

## **AGM Plus Addis Ababa**

PANEL DISCUSSION 3.

### **THE AFRICAN MUSIC SECTOR – CURRENT TRENDS AND POTENTIAL**

Date: Saturday 12 November 2016

This panel shared important market trends around the African music sector, as well as valuable insight and practical tips for the growth of music careers and/or businesses. The aim of this discussion was to stimulate, educate and bring new ideas to the fore, focussing not only on challenges but also on untapped opportunities and solutions.

#### **Topics and questions addressed during the discussion**

- What major shifts are happening in the music sector in Africa ?
- What are the statistics saying ?
- How does the industry look now (financially) compared to 10 years ago?
- An overview of the key sectors: live music, recording industry, digital platforms.
- What are the drivers of financial growth?
- Which music industry sectors are performing better/worse?
- What are the common challenges that the industry faces?
- What is the view and approach of the African Union (AU) and the Economic, Social and Cultural Council (ECOSOCC) regarding the music sector on the continent? (This section was not covered as the AU did not have a representative available to attend the event)
- Any successful stories to share?
- How do the AU and ECOSOCC function in music? (as above)
- Are there relevant studies that the AU and ECOSOCC have done and what do those studies say? (as above)
- What opportunities/challenges have the AU and ECOSOCC identified? (as above)
- What models are working in most countries?
- What actions are needed for growth?

#### **Panelists**

- Mike Strano: ONGEA (Kenya)
- Luc Mayitoukou: Zhu Culture (Senegal)
- Michael Ugwu: Sony Music West Africa (Nigeria)
- Madjid Babaci: Ethio Telecoms

### **Mike Strano**

Mike Strano introduced the topic *What is the Value of the Music Industry?* He emphasised right at the start of his presentation that music is an industry and not a sector.

Key supporting questions he focused on related to this topic were:

- How does the value of our industry translate into revenue, eg. advertising revenue ?
- What is the current potential of our industry ?
- Are we a sector? We are actually an industry. Referring to ourselves as a sector does not denote serious revenue generation and economic activity.

He further informed the audience that:

- Royalties are not being received in most countries on the continent.
- Understanding how the music money value chain is divided, who gets what and at which stage (various rights holders), and how the figures trickle down to the artists and various other rights holders is key.

### **Michael Ugwu**

The audience was very keen to learn about how Sony Music West Africa operated and its prospects for the future:

Michael Ugwu elaborated on some of Sony West Africa's practices:

- Sony West Africa's market share in Nigeria right now: local market still accounts for 100% of earnings.
- Sony is expecting a 30-40% market share in the next three to five years.

On the issue of future prospects and strategies:

- Sony intends introducing international content to the Nigerian market – a mix is needed.
- Local music is a dominant force. There is a latent demand for international music content.
- Sony currently brokering a deal with MTN – negotiating ring-back tones.
- MTN approaching 4 million+ paid subscribers in Nigeria. Sony's target is to license that service.
- Telecoms in Nigeria do not have an idea about music publishing – generating revenue balanced with adding value to the market.
- Sony is well placed to create opportunities in Nigeria: systems and structures.

- Sony also intends to undertake and provide music industry specific research and information for West Africa, including:
  - Ways to track earnings and profits.
  - Where the profits are coming from.
  - Is government tracking the process?
  - Radio monitoring and the impact of new music on radio.
  - Licensed albums are still not trackable.

The Nigeria market is dominated by physical distribution, to the extent that pirates are actually considered distributors.

Sony is a global corporation so it guides and teaches players in the local market various aspects of the music business such as tracking processes, systems etc.

### **Luc Mayitoukou**

Luc Mayitoukou made the following points about the African music sector during his presentation:

- Artists make a lot more money at home than touring in Africa.
- He has observed that performance opportunities in Africa are increasing and performance fees are also good. For example, Didier Awadi has made more money performing in Senegal in the last year than he has touring in Africa.
- There are a number of music markets in Africa, eg. Visa For Music, which artists can effectively tap into.
- While there are various revenue streams for artists, the biggest revenue stream is still performance fees for artists' day-to-day income.
- Royalties from broadcast is long-term money.
- Royalties do not replace endorsement, building a brand, or tapping into the digital market.
- Various music revenue streams and the day-to-day activities and processes that artists engage in to make a living varies from local and international concerts, performing at small venues and attending markets and exhibitions.
- Artists should still focus on "making music", namely recording and performing.

### **Madjid Babaci**

Ethio Telecoms responded to a call by Music In Africa, to engage with the former's audience on a current and, in most cases, contentious issue of the percentage of income/earnings that artists receive from ring-back tones. Ethio Telecoms is the sole provider of telecommunication services in Ethiopia.

Madjid Babaci presented visual slides that focused on:

- Mobile Ops key challenges in Africa.
- VAS (value added services) trends in Africa.
- Trends and customer needs with a focus on Ethiopia.
- Global strategy of Ethio Telecom on VAS.
- How Ethio Telecoms can integrate partners.

He further identified mobile network operators' challenges as follows:

- Increasing ARPU (average revenue per user) and generating new revenue streams by monetising platforms.
- Improved customer experience and enriched customer usage.
- Attract new customers with new features and lower churn effect.
- Mitigate the telco-OTT (over-the-top) threat on local voice market and international calls.

Babaci said the presentation covered critical content that Ethio Telecoms had identified via a market survey of 3 000 customers. It outlined customers' needs and guided the company's strategy on how to align its services to customers' needs, which included:

- A high-level strategy on VAS, which takes into consideration: digital music, gaming, a content management system, My Ethio self-care, Ethio store, Education and local content.
- A music digitisation strategy focusing on ring and ring-back tones, digital radio and music streaming, contests, competitions and karaoke (social).

## Q&A

Ethiopian musicians and other Ethiopian music stakeholders brought up one critical point for which they sought clarity and rectification from Ethio Telecoms:

"Artists are not comfortable with the low percentage of 7.5% of revenue earned from ringtones."

"Ethiopian artists are not comfortable with the low percentage given to artists for ringtones by Ethio Telecoms and the fact that there is only one telecoms company in Ethiopia."

Various problems highlighted by the audience based on current Ethio Telecom system were:

- Artists do not get statements from the aggregators to clearly show how payments were calculated.

- They emphasised that aggregators should not be making more than the rights holder (musicians). Ethio and other telecoms should find a way to regulate and/or police aggregators. A transparent online system was suggested for this purpose with a recommendation that the MIAF look into the viability of such a system.
- Artists wanted to find out who the people selecting and contracting artists for ringtones for Ethio Telecoms were and whether there was a database or something similar to make it a little easier for artists to make their music accessible as ringtones.
- Can artists get something very basic so they can understand the system more easily?
- Ethiopian artists queried whether the MIAF would consider undertaking research into Ethiopian copyright.
- They further highlighted other problems with Ethio Telecoms: when internet connection, WhatsApp and other services are randomly cut off and randomly reconnected.

Ethiopian musicians also highlighted the extreme difficulties they were experiencing when travelling into and out of Ethiopia. Customs and excise processes are complicated and they often struggle to take their CDs with them or bring them back into the country.

MIAF Cameroonian member Serge Maboma shared his experience in Cameroon, citing similar issues raised by Ethiopian participants, and that musicians needed to become accustomed to clearly identifying who is the author, composer, producer and musician to get more clarity on who holds what rights.

Other audience members brought up the issue that Ethio Telecoms is the only Telecoms operator in Ethiopia and therefore the lack of competition may be contributing to market monopolisation and a general lack of urgency to resolve some of the issues presented.

### **Madjid Babaci responded**

Ethio Telecoms is promoting innovation and creating new content. Ethio Telecoms does not believe that more than one telecoms operator is needed in Ethiopia for fair market practice to exist and thrive.

Babaci informed artists that Ethio Telecoms was looking into increasing the artist's revenue share. He also expressed a need for a bridge between artists, the music industry and the telecoms industry.

It was Ethio Telecoms' objective to give a fair share of income to the aggregator who supplies it with the artist catalogue, and eventually the artists who provide the ringtones. Ethio Telecoms had recognised that the current income model of 85% (Ethio Telecoms), 7.5% (aggregator) and 7.5% (artist) was not adequate income for the artist or the aggregator.

Regarding Ethio Telecoms' decision to increase artists' and aggregators' percentages, Babaci informed the audience that the company had decided and was committed to making this adjustment in the near future and further requested that the audience give the company some time to effect the decision taken.

He also expressed a keen interest, on behalf of Ethio Telecoms, to work with partners (musicians and other role players). Babaci said the company was also looking to create a more direct relationship with artists to work towards increasing percentages.

This session ended with a summary of suggestions from the panelists. In regard to creating a mutually beneficial climate between musicians, aggregators and telecoms, the following advice was noted:

- Aggregators need to work on integrator.
- More education and information sharing in the music industry on what to expect from an aggregator.
- Intermediaries are necessary between the musician and the aggregator, as there is a strong need for curation experts.
- Artists and labels are becoming more sophisticated. Therefore, the current system does not serve the market effectively.

### **Other important matters that were highlighted and discussed**

There is incredible music in East African countries that seems to be largely ignored by the local markets and has more appeal internationally. How do we change this ?

Dialogue about promoting exchanges – for young people from one country to learn from people from another country.

Can we look into the possibility of a continental royalty revenue distributor?

There are gaps in the collection of data on the African music industry, eg. Price Waterhouse Coopers Report (PwC)

<https://www.pwc.co.za/en/assets/pdf/entertainment-and-media-outlook-2015-2019.pdf>

While the PwC report is informative, it only deals with larger markets. A major point is that there is under-representation within the PwC report on musicians' private performances.

Other practical advice offered by the panel to musicians towards economic viability and income generation included:

- Taking CDs on tour – inform via internet before getting there.
- It is not difficult to sell CDs online.

Most importantly, musicians were advised to be careful and aware of who owns the rights to their music. Musicians sometimes do not understand royalty regulations and therefore are not aware of who owns the rights to their music. In some cases they do not even know that the rights do not belong to them.

An important point to be noted is that every rights holder has the right to belong to two CMOs (copyright management organisations).

A strong agreement with your producer and/or other contributors to your music production could go a long way towards a model of sharing royalties.