. Governments are also trying to catch up from a regulatory perspective, with the pioneering case of the European Union.

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<sup>1</sup> United Nations Conference on Trade and Development (2018). 'Creative Economy Outlook: Trends in international trade in creative industries 2002–2015.' See <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2328>

### *Digital and analogue: Why offline efforts still matter*

Digitization increases accessibility of the offerings, but obtaining visibility in a digital world is not easy. Firms invest a lot in both online and offline promotions. This could be particularly useful for creative companies, as music and film festivals remain the main venues where artists and business meet to showcase offerings and initiate business deals.

Local film festivals such as Hillywood aim at ‘taking Hollywood to the thousand hills of Rwanda’. The festival, which began from a mobile cinema taking films to communities in the countryside, has become a key event in the local creative industry. Hillywood attracts industry players who want to interact and helps Rwanda’s film industry develop an international reputation.

### *Jack of all trades: Overcoming demand and resource constraints*

Competition in developed markets has prompted companies to specialize. But creative enterprises in developing countries often lack demand and resources, and therefore cannot focus on only certain activities. Diversifying offerings and adjusting according to market demand are key to the survival of smaller players.

InyaRwanda started with music distribution, but soon expanded into the development of audio-visual content. Kwetu Film Institute produces films, but also runs a film training institute to increase business and build a talent pool for the industry. Agility is the new power in the dynamic sector of creative business.

### *Boosting digital skills: Working horizontally to facilitate digital creative transactions*

Over 90% of global digital revenue in creative industries comes from sales of digital content and, thus, services. The increased uptake of Internet and smart phones can have a tremendous impact on the growth of the creative sector. Yet, less than 20% of Rwanda’s population had digital literacy by 2017.

Improving digital skills is important to boost supply capacity in digital creative sectors, a priority for the success of Rwanda’s digital creative services.



## CHAPTER 1 DIGITAL EXPORTS RISE IN CREATIVE INDUSTRIES

The cultural and creative industries are becoming a key sector in the global economy, as consumption shifts from purchases of physical products to the pursuit of unique experiences. As incomes rise, consumers demand not only what they consider to be essential products and services, but they are also willing to pay more for goods and services that embody the creative talents of artists, designers, authors and musicians.

The cultural and creative industries is commonly defined as economic activities that involve the creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs.<sup>2</sup> The main categories in this sector may include advertising and marketing; architecture; crafts; product, graphic and fashion design; film, television, video, radio and photography; information technologies, software and computer services; publishing; museums, galleries and libraries; and music, performing and visual arts.<sup>3</sup>

Globally, the cultural and creative industries generate \$2.25 trillion of revenue<sup>4</sup> and 29.5 million jobs, according to an estimate in 2015. To put these numbers in perspective, this means the sector's revenues for business-to-business (B2B) and business-to-consumer (B2C) sales (domestic and international) exceed those of telecommunication services, which are \$1.57 trillion. Furthermore, the sector employs 1% of the global active population, surpassing the 25 million jobs of the car industry in Europe, Japan and the United States together.<sup>5</sup>

The rapid growth of the cultural and creative industries provides significant opportunities for economic diversification, employment and youth and women empowerment. In Europe, these industries typically employ more young people than any other sector. In the United States, creators and entrepreneurs in creative industries are 3.5 times more likely to be self-employed than an average worker in other sectors. Creative industries also tend to favour the participation of women. Statistics compiled by the UK Government show that women accounted for more than half of the people employed in the music industry in 2014.<sup>6</sup>

### Developing countries gain more competitiveness in global creative trade

Trade in creative sectors could involve both goods, such as arts and handicraft, and services, such as performances and online media content. When a creative product or service is passed from a seller to a foreign buyer, an international trade transaction is registered. The United Nations Conference on Trade and Development (UNCTAD) estimates that international trade in creative goods expanded 7.34% annually in 2003–2015.<sup>7</sup> Trade in creative goods increased from \$208 billion to \$509 billion over this period.

Developing countries' share of creative goods exports is growing faster than that of developed countries. Creative goods exports from developing countries more than tripled between 2002 and 2015, rising from \$84 billion to \$265 billion. They accounted for 53% of world exports of creative goods in 2015.

China and the South-East Asia region are by far the largest contributors of this group, followed by the Americas, Africa and Oceania.<sup>8</sup> South-South exports have been a key driver of this trend, especially in East

<sup>2</sup> United Nations Conference on Trade and Development (UNCTAD). 'Creative Economy – Report 2008.' See [http://unctad.org/en/Docs/ditc20082cer\\_en.pdf](http://unctad.org/en/Docs/ditc20082cer_en.pdf)

<sup>3</sup> UK Department for Culture, Media and Sport. 'Creative Industries Economic Estimates: January 2015.' See [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/394668/Creative\\_Industries\\_Economic\\_Estimates\\_-\\_January\\_2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/394668/Creative_Industries_Economic_Estimates_-_January_2015.pdf)

<sup>4</sup> Revenue is derived from business-to-business and business-to-consumer sales at retail prices as well as informal sales, regardless of their origin (whether domestic or international). EY (2015), *Cultural times: The first global map of cultural and creative industries*. December 2015, p. 12. See [https://www.ey.com/Publication/vwLUAssets/ey-cultural-times-2015/\\$FILE/ey-cultural-times-2015.pdf](https://www.ey.com/Publication/vwLUAssets/ey-cultural-times-2015/$FILE/ey-cultural-times-2015.pdf)

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.* 18.

<sup>7</sup> UNCTAD (2018). *Op. cit.*

<sup>8</sup> *Ibid.* 20–21.

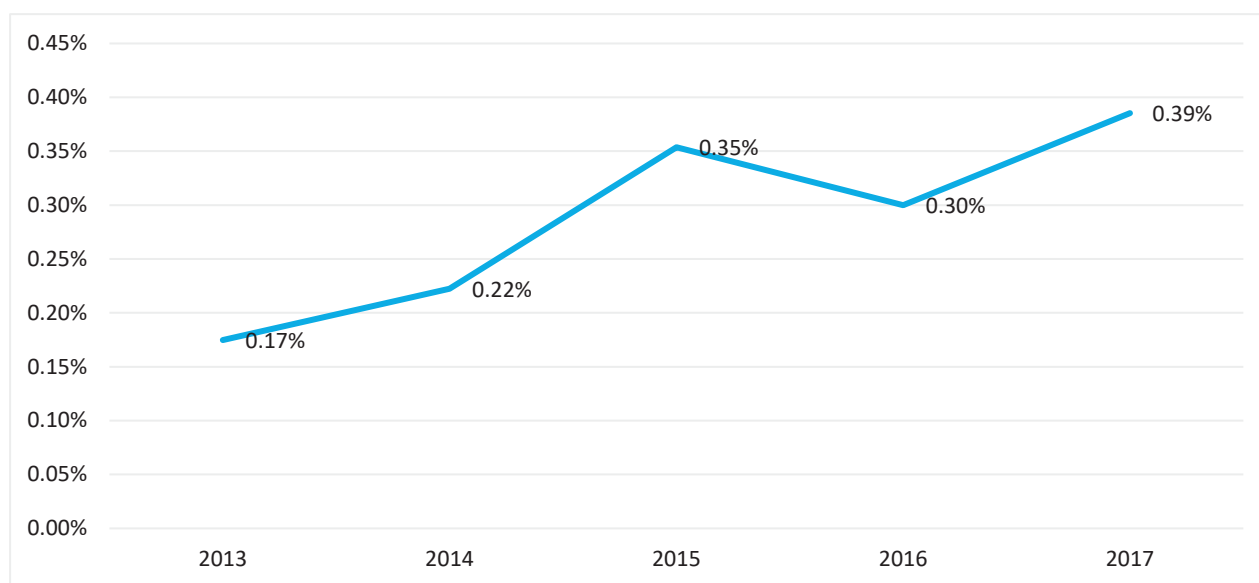
Asia and South-East Asia. South-South trade in creative goods increased six times in 2002–2015, surpassing \$120 billion in 2015.<sup>9</sup>

The lack of statistics on services trade often results in underestimates of global trade in creative services. Based on data from 38 developed countries, UNCTAD estimates that creative services accounted for 18.9% of total services trade in 2015, up from 17.3% in 2011.<sup>10</sup> This 1.6% increase is quite positive in light of the global slowdown in services trade in 2014.<sup>11</sup> Developed countries are much more competitive in exporting creative services, including notably films, music, apps and games.

Estimates of trade in creative services are moderate even for countries that supply statistics on this trade. This is because it is difficult to capture international transactions made over digital platforms. Along with the issue of data ownership, tracking digital transactions is complicated because of problems in identifying the origin and consumption points of creative content and the fact that new business models allow transactions to happen with no money exchange involved, such as in the case of advertisement revenue sharing.

Exports from the creative sectors of least developed countries (LDCs) also appear to be rising. Although precise data for these exports are not available, growth can be inferred through data on “exports of personal, cultural and recreational services” reported to the World Trade Organization. In 2013-2017, while worldwide exports of these services remained stable with moderate change, the compound annual growth rate of LDCs in this category of trade was 17.13% (Figure 1). Despite this rapid growth rate, LDC exports still only account for less than 1% of global trade.

Figure 1 LDCs' share in global exports of personal, cultural and recreational services



Source: World Trade Organization, Statistics Database, <http://stat.wto.org/StatisticalProgram/WSDViewData.aspx?Language=E>

<sup>9</sup> *Ibid.*: 25–26.

<sup>10</sup> *Ibid.*: 29–30.

<sup>11</sup> *Ibid.*

## Digital transformation in creative industries has been rapid

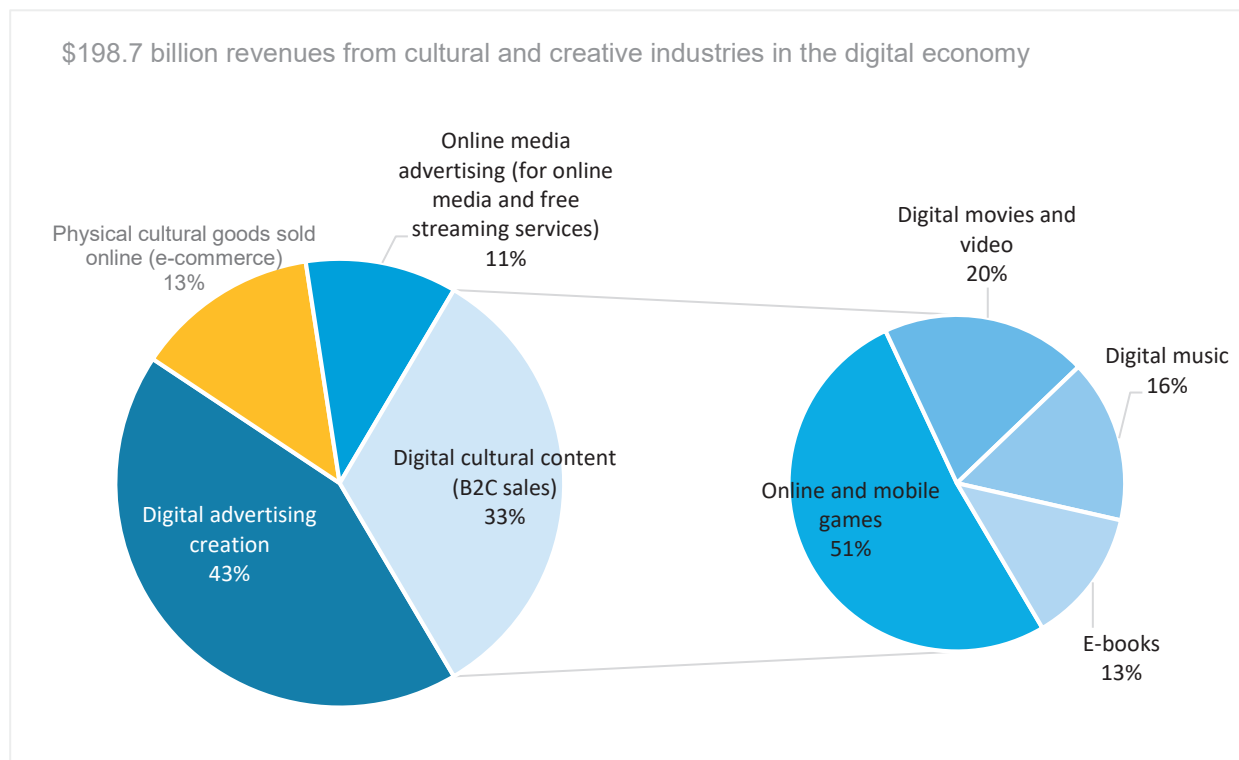
Creative industries generated almost \$200 billion in revenue through digital sales in 2013.<sup>12</sup> This is an estimate that captures both domestic and international transactions, as well B2B and B2C transactions.

87% of revenue in the digital creative industry comes from sales of digital content. Sales of physical cultural products online account for only 13% of the total revenue.

Most transactions involve businesses, as online advertising accounts for more than half of the sector's total revenue (Figure 2). Online advertising includes both creation of digital advertising content (43% of total revenue) and online media advertising (11% of total revenue).

Sales of digital content from business to consumers account for about a third of the sector's total revenue. More than half of B2C digital sales are for online and mobile games, which reached \$33.8 billion in revenue in 2013. Movies and videos (\$13 billion), digital music (\$10.3 billion) – not counting 'free' streaming services – and finally e-books (\$8.5 billion) are among the top categories of digital B2C sales.<sup>13</sup>

Figure 2 Almost 90% of digital revenue comes from creative services (2013)



**Source:** Authors' illustrations based on EY analysis, MAGNA GLOBAL (2015), Thomson Reuters (2015), YouTube (2015), Dailymotion (2015), Spotify (2015), published on EY (2015), *Cultural times: The first global map of cultural and creative industries*. December 2015. See [https://www.ey.com/Publication/vwLUAssets/ey-cultural-times-2015/\\$FILE/ey-cultural-times-2015.pdf](https://www.ey.com/Publication/vwLUAssets/ey-cultural-times-2015/$FILE/ey-cultural-times-2015.pdf)

Digital trade in creative industries may be significantly underestimated due to inadequate statistics. The Centre for Economics and Business Research in the United Kingdom of Great Britain and Northern Ireland has studied digital exports in the creative industries and found that goods and services exports in the sector

<sup>12</sup> EY, *op. cit.*

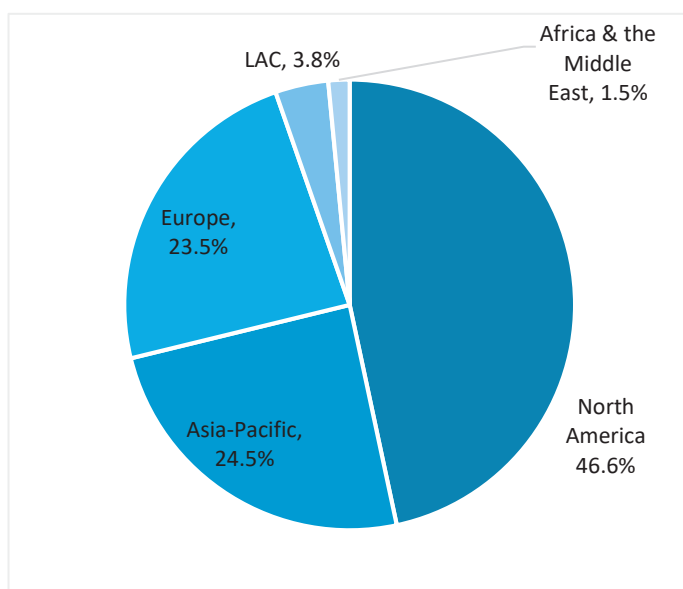
<sup>13</sup> See <http://www.worldcreative.org/#creatorsvoice>

were 24% higher than originally thought – £46 billion, instead of £37 billion.<sup>14</sup> When digital creative services exports worth £21 billion are included, overall creative services exports from the United Kingdom amount to £31 billion (and not £22 billion).<sup>15</sup> This means that even though 68% of creative services exports from the United Kingdom take place digitally, they are completely neglected in traditional trade statistics.

Developed countries remain the most important markets for B2C sales in the creative sectors. North America accounted for \$30.6 billion of the \$65.6 billion in B2C online sales in 2013, followed by Asia-Pacific and Europe. As Figure 3 shows, revenue for B2C online sales in Africa and the Middle East amounted to 1.5% of the total, or about \$1 billion that year.

Infrastructure, business ecosystem and ease of access to online services are among the top reasons that North America consumes the most digital content. But consumer preferences could also play a role: statistics show that North Americans buy 20% of their books in digital format, compared with 3.8% in Europe and 3% in Asia-Pacific.<sup>16</sup> The prominence of North America as a key market aligns with the marketing strategies of Rwandan digital exporters, as will be discussed later in this paper.

Figure 3 North America dominates business-to-consumer digital sales



**Source:** Authors' illustrations based on EY (2015), *Cultural times: The first global map of cultural and creative industries*. December 2015, p. 25. See <https://www.cisac.org/CISAC-University/Library/Studies-Guides/Cultural-Times-The-First-Global-Map-of-Cultural-and-Creative-Industries>

Africa and the Middle East play a limited role today in digital sales of creative content. However, the region represents 8% of global jobs in the sector, amounting to 2.4 million jobs. This disparity might be due to the purchasing power of local currencies measured against the US dollar.

<sup>14</sup> Centre for Economics and Business Research and Creative Industries Federation. 'The True Value of Creative Industries Digital Exports,' March 2018, p. 7. See <https://www.creativeindustriesfederation.com/sites/default/files/2018-03/Federation%20Cebr%20CIC%20The%20true%20value%20of%20creative%20industries%20digital%20exports.pdf>

<sup>15</sup> *Ibid.*

<sup>16</sup> EY (2015). *Op. cit.*: 25.



Informality is a major concern for the creative sector in Africa, where an estimated 350,000 people work informally and generate \$4.2 billion in revenue.<sup>17</sup> Awareness of cultural and creative activities as an economic activity is low. For example, people commonly attend concerts and other performances for free, and artists usually rely on sponsorship to make a living.

African content is in high demand both across the continent and internationally. For instance, Africans appreciate locally created content on the radio (there is an average of 100–150 radio stations per country) and on television. The TV channel RTI from Côte d'Ivoire broadcasts in other African countries and French TV channel Canal+ has a specific African channel called A+ that is present in more than 20 countries.<sup>18</sup>

## Creative industries could fuel growth of digital exports in Rwanda

Creative industries generate significant value in the Rwandan economy. The United Nations Educational, Scientific and Cultural Organization estimates that the sector represented 5.2% of Rwandan gross domestic product (GDP) in 2016. As Figure 4 shows, this share is not only well above the regional average of 1.1%, but it even exceeds the GDP contribution of developed markets such as the United States and the European Union, both at around 3%.

Data from the National Institute of Statistics of Rwanda confirm rapid growth in the country's creative sector. In absolute terms, the industry grew by 36 times in 17 years, from RWF 9 billion in 1999 (\$10.6 million today) to RWF 328 billion in 2016 (\$366.5 million today).<sup>19</sup>

This exponential growth may be partly attributable to improved statistics. The underlying reason, however, could be the speedy recovery and evolution of a traditionally important sector in a country with rich cultural heritage and resources. The value and potential of the sector are being recognized in the post-conflict recovery, and efforts have been made to strategically position the sector in light of its growing importance in the digital economy. The Government of Rwanda is actively pursuing a robust agenda for developing the digital economy and creative industries. Some of these initiatives are discussed below.

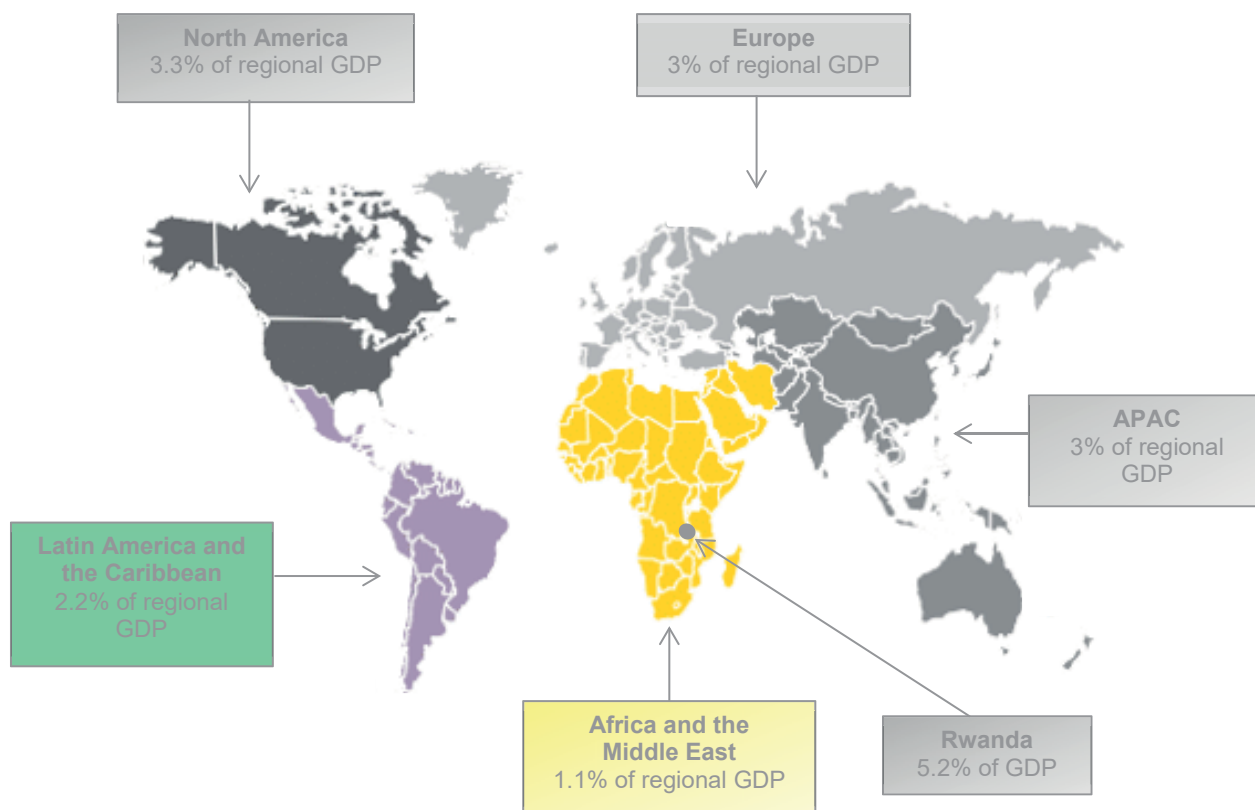
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<sup>17</sup> *Ibid*: 71.

<sup>18</sup> *Ibid*.

<sup>19</sup> National Institute of Statistics of Rwanda, statistics corresponding to Cultural, domestic & other services as of 13 March 2017. See <http://www.statistics.gov.rw/>

Figure 4 Contribution of creative industry to economy (2015)



**Note:** The GDP contribution in Rwanda corresponds with cultural, domestic and other services in 2016, as reported by the National Institute of Statistics of Rwandan, 13 March 2017.

**Source:** Authors' illustration based on the United Nations Educational, Scientific and Cultural Organization (UNESCO) and EY, 2015, [http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/ERI/pdf/EY-Cultural-Times2015\\_Low-res.pdf](http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/ERI/pdf/EY-Cultural-Times2015_Low-res.pdf)

Rapid growth in the creative sector is yet to translate into increased digital exports from Rwanda. Exports in creative industries reached \$1.28 million in 2014, having fluctuated significantly since 2005, when they amounted to \$1.43 million. Imports grew more than eight times in 2005–2014, from \$9.51 million to \$78.7 million.<sup>20</sup> The trade deficit remains large in this sector, as in many other developing countries. But this could also indicate the robust growth of the sector, as imports often serve as inputs or intermediaries for domestic production.

The bulk of trade in creative industries in Rwanda involves goods, although this could be the result of incomplete statistics on services trade. Despite modest volumes, available data in trade in creative services show a 21% increase in exports and an 83% decrease in imports in 2006–2009.<sup>21</sup>

<sup>20</sup> UNCTAD (2018), op. cit.: 370–373.

<sup>21</sup> Creative services reported for Rwanda include research and development, audio-visual and related services, computer services and information services. *Ibid.*

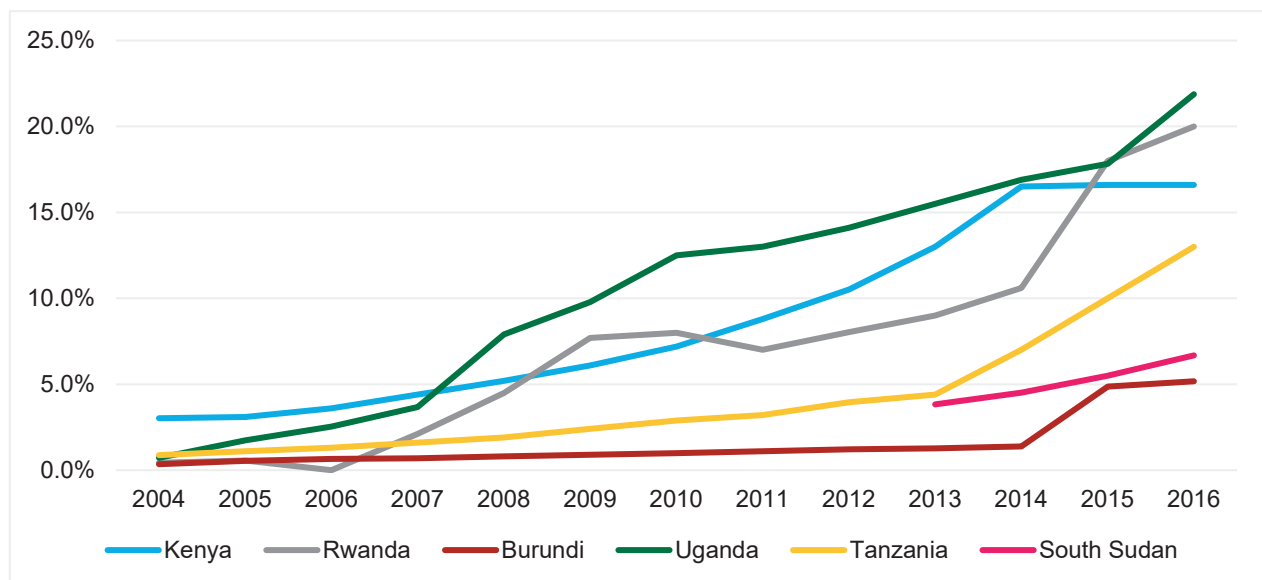
*Digital uptake stimulates trade in creative services: Infrastructure and mobile penetration*

As more than 90% of digital revenue in creative industries comes from content or services, greater use of the Internet and smart phones can have a tremendous impact on growth of the creative sector.

The number of Internet users in Rwanda has increased rapidly in recent years, especially between 2014 and 2016, when the percentage of the population with access to the Internet has almost doubled. As Figure 5 shows, about 20% of the Rwandan population had access to the Internet by 2016, making the country one of the best connected digitally in the East African Community.<sup>22</sup>

National Information Communications Infrastructure plans will promote greater access to the Internet, as infrastructure and the regulatory framework continue to improve. Rwanda has 7,000 kilometres of optic fibre deployed, 80% mobile penetration, a 4G rollout that covers 95% of the population and a state-of-the-art data centre.<sup>23</sup>

Figure 5 Internet users in East African Community countries (percentage of population)



**Source:** World Bank, World Bank Development Indicators, accessed in January 2018

Mobile broadband is vital for growth in the creative industries, as consumers gradually spend more time on their mobile devices than on desktops for entertainment. App downloads in 2018 reached 194 billion globally, with the average user spending around three hours on mobile applications.<sup>24</sup>

<sup>22</sup> The World Development Indicators define Internet users as people who have accessed the Internet in the last three months via a computer, mobile phone, personal digital assistant, games console or digital TV, among others.

<sup>23</sup> Republic of Rwanda and Rwanda Development Board. 'Invest in Smart Rwanda, your digital gateway to Africa' brochure produced under the framework of the Supporting Indian Trade and Investment for Africa project, funded by the Department for International Development in the United Kingdom and implemented by the International Trade Centre.

<sup>24</sup> App Annie, *The State of Mobile 2019*.

Rwanda had 35 mobile-broadband subscriptions per 100 inhabitants in 2017.<sup>25</sup> Affordable access to mobile Internet appears to be a challenge. While more than 90% of population is within 3G+ coverage, only 30% of Rwandans can afford a monthly mobile broadband package that would represent less than 5% of their income.<sup>26</sup> The rollout of 4G is also crucial for the development of the digital sector, as new apps and games require greater bandwidth. About 95% of the Rwandan population is within the coverage of 4G mobile Internet.<sup>27</sup>

### *Improving digital skills boost supply capacity in digital creative sectors*

The Rwanda Institute of Statistics and Rwandan telecom operator MTN report that less than 20% of the country's population was digitally literate by 2017. The Government has actively pushed for greater digital literacy to become 'a prosperous and knowledgeable society through SMART ICT' since the implementation of the SMART Rwanda Master Plan 2015–2020.<sup>28</sup>

Public initiatives include the Digital Ambassadors Program, which was launched in February 2017 and supports 5,000 young Rwandans to act as catalysers for others across 30 districts. The programme aims to bring 5 million citizens online over a four-year period through training in digital skills and the adoption of e-services. The initiative is expected to bring digital literacy to 85% of the population by 2020/21.<sup>29</sup>

The Government is also supporting the development of information and communications technology (ICT) skills through the establishment of an ICT Centre of Excellence. Kigali Innovation City is another programme that is expected to boost the number of highly skilled ICT jobs to 4,500 by 2022.<sup>30</sup>

The initiative aims to spur the development of the ICT business ecosystem and increase innovation through collaboration among academic institutions, entrepreneurs and businesses. Kigali Innovation City offers a variety of support services across different sectors, ranging from information technology services and cyber security, to data and analytics and smart logistics. Hosting enterprises at different levels of development contributes to technology and knowledge transfer, resulting in a stronger ICT local industry.<sup>31</sup>

Rwanda's ICT Hub Strategy 2024, together with several other ICT schemes,<sup>32</sup> complements the SMART Rwanda Master Plan 2015–2020 and provides a framework to focus on knowledge creation, innovation and entrepreneurship. Particular attention is being paid to certain niche areas: empowering data-driven farming, health and informatics, digital finance services and e-government.

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<sup>25</sup> International Telecommunication Union, Rwanda profile, 2018 data. See <https://www.itu.int/net4/itu-d/icteye/CountryProfileReport.aspx?countryID=201>

<sup>26</sup> Figures from RURA, Rwanda Institute of Statistics and MTN, cited in ITU (2018). *ICTs, LDCs and the SDGs: Achieving universal and affordable Internet in the least developed countries*. Geneva. ITU. p. 87. See [https://www.itu.int/dms\\_pub/itu-d/opb/lcd/D-LDC-ICTLDC-2018-PDF-E.pdf](https://www.itu.int/dms_pub/itu-d/opb/lcd/D-LDC-ICTLDC-2018-PDF-E.pdf)

<sup>27</sup> 'Four years later, 95% of Rwanda covered with 4G Internet,' by Athan Tashobya, in *The New Times*, 9 May 2018. See <https://www.newtimes.co.rw/news/four-years-later-95-rwanda-covered-4g-internet>

<sup>28</sup> SMART Rwanda Master Plan 2015–2020, Ministry of Rwanda, Ministry of Youth and ICT. See [http://www.minecofin.gov.rw/fileadmin/templates/documents/sector\\_strategic\\_plan/ICT\\_SSP\\_SMART\\_Rwanda\\_Master\\_Plan\\_.pdf](http://www.minecofin.gov.rw/fileadmin/templates/documents/sector_strategic_plan/ICT_SSP_SMART_Rwanda_Master_Plan_.pdf)

<sup>29</sup> Figures from RURA, Rwanda Institute of Statistics and MTN, cited in ITU (2018) *op cit.*: 87.

<sup>30</sup> Kigali Innovation City, brochure by Rwanda Development Board and the Ministry of ICT. See [http://rdb.rw/fileadmin/user\\_upload/Documents/kigali/KIC\\_Booklet\\_Updated\\_2nd\\_MAY\\_.pdf](http://rdb.rw/fileadmin/user_upload/Documents/kigali/KIC_Booklet_Updated_2nd_MAY_.pdf)

<sup>31</sup> ICT Hub Strategy 2024, Ministry of Information Technology and Communication.

<sup>32</sup> These include the ICT4RAg (2016–2020), the National Digital Talent Policy, the National Data Revolution Policy, the National Science & Innovation Policy, the National Cyber Security Policy and the Broadband Policy, among others.

### Government beefs up support for programmes for creative industries

Government support in the creative industries can take the form of tax breaks, grants, incubation programmes and market development assistance. The Government of Rwanda sees the sector as an emerging one with great potential to generate more jobs and support economic growth.

After the ratification of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, the Ministry of Sports and Culture of Rwanda revised some cultural policies, adopting a National Culture Heritage Policy in February 2015. After undertaking a cultural mapping, Rwanda launched its 'Five-year Strategic Plan for the development of Creative Industries 2017–2020'.<sup>33</sup>

Several measures have been taken to conserve and promote the cultural and creative industries, including the establishment of several institutions to empower creators. These include the Rwanda Academy of Language and Culture to preserve the Kinyarwanda language, the Rwandan Society of Authors to protect creators' intellectual property rights, the Rwanda Arts Council and the Media High Council.<sup>34</sup>

The Government has included arts education in primary and secondary schools. Furthermore, the Workforce Development Authority and the Pixel Corps, a production and training company in California, established the Africa Digital Media Academy in 2012. This vocational training programme, offered in Kigali, prepares students for the digital media industry in terms of skills and offers them access to high-level multimedia facilities. The academy has had 245 students and 142 graduates.<sup>35</sup>

In addition, the Government has pushed various cultural awareness initiatives. These include education for reading and writing (The Literacy, Language and Learning – L3 Initiative) and the Rwanda Book Initiative, as well as festivals such as the Umuganura celebration, the Pan-African Dance Festival and the East African Community Arts and Culture Festival at the regional level, among others.<sup>36</sup>

### Creative industries push for better access to finance

As in other parts of the world, access to finance is a challenge for the creative industries in Rwanda. Banks are usually reluctant to provide credit based on intangible assets such as intellectual property, and they often lack tools to quantify these assets. Interest rates in East Africa are quite high, exceeding 15% in Rwanda, Kenya, Uganda, the United Republic of Tanzania and Burundi.<sup>37</sup>

The creative industries in Rwanda have called for better access to finance, pitching proposals including a Guarantee Fund for East African Creative Industries.<sup>38</sup> Meanwhile, there are some regional initiatives to support these industries in East Africa by developing alternative financing models, such as Kenya's HEVA Fund.<sup>39</sup>

HEVA, founded in 2013, has invested in creative businesses from Nairobi, Kampala and Kigali to Arusha, Lamu and Dar es Salaam. It offers three funds: the Cultural Heritage Seed Fund, the Growth Fund and the

<sup>33</sup> UNESCO. Creative Industries development for the diversity of cultural expressions – Strengthening the sustainability of creative industries in Rwanda.' See <https://en.unesco.org/creativity/activities/creative-industries-development-diversity-0>

<sup>34</sup> UNESCO. Rwanda 2017 Report. See <https://en.unesco.org/creativity/governance/periodic-reports/2017/rwanda>

<sup>35</sup> Rwanda Africa Digital Media Academy. See <http://rwandaadma.com/>

<sup>36</sup> UNESCO (Rwanda 2017 Report). *Op. cit.*

<sup>37</sup> 'East Africa: Hope for Creative Industry As New Sources of Financing Are Sought,' by Bamaturaki Musinguzi, on All Africa, 20 November 2018. See <https://allafrica.com/stories/201811200522.html>

<sup>38</sup> *Ibid.*

<sup>39</sup> HEVA Fund. See <http://www.hevafund.com/>

Young Women in Creative Industries Fund.<sup>40</sup> HEVA has received 815 eligible funding requests since 2015, of which 245 were investment ready. Financing requests ranged from \$6,000 to \$20,000. Roughly 27% of all financing requests involved digital media and content.<sup>41</sup>

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<sup>40</sup> HEVA Fund. 'Three funds for three stages of growth.' See <http://www.hevafund.com/three-funds>

<sup>41</sup> HEVA Annual Report 2017. See <http://www.hevafund.com/insights>

## CHAPTER 2 TUNE IN TO MUSIC FROM RWANDA

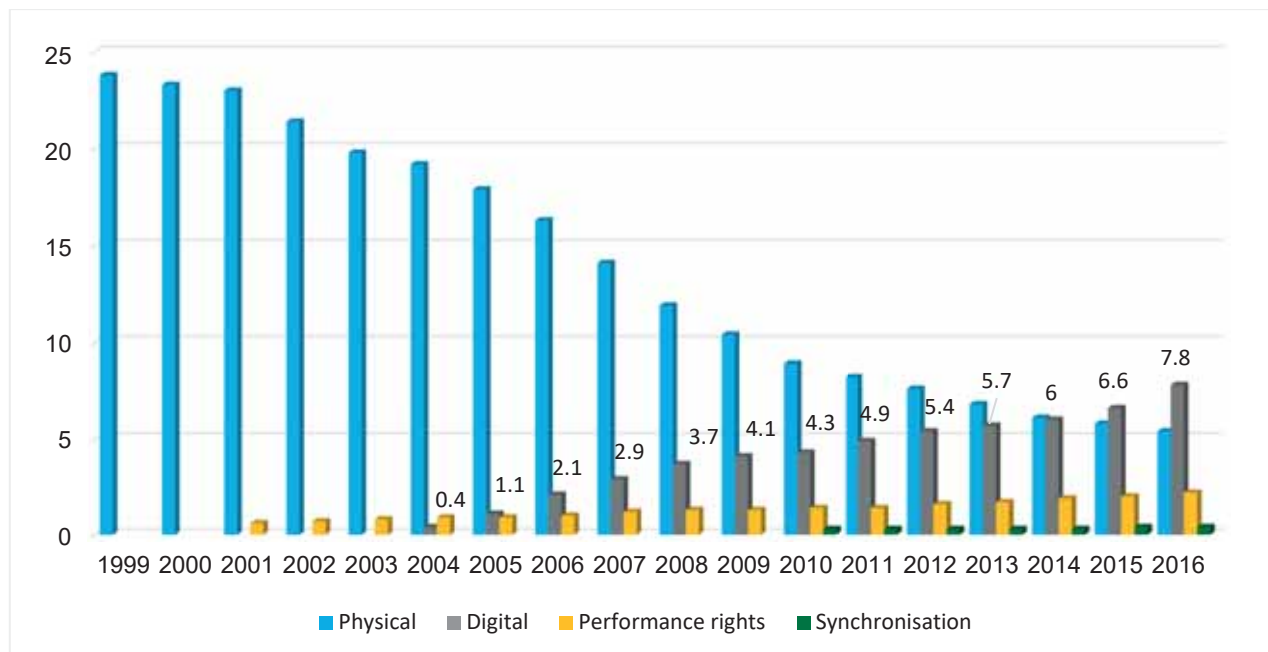
Music is an important creative sector, accounting for about 2.8% of revenue and 13.5% of employment in creative industries across the world.<sup>42</sup> The music industry is digitalizing rapidly, and almost all music is now available in digital format. More than 40 million tracks are available online globally and accessible through different digital music providers.<sup>43</sup>

Worldwide, online music users have grown exponentially. Spotify, one of the largest online music businesses, reported 159 million monthly active users in 2017, growing by 74% in just two years.<sup>44</sup> By the fourth quarter of 2018, the Swedish company reported 96 million paid subscribers, an increase of 36% over 2017. There are many other major players in the music-streaming business, including Apple, Amazon, Tencent, Deezer, Google, Pandora and MelON.

Rapid digitization has reshaped the music distribution industry. Revenue from sales of physical media has declined steadily since the early 1990s, falling from about \$18 billion in 2004 to \$5 billion in 2016. Revenue from digital sales has soared 20 times in the same period, reaching \$7.8 billion in 2016 (Figure 6). About half of global music revenue came from digital sales that year (Figure 7).

Digitalization has sparked a paramount change in the business model of the music industry. Total music revenue fell 40% in 1999–2014.<sup>45</sup> This might be related to the transformation of the industry, as more and more music has become available for free, but creators monetize their work through other means such as advertising and collection of data.

Figure 6 Global music revenue, 1999–2016 (in \$ billion)



**Source:** International Federation of the Phonographic Industry, 'Global Music Report 2017: Annual State of the Industry', p. 11. See <http://www.ifpi.org/downloads/GMR2017.pdf>

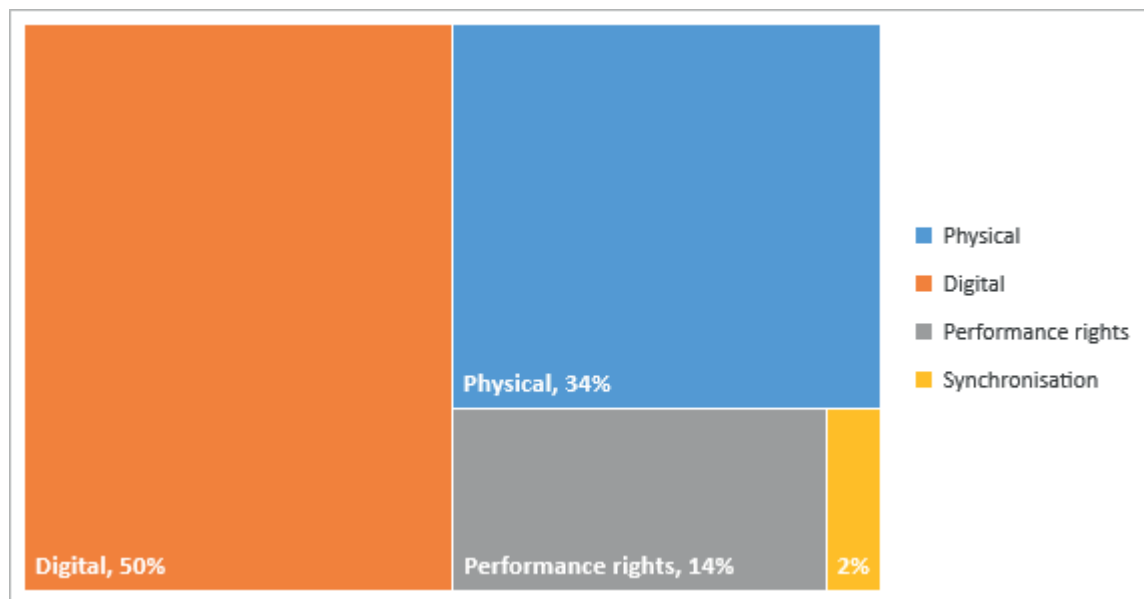
<sup>42</sup> EY, *op. cit.*: 15.

<sup>43</sup> International Federation of the Phonographic Industry. 'Global Music Report 2017: Annual State of the Industry,' p. 35. See <http://www.ifpi.org/downloads/GMR2017.pdf>

<sup>44</sup> Statista (accessed March 2018). See <https://www.statista.com/statistics/367739/spotify-global-mau/>

<sup>45</sup> International Federation of the Phonographic Industry, *op. cit.*

Figure 7 Global music revenue by segment (2016)



**Source:** International Federation of the Phonographic Industry, 'Global Music Report 2017: Annual State of the Industry,' p. 11. See <http://www.ifpi.org/downloads/GMR2017.pdf>

The dynamic growth behind digitization of the music industry comes from streaming technology. Consumers used to purchase single songs or albums, but it is now a common practice to offer access to all music through monthly subscriptions. This change in the business model shows that users now prioritize better and greater access to music over ownership. This corresponds to a global change in consumer behaviour over the last 20 years, where the preference is spending on experiences – usually services such as entertainment and recreation, but also healthcare and education – rather than on goods such as food and apparel.<sup>46</sup>

This preference is prominent in the music industry as digital streaming and mobile technologies allow access to music universally and almost effortlessly. Assorted reasons could explain the preference for access over ownership, including freedom from the responsibility of ownership, enhanced music access thanks to the organization of lists, and improved discovery possibilities due to automated selection feeds based on an analysis of a customer's behaviour and preferences.<sup>47</sup>

The surprise element in discovering new songs that match the user's taste, powered by algorithms, adds a great deal to the emotional engagement. Easy sharing and the possibility to comment on songs online also adds a new social function to enjoying music, which was traditionally a more personal experience. A third of users' listening time on Spotify is spent on Spotify-generated playlists, while another third tap user-generated playlists.<sup>48</sup>

Despite declining revenue in the industry, the number of paid users for streaming music has grown rapidly, reaching 229.5 million in 2018. This number has climbed 38% year-on-year since 2016.<sup>49</sup> In the case of

<sup>46</sup> 'The Evolving Consumer And The Emphasis On Experience,' 30 August 2017, *Forbes* (accessed 13 March 2019). See <https://www.forbes.com/sites/currentaccounts/2017/08/30/the-evolving-consumer-and-the-emphasis-on-experience/#2e5e34523311>

<sup>47</sup> Luck, G. (2016). The psychology of streaming : Exploring music listeners' motivations to favour access over ownership. *International Journal of Music Business Research*, 5 (2), pp. 46–61, (accessed 25 May 2018). See <https://jyx.jyu.fi/handle/123456789/51863>

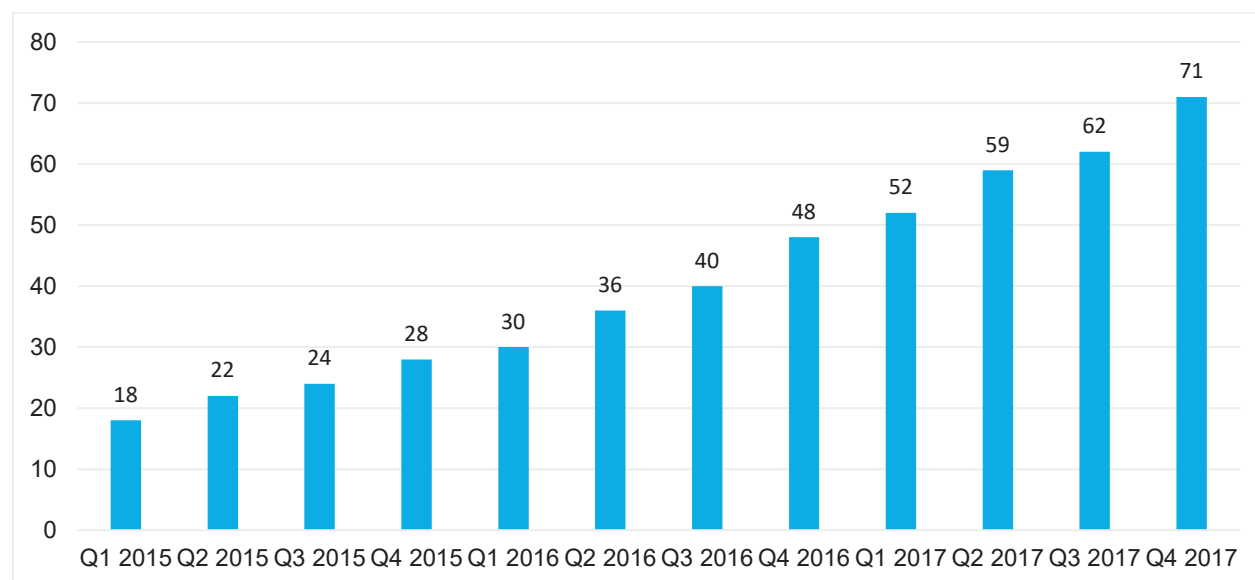
<sup>48</sup> 'Spotify usage and revenue statistics (2018),' by Mnsoor Iqbal, 27 February 2019, (accessed 6 March 2019). See <http://www.businessofapps.com/data/spotify-statistics/>

<sup>49</sup> Midia, 'Mid-Year 2018 Streaming Market Shares,' Music Industry Blog, 13 September 2018, (accessed 6 March 2019). See <https://musicindustryblog.wordpress.com/2018/09/13/mid-year-2018-streaming-market-shares/>



Spotify (Figure 8), premium users advanced from 18 million in the first quarter in 2015 to 71 million in the fourth quarter in 2017, almost quadrupling in less than three years.<sup>50</sup> The share of paying subscribers on Spotify increased from 26% in 2015 to 45% in 2017. This ratio remained stable at 46% in the second quarter of 2018.<sup>51</sup> This trend shows that users value the easy access to digital music and supporting services and are increasingly willing to pay for them.

Figure 8 Paid users on Spotify (2015–2017) – in millions



**Source:** Statista, February 2018 (accessed March 2018). See <https://www.statista.com/statistics/813851/spotify-premium-subscribers-quarterly/>

## Rwanda's digital music exports: Sharing experiences

Digitalization of the music industry is not limited to developed countries. Firms in developing economies are rushing to leverage new technologies and offer homegrown solutions in digital music to both domestic and international customers.

This paper examines two online music companies in Rwanda: InyaRwanda (Box 1) and EA Champs (Box 2). During interviews, the owners and managers of these firms shared the stories of their growth and ambitions. Their experiences could provide useful insight for creative businesses in other developing countries that are exploring ways to gain a foothold in the global digital music market – including on production and marketing strategies, monetization and talent development – or seeking information about sustainable business models and sharing opportunities with artists.

<sup>50</sup> Statista, February 2018 (accessed March 2018). See <https://www.statista.com/statistics/813851/spotify-premium-subscribers-quarterly/>

<sup>51</sup> Statista, 'Spotify Reaches 83 Million Premium Subscribers', by Felix Richter, 30 July 2018, (accessed 16 March 2019). See <https://www.statista.com/chart/13098/spotify-subscribers-and-active-users/>

InyaRwanda distributes music and videos, among other media content, through three channels: their own website, large global audio-visual platforms such as YouTube (through their InyaRwanda TV and Afriframe channels), and online music platforms that allow for music streaming or downloads.

### Box 1: InyaRwanda

<http://eng.inyarwanda.com/>



Joseph Masengesho, founder, in Chicago (left), and IT team at Kigali office (right)

InyaRwanda evolved from a desire to share music online for the Rwandan diaspora. Joseph Masengesho went to the United States to study in 2007 on a government scholarship. He created the InyaRwanda website in 2008 and began to form partnerships with musicians in Rwanda with the help of his friends. In 2010, InyaRwanda sold its first advertisement to local telecom giant MTN Rwanda. That event triggered the company's incorporation in Rwanda and the start of formal operations.

Today, Inyarwanda has more than 15 employees and is an online platform that functions as an intermediary between musicians and global music stores such as iTunes, Spotify and YouTube. The enterprise facilitates the distribution and modernization of Rwandan music. InyaRwanda offers different online services, from music streaming to music publishing support through Afriframe Music, as well as video streaming. The company is now exploring new business options for a streaming app that will work on mobile devices.

EA Champs operates two music websites, one in Rwanda that offers music from 1,100 artists and another in Uganda that offers music from 1,230 artists. Songs can be downloaded or streamed, and lyrics are sometimes also accessible.

Monthly traffic on the Rwandan EA Champs website exceeds 654,000 sessions, with more than 289,000 users. This is mentioned because EA Champs provides digital content besides music, specifically on local news coverage.

#### Box 2: EA Champs Rwanda

<http://www.eachamps.rw/>



Nshimye Joseph, founder of EA Champs Rwanda

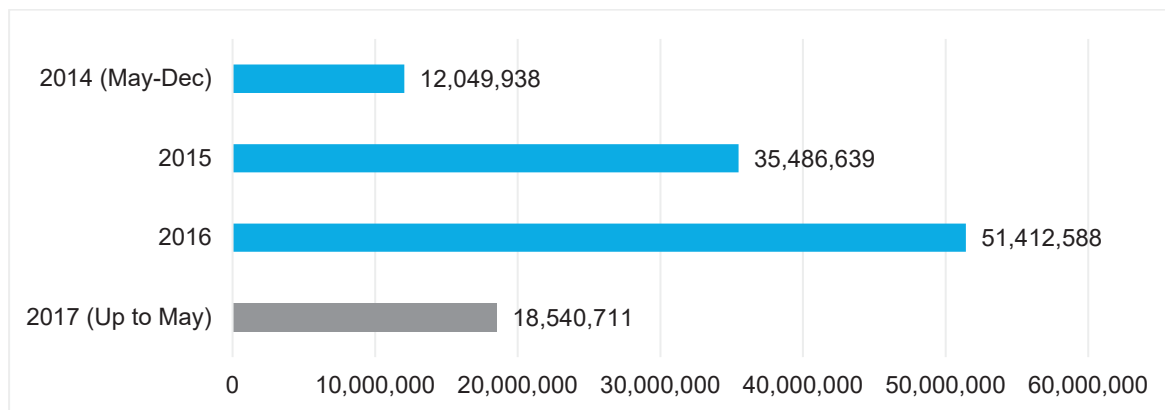
Nshimye Joseph is a Rwandan who grew up in neighbouring Uganda. Combining his engineering background with a passion for music, he developed a website that offers music from the region: EA Champs, which stand for East African Champions. He created the EA Champs Uganda site in 2014 and the EA Champs Rwanda site the following year.

Kigali-based EA Champs Ltd offers social news and entertainment with a focus on digital media, providing music plays and downloads, videos and reporting. The Internet media company employs 10 people, including graphic designers, developers, marketing experts and journalists.

Online music traffic on Inyarwanda.com more than quadrupled between 2014 and 2017 (see Figure 9). At the time of interview in 2017, the company's website was the eighth most visited in Rwanda.<sup>52</sup> Inyarwanda.com features 7,527 songs from more than 256 artists and reached 25,346,865 plays directly from the website in 2009–2017.

<sup>52</sup> Alexa (accessed 25 May 2018). See <https://www.alexa.com/topsites/countries/RW>

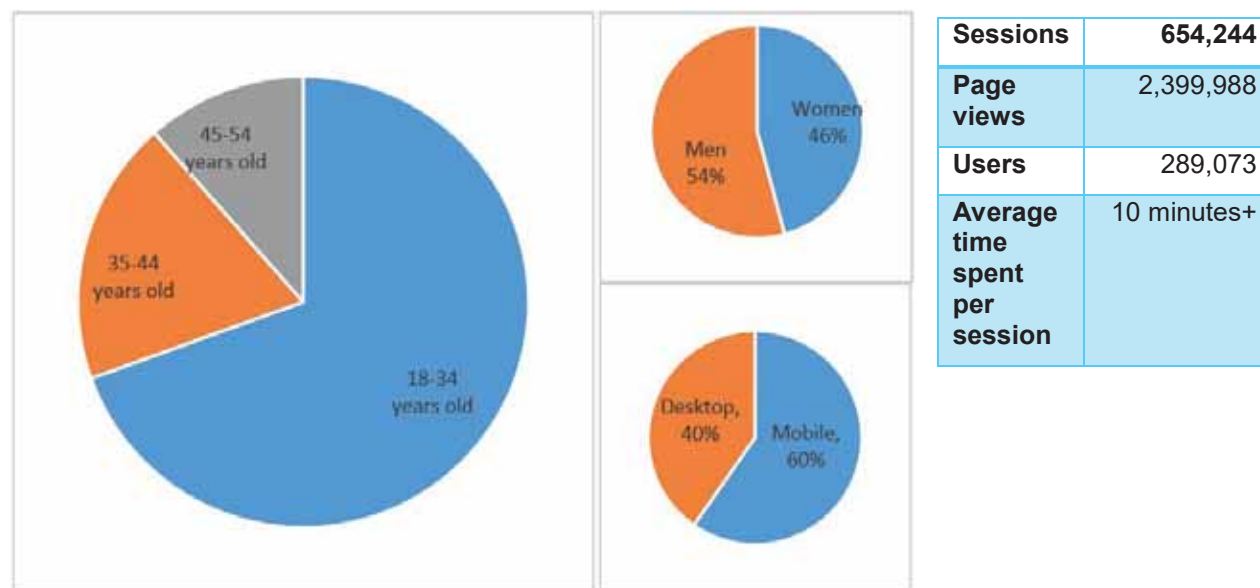
Figure 9 Annual average traffic on Inyarwanda.com



Source: Authors' illustrations based on data provided by Inyarwanda.com (2017)

At the time of the interview, the EA Champs Rwanda website was the 17<sup>th</sup> most visited in Rwanda.<sup>53</sup> Users between 18 and 34 years of age comprise the biggest group of users, and access to the website is primarily on mobile devices – just slightly higher than desktop access, however. Each user spent an average of more than 10 minutes per session.

Figure 10 Monthly traffic on EA Champs Rwanda and audience composition



Source: Authors' illustrations based on data provided by EA Champs (2017)

<sup>53</sup> Data provided by EA Champs and *ibid*.

## Using global platforms to reach an international audience

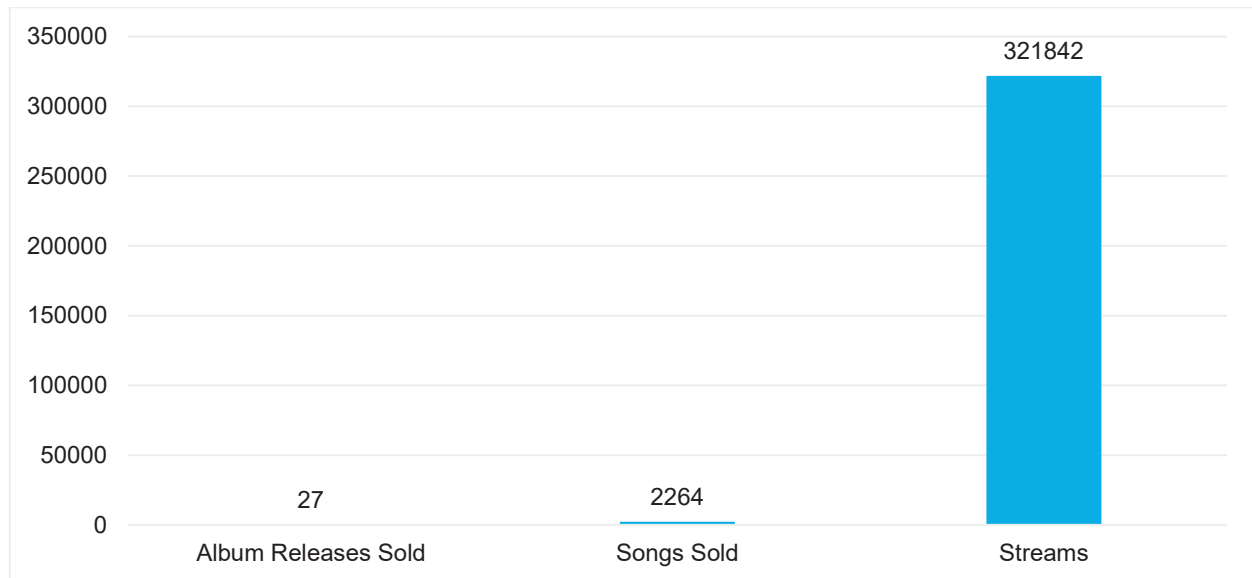
Although the two companies can offer music on their own websites, global platforms such as YouTube are seen as more effective in attracting international users. InyaRwanda’s presence on YouTube – through its two channels, InyaRwanda TV and Afriframe – has attracted much more traffic than the company’s own website.

The two channels accumulated a total of 57,116,768 plays in May 2012–May 2017. This is more than double the number of plays on the InyaRwanda website between 2009 and May 2017. YouTube acts mainly as a platform to host user-generated content. Millions of creators upload their work on YouTube, which attracts about 1.8 billion users a month.

InyaRwanda also exports Rwandan music through online music stores such as iTunes and Google Play,<sup>54</sup> where songs and albums can be downloaded and/or streamed, depending on the platform. Songs from InyaRwanda have been sold through downloads in four stores: iTunes US (1,750 songs), Google Play (311 songs), Amazon Music US (107 songs) and Neurotic Media (two songs).

Streaming is InyaRwanda’s primary business, far outweighing sales of single songs or albums (Figure 11). Streaming is a method of transmitting data from the Internet directly to a user’s computer or phone without the need to download that data. In the music business, it means offering songs as part of a user’s subscription to access all songs on a music distribution platform.

Figure 11 InyaRwanda songs sold through music stores (December 2013 to May 2017) – unit

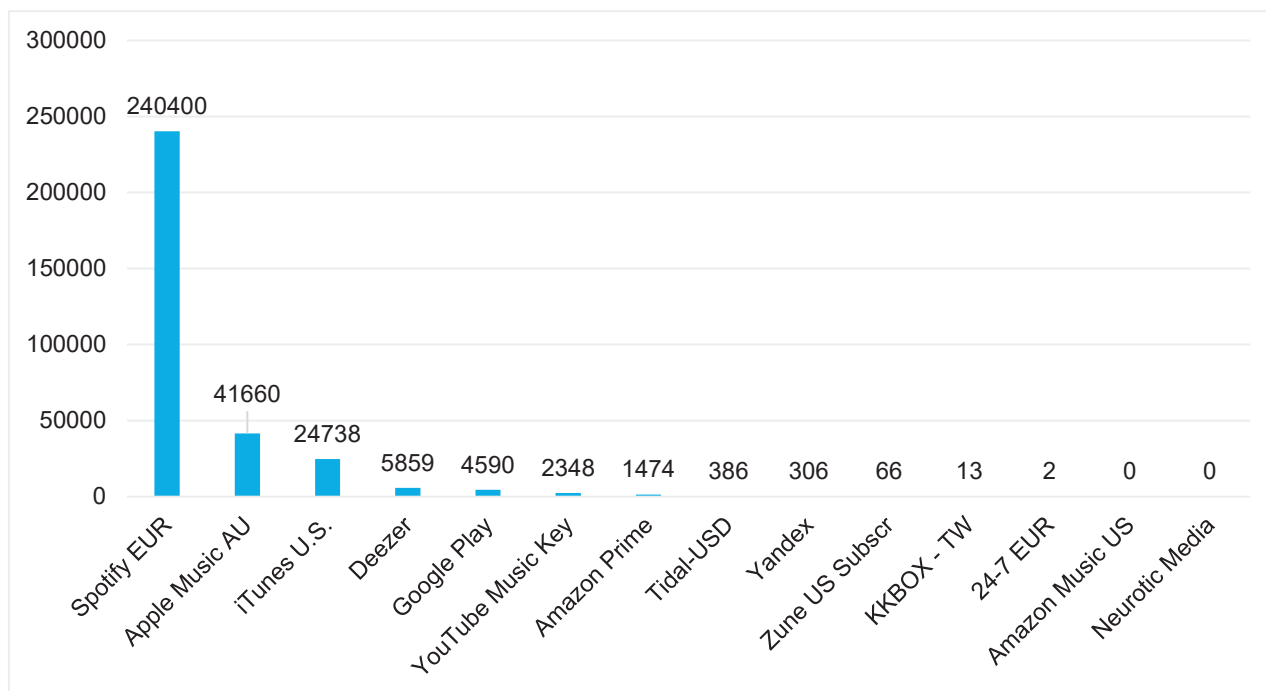


**Source:** Authors’ illustrations based on data provided by InyaRwanda

Although InyaRwanda operates across several international platforms, Spotify Europe is by far the most important platform for the company, accounting for most streams and downloads. Apple Music Australia and iTunes US are also important sites, as Figure 12 shows.

<sup>54</sup> Online music store refer to platforms that commercialize music.

Figure 12 Songs streamed and sold by online music store – unit



Source: Authors' illustrations based on data provided by InyaRwanda

InyaRwanda's strategy of using international music platforms shows that it is important for small and medium-sized enterprises in the music business to leverage the extensive network of global platforms to promote their offerings. Spotify stands out among global music distribution platforms, as it accounts for 30% of total revenue in the recorded music industry and has 42% of the streaming market.<sup>55</sup>

Although promotion through established music platforms can help with internationalization, a creator's monetization might not go hand in hand with the success of the platform. An artist on Spotify receives between \$0.006 and \$0.0084 for a streamed song. Other sources estimate even lower revenue (see *Blockchain for copyright collection*). By February 2018, Spotify had paid out nearly \$10 billion in royalties since its establishment in 2006, which means 52% of revenue went to record labels. Record labels then pay artists 15%–50% of that revenue.<sup>56</sup> Thus, even if an artist becomes popular and gets a million streams, income would be between \$6,000 and \$8,400.<sup>57</sup>

'Winner takes all' is often described as a rule in the Internet business, and data show that there is a certain truth in it. Among the thousands of songs in InyaRwanda's digital collections, the top 10 songs account for 31% and 22% of overall song sales and streams (excluding YouTube), respectively. Those top 10 songs come from seven artists.

The same trend emerges in the global music business. The average user on Spotify listens to 41 artists per week. Although this may seem to be a less concentrated market, that is not the case. More than 85% of music streamed on Spotify belongs to four record labels: Sony, Universal, Warner and Merlin.<sup>58</sup>

<sup>55</sup> Iqbal, *op. cit.*

<sup>56</sup> *Ibid.*

<sup>57</sup> *Ibid.*

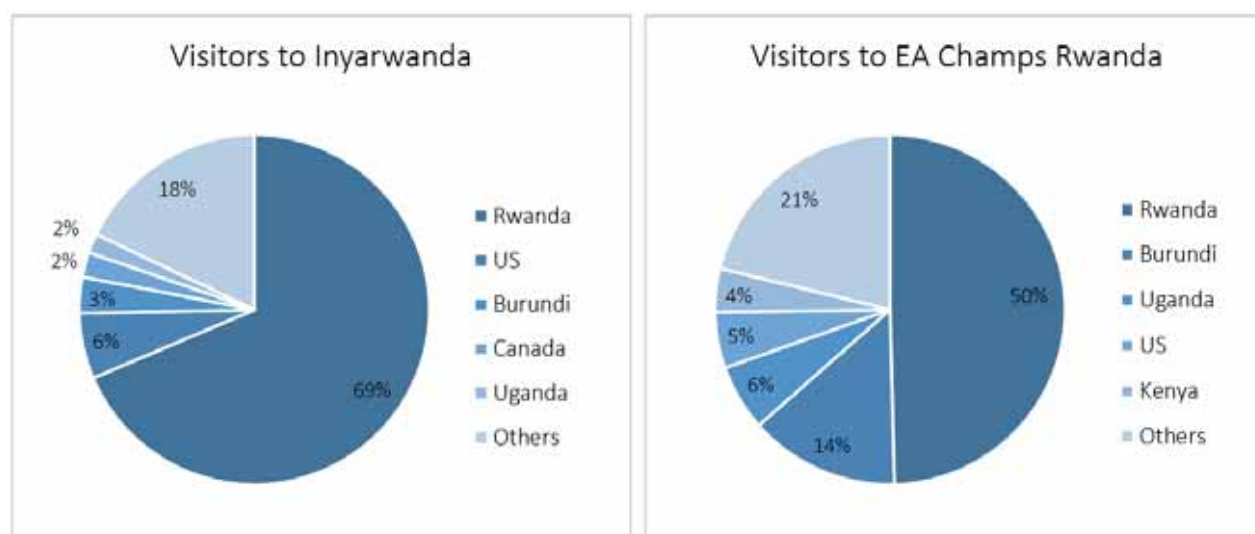
<sup>58</sup> *Ibid.*

## Following the diaspora to find export markets

The domestic market remains the most important for both InyaRwanda and EA Champs, accounting for 69% and 50% of page views, respectively. But foreign markets, notably regional markets, are becoming more important. Kenya accounts for 21% of visits on EA Champs and Uganda accounts for 18% on InyaRwanda (Figure 13). EA Champs Rwanda was the 27<sup>th</sup> most visited website in Burundi as of May 2018.<sup>59</sup> Among the international markets, the United States appears as a major market for both websites.

Almost all the destination markets these two digital companies target were among Rwanda's top 10 export partners for creative goods in 2014. They include the United States (first in the ranking), Kenya (third), Uganda (fourth) and Burundi (eighth).<sup>60</sup> This suggests that demand in the creative industries may not be exclusively goods or services, but rather an interest of a holistic nature.

Figure 13 Destinations of Rwandan music through InyaRwanda and EA Champs Rwanda (2018)



Source: Alexa, May 2018. See [www.alexa.com](http://www.alexa.com)

The Rwandan diaspora seems to drive much of the demand in the overseas markets. Estimates from United Nations agencies show that Uganda and Burundi are the second- and third-biggest destination countries for Rwandan emigrants.<sup>61</sup>

Among members of the Organisation for Economic Co-Operation and Development, Belgium, France, the United States, Canada, the United Kingdom and the Netherlands are the major recipients of Rwandan emigrants.<sup>62</sup> As Figure 14 shows, the United States and Canada featured prominently as destination markets for Rwandan music in 2018.

Emigrants are a key audience for exporters in the cultural and creative industries. They demand songs, music, films and other creative work from their homelands, and they also help disseminate these products around the world. In many cases, they are in a higher income group than domestic consumers and are more likely to make online purchases.

<sup>59</sup> Alexa (accessed 25 May 2018). See [www.alexa.com](http://www.alexa.com)

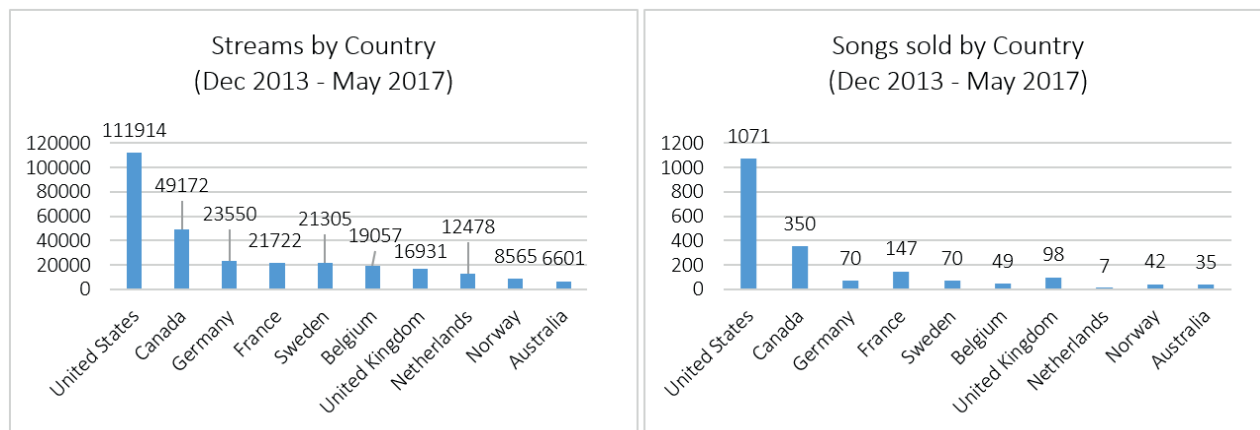
<sup>60</sup> UNCTAD (2018). *Op. cit.*: 370–373.

<sup>61</sup> United Nations Department of Economic and Social Affairs – Population Division Migration Section and United Nations International Children's Emergency Fund, Migration Profiles Common Set of Indicators, 2013. See <https://esa.un.org/migmgprofiles/mpcsi.htm>

<sup>62</sup> Organisation for Economic Co-Operation and Development (2012). *Connecting with Emigrants: A Global Profile of Diasporas*, OECD Publishing. See <http://dx.doi.org/10.1787/9789264177949-en>

Exports through global music platforms such as Spotify, iTunes or Amazon target the international more than the local market. Data provided by InyaRwanda show that its top destination markets through these global music platforms are developed economies in North America, Europe and Oceania. This might have to do with the market penetration of these music stores in those countries. As previously mentioned, streaming is favoured over downloads.

Figure 14 InyaRwanda's digital exports of music through stores



**Source:** Authors' illustrations based on data provided by Inyarwanda.com

## Exploring new business models in the music business

The preference of users to stream rather than download songs reinforces the relevance of new business models based on advertising to generate revenue. Both InyaRwanda and EA Champs use ad revenue models. Both are also exploring collaboration with telecom operators to offer new creative products.

### *Advertising revenue: It matters where you export*

InyaRwanda targets the United States and other developed countries, judging from its claim that advertising revenue is higher in these markets. Ad revenue on YouTube, for instance, is generated by activating the 'account monetization' option – available in 89 countries<sup>63</sup> – and connecting the channel to an AdSense account, where Google runs algorithms to put advertising content on a video based on location of the viewer, among other factors.<sup>64</sup>

The collected ad revenue splits 45/55 between YouTube and the video creator. The revenue is calculated as cost per mille: the amount an advertiser is willing to pay for every thousand views. The 55% that goes to the video creator is referred to as revenue per mille.<sup>65</sup>

InyaRwanda, like many other companies, focuses on audiences that ensure a higher cost per mille. Various factors determine cost per mille, including the ad rate and the potential for business by niche in each country. Countries that usually have the highest cost per mille – between \$5 and \$8 – include the United States, Canada, Australia, New Zealand and the United Kingdom.<sup>66</sup>

<sup>63</sup> YouTube, Help Centre, (accessed on 7 March 2019). See <https://support.google.com/youtube/answer/1342206?hl=en>

<sup>64</sup> 'How YouTube ad revenue works', Eric Rosenberg, 7 October 2018, (accessed 12 December 2018). See <https://www.investopedia.com/articles/personal-finance/032615/how-youtube-ad-revenue-works.asp>

<sup>65</sup> 'YouTube CPM', Zach, 13 June 2018, <https://www.looxcie.com/youtube-cpm/>

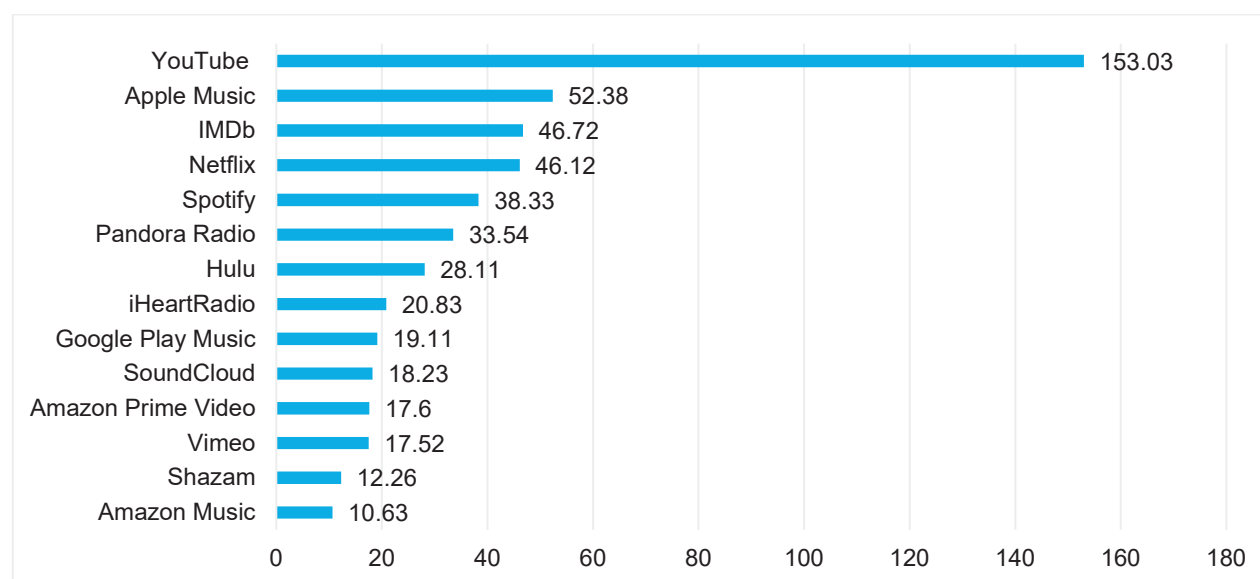
<sup>66</sup> *Ibid.*



The Arab Emirates has surpassed the United States in the average cost per click that advertisers pay on the search network – between \$1 and \$2 – by 8%.<sup>67</sup> By November 2018, the average cost per click in Rwanda was 62% less than in the United States.<sup>68</sup> This explains why creative entrepreneurs prefer to export digitally to markets with higher returns rather than focus on the local market, and why they might want to prioritize some markets over others.

Besides cost per mille, the volume of potential views or clicks matters for revenue collection. The United States, which has a large pool of consumers across different apps, is a strong demand centre for music, as Figure 15 shows. There are more than 153 million YouTube users in the United States – an audience that exceeds the population of Russia, the ninth most populous country in the world.

Figure 15 Monthly users of music and video apps in the US (in millions), October 2018



**Source:** Statista, October 2018, (accessed on 7 March 2019). See <https://www.statista.com/statistics/579479/most-popular-us-music-video-apps-ranked-by-audience/>

Therefore, it matters where one exports, even when exporting digitally. Different elasticities allow for different prices, similar to exporting ‘brick and mortar’ goods. In the case of digital content, the ‘price’ is determined by the relevant ads for a potential target audience that would most likely be in developed economies, where advertisers find it more efficient to spend.

This means marketing efforts and special creative content catering to consumers in certain markets are important, even though songs could already be available online to anyone in the world. InyaRwanda prioritizes the United States and Europe for music streaming and downloads through advertisements on Facebook and Instagram, especially when releasing new music hits.

This model is not without its shortcomings, however. As exporting creative entrepreneurs target overseas revenue, they must produce content tailored to the tastes and preferences of the audience in the destination market – which, due to purchasing power, is often a developed country. This might create an incentive for cultural homogeneity, which is exactly what creative industries are expected to counterbalance.

<sup>67</sup> ‘Average Cost per Click by Country: Where in the World Are the Highest CPCs?’ Mark Irvine, 8 November 2018, on Wordstream, (accessed on 12 December 2018). See <https://www.wordstream.com/blog/ws/2015/07/06/average-cost-per-click>

<sup>68</sup> *Ibid.*

## Tailoring products and payment methods to meet local demand

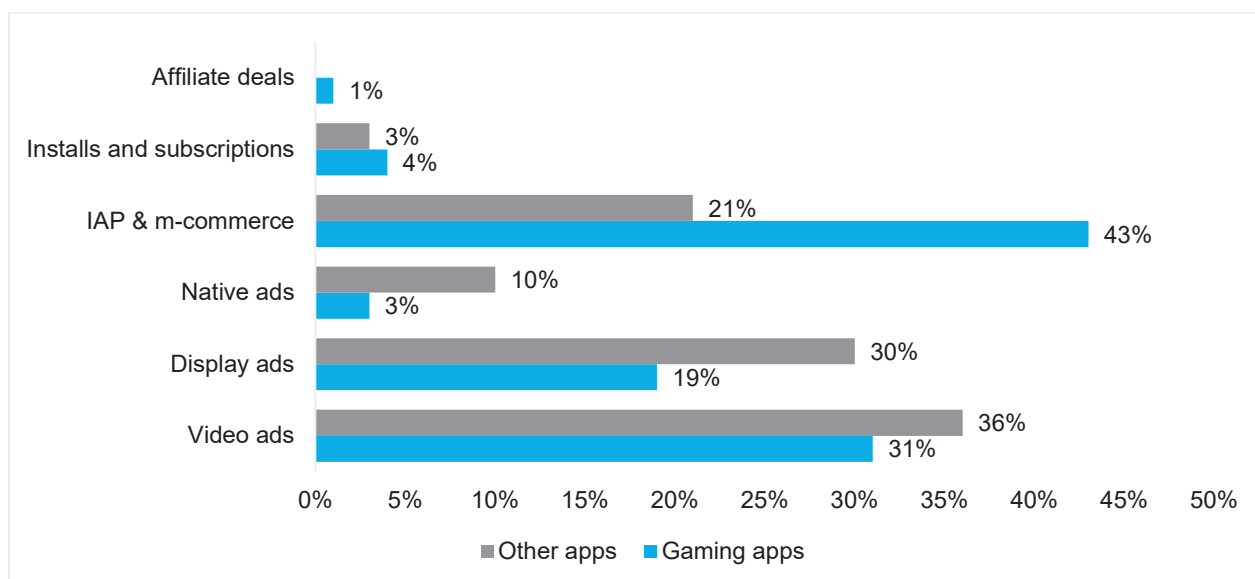
### Create relevant content for the market

Demand varies from country to country, and sometimes subtleties in tailored products and offerings can determine the success of a company in overseas markets. EA Champs has opted to have separate websites for Uganda and Rwanda in order to offer a better customized experience for each market.

Working with local artists can be a shortcut into a new market. InyaRwanda began to work with musicians in Burundi in 2014 and is building an editorial team in Bujumbura to create relevant content for the Burundi market. The company is also developing its own streaming app for Rwandan users, where the value proposition lies in having access to music even when the device is offline.

Developing apps has become an important method to retain users. Apps provide quicker access (one tap vs. opening browser and entering web addresses) and offer more flexibility in terms of monetization. In contrast to websites, apps can offer various ways to gain revenue, including video ads, display ads, native ads, in-app purchases and mobile commerce, subscriptions and affiliate deals (Figure 16).

Figure 16 Global mobile application revenues by channel (2017)



**Source:** Statista 2018, (accessed 31 May 2018). See <https://www.statista.com/statistics/273120/share-of-worldwide-mobile-app-revenues-by-channel/>

Mobile is becoming a predominant channel for music distribution, especially in developing countries where mobile devices are more widely used than desktops due to affordability. Although about the same share of users access Spotify services through mobile (42%) and desktop (45%) devices,<sup>69</sup> mobile traffic dominates Rwandan music websites. About 60% of EA Champs users and 70% of InyaRwanda users access the sites by cell phone. This underscores the importance of ensuring that sites and apps are designed to permit mobile use.

Some industry players say mobile access could bring advantages, such as making copyright infringement more difficult. Adam Granite, the former president of Northern & Eastern Europe and Africa at Sony Music

<sup>69</sup> Josh Constine, 10 January 2015. See <https://techcrunch.com/2015/01/10/music-is-a-mobile-linchpin/>

Entertainment, believes that increased mobile penetration makes piracy more complicated, because 'it is harder to steal music on a mobile device than it is on a PC'.<sup>70</sup>

### Partnerships with telecom operators

Forming partnerships with telecommunication operators to become their content providers could be a successful business model. InyaRwanda offers music and television shows on MTN TV, an app developed by Rwandan telecom operator MTN.

EA Champs has held talks with a telecommunication company about becoming its content creator for call-back ringtones – the music played before the call recipient picks up that replaces the regular phone rings.

### Facilitate payments as a way to drive digital demand

Limited payment options are a key challenge for many creative companies in developing countries. Unlike e-commerce for physical products that can be paid 'cash on delivery', the best option for buying digital products is online payment.

Granite highlights the need for African and other streaming services to shape their payment models around pre-payment solutions in local currencies.<sup>71</sup>

To overcome limited access to e-payment, local solutions have been developed to address local challenges. InyaRwanda offers payment through AirTime, which is credit charged to mobile phones automatically or via text message through telecommunications providers such as MTN and Tigo. Users can use AirTime credit to make phone calls, to pay bills or to buy services. Users can top up RwandaAirTime using credit cards or PayPal.<sup>72</sup>

InyaRwanda plans to launch its own streaming app. Besides offering offline access to music, the app will offer relevant payment options for Rwandan users, who will be able to pay with AirTime and opt for any of the available payment plans: monthly, daily subscriptions or pay per song.

Direct donations from users to artists could be another way to monetize and incentivize creative work. For example, many creators use websites such as Patreon.com so their followers and fans can make direct contributions to support their work. EA Champs is in talks with local mobile money providers to discuss the possibility of developing a mechanism that allows users to support local artists directly through its platform.

## Using the power of data

New technologies and digitalization have given birth to value-added services in streaming platforms. Machine learning, combined with human insights, ascertains users' listening behaviour and makes suggestions accordingly.

Artificial intelligence and human analysis can complement each other in the creative sector. According to a Spotify executive, analysts are indispensable to make sense of data and assess it in light of what people are experiencing in popular culture, such as the launch of a new song during a halftime show at a sport event or the music played in new movies.<sup>73</sup>

Companies in developing countries are keeping a close eye on these new technologies. InyaRwanda's new music app will feature 'moods' as a way to organize lists that are relevant to users. The company does not yet have an artificial intelligence feature, though it is adding metadata to its music storage, which will facilitate more accurate classification of the songs.

However, the rapid advancement of artificial intelligence has also generated fears in the creative space that it will promote certain content based on user preference, leading to less diversity in creative content. The

<sup>70</sup> International Federation of the Phonographic Industry, *op. cit.*: 99.

<sup>71</sup> *Ibid.*

<sup>72</sup> See <https://www.rwandaairtime.com/how-it-works.php?page=hiw>

<sup>73</sup> 'Why Spotify keeps giving away more music access,' by Ross Rubin, 1 May 2018, video: Spotify explains how it uses machine learning and humans for curation, (accessed 13 March 2019). See <https://www.zdnet.com/article/why-spotify-keeps-giving-away-more-music-access/>

predominance of global platforms exacerbates these fears: two companies – Google and Facebook – account for almost 60% of global media ad revenue.<sup>74</sup>

Artificial intelligence also causes concerns about job displacement, as technologies diminish the need for human intervention, especially in lower value-added segments of the industry.

At the same time, technology brings opportunities, as it encourages music creation and sharing.

The overall prospects for the creative industries are positive. McKinsey has estimated that tasks equivalent to 15% of all full-time employees (400 million people) could be automated by 2030.<sup>75</sup> Nevertheless, creative jobs will increase 32% globally, despite automation. The most growth in creative jobs will take place in China (82%) and India (58%), while the United States will see creative jobs rise by 8%.<sup>76</sup>

## Role of intermediaries in digitization becomes blurred

Digitalization seems to have shortened creative supply chains, as users can theoretically be directly connected with creators through the Internet. In reality, however, intermediaries such as music distribution companies LANDR, CD Baby and TuneCore play an important role to access global music distribution platforms. They allow small artists to reach an extensive network of users, while taking care of the artists' marketing, licensing and publishing needs and providing transparency mechanisms to track royalties.<sup>77</sup>

Rwandan singer and songwriter Cécile Kayirebwa has asked 'whether this is a true digital revolution that is taking place in Rwanda or if we are still at the stage of "wishful-thinking"'.<sup>78</sup> She emphasizes the need to continue efforts to strengthen the business ecosystem, as there are few labels or digital distribution networks, and many of these disappear within just one or two years.

Platforms such as InyaRwanda and EA Champs support music distribution both locally and internationally. These two intermediaries play more than one role when it comes to distribution, however, because the business ecosystem for music in Rwanda is not fully developed. For instance, InyaRwanda offers services as a music manager and even takes part in video production. Both platforms also offer other content in terms of media, news and videos.

This means these intermediaries cannot be classified exclusively as 'distributors', because they are involved in content creation and other supporting services for artists. This trend is also evident among big digital creative companies such as Netflix, which began as an online movie distributor and today produces original content.

## Ensuring sustainability: Sharing profits with artists

The digital transformation of creative industries poses new challenges vis-à-vis the ability of creators to retain value. While global digital royalties' collection surged in recent years, they still only accounted for 10.4% of total collections worldwide (2016).<sup>79</sup>

Still, music distribution platforms are profitable. For instance, Spotify's revenue in the third quarter of 2018 reached \$1.35 billion from paid subscribers and \$160 million from ad-supported users. However, Spotify has

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<sup>74</sup> eMarketer, Thomson Reuters Datastream, Bloomberg, Morgan Stanley, cited in World Economic Forum in collaboration with McKinsey & Company, 'Creative Disruption: The impact of emerging technologies on the creative economy', February 2018. See <https://www.weforum.org/whitepapers/creative-disruption-the-impact-of-emerging-technologies-on-the-creative-economy>

<sup>75</sup> J. Manyika et al., 'What the Future of Work Will Mean for Jobs, Skills, and Wages', McKinsey Global Institute, November 2017. Available at <https://www.mckinsey.com/global-themes/future-of-organizations-and-work/what-the-future-of-work-will-mean-for-jobs-skills-and-wages>. Cited in *ibid*.

<sup>76</sup> *Ibid*.

<sup>77</sup> 'Everything Musicians Need to Know about Music Distribution', LANDR, 7 October 2016, (accessed 7 March 2019). See <https://blog.landr.com/everything-musicians-need-know-digital-music-distribution/>

<sup>78</sup> EY, *op. cit*.

<sup>79</sup> See <http://www.cisac.org/Cisac-University/Library/Royalty-Reports/Global-Collections-Report-2017>

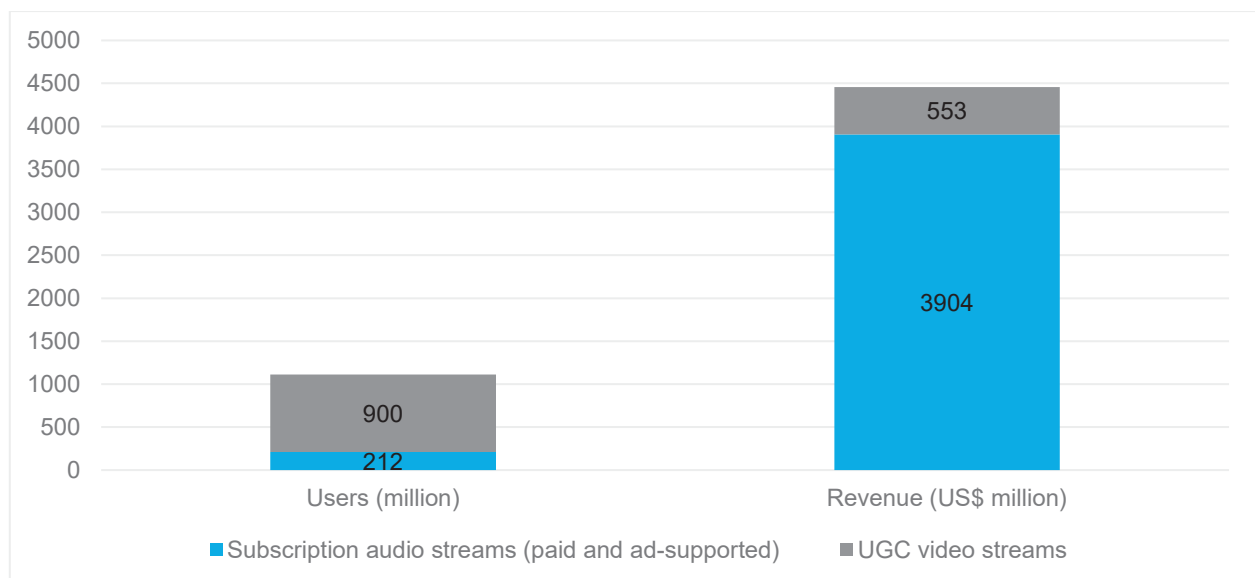
paid \$9.76 billion in royalties to artists, music labels and publishers since its establishment in 2006.<sup>80</sup> This suggests that intermediaries are capturing more revenue than creators. The 'value gap' refers to the difference between the remuneration received by copyright holders – the creators – and the profits that platforms earn when they make their creative works available online.

The unfair income distribution between platforms and creators is more acute in music when it comes to user-generated content. Figure 17 illustrates this gap: while 900 million users generate \$553 million in revenue in music under user-generated content, 212 paid users or ad supporters generate almost \$4 billion in revenue.

According to the International Federation of the Phonographic Industry, Spotify paid record companies an average of \$20 per user in 2015, while YouTube returned less than \$1 per user to creators.<sup>81</sup> This is an approximation, as YouTube also has official channels that remunerate creators.

On the other hand, working together with these peer-to-peer platforms enables creators to establish themselves quickly in the music business. These platforms can build creators' popularity, and revenue might show up in areas such as concert tickets or merchandise associated with the name of the artist. This is increasingly becoming a new model for monetization, as more artists develop their own fashion or cosmetics brands.

Figure 17 Audio and user-generated content video streaming – users and revenue



**Source:** Adapted from the International Federation of the Phonographic Industry, 'Global Music Report 2017: Annual State of the Industry', p. 25. See <http://www.ifpi.org/downloads/GMR2017.pdf>

Not all online platforms comply with music licensing frameworks. This brings up the issue of the sustainability of the music industry in the digital era, and how to ensure that creators retain a fair share of the earnings. It could also lead to unfair competition among platforms, because even though some artists might object to being underpaid by platforms that promote user-generated content, they still must be present on these platforms to promote their work – ironically, expanding the platforms' networks and reinforcing their power.

<sup>80</sup> 'Spotify IPO filing reveals how insanely complicated it is to license music rights,' by Michelle Castillo, 28 February 2018, (accessed 7 March 2019). See <https://www.cnn.com/2018/02/28/how-spotify-licenses-and-pays-for-music-rights.html>

<sup>81</sup> International Federation of the Phonographic Industry, *op. cit.*: 25.

This gap is worrisome, considering that music creators including artists, record labels and publishers are not earning enough in a sector that involves high levels of ‘artists and repertoire’ work. Artists and repertoire is the division of a record label or music publisher that is responsible for talent scouting and overseeing the artistic development of recording artists and songwriters. This work would be equivalent to research and development for other sectors. As Table 1 shows, artists and repertoire on average accounts for almost 17% of the total sales of music companies. This is higher than the ratio of research and development and sales in pharmaceuticals and biotechnology (14.4%) and in software and computer services (10.1%).<sup>82</sup>

EA Champs reports that few Rwandan artists invest sufficient time and resources in promoting their creative work. Furthermore, artists in Rwanda – even the leading ones – do little to boost their online presence, either on their own websites or through social media. In general, many artists prefer to focus on creating music than managing their online profiles or conducting other business tasks.

Table 1 Research and development and net sales ratio, by industry

Industry	R&D intensity %
Music	16.9
Pharmaceuticals and biotechnology	14.4
Software and computer services	10.1
Technology hardware and equipment	8.0
Leisure goods	5.8
Electronic and electrical equipment	4.5
Aerospace and defence	4.5
Automobile and parts	4.4
Healthcare equipment and services	3.8
Industrial engineering	2.9
Chemicals	2.6

**Note:** Research and development intensity is the ratio between research and development investment and the net sales of a company or group of companies.

**Source:** 2015 EU Industrial R&D Investment Scoreboard, cited in International Federation of the Phonographic Industry, ‘Global Music Report 2017: Annual State of the Industry’, p. 35. See <http://www.ifpi.org/downloads/GMR2017.pdf>

### Sharing advertising revenue with creative talents

Advertising revenue models derived from streaming have resulted in new revenue distribution mechanisms. EA Champs has developed a method to share part of the revenue generated from advertisements on its website with participating artists.

The company organizes monthly contests to determine the most played and downloaded songs. Music charts with progress are available weekly for transparency. At the end of the month, top performing artists are paid as a way of sharing the advertising fees that the platform receives. This mechanism encourages creative talents to produce more and better work, which is also essential for long-term sustainability of the platform.

<sup>82</sup> *Ibid.*: 35.

### Strengthening intellectual property protection for online content

Protecting intellectual property is essential for the healthy growth of the digital music sector. Pompi, a Zambian musician and chief executive of Atmosphere Entertainment, told ITC that this issue is a major challenge for artists across the region. Illegal copies of his music are available on the streets soon after he releases new albums.

Although he is willing to pay out of his own pocket to work with law enforcement to track down illegal copies, it is difficult to prevent intellectual property infringement, especially on digital platforms. Illegal copies could also discourage fans, who buy the CDs to support their favourite artists, only to discover that they contribute to illegal businesses. Pompi is mobilizing artists in Zambia to step up private sector efforts to protect their intellectual property.

Online platforms have developed mechanisms to ensure that copyrighted content is protected. YouTube, for example, has a section where basic lessons on music copyright are given. It also has an automated system that scans videos for music rights held by various artists, labels and publishers called 'content ID'. This system flags videos that could infringe intellectual property rights. In addition, users can report copyright infringements to the platform.

YouTube is not without its critics, however. Anyone can take a video off the shelf based on copyright infringement claims, even if these claims maybe false. This prevents artists from full opportunities to monetize their work. YouTube's approach follows the premise 'guilty until proven innocent', and the only way to reverse a false infringement claim case is through a dispute via the website. This takes time, and while the platform's revenue is not compromised, that of the creator might be.<sup>83</sup>

Addressing the liability of intermediaries in the digital economy could bridge this value gap. The European Union Directive 2000/31/EC on electronic commerce covers liability by Internet intermediaries in certain activities. Civil, administrative and criminal liability for illegal activities initiated by third parties online are covered, including copyright and trademark piracy. The directive says copyright and related rights in the information society within the EU should be harmonized.<sup>84</sup> Each EU member should regulate notice and takedown procedures.

The European Commission has proposed draft legislation to address the liability of intermediaries when users upload content, aiming to allow for fair licensing when a service provides access to music.<sup>85</sup> The Council of the EU has worked on some text to strike a balance between rightsholders and online platforms, where authorization from the former to license will be necessary.<sup>86</sup>

On 13 February 2019, the European Parliament, the Council and the Commission reached a deal on a common text, which was approved by the European Parliament on 26 March 2019,<sup>87</sup> These upgraded copyright rules will ensure the principle of appropriate and proportionate remuneration for European creators, while proposing various mechanisms to strengthen their bargaining position in their contractual relationships with producers, publishers and broadcasters.

Creators will have more control over how publishers or producers use their work. However, small platforms that have existed for under three years and that have less than €10 million of turnover and fewer than five million monthly users will benefit from a lighter regime if rights holders decline to authorize the use of their work.<sup>88</sup>

<sup>83</sup> See <https://www.forbes.com/sites/insertcoin/2013/12/19/the-injustice-of-the-youtube-content-id-crackdown-reveals-googles-dark-side/#23141f7866c8>

<sup>84</sup> Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce). See <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex:32000L0031>

<sup>85</sup> International Federation of the Phonographic Industry, *op cit*.

<sup>86</sup> 'Copyright rules for the digital environment: Council agrees its position.' European Council, press release 299/18, 25 May 2018. See <https://www.consilium.europa.eu/pt/press/press-releases/2018/05/25/copyright-rules-for-the-digital-environment-council-agrees-its-position/>

<sup>87</sup> 'Copyright reform: the Commission welcomes European Parliament's vote in favour of modernised rules fit for digital age', European Commission, statement, 26 March 2019. See [http://europa.eu/rapid/press-release\\_STATEMENT-19-1839\\_en.htm](http://europa.eu/rapid/press-release_STATEMENT-19-1839_en.htm)

<sup>88</sup> Digital Single Market: EU negotiators reach a breakthrough to modernise copyright rules. European Commission, press release. See [http://europa.eu/rapid/press-release\\_IP-19-528\\_en.htm](http://europa.eu/rapid/press-release_IP-19-528_en.htm)

Copyright 'exhaustion' in digital trade is also an issue. This principle means the rights holder is not entitled to control further resale of protected material. As digital copies are identical to the original (and thus not subject to degradation), creators can retain much more control over the creative chain in the digital realm. This might be why the entertainment media and software industry pays far more attention to licensing than to transfer of ownership.<sup>89</sup>

### *Afriframe Music: A private service aimed at closing the value gap*

Innovative solutions are being developed to bridge this liability gap and respect musician copyrights. For instance, InyaRwanda offers Afriframe Music, a service for music distribution and music publishing administration that allows musicians to retain control of their copyrights while tapping into the international market.

Musicians may not always have the skills and resources required to upload their songs and claim copyright royalties for their use. Afriframe Music enables them to access online music stores used internationally, such as Spotify or Amazon Music, and keep a record of where their music is being played. The company works with TuneCore, a Brooklyn-based digital music aggregator that offers publishing services such as channelling music to over 150 digital stores, streaming services across more than 100 countries and collecting 13 different types of royalties. While Afriframe is the registrar, the musicians retain copyright ownership.

Afriframe Music does not ask musicians to pay an initial hosting fee to be present in music stores. Rather, the service offers free access and only collects a share when an artist starts to make a profit. This means all artists have a chance to be exposed to the international market through this service.

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*'We are the ones that pay. We do not charge the musicians before their music generates profit.'*

*Joseph Masengesho, founder,  
InyaRwanda*

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'We are the ones that pay,' explains InyaRwanda founder Joseph Masengesho. 'We do not charge the musicians before their music generates profit.' Afriframe Music provides reports on how royalties have been generated to make it easier for artists to manage music distribution and to increase transparency.

InyaRwanda is now collaborating with the Rwanda Development Board to give the agency access to its music repository. This will enable the board to verify music authenticity in terms of ownership, composition and production.<sup>90</sup> Although copyright is an automatic intellectual property right, registration could facilitate certain procedures, such as a litigation or tracking royalty collection.

### *Blockchain for copyright collection*

Blockchain technology has gained popularity in recent years as a decentralized ledger system that could potentially revolutionize business transactions where trust is an issue. This could be particularly relevant for digital copyrights, as blockchain can help facilitate copyright collection and the transparent distribution of revenue and royalties among artists and intermediaries such as platforms. Blockchain can contribute both to payment collection and the control of the creative content, by giving better data about how creative work has been used, thus preventing intellectual property infringement.<sup>91</sup>

It is unclear if blockchain will be the solution for this sector, considering its early stage of development as well as the potential resistance that the technology might face from distributors. But some companies are already exploring the technology. For instance, blockchain entertainment studio Breaker believes that

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<sup>89</sup> Okediji, Ruth L. (2018). 'Creative Markets and Copyright in the Fourth Industrial Era: Reconfiguring the Public Benefit for a Digital Trade Economy.' Geneva: International Centre for Trade and Sustainable Development. See [https://www.ictsd.org/themes/innovation-and-ip/research/creative-markets-and-copyright-in-the-fourth-industrial-era?utm\\_source=ICTSD+Contact+List&utm\\_campaign=18d348f086-&utm\\_medium=email&utm\\_term=0\\_6d9a732f56-18d348f086-158853793](https://www.ictsd.org/themes/innovation-and-ip/research/creative-markets-and-copyright-in-the-fourth-industrial-era?utm_source=ICTSD+Contact+List&utm_campaign=18d348f086-&utm_medium=email&utm_term=0_6d9a732f56-18d348f086-158853793)

<sup>90</sup> Information provided by Joseph Masengesho, founder of InyRwanda.

<sup>91</sup> World Economic Forum in collaboration with McKinsey & Company, *op. cit.*



blockchain is suitable to support crowdfunding, rights management and peer-to-peer distribution for music, film, theatre and virtual reality.<sup>92</sup>

Blockchain technology could also help to address value gaps. Content creators usually find it difficult to pocket a fair share of the reward for their work, because intermediaries – especially the major label companies – hold on to most of the revenues. According to a music business report, the combined sales of the major three labels (Sony, Universal and Warner) grew by \$1.04 billion in 2017.<sup>93</sup> In comparison, a music creator earns \$0.00783 per stream on Apple Music, \$0.00397 on Spotify and \$0.00074 on YouTube.<sup>94</sup>

Some music creators therefore look to blockchain technologies as a possible solution to help artists claim their royalties and a fair share of the revenues. The first way lies in fairer content rights distribution through smart contracts and intellectual property protection.

Blockchain could be useful for artists in the process of transferring creative content and receiving payments directly from their clients, as it secures peer-to-peer transactions. In this way, content creators could have more control over their work and revenue.

Emerging blockchain-based music start-ups such as Musicoin and Relelator are exploring ways revolutionize music distribution and reduce the charges of the middlemen. Music publishers, rights holders, record labels and musicians will have more power to monitor their copyrights with better data management.<sup>95</sup>

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<sup>92</sup> Breaker (accessed 14 March 2019). See <https://www.breaker.io>

<sup>93</sup> 'The major labels' revenues grew by \$1BN in 2017. But who had the biggest year?' Music Business Worldwide. See <https://www.musicbusinessworldwide.com/major-labels-revenues-grew-1bn-2017-biggest-year/>

<sup>94</sup> 'Can blockchain technology disrupt the music industry?' Blockstreet HQ. See <https://medium.com/blockstreethq/to-which-extent-can-blockchain-technology-disrupt-the-music-industry-e6182fb5741a>

<sup>95</sup> *Ibid.*

## CHAPTER 3 RWANDAN FILMS ARE GOING GLOBAL

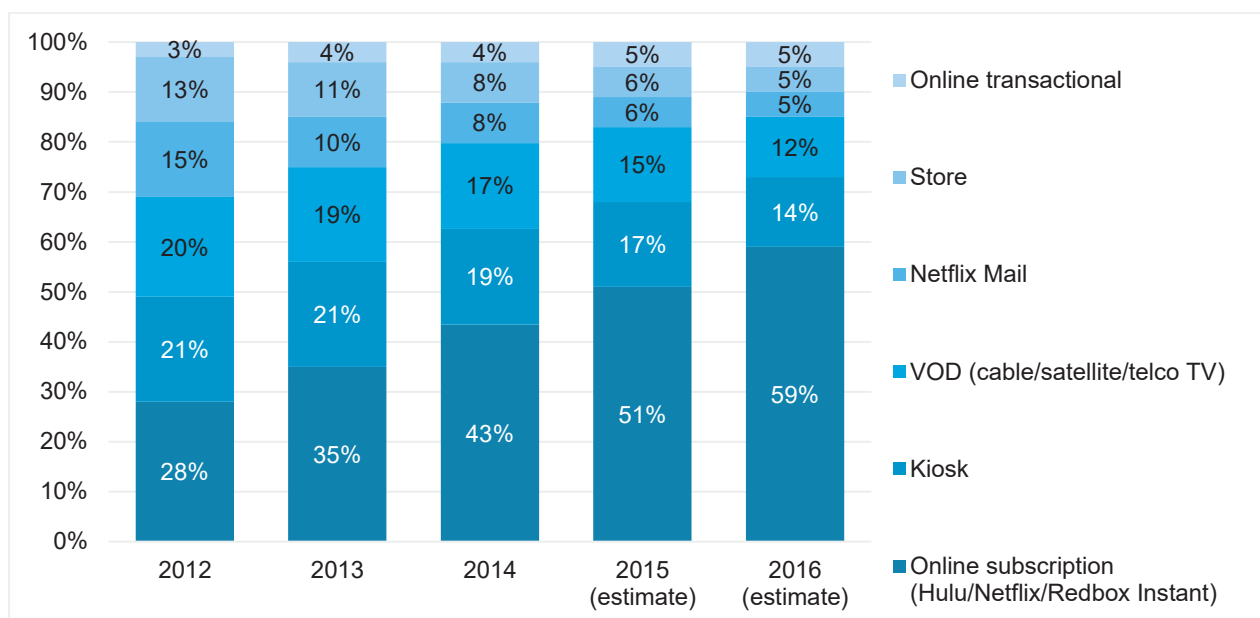
Global box office revenue is projected to increase from about \$38 billion in 2016 to nearly \$50 billion in 2020.<sup>96</sup> New technologies have changed film production and distribution over the last decades, creating new opportunities for filmmakers and companies in developing countries.

This chapter examines the trend of the digitization of the film sector and shares stories of how Rwandan firms are leveraging this trend to expand their business opportunities.

Since its birth in the late 1970s, the movie distribution market has experienced multiple shocks that have affected the business models of companies in this sector. The professionally managed movie rental shop in the late 1970s was a reference business model until the appearance of DVDs in the late 1990s, with Netflix starting to ship DVDs by mail to its clients.

In today's entertainment business, however, online subscription is becoming the predominant model, at least in developed countries. Users pay a fixed amount monthly in exchange for access to all films and television series offered by the provider. Online subscriptions now account for more than half of the movie and TV rental market in the United States (see Figure 18).

Figure 18 Movie and TV rental market revenue in the United States by source (2016)



**Source:** Statista.com (accessed 31 May 2018). See <https://www.statista.com/statistics/258447/distribution-of-movie-and-tv-rental-market-revenue-in-the-us-by-source/>

The digitalization of the film industry helps artists go global. In fact, there are already specific sections on many online video platforms for international or independent movies, creating new promotion spaces for debutant and foreign directors.

This chapter shares stories from two Rwandan film companies: Looking for Livingstone and Kwetu Film Institute (KFI). The two enterprises have offered insights into how to develop a film sector in an underdeveloped business environment, and how to leverage digital technologies to expand global presence.

<sup>96</sup> See <https://www.statista.com/topics/964/film/>

### Box 3: Looking for Livingstone

<http://www.lookingforlivingstone.com>



Ayoze O'Shanahan, Looking for Livingstone chief executive

Looking for Livingstone Ltd is a Rwandan film production company that offer a wide range of services from original audiovisual production and communication strategies to consultancy services for international companies in Rwanda. The firm aim is to make Rwanda's stories known beyond its borders and to help the country become a reliable partner for global productions. By producing locally and distributing globally, Looking for Livingstone bases its values on local human resources, by training and integrating filmmakers and producers to serve an international audience.

### Box 4: Kwetu Film Institute

<http://www.kwetufilmstitute.com>



Eric Kabera, KFI chief executive

The Kwetu Film Institute is a Rwandan film school and production company that explores new kinds of communication, cultural expression and regional civic engagement while producing audiovisual content. Through cinematic education and training, including programmes in film and television, and by supporting activities in the performing arts, KFI positions itself in East Africa as a holistic and recognized media training and production facility.

## Volatile local demand spurs film producers to turn to exports

At a nascent stage, the film industry in Rwanda is very attractive for new companies, as entry barriers are being lowered by technological advancements. The industry still faces many challenges, however, as rules and support remain unclear. Many new entrants do not last long in business, drawn in by their passion for films and soon pushed out by the difficulties of operating in an underdeveloped sector. Even players that seemed to be well established – such as Almond Tree, which once participated in the Cannes Film Festival – are no longer in business.<sup>97</sup>

Interviews with executives at Rwandan film producers Looking for Livingstone and KFI reveal that local demand for original Rwandan content is unstable, as the population is attracted to Hollywood productions.

Exports of digitized content offer a way for local producers to overcome market limitations and explore a larger global market interested in original Rwandan content as part of the growing worldwide interest in the sub-Saharan region.

There are many international news agencies in Rwanda, with journalists from Reuters, Agence France-Presse and France 24 based in Kigali, which could potentially be the clients of the local companies.

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*'We started looking at the local market trying to fill the content gap and to produce good content to satisfy the national demand but we quickly realized that the international demand for Rwandan original content was even higher than the actual local demand.'*

*Ayoze O'Shanahan, founder and CEO,  
Looking for Livingstone*

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Some of the Rwandan companies interviewed by ITC are already exporting video and films. Looking for Livingstone, a film production studio based in Kigali, is exporting to Europe – Spain, France, the United Kingdom and Germany – as well as the United States and Japan. It may also expand to South Africa and Kenya. KFI exports to African markets and the United States, and is interested in exporting to Europe.

## Audiovisual exports tend to be business-to-business

The interviewed companies report that most of their digital exports of audio-visual services are not supplied to final users, as is the case with music, but to institutions or businesses. Looking for Livingstone produces original Rwandan content mainly for non-governmental organizations and government entities. Its clients include National Geographic Channel, Japan Broadcasting Corporation, the German Society for International Cooperation and SOS Children Villages.

The focus on original Rwandan content aims to create awareness about the country's recent story. As Eric Kabera, the chief executive of KFI, puts it: 'Film is not only about entertainment, but it is also a social, political, cultural tool to showcase stories.' He says the company is proud that its products have helped to transmit a positive image of Rwanda across the globe.

Target clients also determine production and marketing strategies, as B2C and B2B approaches differ across all aspects of the process chain: products, pricing, promotion and distribution. While leveraging on social media and influencers could have an impact in promotion under a B2C model, the use of specialized platforms, events and intermediaries for matchmaking is more relevant under a B2B model.

## New business models: What are the options?

Creative activities have intrinsic characteristics, such as the periodicity of projects and a fast pace, that might require alternative and tailor-made business models. Some of the new business models that are relevant for creative industries are shown in Textbox 1.

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<sup>97</sup> ITC interview with Ayoze O'Shanahan, founder and CEO, Looking for Livingstone, on 20 March 2017.

**Definitions: Alternative business models for creative industries****Special purpose vehicles**

A special purpose vehicle is a particular category of company. Its main characteristic is ephemerality; such a firm is established for a very specific reason, such as the creation of a movie, and is closed once it reaches its goal. This model finds its roots in the intrinsic nature of some creative subsectors, like cinema. During the making of a movie, a company needs hundreds of people, who are hired on short-term contracts. The creation of a special purpose vehicle follows the needs of the market, providing flexibility.

**Crowdsourcing**

The crowdsourcing business model is based on the flexible and fast-evolving structure of its members. A company is created, backed by an online community. The scope of the online community is to provide different inputs to the founders, such as ideas, feedback or finance. The company founders decide the level of openness of this community, as well as the conditions and modality of entrance. Swarovski offers an example of this: in 2011, the brand created a competition where the participants were invited to include the crystals in electronics, such as smartphones and mp3 players. The competition sought to stimulate the market on the topic of luxury and electronics, inspiring more innovation.

**Innovation laboratories**

An innovation laboratory is based on a continuous exchange of ideas and projects between people with different backgrounds, aimed at developing innovative products and new value. In the creative industries, this model is used for creative services or new media, as it particularly fits projects with high technology content. The Fairmount Innovation Lab in Boston offers co-work spaces for the creative sector, organizes workshops and contests, and owns a studio to create different prototypes. The presence of an active community with different backgrounds fosters innovation and the creation of ground-breaking products.

**Freelancer**

A freelancer is a self-employed worker, normally not linked to a company with a long-term collaboration, who offers services. This is widespread in the creative industries, especially for activities such as writing, designing, translating or acting. Some freelancers are represented by an agency or an agent that manages their works and finds new opportunities for them. A study from 2017 shows that the main reasons people choose to work as freelancers are the high specialization of skills, the possibility of having creative control and getting more time with family. Photographers, developers and graphic designers often use this model so they can join multiple projects based on their desires and inspiration.

**Freemium**

This word is a portmanteau of 'free' and 'premium'. It is where the main product or service is provided for free, but additional services or features require payment. This model is common in the software and videogame sectors. The advantage of this model is the possibility of attracting a lot of new clients and charging them based on their ability to pay.

Spotify is a famous example of the freemium model: users can utilize all functions of the app at no cost, but they must listen to advertisements in between songs on the playlist.

**Source:** ITC's e-learning course on Building Competitiveness in Creative Industries.

## Digital platforms facilitate distribution and matchmaking

Digital platforms such as Vimeo, YouTube and Amazon and social media platforms such as Instagram, Twitter and Facebook have become key for audio-visual distribution. Worldwide, people are spending more time on their digital devices than traditional TV and radio, using their smartphones for more than five hours a day on average.<sup>98</sup>

It is estimated that just 8% of Rwandan households have a television set, probably due to the fact that the TV analogue signal only covers 46% of the country. The digital signal, on the other hand, has up to 95% coverage.<sup>99</sup> In this setting, studios prefer to focus on producing short films that can be accessed online through different platforms when it suits the user.

Specialized platforms also play a critical role in digital exports. For instance, KFI exports to the US market through 'educational platforms' from which educational entities can download original content from different countries. Kabera wants to expand to Europe, but sees the lack of a network of educational platforms as an obstacle to enter the market.

Digital platforms also allow for matchmaking in the pre-production phase, linking potential international clients with local producers. Looking for Livingstone, for example, makes use of several specialized platforms that enable them to bid on purchase of local Rwandan content, as well as to pitch ideas for films that might be worth pursuing for an international audience. Still, a company's own website plays a central role in attracting customers, with Looking for Livingstone gathering 60% of its clients through its own homepage.

Digital platforms in the form of mobile applications can also play a role in the distribution of Rwandan content, especially locally. Mobile apps could help monetize access to local content, by proposing e-payment alternatives to credit cards, including through airtime. Several audio-visual companies are thinking about developing their distribution channels through mobile apps to overcome payment barriers.

## Rwandan enterprises offer broad range of goods and services

Mature and sophisticated markets push companies to specialize and focus on niche offerings. But in less developed markets, firms tend to engage in a wider range of activities.

This is true of Rwandan companies as well. They often have a wider portfolio that goes beyond audio-visual production and extends into training, equipment leasing and consulting, among others. This might be due to limited demand in the local market for specialized services.

For instance, as discussed in the previous chapter on music, InyaRwanda is primarily involved in the online distribution of music. But the company partnered with TV10 for one year to produce the television show Inshuti/Friends. They are now producing two other shows for national television: Seburikoko and City Maid.

Companies whose main activity is audio-visual production also offer complementary goods and services. Looking for Livingstone's portfolio, for example, includes consultancy services in communication strategies for other companies operating in Rwanda.

Similarly, KFI works on film production, but it also provides cinematic education and training programmes in film and television and supports programmes in performing arts. The Rwandan Ministry of Education recently accredited KFI as a formal school. The institute accepts more than 200 students annually. Although most are local students, some come from neighbouring countries.

In the context of services exports, this is regarded as mode 2 (consumption abroad) exports, where overseas students go to Rwanda to purchase and consume educational services.

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<sup>98</sup> '75+ Mobile Marketing Statistics for 2019 and Beyond,' by Betsy McLeod, 30 October 2018. See <https://www.bluecorona.com/blog/mobile-marketing-statistics> (accessed 16 March 2019).

<sup>99</sup> 'Digital migration to increase TV ownership,' by Ivan R. Mugisha, 3 April 2014. See <http://www.newtimes.co.rw/section/read/74341> (accessed 15 May 2018).

Training courses are necessary, as the market lacks skilled professionals. The local companies that were interviewed all emphasized the need for and their investment in human capital. Many offer on-the-job training for their employees in the fields of photography, video editing and production.

Expansion of ICT infrastructure can help media businesses generate demand for new audio-visual content. The Government of Rwanda ordered the replacement of 27 billboards with electronic ones in 2016, following a 2013 law. This was done to accommodate more advertisements after demand peaked in 2016, according to Charles Tsubira, vice president of the Association of Advertisers in Rwanda.<sup>100</sup>

This public move resulted in greater demand for audio-visual advertisements. One of the companies interviewed, 94HiStudio, decided to expand its business offer and now produces two short videos a month to serve this niche market.

### Film festivals: Where the digital and analogue worlds meet

Firms that were interviewed pointed to film festivals as a first step to raise awareness about their products and to showcase their offerings to both national and international audiences. Even with digital offerings, offline marketing – which enables companies to have face-to-face interaction with potential clients – remains an important channel to do business. Participating in famous international festivals also helps build the reputation of film directors and production teams.

Some of the interviewed Rwandan enterprises have presented their films at various international festivals. KFI has been present at the New York African Film Festival, the Los Angeles African Film Festival and other international African film festivals in Hollywood. It has also shown original Rwandan content at the United Nations, in Geneva.

### Domestic film festivals help the industry build an international name

The creative industry is often full of passionate professionals with visions of not only running a business, but making a social impact. KFI's Kabera, seeking to make cinema accessible not only in urban but also in rural areas, collaborated with a group of industry players to establish the home-grown Rwanda Film Festival, nicknamed Hillywood, in 2004.

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<sup>100</sup> 'No more analogue billboards in Kigali City,' by Daniel Sabiiti, 18 September 2016. See <http://ktpress.rw/2016/09/no-more-analogue-billboards-in-kigali-city/> (accessed 16 March 2019).



Source: Pictures taken from Rwanda Film Festival website, <http://rwandafilmfestival.net/about-us/>

Kabera says the festival lives by the motto ‘taking Hollywood to the thousand hills of Rwanda’. The festival travels to communities in the countryside and projects films on inflatable screens. Hillywood has become a central component of the local creative industry, growing from a mobile cinema into a film festival at which industry players interact and exchange.

With the support of diverse partners including government agencies such as the Ministry of Sports and Culture, the City of Kigali and the Rwanda Development Board,<sup>101</sup> Hillywood is gradually developing an international reputation and has been referenced during other industry events. In February 2019, Kabera and new art director Fabrizio Colombo presented the festival at the Africa Hub of Berlinale, the Berlin International Film Festival.<sup>102</sup>

Today, Hillywood is working to promote a truly African spirit in film production where different genres are encouraged, without falling on the stereotypical ‘African-pessimism’ theme.

In 2019, the festival will host a film competition that welcomes producers from Africa and the diaspora to present movies produced since 2017. Producers from around the world will be welcomed under the category ‘Panorama’, which will feature international films.<sup>103</sup>

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*‘With Hillywood, we are taking  
Hollywood to the thousand hills of  
Rwanda.’*

*Eric Kabera, co-founder,  
Hillywood*

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<sup>101</sup> Partners and supporters of Hillywood 2019, <http://rwandafilmfestival.net/partners/>

<sup>102</sup> Berlinale, Africa Hub, 8–13 February 2019. See <https://www.efm-berlinale.de/en/berlinale-africa-hub/programme/presentations/happy-hours.html>. RFF at Berlinale. See <http://rwandafilmfestival.net/>

<sup>103</sup> ‘General Submission to RFF 2019, The Competition,’ on Rwanda Film Festival website (accessed 15 March 2019). See <http://rwandafilmfestival.net/123-2/>





**Source:** See <http://media-inc.com/2014/06/finding-hollywood/>

### Foreign ties from a production perspective

Some of the interviewed companies have strong connections outside Rwanda because their executives are foreign or due to the way they produce audio-visual material. Looking for Livingstone has a Spanish chief executive, Ayoze O'Shanahan, who founded the company with a German partner. Besides their ties with Europe, they rely on partnerships with firms in the United Republic of Tanzania, Uganda and Kenya for production and distribution, seeking to achieve economies of scale and forming entertainment clusters in the region to live by their maxim 'produce locally, distribute globally'.

Similarly, KFI has developed partnerships with the Dutch Embassy and Germany's Babelsberg Film Centre. Collaborating with these partners, KFI has produced several films, clips and documentaries about Rwandan art and culture. These on-demand projects often represent a good source of revenue for local companies.

### Exploring options to overcome financing difficulties

Access to finance is a serious problem for the interviewed companies, particularly those in the film industry, which is much more capital-intensive than the music sector. Firms have little access to traditional bank loans, because financing filmmaking is considered a high-risk investment.

In fact, many other Rwandan enterprises in the cultural and creative industries face the same difficulty. This is because they share characteristics that make creative activities risky from a traditional financial perspective (see box on next page).

### Why do creative industries struggle to access finance?

- **Low value of tangible assets**  
While the tangible assets of a creative company are low value, its intangible assets, such as intellectual property rights, industrial designs, copyrights and trademarks, are more valuable than those of farms.
- **Difficulty to assess the assets**  
Most assets of creative firms are intangible, which makes their valuation complicated. For example, the valuation of the intellectual property rights on a movie depends on many factors that are difficult to evaluate before its shooting, such as its success rate, the distribution channels and the return on investment.
- **Lack of collateral**  
Banks rarely accept intangible assets as collateral.
- **Short product life cycle**  
Once an agricultural activity is ongoing, demand for the goods produced is regular and steady. Demand for products in the creative industries is volatile, due to a short life cycle – a movie is usually not shown in cinemas for more than two or three months. After this phase, revenue from the movie falls dramatically.
- **Higher risk profile**  
All these elements lead to one perception: the risk profile of creative companies is higher than in other sectors, unfortunately reducing their appeal for traditional financing options.

**Source:** ITC's e-learning course on Building Competitiveness in Creative Industries

Alternative financing methods are emerging as the industry digitizes. Some of these methods are becoming important forms of finance for creative sectors. Venture capitalists, impact investors, crowdfunding, angel investors and microcredit banks are at the centre of the current financial revolution. Thanks to their innovative approach, financing opportunities for small and medium-sized enterprises have grown significantly.

Each of these mechanisms has distinctive features and may be used at different stages by companies, depending on their particular needs (Table 2). The interviewed firms have either used or approached potential investors about these types of financing.

- **Angel investors**

Angel investors are individuals who invest their own money in a firm in exchange for convertible debt or equity, usually at a very early stage of business development, facilitating its setup. Angel investors tend to be interested in companies in new technologies, such as software or videogames, or new broadcasting platforms. They can be found by attending investment events, through chambers of commerce or through their websites.

- **Venture capital**

Venture capital is another form of equity financing in an early stage of development. However, it usually is granted after the company has been able to show some level of success or at least presents a sizeable client base that allows for a clear revenue strategy.

In this case, it is usually a group of investors, and not an individual, that provides seed money to support the establishment or expansion of the business and additional investment flows over a certain period. As angel investors, venture capitalists typically invest in companies with a relevant technological component or with revolutionary business models.

- **Crowdfunding**

This alternative financing method is generally Internet-enabled. Entrepreneurs display their projects on a website and investors back them up, buying a future “product” or ‘equity’. Backers have far less control over the business than in other equity forms, however, because it dilutes across a network. What they usually get is an early access to purchase or view the “product” or acknowledgement for their contribution. Kickstarter, Indiegogo, Crowdcube and Wefunder are the most commonly used crowdfunding platforms.

For example, the board game Dark Souls was developed and commercialized thanks to a crowdfunding platform that allowed the creator of the game to raise more than \$5 million, becoming one of the most successful crowdfunding examples of all times.<sup>104</sup>

- **Impact investing**

This category includes all investments made by individuals, companies or funds that seek to have a social or environmental impact. This kind of investment usually targets the agriculture, health and renewable energy sectors. However, creative industries are starting to attract new impact investments, as exemplified by companies such as Upstart Co-Lab. The aim of New York-based Upstart Co-Lab is to expand opportunities for artists, make more capital available for creative individuals and enable sustainable creative lives.

Table 2 Comparing different options in alternative financing

	Angel investors	Venture capital	Equity crowdfunding
<b>Business stage</b>	Start-up	Business expansion	Start-up
<b>Investor's control over business</b>	High	Middle	Low
<b>Investor's offering in terms of networks and other expertise</b>	High	High	Low
<b>Stability, especially to finance business expansion</b>	Low	High	Low
<b>Friction and time involved in the process to secure investment</b>	High	High	Low
<b>Firm's reliance on individual investor</b>	High	High	Low
<b>Typical investment ranges</b>	\$10K-100K	\$1 million +	Variable

**Note:** 'High' and 'Low' describe the perceived characteristics and may change depending on circumstances.

### Government support is essential for creative industries

More government support for the creative industries is needed, according to the interviewed companies. The governments of many countries have adopted initiatives to develop the creative industries, considering the importance of the sector in terms of its positive social impact, role in sharing culture and values, promotion of country branding and ability to attract tourists and investments. These incentives range from tax breaks and grants to incubation programmes and market development assistance.

**Tax breaks** are the most common form of government support, often offered to companies over a fixed time period. Although tax breaks vary from country to country, the schemes are often either sector specific or region specific. An example of the former is creative sector tax relief in the United Kingdom, designed to promote the animation, television and videogame industries.

Region-specific incentives kick in only if the art is produced or the artists recruited locally or in specifically targeted communities. For example, artists in Rhode Island are encouraged to live in specific districts<sup>105</sup> to benefit from tax breaks.

<sup>104</sup> See <http://uk.businessinsider.com/most-successful-kickstarter-projects-of-all-time-2016-6?r=US&IR=T>

<sup>105</sup> See <http://www.arts.ri.gov/special/districts/>

**Public grants** are another important form of government support. Many governments create specific funds to help the creative sector. For example, in the United Kingdom, Arts Council England will provide £210 million in grants in 2015–2018.<sup>106</sup> This allows the government to control the quality of the projects and to assist the most valuable ones.

The United States offers a similar scheme, giving diverse subsectors grants of \$10,000 to \$100,000.<sup>107</sup> In Estonia, part of tax revenue from sales of tobacco, alcohol and lottery tickets are allocated automatically to cultural activities.

**Incubation programmes** are commonly offered to companies working in technology-related sectors. Some countries are offering specific programmes for creative industries as well.

This is the case of South Africa and its Creative Arts Incubator Programme.<sup>108</sup> This initiative was created to promote employment, foster the participation of artists in the economy and offer training. The strengthening of local skills, combined with the creation of business linkages between artists and the market, will help creative companies to grow.

**Market development assistance** seeks to support exports by small and medium-sized enterprises and to help them enter new markets. To reach this goal, the government offers funding for firms to participate in international fairs or study tours or to create advertising campaigns. Such assistance is designed for companies that already have a well-established business and that want to expand into new markets.

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<sup>106</sup> See [https://www.creativeindustriesfederation.com/sites/default/files/2017-06/Routes%20to%20Finance%20\(2\).pdf](https://www.creativeindustriesfederation.com/sites/default/files/2017-06/Routes%20to%20Finance%20(2).pdf)

<sup>107</sup> See <https://www.arts.gov/grants-organizations/art-works/grant-program-description>

<sup>108</sup> See <https://www.gov.za/speeches/arts-and-culture-launches-5th-creative-arts-incubator-programme-gauteng-10-jun-2015-0000>

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