« Assistance technique au Secrétariat ACP pour la gestion du programme UE-ACP d'appui au Secteur Culturel (ACP Culture+)»
EuropeAid/131180/D/SER/MULTI

Study on the economic and artistic challenges and benefits
of online diffusion and distribution of ACP cultural Content

Destiny TCHÉHOUALI

EXECUTIVE SUMMARY

December 2016

Contents

Introduction

This study is carried out under the ACPCultures+ Program, implemented by the Secretariat of the African, Caribbean and Pacific Group of States (ACP Secretariat) and funded by the EU. It analyzes existing monetization processes for online distribution of ACP cultural content and their economic and artistic benefits on the music, book, design, fashion, fine arts, photography, audiovisual and cinema industries in ACP countries. The study aims to identify the issues, challenges, strengths and weaknesses of online diffusion and distribution of ACP cultural content and analyze the economic and artistic spin-offs for artists and culture professionals in the ACP.

Based on a mapping of the existing offer of ACP portals and platforms (initiated by operators based in ACP countries) and non-ACP operators disseminating ACP cultural and artistic works, the study addresses the main folllowing points :
- the characteristics of the offer proposed by ACP portals and online diffusion and distribution of ACP cultural content (broadcasting tools, audience, generated revenue, transfer of copyright ownerships, etc.) ;
- the availability and the visibility of ACP works and contents in the catalogs of international platforms (Netflix, Spotify, Youtube, etc.) ;
- comparison of the online circulation of ACP works and contents (volume of trade, selling price, etc.) ;
- economic spin-offs from online distribution for ACP artists and cultural operators ;
- monetization processes and economic models for online distribution of ACP content.

The methodology adopted in the study is based on several data collection tools and methods. First, a literature review on the relationship between culture, economy and Information and communication technologies (ICT) has been carried out. It identifies sources of information as well as bibliographic resources which explore a series of study reports, official documents (policy documents, strategy papers, official declarations, etc.) as well as publications (academic and journalistic) related to the issues of the study. Second, two electronic questionnaires were developed and filled online between June and August 2016. The first aimed to collect the perceptions and opinions of ACP artists and culture professionals on the issues, opportunities and benefits of online diffusion and distribution of ACP cultural content. The second aimed to contribute to the mapping of the existing offer of online portals and platforms, disseminating ACP cultural works and contents. The questionnaires were supplemented by interviews with various stakeholders involved in online diffusion and distribution of ACP cultural content.

1 THE ISSUES

Several major digital transformations affect the different modes of distribution and consumption of cultural content in the ACP countries, namely : 1) an increasing and abundant online cultural offer, 2) the evolution of the value chains caused by new players (online distributors of cultural content); 3) shifting the attention from networks towards content. These transformations involve political, cultural, economic, technological and regulatory issues.

Politically, the implementation of cultural policies in ACP countries vary from one country to another because these policies are at very different stages of development. Several reports have shown that the development of policies to support ACP cultural industries is essentially based on a rough analysis of supply rather than a detailed knowledge of the expectations and needs of culture in the digital era. Although several Members of the ACP Group of States have made efforts in recent years to provide guidance and support for the development of cultural industries, the ACP cultural policies and measures still face difficulties such as : the lack of professionalization of diffusion and distribution networks (with a predominance of activities in the informal sector), the lack of markets and / or fluidity of access to markets, the development of parallel circuits for the distribution of illegal content, or the lack of a global digital strategy to promote the legal and diversified offer of local and national cultural products and content. We also notice that none of the ACP countries has really relied on access to the digital market for their artists and culture professionals. Moreover, the lack of digital cultural strategies or plans means that ACP governments are not sufficiently prepared to regulate the new online distribution platforms.

On the cultural level, the online diffusion and distribution of ACP cultural contents present as many opportunities as challenges for the diversity of cultural expressions in the context of the development of a globalized cultural offer. It is undeniable that digital platforms and tools have contributed to increase the quantity of ACP cultural works and contents produced and available online. However, this abundant variety of online contents and the diversity of distribution platforms do not mean that the cultural content consumed is diversified. While it is technically possible for digital platforms to contribute to the spread of minority cultural and linguistic expressions, of new talents and unrecognized artists and creators throughout the world, their algorithms favor the promotion of the most profitable cultural content. The intervention of the ACP public authorities is therefore required in order to regulate these platforms in such a way that they are obliged to contribute more to the promotion of the diversity of local and national cultural and linguistic expressions coming from the ACP countries.

In order to better protect and promote their national or local cultures in a context in which the dominant cultures are tempted to impose themselves to minority cultures, the main challenge for the ACP Group of States will be to rely more on the new operational guidelines related to the implementation of the 2005 UNESCO Convention in the digital environment.

From an economic point of view, there is now a significant gap between the potential of economic valuable resources in cultural industries in the ACP countries and the real capacity of these industries to benefit from the monetization of online cultural contents, goods and services. Indeed, most of the different sectors of the ACP cultural industries (cinema, music, books, fashion, etc.) still depend on external aid and support. Although several ACP countries have implemented policies to promote access to their cultural market, these policies rely mainly on subsidies and specific measures for co-production projects and for the organization of events such as Festivals.

Very few of these countries have taken interest in the online marketing of their cultural goods and services or with the development of national or local digital capacity development programs. In this context, it is easy for new intermediaries such as digital platforms to penetrate ACP cultural markets by stimulating the demand for online consumption of foreign or international content, while relying on global distribution circuits. Thus, local operators (especially on the African continent and in the Caribbean) try to resist and defend their cultural market or struggle to conquer new ones. Therefore, many actors have begun to create their own diffusion and distribution platforms (mainly Music or Video on Demand platforms). There is then a real phenomenon of "platformization" of the ACP cultural industries. This proliferation of platforms in the ACP countries entails real risks of fragmentation of the value chain of the online diffusion and distribution of cultural content in ACP countries. This fragmentation could affect the content offer by making it less visible and disparate (dispersed in the catalogs of different national or regional platforms scattered across different national or regional platforms catalogs). It may also affect on a short-term the audiences and the revenues from the monetization.

From a technological point of view, it must be recognized that the economic potential of the ACP cultural industries would be largely exploited only if the ACP countries develop the technological infrastructures necessary to increase their online content distribution capacity. Much progress has been made in terms of access to infrastructure and the distribution, appropriation and use of ICTs in ACP countries, since the 2nd meeting of Ministers of Culture of the ACP Group of States, held in October 2006 In Santo Domingo. In fact, most ACP countries have adopted or renewed their national plans for information and communication technologies (ICTs) during the decade 2000-2010. Digital strategies have also been developed at the national and regional levels (sub-Saharan Africa, Caribbean and Pacific). These plans and strategies include objectives for the development of the information society and the deployment of telecommunication infrastructures that integrate objectives related to the use of ICT in the cultural sector. As a result of these efforts, the global ICT Development Index (IDI) published by the International Telecommunication Union (ITU) show that ACP countries have made significant progress in 2015, especially with regard to the penetration of mobile phones in these countries. It is estimated, for example, that among the 20% of the poorest households in the world, almost 7 out of 10 own a mobile phone.

Nevertheless, the digital divide persists within ACP countries and between ACP countries and other developed countries. In January 2016, a World Bank report on Digital Dividends revealed that almost four billion people (more than 60 percent of the

world's population) still do not have access to the Internet and remain excluded from the ever-expanding digital economy.

For example, while nearly 75% of Africans do not have access to the Internet, only 21% of Europeans do not have access to it. In Africa, the richest population are nearly three times more likely to have access to the Internet than the poorest, and young urban dwellers have twice as much access to it as older people and the rural population. This digital divide is less in terms of availability and access to equipment (mobile phones, smartphones, tablets, computers) than in the deployment of telecommunication infrastructures and networks (including home access to high bandwidth). It is therefore urgent to make the Internet accessible and affordable to all by initiating reforms in broadband coverage.

In addition to issues related to connectivity, we must also take into account the important issue of digital illiteracy, another facet of the digital divide, in particular the one related to inequality of use and approiation of digital tools and services. Indeed, the right to digital inclusion goes beyond access to infrastructure and ICT. Citizens (who aspire to consume cultural content online), but also the creators who are supposed to create or produce these contents need to be familiar with the use of basic computer tools.

At the regulatory level, the possibility of reproducing and free access to intangible cultural content provokes a challenge to recognize the value of artistic work and its fair remuneration. Thus, digital redefines the relationship between the citizen and cultural works and contents. This challenge inevitably forces us to address the question of intellectual property protection in a context where copyright is increasingly diluted by the lack of updated laws or by the adoption of exemptions that affect all ACP cultural industries.

Existing regulatory frameworks are now circumventable by digital platforms or by Internet users themselves, since digital technology abolishes physical boundaries and since it becomes very difficult to regulate content circulating in a transnational and transnational environment. Indeed, many ACP countries still lack legislation or regulatory mechanisms that can encourage the development of online distribution of cultural content. Cultural industries could generate much higher revenues for the ACP if copyright were better managed and these rights remain an essential tool for artists' survival as they protect their creations and their careers. It is therefore necessary for Right management companies to continue to guarantee the traceability and collection of rights related to online market transactions of cultural products and content. Taking into account the extent of the phenomena of piracy and illegal sharing of cultural content online, with unfair competition between major digital platforms and local cultural enterprises, the adaptation of the legislative and regulatory framework for the ACP cultural industries should include in the digital era : the improvement of copyright legislation; the improvement of tax-related arrangements for digital platforms ; the measures and strategies to promote low-cost legal offer to counter illegal downloading.

2 THE STATE OF PLACES FOR THE DIFFUSION AND ON-LINE DISTRIBUTION OF ACP CULTURAL CONTENT

2.1 Ten highlights related to the perception of cultural operators

HIGHLIGHT 1: Two thirds of respondents to our questionnaires (66.6%) believe that online distribution of ACP cultural content is still weak or embryonic in terms of the quantity of content available online.

HIGHLIGHT 2: According to survey participants, the first obstacle to the online distribution of ACP cultural content is mainly related to the poor quality of connectivity and bandwidth infrastructures in most of the ACP countries. Other obstacles to the online distribution of ACP cultural content are (in order of importance according to respondents): the lack of national digital cultural strategies ; the absence of a regulatory framework ; the inadequacy or lack of skills of creators, artists and cultural entrepreneurs in the use of digital tools ; the low availability and accessibility of a legal and structured offer of digital cultural content in ACP countries.

HIGHLIGHT 3: Imbalance between the international cultural offer and the ACP cultural offer distributed online. 73% of respondents note that despite the increase of ACP online cultural content, there is still a strong dominance of the international cultural offer which circulates better through online platforms. If ACP online cultural content can not compete with foreign cultural content, this is probably linked to the quality of the ACP content proposed and its inability to attract an international audience.

HIGHLIGHT 4: The ACP cultural content available and accessible online is medium quality. Indeed, almost half (46.67%) of respondents consider that the quality of ACP online cultural content is average, or even relatively low or lower (compared to international content). It is justified by : poor quality of digitized works, poor quality or lack of updating of cultural information sites promoting ACP works or content, lack of skills to produce and distribute original high content, low Internet speed.

HIGHLIGHT 5: The professionalization of the cultural sector is considered as the main factor influencing the economic and artistic effects linked to the online distribution of ACP cultural content. According to the majority of respondents, the three main factors that influence the economic and artistic spin-offs related to online distribution of ACP cultural content are: 1) the professionalization of the ACP cultural industries; 2) the quality of ACP works and content distributed online; 3) the capacity of ACP creators and artists to promote their works online.

HIGHLIGHT 6: Music (1), cinema (2) and audiovisual (3) are at the top of the list of cultural sectors that can benefit most from the monetization of cultural content online. The other potentially profitable sectors according to the ranking proposed by the ACP culture professionals are (in order of importance): the book (4); Fashion (5); The photograph (6); Design (7); The plastic arts (8).

HIGHLIGHTS 7: Diversifying the offer and broadening the target audience would be the most cost-effective strategy to promote the monetization of online ACP cultural works and content. According to respondents, the main economic models or most profitable strategies for online monetization are: 1) diversifying supply and broadening the target audience in order to increase revenues; 2) the merchandising of digital cultural works and direct economic benefits for artists and producers; 3) the contribution of content providers and major telecom network operators to the financing of content creation; 4) advertising and marketing based on the use of metadata.

HIGHLIGHT 8: 87% of respondents believe that GAFA (Google, Apple, Facebook, Amazon) and other international platforms such as Youtube, Netflix or Spotify ... are not a threat but an opportunity for the distribution and the monetization of ACP cultural content online. More than two-thirds of the respondents felt, however, that it would be necessary to impose a minimum quota for the distribution of ACP cultural content on these international platforms and to find incentives or even binding measures so that they could further facilitate the «online discoverability» of ACP works and contents.

HIGHLIGHT 9: The ACP Consumers' awareness about the importance of intellectual property and copyright is the most important measure advocated by respondents to strike the right balance between creators and users.

HIGHLIGHTS 10: the measures that should be included in a digital cultural strategy for ACP countries are : development of access to digital infrastructures, strengthening the digital skills of artists and culture professionals as well as the creation of centralized distribution platforms of ACP cultural content.

2.2 Main lessons learned from the mapping of platforms and analysis of sectoral trends

The types of media or equipment preferred for accessing the platforms identified in the mapping directory are in order of importance: 1) Computer; 2) Mobile phones (including Smartphones); 3) Tablets. However, mobile phone use is more important for accessing or viewing certain content related to mobile applications, social networks and community platforms of publishing and sharing photos and videos. The relative quality of the bandwidth in the ACP countries means that this type of equipment seems to be particularly adapted to the uses of the local consumer. In addition, downloading or subscribing to video-on-demand platforms, with the possibility of payment via a telephone plan, is beginning to develop.

The study also reveals that the three sectors most active in the online distribution of ACP cultural content are (in descending order of importance): music; audiovisual and cinema. The possibilities for monetization are therefore much greater for these sectors given the income generated by the existence of an advertising market and the purchasing power of the target consumers (the emerging middle class in the ACP countries but also the Diaspora communities, in search of local content).

In regards to the genre and the content format, the short videos seems to be imposing itself as the "content king", even before the music. The problem with ACP content, however, remains their relatively low quality and the fact that they do not often meet the international standards of major platforms, hence their marginal presence and their very low distribution via these platforms. However, in their attempt to penetrate ACP local markets, these international platforms are increasingly interested in this type of content and are increasingly constrained to establish partnerships and alliances with local operators by investing in the production and distribution of original local content. This trend augurs an increased visibility and circulation of ACP works and contents internationally in the years to come.

In terms of economic models, free access models dominate paying models or Freemium in the ACP region. However, in a rapidly hyper-competitive environment, the digital platforms that are most successful in monetizing ACP content and taking significant market shares are those whose development strategies integrate the following three essential elements : 1) the creation of a credible and attractive value proposition (eg "quality local content", accessible at a reasonable cost); 2) identification of a market segment or niche (eg platforms targeting the diaspora), combining network effects and critical user sizes; 3) positioning on a value chain based both on the innovation of evolving services and on an innovative and sustainable business model faced with a technologically moving environment and an increasingly concentrated market. In order to quickly reach their profitability, the new generation of cultural start-ups offering online distribution services of ACP content is obliged to adopt hybrid and flexible economic models, combining different business strategies and diversifying their approach to monetization and income generation. Most of the time, they choose to combine a free-of-charge basic offering with a paid premium subscription offering, backed by advertising funding through advertisers. Revenues generated are typically advertising revenues or revenues from subscriptions. The distribution of revenue is generally set at 50/50 or 70/30 (in favor of the content producer) and in some cases 60/40 (in favor of the platform). Whatever the economic models adopted by the ACP platforms, they still do not manage to balance the revenue generated in relation to the initial investments and the expenditure related to the acquisition of content, the payment of fees and the costs related to Bandwidth usage.

It should also be noted that digital platforms have become a stepping stone, or even an obligatory passage for artists, creators and producers looking for contracts with television channels or record companies. As a result, many of them are imposing themselves on the niche of local content distribution, thus benefiting from a "real boost" in a phase of launching career or product (album, tube, ...).

In terms of remuneration, although streaming has undeniable advantages and is a good way to promote ACP artists, it does not pay as much as direct, digital or physical sales and the main revenues generated by touring and concerts . Producers and musicians in most African and Caribbean countries thus benefit very little from the streaming because they are not yet familiar enough and do not put their products on dedicated platforms, fearing the lack of transparency in the management of their rights. Thus, while revenues

from physical products sales decline everywhere, it is still the physical cultural products that are the most sold in most ACP countries.

Moreover, while piracy and illegal offer continue to interfere with the structuring of digital distribution and distribution channels in ACP countries, the legal online ACP cultural offer is beginning to develop and to find a diversified international audience. The sectoral diagnosis carried out as well as the examples of good practices identified demonstrate some evolutions in the audiovisual and music industries of the African and Caribbean countries, which enjoy great international covetousness.

In the end, digital technology is an advantage for the development of local cultural industries and for a better circulation of ACP cultural works and contents, with new possibilities for dematerialisation of transactions, new innovative business models structuring the cultural offer and demand, and new forms of local distribution that bypass or resist to the dominance of international platforms. Digital platforms offer opportunities to reach diverse audiences and the challenge is not simply to increase the ACP content online, but also to ensure that these contents could reach an international audience through specific online marketing and monetizing strategies that emphasise on greater high quality of local ACP contents.

3   RECOMMENDATIONS

3.1   Recommendations to Governments and ACP States

1) Adapt or renew existing national cultural policies to integrate new digital issues, risks and opportunities for the development of ACP cultural industries.

2) Develop digital cultural strategies or plans at the intersection of policy objectives in culture, education and the digital economy.

3) Promote the development of technological infrastructure and the deployment of telecommunications networks in order to bridge the digital divide within ACP countries and between ACP countries and other developed countries, by generating high-speed Internet access in the region, affordable to all citizens.

4) Ensure a technological upgrade of digital equipment and infrastructures for cultural institutions and organizations involved in the creation, production, distribution, promotion and conservation of ACP cultural works.

5) Develop or support professional training programs to strengthen the skills of creators, workers / entrepreneurs and cultural organizations, both in the use of digital tools and in the management of cultural and artistic projects. Specifically encourage training in digital arts jobs that can lead to the development of know-how related to artistic practices based mainly on the creation and distribution of ACP digital works.

6) Encourage digital literacy in ACP countries through educational programs (from primary school) aimed at initiating the public to a digital culture based on the use of digital technologies.

7) Implement the UNESCO Convention on the Promotion and Protection of the Diversity of ACP Cultural Expressions, taking into account the new operational guidelines on the digital environment and imposing a minimum of quotas for the distribution of ACP content by international platforms in order to promote the visibility and online discoverability of the diversity of ACP minority and linguistic cultural expressions.

8) Increase the quality, the quantity and the accessibility of ACP cultural content on digital platforms and support the export of diversified offers of ACP cultural content, while promoting their access to foreign markets, including through Electronic commerce.

9) Promote widespread access and make available the existing legal digital cultural offer by creating national platforms to centralize digitized cultural contents and to promote, commercialize and export them.

10) Strengthen and protect copyright in the digital age by supervising and equipping right management societies in ACP countries, in particular with regard to remuneration policies and thus ensuring better traceability of the transfer of rights to Rights holders.

11) Enforce intellectual property laws by all actors in the digital value chain (owners, aggregators, content distributors and electronic manufacturers) and to make all intermediaries who benefit from the online distribution contribute to the financing of creation of ACP content (Ex .: Tax on streaming services and digital entertainment).

12) Regulate relations between Internet service providers and content providers and ensure the application of the principles of net neutrality by balancing the interests of the various stakeholders, without discriminating access to content or to the quality of services.

13) Take a measure to support innovation and digital transition of cultural industries (music, film, books, audiovisual, fashion, design, photography, visual arts), by making the necessary investments to sustainably support emerging economic models for online distribution and distribution of innovative digital cultural content and services.

14) Strengthen international (intra-ACP, South-South and North-South) cooperation in the digital production and distribution of ACP cultural content.

15) Produce data collection indicators to better measure the circulation and online distribution of ACP cultural content, while using Big Data or cultural metadata generated by digital platforms.

3.2 Recommendations to artists / creators and cultural operators

16) Participate in national public consultations in order to contribute to digital cultural strategies and policies making, and to evaluate their effectiveness.

17) Organize or participate in programs (workshops, seminars) to train and strengthen skills in production, distribution, promotion / marketing and monetization of ACP online cultural works and content.

18) Innovate in the use of digital technologies and tools in artistic creation work and encourage co-creation and digital experiences with users.

19) Promote the use of digital platforms and tools for the production, development and sharing of ACP cultural content for advocacy, mediation and cultural education activities.

20) Sensitize and educate the public about the importance of copyright and respect for intellectual property rights related to ACP original digital works and content.

21) Promote and enhance the ACP digital cultural offer in festivals, shows and events at national or international level by encouraging the participation and presence in these events of ACP artists, creators and cultural operators involved in the production and distribution of ACP works.

22) Establish multi-stakeholder partnerships with civil society and private actors to develop initiatives to maximize the presence and promotion of ACP cultural works and content in the digital environment.

23) Promote information sharing, collaboration and intersectoral dialogue among ACP cultural actors using digital tools and social media.

24) Participate in debates on digital issues in national and international fora by defending the concerns and preserving the interests of ACP artists, creators and cultural professionals.

25) Ensure the monitoring, implementation and enforcement of the principles of the Convention on the Protection and Promotion of the Diversity of Cultural Expressions by defending the exemption of cultural goods and services in the negotiation of International trade agreements (bilateral, plurilateral and multilateral).

3.3   Recommendations to donors Funds and international organizations

26) Support the ACP States in their efforts to adapt or renew their cultural policies in the digital age and set up a framework for consultation and follow-up with a view to the elaboration of a digital cultural strategy for the group of the ACP States.

27) Strengthen collaboration between international organizations (UNESCO, OIF, ITU, etc.) in order to rebalance global cultural exchanges in favor of the distribution of diversified cultural expressions in developing countries, in particular in the ACP countries.

28) Contribute to the financing of innovative and inclusive projects promoting the creation, distribution, promotion and online circulation of intractive high quality and original cultural content, contributing to the enhancement of ACP's minority cultures or linguistic expressions threatened.

29) Create a directory of best practices, innovative initiatives and projects for online distribution of ACP cultural content in order to capitalize on successful experiences and inspire new project promoters.

30) Support prospective research activities and monitor trends in the circulation of ACP works and online cultural consumption, with particular attention to the impact of digital technologies on the various sectors of the cultural industries in ACP countries.