

Nigerian case study: Netflix vs. Alaba Market

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Three decades ago, there was a big boom in the Nigerian video rental industry. Parents and guardians that could not afford regular purchase of VHS movies to satisfy the increasing tastes of movie aficionados at home were given a way out. Renting of video cassettes was in. With as little as 50 kobo (US\$0.33), one could rent any movie from a growing number of video shops.

Imports dominate

The Nigerian 'home video' industry was non-existent, so our appetites were firmly engorged with the likes of popular Bollywood exports such as 'Jugnu', 'Samraat', 'Sholay', 'Burning Train', 'Dharam-Veer', 'Kabhie Kabhie', 'Seeta au Geeta', Kaalia, Hero, and the Great Gambler. All, mostly featuring star icons like Dharmendra, Amitabh Bachchan, Hema Malini, Jeetendra and Zeenat Aman.

Asian movies also played a prominent role in our perception and views of Chinese cultural nuances and life in general. Top Asian movies in the 1980s were 'Enter the Dragon', 'Drunken Master', 'Game of Death', 'Snake in the Monkey Shadow', 'Police Story', 'Wheels on Meals', 'Dragons Forever', 'Project A', 'Armour of God', and 'Duel to the Death'. Jackie Chan's popularity was at an all time high, and he was widely applauded as Asian's No.1 movie star. Other genre defining movies were Sylvester Stallone's 'Rocky' and 'Rambo' action series, Arnold Schwarzenegger's 'Conan the Barbarian' and 'Predator', Eddie Murphy's '48 Hrs' and 'Coming to America', and Bruce Willis' 'Die Hard'.

Local mores

For indigenous viewers that preferred Nigerian local mores, culture and tradition, recorded TV programmes on VHS tapes were made available: 'Things Fall Apart', 'Magana ja Riche', 'Behind the Clouds', 'New Masquerade', 'Cock Crow at Dawn', 'Village Headmaster', 'Mirror in the Sun', 'Koko Close', 'Basi & Company', 'Adio Family', 'Second Chance', 'Sura the Tailor', and 'Feyi Ko Gbon'. Nigerians had access to a wide variety of top TV shows and programmes, produced and directed by industry veterans like Dauda Abari and Peter Igbo, amongst many others.

The '80s were magical, a golden throwback in time. Technological advancement and digital media were on the rise; coupled with premium dollar investment by Hollywood in selected movies, leading to box office smash hits - 'E.T.', 'Raiders of the Lost Ark', 'Beverly Hills Cop', and 'Star Wars' - we were in for a long and momentous ride. No one wanted to miss that opportunity.

Showing off collections

However, video marketers were finding it difficult to navigate Nigerians' fascination with movies and actually exploiting it in their favour.

Owning and showing off collections of video tapes was the in-thing. It made perfect sense to design or purchase a 'special' cabinet solely for displaying movies much like a trophy set. Then, the norm was to build a video library containing about a couple of dozen movies that 'you just had to have', and exchanging some of these collections with friends, relatives and neighbours, thus, making up for what was not previously available in the original set.

Owners of video clubs had to take the initiative by cold-calling at homes and offices, to increase their customer base, request for referrals, and started selling tapes to vehicle owners and passengers during traffic stops on busy highways. But change came soon enough...

Birth of Nollywood

Nollywood gained international renown with huge hits like 'Living in Bondage', 'Rattle Snake', 'Glamour Girls', 'Rituals', 'Mortal Inheritance' and 'Oduduwa'. Actors such as Pete Edochie, Liz Benson, Ramsey Noah, Regina Askia and Kenneth Okonkwo quickly became Nigerian mega-stars. They adopted a cult-like following, experiencing for the first time, national fame and popularity, and huge increment in fees and endorsements. It was a surreal experience for actors and fans alike. They were experiencing something new and novel in the industry; they now had superstars in the movie industry, and everyone wanted a piece of them. Signed posters, videos, and autographs became rampant. For the first time, we actually experienced the intense passion, fervor and excitement associated with stars whilst screaming at them as they walked down the red carpet, taking pictures with our favourite stars and sharing them with friends and family.

Piracy blossoms

Learning from past mistakes, movie producers launched their home videos in compact discs and graphically designed formats, promoting their release as teasers in upcoming videos. Colourful and visually driven posters were handed out at every traffic intersections, market places, stores, and on buildings at residential areas. To exploit this emerging trend, opportunist Alaba Traders (Alaba International Market, situated in Lagos, is the largest electronics market in Africa) immediately began pirating home videos featuring popular artists. Home videos on disc commanded a premium cost, and tapping on to Nigerians' penchant for owning their video collections, pirated copies soon blossomed, and producers were left holding the short end of the stick.

Regulations put in place

Producers, directors, investors, and actors were aghast that third-party vendors were making huge profits from their own sweat and toil. To salvage the industry, internal regulatory committees were set up in conjunction with video rental associations. Producers began certifying video rental shops that could legitimately sell and rent their products. Names of approved distributors, shops and marketers were prominently displayed on disc packaging, on posters and in-store promotions. Prices were also slashed making piracy a non-profitable enterprise for Alaba pirates. The cost of duplicating home videos, selling and distributing them was almost not worth it anymore. There was only one-way out - the traders at Alaba International Market had to join forces with the video producers to stem piracy, and focus on selling genuine products to customers. Of course, this trade agreement did not come easy. Proposals and negotiations, amidst civil law suits, went back and forth for several years between the market trade associations and video industry regulators.

Home videos were now available in VCD and DVD formats at relatively low prices. Prices of videos fell to N150 [US\$1.00] compared to N300 [US\$1.99] five years earlier, and rental rates dropped to N50 [US\$0.33]. However, you could purchase DVDs from die-hard pirates at Alaba market with a hundred bucks or less, depending on your negotiating skills.

Netflix arrives in the US

In stark contrast to the US video industry, the consumer market was evolving from Blockbuster phenomenon to Netflix-mania. Netflix, launched 13 years ago, changed the game in the video rental industry when it began offering "online flat rate DVD, Blu-ray disc rental-by-mail and online video streaming" that enabled subscribers to watch movies on their computers with minimum broadband internet connection. This was a differentiated service strategy from that of Blockbuster, widely recognised for its worldwide chain of video rental stores. With the advent of Netflix, the rental map was completely redrawn with Netflix miles ahead of its nearest competition. It had maxed out the game, the same way Apple had drawn the rug from underneath IBM.

From the comfort of one's home or office, after paying a monthly flat-fee, a subscriber had access to a wide range of movie choices. Movies could be played instantly online and DVDs were regularly received by mail based on an individual's rental queue of favourite movies.

Americans are widely known for seeking out products and services that offer convenience. Within a short few years, Netflix "had amassed a collection of over 100,000 movie titles and approximately 10 million subscribers," and was "shipping an

average of 1.9 million DVDs to customers daily,” [Source: Wikipedia].

No Netflix for Nigeria...yet

Foreign and Nigerian investors, entertainment professionals, home video practitioners, advocates and critics alike have wondered aloud and gone ahead to propose the Netflix-approach for the Nigerian rental industry. Without seeming to cast this notion as impracticable, and pass it on for future prognosis, there are various cogent reasons why adopting the Netflix approach will not work. At least for now.

1. Power: Lack of consistent power generation affects millions of businesses and homes in Nigeria. Without steady and efficient electricity supply, organisations, small businesses and individuals will only have limited investments based on their reliance on alternative power supply like generator sets.
2. Socio-economic factors: Valuable human, natural and technical resources will continue to be lost due to sporadic religious disturbances and shortage of petroleum products.
3. Internet connectivity: Unlike the US market, where broadband access topped 63% in 2009 [Source: *PCWorld*], availability of internet connection in Nigeria is majorly through cybercafés and companies where employees work. Nigeria has 7.4% internet penetration, representing 11 million of its 149 million population [nrguardiannews.com].
4. Postal service: Netflix partners with the US Postal Service to complement their DVD rentals to subscribers. Movies are delivered to subscribers from more than 50 shipping points located throughout the United States. The average Nigerian has lost faith in the Nigerian Postal system, because of its tarnished reputation, poor delivery and distribution systems, and instead, resorted to private courier firms like DHL and UPS to ship important documents and parcels. It would be foolhardy for a video rental firm like Netflix to utilise the services of a courier company in delivering DVDs to customers, because of the high charge rates and frequency of distribution nationwide.
5. Cost benefit analysis: For a starting price plan of US\$8.99 per month, a Netflix subscriber has access to one DVD at any one time plus instant connectivity to a selected bouquet of movies online. Using current international conversion rates, US\$8.99 would exchange for N1, 355.00. By any cost ratio indices, this is a fair rate for a month's access to an unlimited number of movies, if the points raised in [1] to [4] above were not an issue. However, reality dictates that we take them into cognisance. Therefore, the cost benefit of purchasing DVDs at N150 [US\$1.00] from any video retailer or N60 [US\$0.40] at Alaba Market, and watching it at your own convenience definitely outweighs subscribing to a Netflix-like video rental shop.
6. Nigerian mentality: Psychologists who have carefully studied Nigerians will tell you that there is one human trait is predominant among them, irrespective of geographical location. That is, the need to outrightly own their property eg. houses, cars or furniture. While the average American relies on credit cards to make purchases on products from as low as US\$40 to as high as US\$5,000 and then proceed to make regular monthly installment payments to the credit company for several years, Nigerians do not have that kind of patience. They prefer complete possession of their property by paying for it in full. To them, it is akin to “adorning a beautiful jewelry and proudly showing it off, whilst the debtor is waiting along the path to collect his dues.” [Source: *Author's “Memoirs of a Saint”*].

Revolutionising the modus-operandi

Consumers typically patronise rental shops for home videos, and seek out other means of gaining an all-round movie experience by visiting cinemas and purchasing new DVDs from mobile vendors. For the video industry to grow anew, it would also have to revolutionise its modus-operandi. A mash-up of the Netflix-service model with a unique Nigerian-centric approach could possibly be the only way forward. But will it work?

Nigerian telecom companies - MTN, Zain and Globacom - had to install power-base stations across the country to generate their own power supply in a bid to provide uninterrupted mobile service to cell phone users. Integrating that approach to the video rental business would only be the first step in addressing the power generation issue. How many investors are willing to provide internet service connectivity, mail package delivery and power generation as consumer service offerings, to justify their primary investment goal: video rentals?

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