MULTICHOICE’S ECONOMIC IMPACT IN KENYA

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Direct impact: In 2014, MultiChoice made a direct contribution of $30 million to GDP, measured by the sum of its profits, wages and taxes paid in Kenya. This direct impact is largely due to the tax revenue that MultiChoice’s activities generate for the Kenyan government. In 2013/14, MultiChoice contributed a total of $27.5 million in taxes, a contribution which has almost doubled since 2011. MultiChoice paid wages to Kenyan employees amounting to $7.1 million in 2014, more than three times the amount in 2011. In addition to the nearly 60 full-time employees and contractors it employed at the end of financial year 2013 in Kenya, MultiChoice indirectly supports the jobs of around another 1,000 people.

Supply chain spend: MultiChoice spent an aggregate of $66 million with a variety of local content, technology and distribution, marketing, buildings and office and administration suppliers in Kenya. Its expenditure with Kenyan suppliers in Kenya has grown most due to spending on the digital switchover, representing 37% of total expenditure in 2014.

Multiplier impact: MultiChoice’s expenditure in Kenya supports additional activity in the economy through its multiplier impact. For example when MultiChoice pays wages, its employees spend some of the income across different categories from retail to leisure, stimulating activity in those sectors. Similarly, MultiChoice’s Kenyan suppliers, whether local content producers or technology service providers, spend part of the income received from MultiChoice with Kenyan suppliers in order to be able to provide their services. As such, the income initially spent by MultiChoice is further spent across the economy by employees, suppliers, the exchanger or OECD as a shareholder, producing ripple effects and further economic activity in Kenya. These interdependencies between sectors are explained in country-specific input-output tables. Kenyan input-output tables estimate that $1 million of spent in the communications industry in Kenya supports $1.6 million across the Kenyan economy. As such the multiplier effect of MultiChoice’s direct economic impact and supply chain spend in Kenya can be estimated to support a further $54 million of economic impact in Kenya in 2014.

These GDP effects are the immediate impacts that MultiChoice’s business has on the Kenyan economy. However, the company’s full impact goes significantly beyond this through a variety of wider spillover effects on the economy, ranging from the support to digital switchover to promotion of local sport and culture.

**Multiplier’s spillover contribution in Kenya**

**Supporting digitalisation and digital switchover**

MultiChoice is facilitating and encouraging the digital migration process in a variety of ways. It supports Digital Terrestrial Television (DTT) rollout through its dividend payments to KBC and by providing training to KBC engineers. It has invested around $1 million net in its broadcast spectrum for new services. Similarly, MultiChoice is also facilitating the release of spectrum for new users which contributes to economic and social development in Kenya.

**Reflecting Kenyan society, informing and educating**

MultiChoice has invested in producing local content in the form of both programmes and channels such as the Kenyan show Comedy Club, and MNet’s Mistinguished channel, and broadcast around 9,100 hours of news and educational content in 2014.
MultiChoice has produced, commissioned or licensed more than 45 shows in Kenya, and commissioned 116 local films since 2011. Further, it supports cultural initiatives such as the Africa Rising Language and ODN MultiChoice Journalism of the Year Awards, reflecting Kenyan variety and culture. MultiChoice provides access to educational and news content, and has also invested in educational initiatives such as MultiChoice’s Innovation Centers and Elite Bukidzo Star Awards. Beyond its core operations, MultiChoice supports public sector broadcasting in Kenya through dividend payments to its shareholder, the Kenyan Broadcasting Corporation.

Supporting the local production sector
MultiChoice has supported the development of the local production sector by cultivating relationships, skills and infrastructure and building on-ground facilities. It works with a diverse range of local Kenya producers – a total of 23 in 2013. It has invested $51.5 million from 2012 to 2016 and in the construction of a production studio which houses local producers and various third parties.

MultiChoice, through M-Net and SuperSport, has contributed to developing professions in the local content sector. Besides providing crucial remuneration, it has facilitated the expansion of employment opportunities in the sector especially for young people. It has facilitated skills transfer and training through at least five initiatives such as the ‘Training Insight from Training’ (GIFT) programme for directors, cameramen, sound and EVS.

Promoting and facilitating Kenyan sports
MultiChoice has actively turned sports initiatives into marketable sports propositions. SuperSport’s licence payments and production cost expenditure of around $29.5 million between 2013 and 2015 have financed popular leagues and tournaments such as the KPL and Guinness Chaps and in 2014 alone have led to the production of 155 football games, amounting to roughly 5,800 broadcast hours. Some games produced by MultiChoice are also carried by BBC making them accessible to additional audiences. Importantly, presence of sports on national television has stimulated public interest in sports allowing clubs to attract other forms of revenues such as ticket sales revenues, and sponsorship payments. Almost all Kenya football clubs now have a title sponsor. SuperSport has also provided vital funds to grow players and grassroots talent, both indirectly as a knock-on effect of the higher attractiveness of sports propositions, and also directly through initiatives such as Airtel Rising Stars.

MultiChoice’s contribution to increasing the popularity of sports has stimulated wider participation in a variety of sports such as football, basketball, athletics and cricket, research suggests that sports participation may lead to better well-being, mental health and reduced crime rates.

The rest of this report goes on to describe these contributions in greater detail.

Research suggests that SuperSport’s presence stimulates Kenyans to participate more in sports activities and therefore have better physical and mental health in general.
Background

MultiChoice has operated in Kenya since 1995 and over its 20 years of operation, MultiChoice has made major contributions to the development of broadcasting in the country.

Over the years, MultiChoice has expanded its offering across various platforms such as satellite, DTT and mobile, to cater to the diverse needs of Kenyans. Notably, MultiChoice has been at the forefront of technological innovations in Kenya, including digital TV, HDTV and mobile TV.

MultiChoice has also contributed significantly to the development of sports in Kenya, through partnerships with local and international sports brands.

MultiChoice’s activities support the digitalisation of Kenya, reflect Kenyan culture and society, stimulate the development of the local content sector, and support the development of sports in Kenya.

MultiChoice's economic impact in Kenya

- $30 million direct contribution to GDP
- $2.7 million paid in taxes
- $7.9 million paid in wages
- $1.6 million donated to KBC

Summary of MultiChoice’s Economic Impact in Kenya

- Facilitating digitalisation
- Educating, reflecting Kenyan culture and society
- Local production sector
- Promoting sports

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MULTICHOICE’S IMPACT ON GDP

MultiChoice’s GDP contribution in Kenya results from its expenditure on remunerating local factors of production, its expenditure across the Kenyan supply chain, the spending of its employees and the employees of its suppliers, and the ripple effects as those expenditures flow through the economy. These GDP impacts in Kenya are based on expenditure paid in Kenya only; expenditures in other countries outside Kenya and associated impacts are excluded from this study.

Overview of method and key concepts

The impact of MultiChoice on the Kenyan economy consists of both the impact from its own operations, and the ripple spillover effects resulting from it. The analysis of this impact is focused on two key concepts: GDP, which captures the impact from MultiChoice’s own operations, and the spillover effects, which capture the spillover effects enabled through MultiChoice’s activities.

MultiChoice’s impact in terms of GDP captures the economic activity supported in the Kenyan economy as a result of MultiChoice’s expenditures. This includes the following impacts:

1. Direct impact: This is made up of MultiChoice’s expenditures in remunerating factors of production (wages, profits) in addition to the taxes that the business pays to the government and spending on Corporate Social Responsibility (CSR) activities.
2. Indirect impact: These are the impacts which occur in MultiChoice’s supply chain as a result of the procurement of goods and services. It consists of MultiChoice’s expenditures across the supply chain in Kenya and its ripple effects across the Kenyan economy.
3. Induced impact: These are the impacts which arise from MultiChoice’s employees and those employed in its direct supply chain spending their wage income on consumer goods and services, and the ripple effects of that spend.

Beyond the economic activity supported along the supply chain and for the wider economy, calculated in the analysis of the GDP impact, MultiChoice enables wide impacts in the Kenyan economy. Spillover effects are by-products of MultiChoice activity, experienced by other firms in the same sector or by the Kenyan economy more generally. These include MultiChoice’s role in:

- Supporting digitalisation and digital inclusion;
- Reflecting Kenyan society and promoting local culture, informing and educating;
- Supporting the local production sector, and
- Promoting and facilitating Kenyan sports.

This study describes the spillover impacts of MultiChoice and provides quantitative estimates of their magnitude wherever possible. Although the spillover impacts are not added to the estimate of MultiChoice’s contribution to GDP in this diverse set of qualitative and quantitative data, it is used to illustrate MultiChoice’s role in supporting each of these spillover effects. Together, the GDP and spillover effects demonstrate the far-reaching positive impact that MultiChoice’s operations and activities have on the Kenyan economy and wider society.

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MultiChoice’s economic impact in Kenya

INTRODUCTION

1995: As a shareholding of MultiChoice Kenya, the KBC receives dividend payments which form an important source of income in supporting public sector broadcasting in the country. MultiChoice also provides non-financial support in the form of capacity building and skills transfer through training organized for the KBC engineers. Through supporting public sector broadcasting, MultiChoice further contributes to Kenyan broadcasting beyond its own activities.

1995: As a shareholder of MultiChoice Kenya, the KBC receives dividend payments which form an important source of income in supporting public sector broadcasting in the country. MultiChoice also provides non-financial support in the form of capacity building and skills transfer through training organized for the KBC engineers. Through supporting public sector broadcasting, MultiChoice further contributes to Kenyan broadcasting beyond its own activities.
Kenya on importing set top boxes and transmission equipment. MultChoice’s total tax contribution represents 0.20% of the government’s total tax collection for 2013/4. MultChoice’s tax contribution gave government departments (such as health and education) the equivalent of $0.5 million on each Kenyan citizen.

The remainder is made up of corporation tax ($3.4 million), and licence fees.

Wages
MultChoice’s wage bill amounted to $7.1 million in 2014. MultChoice’s employment has increased almost fourfold, growing from 360 full-time employees and contractors in 2011 to 626 in 2013. The majority of staff are Kenyan and are employed across a broad range of activities from administration, management, marketing, sales and content production through to finance and distribution.

MultChoice Kenya, GOtv and Supersport have seen particularly strong growth in the number of employees working in sales and marketing, which increased from just 97 in 2011 to 125 in the same period. However, there has been a fourfold increase in administration and management which has seen the number of employees grow from 65 in 2011 to 256 in 2013.

Dividend payments to KBC
MultChoice paid $1.8 million in dividends to the KBC in 2014 and $1.6 million in 2011. Over the nine years from 2006 to 2014, these payments amounted to around $13.5 million.

CSR
MultChoice spent $190,000 in aggregate between 2011-2014 on CSR activities including investment in MultChoice Resource Centres and charitable donations. It also invests in additional educational, cultural and social initiatives such as G4S Invictus Games Awards and KOBA’s Let’s Play Community Football Tournament for the underprivileged, which supports MultChoice’s contribution to society, illustrating its investment in people beyond its own employees.

Supply chain and employee spending impact
In addition to the direct economic impact, MultChoice’s activities create multiplier effects or ripple effects as the impact of MultChoice’s supply chain and employee spending circulates through the Kenyan economy.

Overview of key MultChoice supply-chain expenditures in Kenya
MultChoice spent an aggregate of $61 million in its supply chain in Kenya in 2014. This expenditure has increased rapidly between 2011 and 2014.

As seen in Figure 3, expenditure on technology and distribution comprises the largest expenditure category, particularly in 2013 and 2014 ($10 million and $24 million respectively). This expenditure is primarily driven by spending on the DTT network and multiplexing services ($52 million). It has almost tripled since 2013, as part of the rollout of DTT services, representing 37% of total expenditure in 2014. Technology and distribution expenditure also includes spending on satellite distribution, transmitters and mobile TV transmission.

Other expenditure categories include other distribution costs and content expenditure ($15 million and $12 million respectively, representing 22% and 19% of total MultChoice expenditure in Kenya in 2014). Other distribution costs have more than tripled from 2013 to 2014 and consist of expenditure on management and administration related to distribution. This includes, for example, retail commissions, maintenance and consulting fees, travel costs and communications.

Content expenditure, including on Kenyan content, has increased more than fourfold from 2011 to 2014. During this period, M-Net has started commissioning content in Kenya, spending $2.0 million on commissioned and licensed Kenyan content in 2014. SuperSport has also spent an aggregate of $6.3 million on licensed content from 2011 to 2014.

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MultChoice has more than doubled its expenditure on content, studios, technology, distribution, transmitters, mobile TV transmission, marketing and administration since 2011, as part of its active efforts to extend its reach to additional Kenyan households.
suppliers in order to be able to provide their services. The income initially spent by MultiChoice is therefore further spent across the economy by employees, suppliers, the exchequer or KBC as a shareholder, producing ripple effects and further economic activity in Kenya.

These interdependencies across sectors in the economy are captured in “input-output” tables. In the case of Kenya, they are captured in the 2003 Social Accounting Matrix. This can be used to derive multipliers which capture the ripple effects MultiChoice creates through its spend. Through Kenyan Input-Output tables it is estimated that $1 million of spend in the communications industry in Kenya supports $1.6 million across the Kenyan economy.

MultiChoice’s total GDP impact including ripple effects through the economy is measured by applying this industry specific multiplier to MultiChoice’s expenditure, comprised of its wages, taxes and dividends, as well as supply chain expenditures. Multiplier effects are driven by three key factors:

1. Strength of the sector’s supply chain: the greater the linkages between the organisation and its supply chain, the larger the multiplier.
2. Leakages of economic activity out of Kenya: the greater the imports, the smaller the multiplier.
3. Household’s marginal propensity to consume: the higher households’ propensity to consume, the larger the multiplier.

A more detailed explanation of the methodology used to estimate multipliers is provided in Appendix A.

Total economic impact

In total, MultiChoice is estimated to support $151 million of Kenya GDP in 2014 as seen from Figure 4. This amounts to 0.3% of Kenya’s total GDP. MultiChoice has a significant impact in the Kenyan economy. $1.6 million of spend by MultiChoice in Kenya supports $1.6 million across the Kenyan economy.

MultiChoice has grown its presence in Kenya over the years - both in terms of its penetration in the market and its physical activities on the ground. Subscribers on MultiChoice platforms have grown significantly and the business employs a large Kenyan workforce across its several organisations, and its entities work with a multitude of agents. MultiChoice’s activities support the digitalisation of Kenya, reflect Kenyan and East African culture stimulate the development of the local content sector, and support the development of sports in Kenya.
procuring DTT set-top boxes, which are required to access DTT. This allows demand for DTT services to be met at short notice, including when the switchover is confirmed. The Kenya government recognises the importance of the availability of set-top boxes in the country to meet the objective of digitalising Kenya. MultiChoice is supporting this by committing to provide 1.5 million set top boxes to Kenyan citizens, representing total spending by MultiChoice of $45.1 million on set top boxes in 2013 and 2014.

MultiChoice has further encouraged take up by offering a subsidy of around $12.50 on each box on purchase of a GOtv subscription. In 2014, MultiChoice spent $29.7 million on subsidised boxes. Invested and development of DTT network
MultiChoice is supporting the rollout and development of the DTT network and supporting infrastructure as part of its partnership with the KBC. It has invested a total of $40 million in 2015. Overall, MultiChoice has played an important role in facilitating the switchover and thus contributes to the wider beneficial impacts of digitalisation on the economy.

Facilitating and encouraging digital migration
Kenya is amongst the quickest African countries to make progress towards digitalisation and digital switchover. Its DTT networks have been rolled out by Safaricom, a subsidiary of public broadcaster the KBC and others via Pan-African Network Group (PANG). Information and communication technologies (ICTs), including digitalisation are important for promoting sustainable development in developing countries. MultiChoice is facilitating and encouraging digital migration in several ways.

Promotion and public awareness about digital switchover
MultiChoice has helped raise awareness about digitalisation and digital switchover. The ‘Digitika’ campaign aimed to inform and educate the public about the benefits of DTT. GOtv has supported the campaign by investing in media and public awareness initiatives. MultiChoice has spent a very significant amount on the GOtv promotional budget over the years. The cost of advertising the GOtv platform, a service available through DTT, has signifcantly increased.

Investment in set-top boxes
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MULTICHOICE’S SPILLOVER EFFECTS
Beyond the economic activity supported along the supply chain and in the wider economy, presented in previous section, MultiChoice enables spillover impacts.

Spillover effects are by-products of MultiChoice’s activity and include MultiChoice’s role in:
- Supporting digitalisation and digital switch-over;
- Reflecting Kenyan society, informing and educating;
- Supporting the local productions sector; and
- Promoting Kenyan sports.

Supporting digitalisation and digital switch-over
Digitalisation is an important priority for countries across the world. It allows consumers to benefit from an improved TV experience and greater choice of content. Beyond this, investments in digital communications and other sectors contribute to long term economic growth and productivity. Technology, including digital television, can support growth and development in Africa.

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Providing innovative services

In addition to its efforts in facilitating digital migration to DTT services, MultiChoice is stimulating the adoption of other digital technologies.

It has provided pioneering services in Kenya such as digital TV through their DStv and GOtv platforms, HDTV, mobile TV, mobile streaming services and other innovations. MultiChoice is targeting innovation in the provision of its services, often through partnerships with other parties, such as mobile operators.

It recently launched a new application-led service on smartphones allowing existing subscribers to watch live channels and catch-up content. It is in discussions with mobile operators to facilitate the uptake of these application services. Further, a TextOn- the-Go service allowing current subscribers to request content online was launched in 2014 and is currently being extended.

MultiChoice has also innovated in relation to support services, such as payment services. Through a partnership with Safaricom, a significant share of MultiChoice subscriptions payments are carried out through the mobile payment service MPESA.

Facilitating efficient use of spectrum

Availability of adequate spectrum is important to meet ambitious targets for economic and social development22. The value of the digital dividend spectrum (800MHz and 700MHz) can be significant, e.g. digital dividend spectrum is expected to contribute an estimated 1.2% to Nigerian GDP and 1.8% of South African GDP by 201523.

Kenya has approximately 6.5 million internet subscriptions, with 6.4 million of these subscriptions being mobile broadband subscriptions (including the use of PC’s via 3G modems)24. However internet penetration in Kenya is still low at 47%25. In this context, through its contributions to analogue switch-off, MultiChoice assists the release of spectrum that can be used for alternative services, including mobile broadband and broadcast services, helping unlock significant economic benefits26 27.

MULTIchoice’s spillover effects

GOtv in Kenya

MultiChoice’s DTT service was launched in Kenya in September 2011 and provided Kenyans with Pay TV services. MultiChoice offers two DTT bouquets which are priced at KES 599 and KES 849 per month, and provide a selection of 22 and 32 channels respectively across genres, to suit the needs of different market segments. MultiChoice has put in place accessible enquiry and purchase desks in areas with digital signal to facilitate setup. GOtv’s services have enabled Kenyans to take advantage of access to an increased number of television channels and picture clarity compared to what they received with analogue terrestrial devices, at entry prices.

The deployment of GOtv is also assisting with the digital migration. GOtv is helping to inform and educate the public about digital switchover. GOtv launched the Digitika campaign in October 2013, to promote awareness about the digital migration and availability of services offered by GOtv. During the campaign, GOtv offered subsidised decoders and subscriptions. The campaign contributed to accelerating the migration to DTT.
MULTICHOICE’S SPILLOVER EFFECTS

Reflecting Kenyan society, informing and educating

MultiChoice’s GOtv and DStv services are a source of entertainment and information. MultiChoice programmes reflect Kenyan society, and inform and educate Kenyans. Television plays a central role in socialisation and the messages received by television may affect a large spectrum of beliefs and behaviours\(^{28}\). Literature shows that television can also affect socio-economic outcomes. By investing in regional channels and programmes, MultiChoice contributes to increasing the level of social capital and cohesion in Kenya, enhancing socio-economic outcomes\(^{29}\).

Table 1 gives an overview of the types of programmes that have been commissioned, licensed and produced by MultiChoice in Kenya. The content broadcast is diverse and includes everything from game shows and soap operas to ministry, lifestyle, music and comedy.

MultiChoice has increased the variety of local shows broadcast on its platforms since 2011 with popular shows such as Mashariki Mix and Kona receiving increased airtime. MultiChoice broadcasts several more local shows on its platforms as seen in Figure 8.

Furthermore, MultiChoice has invested in local channels that show East African specific content such as Maisha Magic East, resulting in a more tailored channel offering reflecting Kenyan culture and society.

MultiChoice has contributed to the visibility of Kenyan and East African culture on-air through investing in prominent local shows and local channels. Its investment in cultural shows such as Vitimbi and Kona is reflected in the amount of original content, and number of broadcast hours of local content, amounting to around 9,300 hours in 2014 (Figure 9).

Figure 9 illustrates that MultiChoice has invested in local content using a variety of different content acquisition models, with most content being licenced. Table 1 gives an overview of the types of programmes that have been commissioned, licensed and produced by MultiChoice in Kenya. The content broadcast is diverse and includes everything from game shows and soap operas to ministry, lifestyle, music and comedy.

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have rolled out in Kenya thus far with participating schools receiving a 74cm TV, PVR recorder and dish and free access to educational content. Teachers at these schools are trained to use this content in teaching through engagement of external consultants.

Other initiatives initiated by MultiChoice include:

- The DStv Eutelsat Star Awards, which showcases innovative ideas on application of satellite technology, creates awareness about its applications, and stimulates interest in science and technology.
- Support for the CNN MultiChoice Journalist of the Year Awards, whereby finalists enjoy an all-expense paid four-day programme of workshops, media forums and networking, and the winner gains international recognition.
- Supporting public sector broadcasting

Through the funding MultiChoice provides to the Kenya Broadcast Corporation as its partner, MultiChoice supports public service broadcasting in Kenya and the provision of public service content. MultiChoice payments represent a reliable source of income and help fund expenditure for the KBC.

Supporting cultural and educational initiatives

MultiChoice has invested in various cultural initiatives, contributing to cultural awareness and social capital. It has initiated the Africa Rising Campaign which informs the public about inspiring success stories originating from Africa. It has also initiated the Africa Magic Women’s Choice Awards which recognize African women’s talent with several Kenyans having won awards in recent years and gaining Africa wide and international recognition e.g. Maureen Koech.

MultiChoice has also invested in Resource Centres which have the objective of giving access to education to under resourced communities. 150 Resource Centres have rolled out in Kenya thus far with participating schools receiving a film TK, PVR recorder and dish and free access to educational content. Teachers at these schools are trained to use this content in teaching through engagement of external consultants.

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MultiChoice’s economic impact in Kenya

MULTICHOICE’S SPILLOVER EFFECTS

Locally produced television programmes play a role in communicating a society’s culture and way of living. By airing local programs that define Kenyan culture and society, MultiChoice contributes to social bonding and cohesion in Kenya. Local shows such as Mashariki Mix, Changes and Kona are a few examples.

Mashariki Mix is a 30-minute magazine show which airs weekly and communicates highlights of the entertainment industry in East Africa. Available in both English and Swahili, Mashariki Mix is a Kenyan programme which particularly appeals to the youth. This programme is commissioned by MultiChoice from Ntv/Nano Productions, a local production company which, it claims, has also benefited from knowledge transfer by working with MultiChoice.

Changes is a modern drama series that showcases the everyday life and times of three couples living and working in Nairobi in 30-minute episodes. Various different aspects of life are treated in the show, thereby allowing people to relate to the experiences of the characters. This show was commissioned by MultiChoice from a local Kenyan company called Big Ideas Entertainment Company.

MultiChoice commissioned 250 episodes of its first telenovela called Kona in 2012. According to industry sources, this show sets the bar in terms of quality production and cast. Before it was commissioned, MultiChoice arranged training for the cast on various roles in production. This resulted in opportunities for those individuals who were subsequently employed by other local producers.
Supporting the local production sector

MultiChoice is developing relationships, skills and infrastructure in the local production sector, helping equip it for long-term growth. This is evident through MultiChoice’s work with a significant number of diverse range of local content producers. In 2013, it worked with 23 local producers, who supplied content ranging from comedy, drama, lifestyle, movie and music to short films. It works closely with local producers, pushing for high production standards, and contributing to increasing the level of skills and competitiveness of the sector.

Developing the Kenyan local production sector could help open significant new opportunities 34. Evidence indicates that world’s exports of creative goods and services are significant 35, that the creative sector is more resilient during periods of economic downturn compared to other sectors 36 37, and that creative industry growth rates have been higher than economic-wide average growth in some countries 38.

This section draws on information collected during interviews with local content producers Insignia Productions, Nusu Nusu Productions and Spielworks Media in August 2014 at LKPL Studios in Nairobi.

Developing facilities on the ground

MultiChoice has helped cement the long-term prospects of the local production sector. It has done this by investing in a production studio where several local content producers locate and which is used by various local producers and MultiChoice. The production studio houses 60 local content producers and has state-of-the-art facilities as displayed in the case study below. In this way, it is enabling continued growth of the local production ecosystem. This is underpinned by the significant investment MultiChoice has undertaken.

An amount of $11.4 million was spent by MultiChoice on the production infrastructure between 2012 and 2014, as shown in Figure 12 39:

- The largest investment was made in technical equipment studios and facilities, amounting to around $7.5 million in 2013 and 2014. This reflects the choice to invest in state-of-the-art technical equipment to enable the production of high-quality broadcasting.
- Further, around $1.9 million was spent in 2014 on Outside Broadcast equipment, including vehicles which contain production equipment to allow live production of events outside of the production studios.
- Funds of around $1.4 million were being invested in 2014 in a further building in the same area which will allow a further expansion of production capabilities in Kenya.

Helping develop professions

Expansions of employment opportunities

MultiChoice’s investment has led to increased employment opportunities in the sector. Some interviewees indicated that MultiChoice’s demand for local content has made working in the local production sector viable for different producers, and has facilitated specialization in production to take place, allowing the development of professions across cameramen, writers, actors and editors.

Currently, there are around 110 production houses in Kenya, and approximately 200-300 local producers in total. In the last 1.5 years, employment in the sector has tripled 40. Anecdotal evidence suggests that for every person employed in the sector, an additional three other agents are employed in the economy 41.

One of the local production businesses interviewed indicated the average age in their business is 25, suggesting that young producers are playing a key role in the local production sector. According to Kelly, a significant percentage of youth employment in the sector is above the country average, thereby creating higher value opportunities for young Kenyans.

Alternative acquisition and remuneration models for local producers

Interviewees indicated that MultiChoice has been open to different content acquisition models, enabling local producers to earn additional value from their productions and earn revenue from other sources, including export revenues. In particular, MultiChoice uses both commissioning and licensing models in negotiations with local producers.

One interviewee indicated that approximately 40% of the revenue from their local production house comes from MultiChoice payments. Anecdotal evidence from interviewees suggests that MultiChoice has been able to pay local producers 50%-100% more per episode than FTAs for equivalent productions. Anecdotal evidence from interviewees also suggests salaries paid in the local content sector are above the country average, thereby creating higher value opportunities for young Kenyans.

Facilitating skills transfer and training

MultiChoice has facilitated skills transfer through frequent initiatives from experts from outside Kenya in Kenyan classrooms, local producers and other production staff. MultiChoice has taken a comprehensive and local producers abroad for training. It has initiated the GRT programme which provides training to directors, cameramen, sound andeditors. It has invested a significant amount on training employees of MultiChoice in Kenya, and also carried out an internship programme in 2013/14 during which it trained new interns in its production house.

Such initiatives have stimulated wider interest in the local production sector from government bodies and universities. MultiChoice has partnered with local bodies (e.g. Kenya Film Commission) and universities to teach production skills (Strathmore University).
MULTICHOICE’S SPILLOVER EFFECTS

Experience of different local producers

MultiChoice is enabling the growth of the local production industry in a variety of ways: through its demand for a variety of high quality content, by providing training, by creating incentives through competitive compensation, and by opening up opportunities for producers beyond national boundaries. Local producers such as Nusu Nusu Productions, Spielworks Media and Insignia Productions recognise the growth of the sector and their organisations through collaboration with MultiChoice.

The experience of these local producers illustrates how MultiChoice is supporting specialisation in the sector. Nusu Nusu Productions has excelled in production of sports content following working with MultiChoice. “MultiChoice has created a sports production industry, without them it would not exist,” says Fareed Khimani, one of the two Nusu Nusu Productions Directors. Further, in Dorothy Ghettuba’s view, CEO and Co-Founder of Spielworks Media, MultiChoice has enabled the development of different genres of content including dramas, lifestyles, magazine shows, soaps and talk shows, allowing specialisation amongst producers.

MultiChoice’s contribution has several other facets. In Dorothy’s view, MultiChoice has provided the much-needed informal education to boost this industry. MultiChoice provided the Nusu Nusu Productions Directors with on-the-job training from various productions. MultiChoice also provided local sports camera training sessions, facilitating skills transfer. “After years of working closely with the MultiChoice production team, we are now able to produce our own programmes such as ‘Abahubiki Lite,’ without any involvement from South Africa” says Mark Moje, Director of Nusu Nusu Productions. According to the interviewees, through pushing for high-quality content, MultiChoice enabled further knowledge transfer and the development of high-quality broadcasting by international standards.

“MultiChoice Kenya has allowed the creative sector to be commercially viable” says Dorothy. When Spielworks Media set up, there were limited commercial incentives to work in the sector. MultiChoice offers competitive compensation not only to production houses, but also other staff involved in productions. “I bought my first camera using funds paid to me by M-Net after my first production,” says Philippe Bresson, the proprietor of Insignia Productions. Philippe recognises the role MultiChoice played in the growth of his organisation, which has gone from a one-man show to a fully-fledged production house with a staff of 14 in six years.

The increased broadcast of local content on MultiChoice platforms has also allowed local producers to gain recognition outside Kenya. “I would like to work more with MultiChoice because there is more mileage in terms of my content being watched across the African continent” says Philippe.
MULTICHOICE’S SPILLOVER EFFECTS

Our production studios

The Local Production Kenya Limited (LPKL) production studios have been a landmark in the progressive transformation of locally produced television content. Located along Ngong road in Nairobi city, the production studios contribute to the growth of the television production industry in Kenya. The studio provides facilities for local content production. Lighting stores and basic sheds underwent a fundamental renovation in August 2012 to become modern studios.

The facilities consist of four studios, two control rooms and eight edit suites, equipping them to run several genres of production including sports, drama, documentaries and live broadcasts. The technical equipment available in these studios helps enhance the quality of content produced locally. Today, the studios boast state of the art equipment for all functions of production including outside broadcasting, cameras, sound equipment and content editing equipment.

These studios have played host to a variety of locally produced content including one of Kenya’s oldest drama series called Vitimbi, which is now filmed and produced in the studios. Others include a platform sponsored by Coca Cola to support the local music industry and a local drama series called Njala. The production studios also have three modern OB (Outside Broadcasting) vans which facilitate live production services – including football matches in Kenya.

An ecosystem for television production has sprouted around these facilities which continue to provide a breeding ground where talent, initiatives and ideas are exchanged amongst the local producers. So far, about six production houses are hosted in the establishment and several others are within close proximity. The growth of local producers has generated business for many complimentary services such as construction (e.g. of sets), transport (e.g. drivers), wardrobe, production equipment, cleaning and makeup services amongst others.

Working in the local production sector is transforming from a hobby into a formal profession, requiring formal education programs. This need has been addressed by local universities and colleges through formal educational programmes.

The Local Production Kenya Limited facility continues to expand with another structure well on its way to completion. This new structure will house the rest of the M-Net and SuperSport teams, a move that will create more synergies in the Kenyan content production environment.
MULTICHOICE’S SPILLOVER EFFECTS

Promoting Kenyan sports

By investing in sports, MultiChoice has helped develop competitions and enabled sports to gain popularity. Broadcasting has promoted engagement with sports by increasing branding, awareness, participation and attendances. Initial investment by MultiChoice has enabled stakeholders to benefit from other revenues from merchandising, ticket sales and sponsorship.

Levels of sporting activity in Africa are often low due to a range of factors, including lack of sports instructors in school, teachers and coaches and equipment. This often arises because of a combination of increasing demand and funding constraints. In this context, MultiChoice’s investment is particularly noteworthy.

Developing sports initiatives into marketable sports propositions

Over the years, MultiChoice has actively identified, invested in and supported the development of sports initiatives into marketable sports propositions.

Financial support in sports infrastructure and sports production infrastructure

MultiChoice has provided significant financial support for sport infrastructure, through broadcasting licence fees, production spend and sponsorship fees.

MultiChoice has spent an aggregate of KES 3 million between 2011 and 2014 on licence fees, production costs and equipment costs for showcasing football competitions (KPL, CECAFA, Gor Mahia TV and AFC Leopards TV) as well as other sports such as Basketball, Athletics and Rugby.

MultiChoice continues to expand the broadcasting of sports on its platforms. Figure 13, Figure 14 and Figure 15 show the total number of broadcast hours and games produced per year by sport.

There has been a significant increase in total football related broadcast hours across all platforms. Figure 13 shows the number of broadcast hours by MultiChoice for football in Kenya. The total number of broadcast hours increased from 314 in 2011 to 179 in 2014 (Figure 15). In addition, a variety of other sports content was broadcast.
MultiChoice has also invested in training programmes for management and players. An example of this is the New Manager’s Programme at Stratmore University on which SuperSport has spent an aggregate of £33,000 on sending players and managers to the Why Business School (see Table 3). SuperSport has included the Sportsman of the Year Awards which recognise Africa-wide sporting talent, where several Kenyan sportspersons and -women such as Caleb Mwangangi and Eunice Sum have received recognition.

The significant spend by MultiChoice on training and skills development, 12 people were required in 2013 and only two people were required in 2014

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56. Spending on training programmes for managers and players

Grass-roots MultiChoice has also supported the development of grassroots talent and other community initiatives. For example, MultiChoice has provided vital funds to invest in and grow players. Players may have initially played as a hobby but funded into sports has allowed sporting events to become professional and salaries for players to rise. Salaries paid to KPL management have doubled since 2010 to 2013. 12,000 players employed across all teams and the wage bills of some clubs are around £300,000 per year.

The impact of MultiChoice’s investment is illustrated by key football players who gained international fame post the exposure they received in the KPL. For example, 22 year old Victor Wanyama now earns an estimated salary of £200,000 per month and a record £12 million was paid to move to Southampton from the Celtics in July 2013. McDonald Mariga (seen below) earns an estimated £650,000 per month and Dennis Oliech earns an estimated £560,000 per month.

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The Kenya Premier League

The Kenya Premier League (KPL) is a local football league which has been the epicentre of football transformation in Kenya. KPL came into being in 2003 as an initiative of 16 football clubs who sought to bring structure to the football league in Kenya. SuperSport has supported the league since the beginning through funding and live broadcasting of the matches as well as training programmes. This transformation has created an economy out of football, benefitting players, clubs and society. Today, players who would otherwise have played for their clubs as a hobby are formally contracted and receive a salary from the club. Gate collections have also increased due to growing popularity of the KPL.

SuperSport’s investment has been essential in developing the league, enabling matches played to increase from 20 to currently 80 a year. SuperSport has also extended its sponsorship beyond the players and broadcasting. They further sponsor the New Managers Program conducted at Strathmore University, an Africa wide programme worth KES 40 million in which 30 selected club managers underwent intense club management training.

SuperSport’s investment in developing the league has also led to local players receiving international recognition, for example Victor Wanyama of Southampton, Mchiriga Manyama of Farm FC and Dennis Okello of AC Ajaccio, among others. Further, the growing interest in football has caught the attention of corporate sponsors who are now heavily involved in the KPL, benefitting clubs. For example, the SuperSport channels have increased the viewership of live matches on SuperSport channels, making football a viable profession, and pulling talent into the sport. Increased broadcasting of live matches has also led to local players receiving international recognition, for example Victor Wanyama of Southampton, Mchiriga Manyama of Farm FC and Dennis Okello of AC Ajaccio, among others.

Kenyan football players have benefitted from increased funds through higher compensation, making football a viable profession. Gate collections have also increased due to growing popularity of the KPL.

The transformation of football and interest generated through SuperSport has given Kenyan fans more confidence in the sport which had otherwise lost face due to management and disputes in the past. Today, stadiums are filled by around 20,000 people during matches, compared to the almost non-existent crowds before SuperSport’s involvement in the KPL. While allowing clubs to attract important funds through these attendances, it has also allowed clubs to attract followers who have embraced these clubs just like those in the European leagues. Social media is alive with the clubs’ fans. One club was able to raise enough money to buy the club a bus all through its activities on social media. Sports bars are now a common feature catering to those who are unable to make it to the stadium for matches, allowing every Kenyan to take part in Kenyan football.
MULTICHOICE’S SPILLOVER EFFECTS

The GOtv Shield

MultiChoice has played an important role in the development of community sports in Kenya. Previously known as the FKF President’s Cup, the GOtv Shield was revived two years ago with MultiChoice’s support in order to bring football closer to the communities in Kenya.

Through providing its support through the GOtv brand, MultiChoice has made a conscious decision to keep the tournament close to the communities. It has provided direct financial support by providing and naming rights, and prize money over the last two seasons.

In addition, MultiChoice pays additional funds annually to FKF for broadcasting rights. These funds have resulted in better salaries for players, and improved sports infrastructure and stadiums for the communities which host these matches.
The 2003 Social Accounting Matrix (SAM) for Kenya is used in order to estimate a total impact GDP multiplier which is used to calculate the direct and induced impacts on the economy. The 2003 Kenya SAM is a consistent data framework that captures the information contained in the national income and product accounts and the input-output table, as well as the monetary flows between households, government and other institutions. The Kenya SAM also uses surveys to estimate the production technology underlying different sectors of the economy.

The Kenya SAM provides information on transactions across several sectors of the Kenyan economy in the form of input-output tables. These are used in order to estimate GDP multipliers for the Kenyan economy. The input-output analysis is centred on the idea of inter-industry transactions, such that industries use the products of other industries to produce their own products or provide services.

The 2003 Kenya SAM yields multipliers for different sectors. The GDP multiplier for the communications industry is applied to MultiChoice’s expenditure, consisting of wages, taxes and dividends as well as supply chain expenditures, in order to estimate total economic impact of MultiChoice in terms of direct, indirect and induced effects. Given the SAM industry categories, communications is the most appropriate category to reflect the impact of MultiChoice’s activities.

The 2003 Kenya SAM is used in various sources in literature which try to estimate multiplier effects of GDP, output and employment in the Kenyan economy. For example, Wanjala and Were (2008, 2009) look at impact of investment on gendered outcomes and use employment and output multipliers while Galina and Muthenge (2012) investigate the level of income inequality in Kenya by using output multipliers.

APPENDIX A
MULTIPLIERS

MultiChoice’s activities support, respect and reflect Kenyan and East African culture and stimulate the development of the local content sector in Kenya.