MULTICHOICE’S ECONOMIC IMPACT IN KENYA

Deloitte
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The Final Report has been prepared solely for the purposes of providing MultiChoice with an Economic Impact Assessment of its operations in Kenya, as set out in the Contract. It should not be used for any other purpose or in any other context, and Deloitte accepts no responsibility for its use in either regard, including the use by MultiChoice for decision making.

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MultiChoice has operated and grown its presence in Kenya since 1995. Today it has a significant impact on the Kenyan economy through stimulating economic activity in a wide range of companies and industries, and through wider spillover effects.

**EXECUTIVE SUMMARY**

MultiChoice’s economic impact in Kenya

**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 $21.5 million in taxes — a contribution which has almost doubled since 2011. MultiChoice pays wages to Kenyan employees amounting to $7.1 million in 2014, more than three times the amount in 2011. In addition to the nearly 50 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 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 services. 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 exchange or KCB 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 spend 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.

**MultiChoice’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 in the network of top boxes to support digital switchover and spent around $100,000 on generating public awareness about digital migration. Through these contributions, 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 M-Net’s Wakuli Video channel, and broadcast around 9,500 hours of men’s 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 ONH MultiChoice Journalist of the Year Awards, reflecting Kenyan society and culture. MultiChoice provides access to educational and news content, and has also invested in educational initiatives such as AMCI’s Innovation Centers and Elite Single-Star Awards. Beyond its own 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-the-ground facilities. It works with a diverse range of local Kenyan producers – a total of 22 in 2015. It has invested $11.5 million from 2012 to 2016 and on 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 “Learning from Training” (LiFT) programme for directors, cameramen, sound and EVS.

Promoting and facilitating Kenyan sports
MultiChoice has actively turned sports initiatives into marketable sports propositions. SuperSport’s license payments and production cost expenditure of around $26.5 million between 2011 and 2014 have financed popular leagues and tournaments such as the KPL and Gillie Shield and in 2014 alone have led to the production of 155 football games, amounting to roughly 5,000 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 interest in sports allowing clubs to attract other forms of revenues such as ticket sales, sponsorships and merchandise. Almost all football clubs now have a title sponsor. SuperSport has also provided vital funds to grow players and grassroots talent, both directly 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.

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**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. MultiChoice initially provided an analogue-only service in partnership with the public broadcast organisation, this service was transformed into a digital service as early as 1996.

Over the years, MultiChoice has expanded its offering across various platforms such as satellite, DTT and mobile, to cater to the diverse needs of Kenyan households. MultiChoice has also partnered in Kenya with Technological innovations such as digital TV, HDTV and mobile TV.

MultiChoice is present in Kenya through several local entities. MultiChoice Kenya was formed as a partnership between MultiChoice Africa Limited (MAL) and the Kenya Broadcasting Corporation (KBC) in February 1995. Digital Mobile Television (DMTV), on the basis of which MultiChoice’s DTT service DTV was created, has been in operation since 2007 and was also established as a partnership between DMTV and the KBC.

Finally, Local Production Limited facilitates MultiChoice’s local content production, for both DMTV, a group of subscription-funded entertainment channels, and SuperSport, a leading group of sports television channels in Africa.

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. The business employs a large Kenyan workforce across its various entities, and its entities work with a multitude of agents.

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

MultiChoice and the Kenya Broadcasting Corporation have maintained a collaborative relationship since 2001, with the goal of providing quality entertainment and education to Kenyan households.

MultiChoice has made a significant contribution to the economic impact in Kenya, with a direct contribution of $30 million to GDP, $21 million paid in taxes, and $7.1 million paid in wages. MultiChoice also employs a large Kenyan workforce across its several organisations, and its entities work with a multitude of agents.

In terms of content, MultiChoice supports the local production sector with a total annual contribution of $1.8 million to wages and $151 million total annual expenditure on content and studio expenditure.

MultiChoice’s technology and innovation activities contribute to the development of digitalisation in Kenya, with $12 million spent on content expenditure and studio expenditure, $24 million spent on technology and distribution, and $2 million spent on content expenditure and studio expenditure.

MultiChoice’s activities facilitate digitalisation, educating, reflecting Kenyan culture and society, and promoting sports, and the company’s economic 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.
INTRODUCTION

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.

Overview of methods 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 expenditure. This includes the following impacts:

1. Direct impact: This is made up of MultiChoice’s expenditure 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 expenditure 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 operations and activities in Kenya and its ripple effects across the Kenyan economy.

Beyond the economic activity supported along the supply chain and for the wider economy, calculated in the analysis of the GDP impact, MultiChoice enables wider 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 digitization and digital infrastructure;
- Promoting Kenyan society (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 a discrete set of qualitative and quantitative data is used to illustrate MultiChoice’s role in supporting each of these spillover effects. Overall, 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.

Report Structure

The remainder of this report is structured as follows:

- Section 2 discusses MultiChoice’s impact on GDP and employment through direct, indirect and induced effects and presents MultiChoice’s GDP and employment impact.
- Section 3 discusses the wider spillover effects enabled by MultiChoice’s activities in Kenya and presents case studies to illustrate these impacts on the economy.

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.

Direct impact

MultiChoice is estimated to have made a direct contribution of $30 million to Kenyan GDP in 2014. The majority of MultiChoice’s contribution comes from tax payments (75% of the direct contribution), followed by wage payments (23%). The breakdown of this expenditure in Kenya can be seen in Figure 1:

- Corporate Social Responsibility (CSR) expenditure amounted to $13.4 million in 2014.
- Employment and wage payments amounted to $17.2 million in 2014.
- The breakdown of the different categories of tax paid by MultiChoice and its entities in Kenya:

  - Value added tax (VAT) is the most significant category making up around 36% of the total tax contribution in 2014;
  - VAT is primarily paid by MultiChoice on salaries, Transmissions and subscription revenues;
  - Withholding tax payments amounted to $2.2 million in 2014. Import duties amounted to $2.5 million and $3.4 million in 2013 and 2014 respectively. A significant proportion of this is paid by GOtv and MultiChoice.

Figure 2 illustrates the breakdown of the different categories of tax paid by MultiChoice and its entities in Kenya.
Kenya on importing set top boxes and transmission equipment. MultiChoice’s total tax contribution represents 0.20% of the government’s total tax collection for 2013/4. MultiChoice’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
MultiChoice’s wage bill amounted to $7.1 million in 2014. MultiChoice’s employment has increased almost fourfold, growing from 315 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.

MultiChoice 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 231 in 2013. Content and technology departments have also experienced growth, with the number of employees in these two departments increasing from 41 to 83 in the same period.

MultiChoice spent $190,000 in aggregate between 2011-2014 on CSR activities including investment in MultiChoice Resource Centres and charitable donations. It also invests in additional educational, cultural and social initiatives such as ID3S United Star Awards and KOBBA’s Let’s Play. Community football tournaments for the under-privileged, which supports MultiChoice’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, MultiChoice’s activities create multiplier effects or ripple effects as the impact of MultiChoice’s supply chain and employee spending circulates through the Kenyan economy.

Overhead of key MultiChoice supply chain expenditures in Kenya
MultiChoice spent an aggregate of $66 million in its supply chain in Kenya in 2014. This expenditure has increased sixfold between 2011 and 2014.

Dividend payments to KBC
MultiChoice paid $1.8 million in dividends to 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
MultiChoice 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.

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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 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 support $1.6 million across the Kenyan economy.

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 leakages, the smaller the multiplier.
3. Households’ marginal propensity to consume: the higher households’ propensity to consume, the larger the multiplier.

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.

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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.

MultiChoice is playing 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 have made progress towards digitalisation and digital switchover. The DTT networks have been rolled out by Safaricom, a subsidiary of public broadcaster the KBC and others, and are part of the pan-African network group (PNG). 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.

Provision of attractive DTT Pay TV services

MultiChoice is providing attractive Pay TV services that stimulate DTT take up. This is seen by the increase in the number of households subscribing to the DTT platforms. 22 The number of subscribers on GOtv have significantly increased investment in set-top boxes

MultiChoice has spent a very significant amount on 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 up 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 or GOkhoza box. This has been significant in increasing the number of set top boxes available. In 2015, a total of 1.1 million set top boxes had been purchased.

Rollout 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. When this was done through financial support, capacity building and training.

MultiChoice has provided dividend payments of $6.1 million between 2011 and 2014 to the KBC, making funding available at a time of significant spending requirements by KBC. GOtv has also helped fund costs for DTT transmitter and mast combiner equipment. In addition, MultiChoice has invested in capacity building and training at the KBC by organising for MultiChoice specialists to train 15 KBC staff in May 2014 in skills to support the roll out of the DTT network. Two days of on the ground training with MultiChoice engineers was organised for KBC engineers working on sites.

Promotion and public awareness about digital switchover

MultiChoice has helped raise awareness about digitalisation and switchover. It conducted the Digitika campaign in December 2013 to increase public awareness about digital migration and the benefits of DTT. MultiChoice has provided total dividend payments of $6.1 million between 2011 and 2014 to the KBC, making funding available at a time of significant spending requirements by KBC. GOtv has also helped fund costs for DTT transmitter and mast combiner equipment.

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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 BobiDish service allowing current subscribers to rent 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 development\(^2\). 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 2015\(^3\).

Kenya has approximately 6.5 million internet subscriptions, with 6.4 million of these subscriptions being mobile broadband subscriptions (including the use of PCs via 3G modems)\(^4\). However, internet penetration in Kenya is still low at 47%\(^5\). 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 benefits\(^6,7\).

MULTICHOICE’S SPILLOVER EFFECTS

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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. 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.

MultiChoice’s economic impact in Kenya

Reflecting Kenyan culture and society

Local shows & channels

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 licensed. Table 1 gives an overview of the type 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 movies, lifestyle, music and comedy.

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

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MULTICHOICE’S SPILLOVER EFFECTS

for the Kenyan market. Through this channel, local Kenyan shows broadcast not just in Kenya, but also in the East African region, increasing awareness of Kenyan culture.

Educating and informing Kenyans
Multichoice contributes to educating and informing Kenyans, by providing easy access to educational and news content.

Access to educational and news content
The total number of broadcast and viewing hours for educational and news content on MultiChoice platforms in Kenya is shown in Figure 10 and Figure 11. To illustrate the scale, the aggregate number of educational and news broadcast hours on DStv and OSi is equivalent to 36 channels on DStv and seven channels on OSi broadcasting educational and news content for 24 hours a day. This content is popular; Figure 11 shows that total viewing hours of educational content and content of public interest, such as news content, have increased significantly between 2011 and 2014 on OSi platforms.

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 Viewer’s Choice Awards, which recognize African musical 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 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, creative awareness about its applications, and stimulates interest in science and technology.
- Support for the CNN MultiChoice Journalist of the Year Award, whereby winners enjoy an all expense paid four day programme of workshops, media forums and networking, and the winner gains international recognition.

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MULTICHOICE’S SPILLOVER EFFECTS

MultiChoice’s economic impact in Kenya

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 House/Noa 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.

Local programmes - Mashariki Mix, Changes and Kona

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MULTICHOICE’S SPILLOVER EFFECTS

Supporting the local production sector

MultiChoice is developing relationships, skills and infrastructure in the local production sector, helping equip it for longer-term growth. This is seen through MultiChoice’s work with a significant number and diverse range of local content producers. In 2014, it had worked with 23 local producers, who supplied content ranging from comedy, drama, lifestyle, music and documentaries.

Developing facilities on the ground

MultiChoice is helping cement the long-term prospects of the local production sector. It has done this by investing in a production studio which will allow a further expansion of production capabilities in Kenya. An amount of $11.4 million was spent by MultiChoice on the production infrastructure between 2012 and 2014, as shown in Figure 12.

- 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

Expansion 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 specialisation 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. Anecdotal evidence suggests that for every person employed in the sector, an additional three other agents are employed in the economy.

One of the local production businesses interviewed indicated the average age in their business is 25, suggesting that MultiChoice has been able to provide training and employment opportunities for young Kenyans. Anecdotal evidence also suggests that MultiChoice has been able to pay local producers 50–100% more per episode than FTAs for an equivalent production.

Facilitating skills transfer and training

MultiChoice has facilitated skills transfer through initiatives such as training from experts outside Kenya and local producers aimed at training. It has related the GPT programme which provides training to producers, cameramen, sound and edit. 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 the 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 cameraemen 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 Mashariki, without any involvement from South Africa," says Mark Menu, 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 grown from a one man show to a full-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 exposure 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.

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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 Stars. 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 sprung 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 based in the establishment and several others are within close proximity.

The growth of local producers has generated business for many complementary 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, coaches and equipment[44]. This often arises because of a combination of increasing demand and funding constraints[45]. 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 and direct financial support for sport infrastructure, through broadcasting licence fees, production spend and sponsorship fees.

MultiChoice has spent an aggregate of $24.3 million between 2011 and 2014 on licence payments and production 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[46].

The broadcasting of sports
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.

Figure 13: Broadcast hours of football content in 2011-2014 on MultiChoice platforms
Figure 14: Broadcast hours of sport (other than football) content in 2011-2014 on MultiChoice platforms
Figure 15: Total original football games on MultiChoice platforms

For many years this funding has been essential to the development of these sports into viable undertakings. For example, SuperSport license payments to the KPL to broadcast matches form a significant proportion of KPL’s revenue (between 70-98% for 2010-2013)[47]. These payments cover a major part of KPL’s expenses (between 80-100% for 2010-2012) including the financing of clubs, KPL awards, match expenses, under 19 and top eight tournaments and staff wages.

Besides financing sports directly, MultiChoice has invested additional funds into the production infrastructure as explained in the next section. This has allowed for broader broadcasting capabilities and higher quality broadcasting and has thus supported the development of public interest in those sports. This investment in outside broadcasting vans in particular has allowed the filming of live sports events and has contributed to this.

Presence on national television has stimulated public interest in sports
Expenditure and on-air broadcasting have increased public interest in sports, sparking investments from several other agents.

Broadcasting of sports
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There has been a significant increase in total football related broadcasting and total sports broadcasting between 2011 and 2014 (Figure 13 and Figure 14). The total football games produced and commissioned has increased from 140 in 2011 to 179 in 2014 (Figure 15). In addition, a variety of other sports content was...
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 $333,000 on sending players and managers to the Why Business School (see Table 3). SuperSport has included the Sportsperson of the Year Awards which recognises 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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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 £12.5 million was paid to move to Southampton from the Celtics in July 2013. McDonald Mariga (seen below) earns an estimated $160,000 per month and Dennis Oliech earns an estimated $136,000 per month.

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MULTICHOICE’S SPILLOVER EFFECTS

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, benefiting 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.

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This initiative has equipped club managers with entrepreneurial skills for the benefit of their clubs. For example, Kangar offered a shirt sponsorship in response to a proposal by the newly trained club manager. Sports administrators and cameramen have also received similar skills through training and on the job experience.

Kenyan football players have benefited from increased funds through higher compensation, making football a viable profession, and pulling talent into the sport. Increased broadcasting of live matches on SuperSport channels has also led to local players receiving international recognition, for example Victor Wanyama of Southampton, Mcdonald Mariga of Farm FC and Steven Ochillo 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; books for club managers. For example, took the league sponsorship at a value of KES 32 million using its Tusker brand. Today, 12 of the 14 clubs receive sponsorship from corporates.

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 mismanagement and disputes in the past. Today, stadiums are filled by around 20,000 people during matches, compared to the almost non-existent crowd 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 their clubs just like those in the European Leagues. Social media is a buzz with the club fans. One club was able to raise enough money to keep the club afloat through its activities on social media.

Sports fans are now common features catering for those who are unable to make it to the stadium for matches, allowing every Kenyan to take part in Kenyan football.

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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.

This shield has provided a platform for local talent to develop from the grassroots with some being contracted to play in KPL clubs. The GOtv Shield has been nurturing and growing talent, further supported by initiatives such as the Airtel Rising stars and the Kibra league.

The tournament has been a big boost to the football fraternity, motivating community football clubs to enhance their capacity in order to compete effectively. The tournament has grown from only 8 teams in 2013 to 16 teams in 2014 and is projected to have 108 teams competing in 2015. There has also been a significant growth in the number of fans of the tournament encouraging increased marketing spending by corporates during the tournament, which has grown from $40,000 in 2013 to $75,000 in 2014. The increased ticket sales have in turn further encouraged the development of the sport in the communities.
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 indirect 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 centered 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 the MultiChoice’s expenditure, consisting of wages, taxes and dividends as well as supply chain expenditure, 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 Galbraith and Mathenge (2012) investigate the level of income inequality in Kenya by using output multipliers.

APPENDIX A
MULTIPLIERS

MultiChoice’s economic impact in Kenya

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

2 A Social accounting matrix (SAM) is an economic accounting framework based on a formalized methodology of economic analysis and synthesis. In a SAM, assets, capital, and production functions are categorized into a series of accounts. Each account is associated with a set of economic and social indicators.

... and Finance, 301-328.

31 No information is available for 2012.

32 Social capital is important as it impacts economic efficiency by enhancing the level of trust in society; trust and civic cooperation in turn, are associated with higher economic performance. Communication for a Europe agenda for culture in a globalizing world: an empirical analysis.

14 The potential for industry. Transforming problems. Science. 14. However, the extent to which it has given rise to being the scientific and technical orientation of business depends on marketing and technology.

15 If the world were surrounded by carbon dioxide, the average temperature would rise by 4°C. This would generate a warming of the planet and could lead to significant changes in climate patterns. However, the potential for the global issues to cause severe weather conditions are not well understood.


17 Empirical evidence on the impact of social media on business decisions.


