

# Your Market Is Everywhere

International Market Series

# South Africa

How Canadian producers can benefit from looking beyond borders



This report focuses on the state of the television and gaming industries in South Africa's English market.

In this document, you will find information on popular genres with South Africans, as well as media consumption habits, South Africa's regulatory environment, current trade agreements with Canada, the country's major broadcasters and industry events, and advice from experts.

Fast facts:

- ▶ There are a total of 162 television operators in the country that deliver programming across nearly 170 channels ↓.
- ▶ Access to digital services like Netflix has more than doubled over the past year and growth forecasts are just as robust ↓.
- ▶ English is the predominant language for television shows in the country.
- ▶ Canadian content is selling well in South Africa based on recent deals ↓.
- ▶ Drama, soaps, and reality shows are successful genres in the South African market ↓.
- ▶ The accelerated penetration of smartphones in the country and the increasing availability and speed of Internet connections have created many opportunities for video game producers.
- ▶ South Africa hosts a variety of marketplaces and events ↓ dedicated to the television and gaming sectors.

2017 marks the 20th anniversary of the Canada- South Africa [audiovisual coproduction](#) treaty, the first agreement of its kind entered into by South Africa. Over the past 2 decades the country has made great strides as a centre of media production, both inside and outside its own borders.

A combination of things have played a role in the growth of South Africa’s media and entertainment industries: the weak rand relative to both the Canadian and U.S. dollars, warm weather and the abundance of picturesque locations, the availability of skilled English-speaking crews, and a competitive tax rebate system, which was introduced in 2004. As a result of the convergence of these factors, South Africa now boasts studio facilities that rival those in North America and Europe, making cities

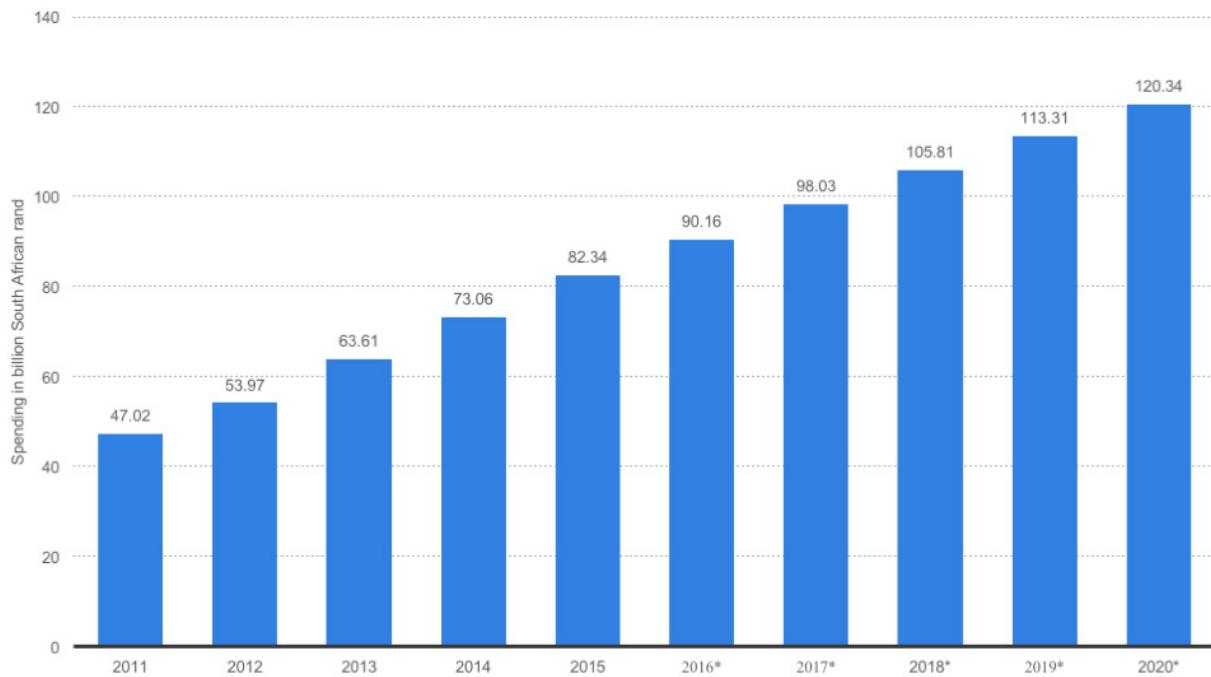
such as Johannesburg, Cape Town and Durban attractive international media production centres.<sup>1</sup>

Hollywood is definitely taking notice. Productions recently shot in South Africa include *Resident Evil: The Final Chapter* and *Avengers: Age of Ultron*. On the Canadian side of the story there’s also the success of the dystopian sci-fi films of South African born, Vancouver dwelling Neill Blomkamp, whose feature films *District 9*, *Elysium*, and *Chappie* brought the writer/director to international attention.

South African consumers are also responding favourably to the uptick in production in their country. According to the chart below, consumer spending on media and entertainment is forecast to almost triple between 2011 and 2020.

South Africa consumer entertainment and media spending 2011-2020

### Consumer entertainment and media spending in South Africa from 2011 to 2020 (in billion South African rand)



Note: South Africa; 2011 to 2015

Further information regarding this statistic can be found on [page 8](#).

Source: PwC; Ovum [ID 615919](#)



When compared to other countries on the African continent, South African spending on media and entertainment is more than twice that of Nigeria, the country in second place in this sector, and more than three times that of Egypt and Kenya, which occupy the third and fourth positions respectively.<sup>2</sup>

### INSIDER TIPS

#### On comparisons with other emerging markets

**“With a GDP of over \$11,000 per head at purchasing power parity [South Africa] is stronger than China or India and four times higher than the African average. The best reason to work with South Africa is to be able to do business within South Africa.”**

– *South African Cultural & Creative Industries Mapping 2017*, High Commission of Canada in South Africa

### TRACK RECORD WITH CANADA

Canadian-produced content has been faring well with a variety of broadcast, digital, and satellite outlets in South Africa for several years.

The advent of digital television and new mobile platforms are likely to open up additional opportunities for producers of quality content that travels well across borders. For example, Econet Media of Johannesburg, a division of diversified telecoms group Econet, recently announced that between 2017 and 2022, it will be investing over \$1 billion USD to acquire sports and entertainment content for its platforms.<sup>3</sup>

Recent television deals for Canadian producers exporting to South Africa include:

- ▶ Africa One’s acquisition of The Holmes Group’s *Holmes and Holmes* (6 x 60 minutes)<sup>4</sup>
- ▶ DStv’s Ignition channel’s licensing of season 3 (12 x 60 minutes) of Proper Television’s *Vegas Rat Rods*<sup>5</sup>
- ▶ Sundance TV Global’s acquisition of the six-part drama *Acceptable Risk*—a Canada/Ireland coproduction—for airing in Sub-Saharan Africa<sup>6</sup>

Coproductions also represent an important part of the industry landscape in South Africa. Over the course of the 20-year collaboration between Canada and South Africa approximately two dozen film and television projects have been completed.<sup>7</sup>

Highlights of coproductions with South Africa include:

- ▶ *Against the Wild 2: Survive the Serengeti* (2016) – feature film (nature)
- ▶ *The Book of Negroes* (2015) – mini-series
- ▶ *Shark Killer* (2015) – feature film (adventure)
- ▶ *Inescapable* (2012) – feature film (thriller)
- ▶ *Winnie* (2010) – feature film (historical drama)
- ▶ *A Million Colours* (2010) – feature film (drama)
- ▶ *The Bang Bang Club* (2010) – feature film (political drama)
- ▶ *Caillou V* (2009) – animation
- ▶ *Five Roads to Freedom: From Apartheid to the World Cup* (2009) – documentary
- ▶ *Crusoe* (2008) – TV series (family drama)

One Canadian company that has particularly strong ties with South Africa is Blue Ice Group. Blue Ice is the result of the merger of previously separate Canadian and South African producers of television, feature films, and documentaries. The company has offices in both Toronto and Cape Town and has created the [Hot Docs-Blue Ice Group Documentary Fund](#), which provides development and production grants to eligible projects. As of 2017, the fund has supported 48 projects from 19 countries.<sup>8</sup>

### INSIDER TIPS

#### On coproduction logistics

**“In my experience the Canada- South Africa coproduction is the easiest to set up. I’ve done coproductions with other countries, such as Germany and the U.K., and have found the Canadian requirements to be far more straightforward. People tend to overestimate the challenges of doing coproductions but I believe the rewards definitely outweigh the risks.”**

– Lance Samuels, President, Blue Ice Group

Recent Blue Ice coproductions include:

▶ The forthcoming *The Indian Detective* starring Russell Peters, produced for Bell in Canada and Netflix in South Africa<sup>9</sup>;

▶ The *Madiba* and *The Book of Negroes* mini-series<sup>10</sup>.

In the words of Blue Ice Group’s Lance Samuels: “The service industry in South Africa is booming, and really has been since the introduction of the tax rebate. On average, foreign producers receive about 20% back on eligible spending in South Africa and Canadian producers, thanks to the coproduction treaty, receive about 26% back. Yes it’s an 18 hour flight for most, but a producer will go where they get the biggest return on every dollar spent.”<sup>11</sup>

## SUCCESSFUL GENRES

### Drama, Soaps, and Reality TV

South Africa is a multi-ethnic, multi-racial country of approximately 56 million people, with 11 official languages as well as several unofficial dialects. English ranks as the first language with about 10% of the population.<sup>12</sup> Most languages are represented to at least some extent in broadcast or community programming.

On average, South Africans watch about 3 hours of television each day<sup>13</sup>, compared to about 3.9 hours per day reported for Canadians in 2016.<sup>14</sup>

Local content is in high demand across platforms, with over 90% of local programming produced by third parties, i.e. not the broadcaster itself. The predominant language for television shows in South Africa is English.<sup>15</sup>

Popular genres include:<sup>16</sup>

▶ Dramatic sagas of family dynasties (e.g., *Uzalo* and *Muvhango*, two of the most popular television shows in the country);

▶ Traditional soap opera fare such as *Generations: The Legacy* and *Scandal*, as well as more modern telenovela-style soap *The Wild*, filmed entirely on location in a five-star game lodge;

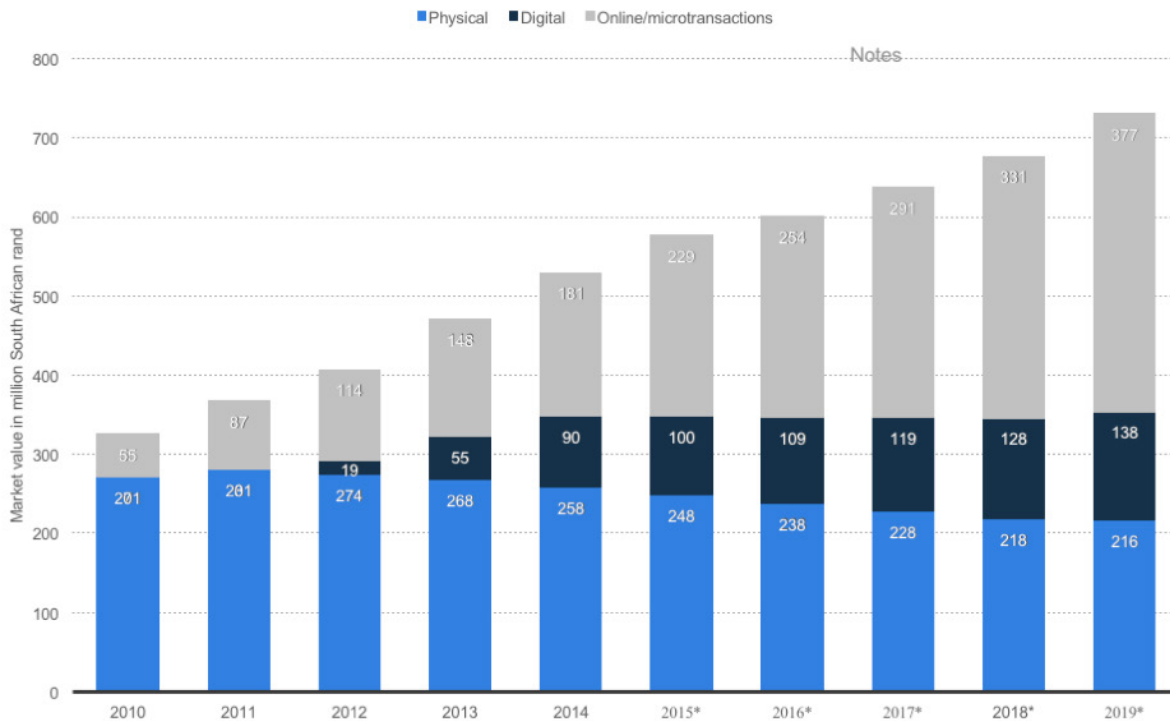
▶ American soaps such as *The Bold and the Beautiful* and *Days of Our Lives* also consistently figure among the most viewed in the country<sup>17</sup>;

▶ International reality shows such as *Survivor* are big hits in South Africa as are productions in the genre made closer to home (e.g., *Big Brother Africa* and the music-themed *Rhythm City*, in which participants vie for success in the music industry).

### Gaming: Up & Coming

Five years ago, digital/online gaming barely existed in South Africa. Today it is a market worth more than 400 million rand<sup>18</sup> per year, although it is worth noting that the absolute dollar value of the country’s gaming market—including physical console gaming—comes to about US\$50 million per year. As such it is a tiny fraction of the size of the gaming market not only in North America but also in other emerging markets. For comparison purposes, the gaming industries in Argentina and Colombia, each with populations slightly smaller than South Africa, have annual values of \$423 million and \$290 million respectively.<sup>19</sup>

## Value of the PC gaming market in South Africa from 2010 to 2019, by type (in million South African rand)



Note: South Africa; 2010 to 2014

Further information regarding this statistic can be found on [page 8](#).

Source: PwC; Ovum; hbx.africa [ID 517398](#)

statista

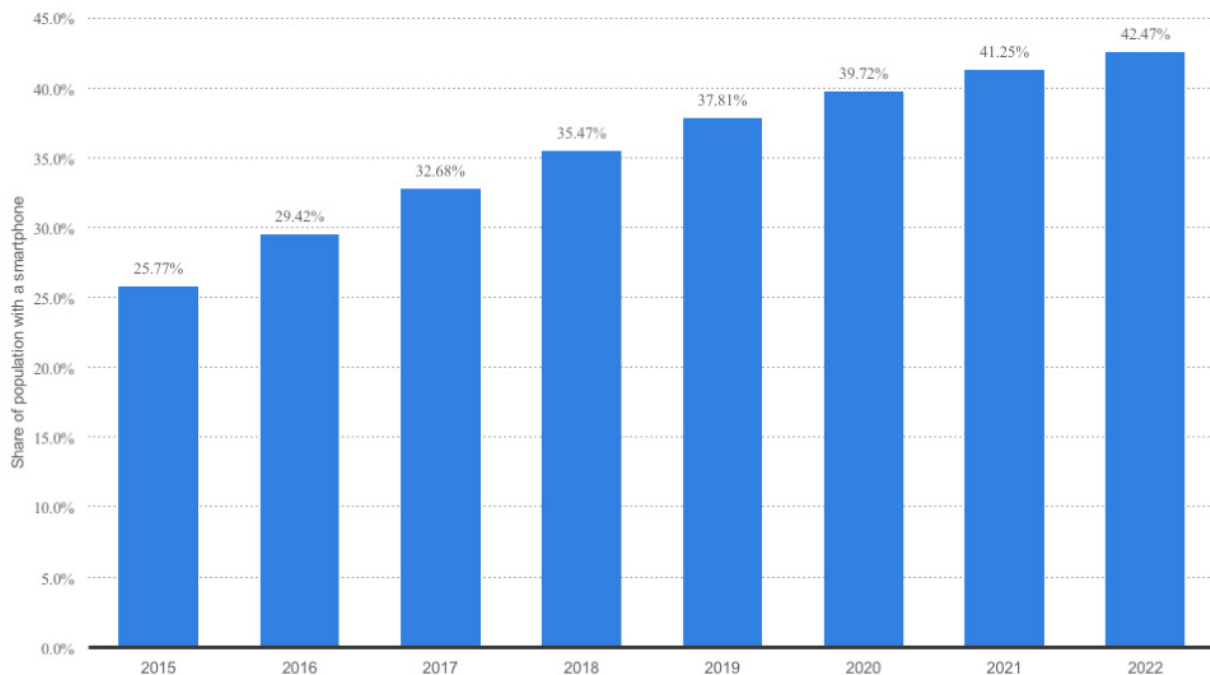
Industry analysts believe that the gaming industry is still in its early stages in South Africa, which creates significant opportunities for game producers, particularly those creating higher-end gaming experiences.

**“The digital aspects of the video game segment in particular – social/casual games, the burgeoning online/micro-transaction model ... are only made possible by the increasing availability and speed of Internet connections. The breakneck evolution of app-based social/casual gaming in particular has resulted in thousands more South Africans considering themselves to be ‘gamers’ – game-changing in its truest sense – and manufacturers of more expensive gaming experiences will be enthused by the potential of this new demographic.”<sup>20</sup>**

- South Africa, Entertainment & Media Outlook: 2016-2020, PriceWaterhouseCoopers

Furthermore, the penetration of smartphones in South Africa is expected to see a healthy growth curve through to 2021, expected to reach 37% by that time. This increase in users is likely to bring with it a new customer base to the technology and, in turn, a new platform for digital media content. The following chart illustrates the expected short-term growth of smartphone use in South Africa. (For comparison purposes, note that the share of smartphone users in a country such as Canada currently sits at about 80%.)<sup>21</sup>

## Smartphone penetration rate as share of the population in South Africa from 2015 to 2022\*



Note: South Africa; 2015 to 2016; Individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month.

Further information regarding this statistic can be found on [page 8](#)

Source: Statista DMO [ID 625448](#)

statista

An example of the kinds of opportunities this growing market creates for media producers abroad is the deal recently struck between American game publisher GameMine and South African telco Vodacom. In mid-2017 GameMine, a publisher of subscription-based (vs. ad-based) mobile games, partnered up with Vodacom to make its games available to the wireless carrier's customer base as a premium service billed through Vodacom's platform. Games are regularly updated so users don't pay to play a single game but to access a gaming service.<sup>22</sup>

A recent report on workers in South Africa's animation and gaming industries suggests that while the fields of 2D and 3D animation and special effects exist in the country, "the development along the value chain remains minimal ... [and although] animators are adept at content conceptualization and creation (rather than simply servicing productions) ... they lack established networks for content licensing, merchandising, and strategic marketing."<sup>23</sup>

## MAJOR BROADCASTERS

Television has only been available in South Africa since 1976, at which time there was only one channel, with programming split between English language and Afrikaans. During the 1980s and 1990s, additional channels aimed at black audiences were introduced, as well as channels focused on sports and educational content. The state-controlled SABC (South African Broadcasting Corporation) had a monopoly on the free-to-air and news programming until the 1990s, at which time additional satellite and digital services became available. The pay TV cable infrastructure providing access to basic and premium cable channels that first made substantial inroads to homes in Canada and the U.S. in the 1970s and 1980s was not something that was developed in parallel in the South African market.

The South African television industry can be divided into three categories:

- ▶ Public broadcasting;
- ▶ Commercial broadcasting;
- ▶ Community television.

There are a total of 162 television operators in the country that deliver programming across approximately 170 channels.<sup>24</sup>

South Africa's major television broadcasters/providers are:

- ▶ SABC (South African Broadcasting Corporation) 1, 2, and 3;
- ▶ e.TV: free to air, privately owned, carrying locally produced content as well as popular HBO shows and some American sports programming;

- ▶ M-Net: subscription service with channels including M-Net Movies, M-Net Series, M-Net Edge, KykNet (broadcasting in Afrikaans), Vuzu, and Channel O;

- ▶ Studio Universal (owned by NBC);

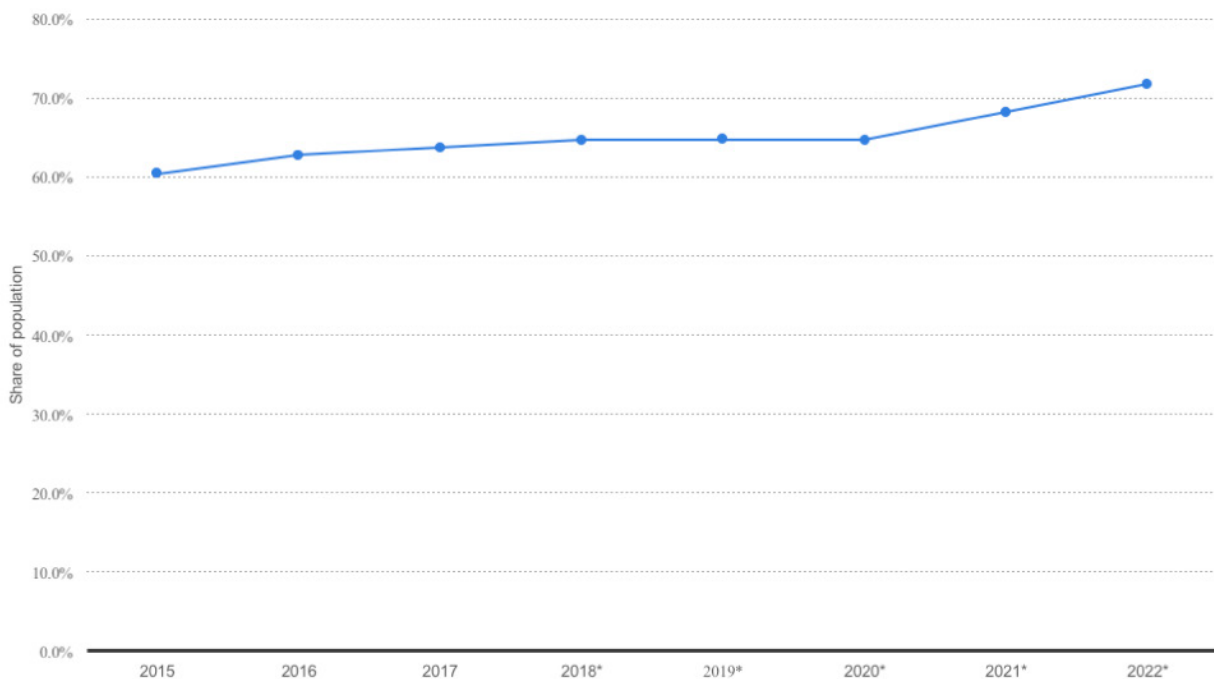
- ▶ DStv (Digital Satellite Television), provider of global channels (e.g., Discovery, Nat Geo, and BBC) as well as popular local channels such as Mzansi Magic, and Mzansi Wethu.

## OTHER DELIVERY PLATFORMS

Although just over half of South Africans currently have Internet access, the growth in the technology over the past seven years has been remarkable. It is worth noting that in 2010, only about 20% of the country's population was able to go online and that this number has been increasing by between 5% and 10% per year since then.<sup>25</sup>

South Africa: online penetration 2015-2022

### Internet user penetration in South Africa from 2015 to 2022



Note: South Africa; 2015 to 2017

Further information regarding this statistic can be found on [page 8](#).

Source: Statista; Statista DMO [ID 484933](#)

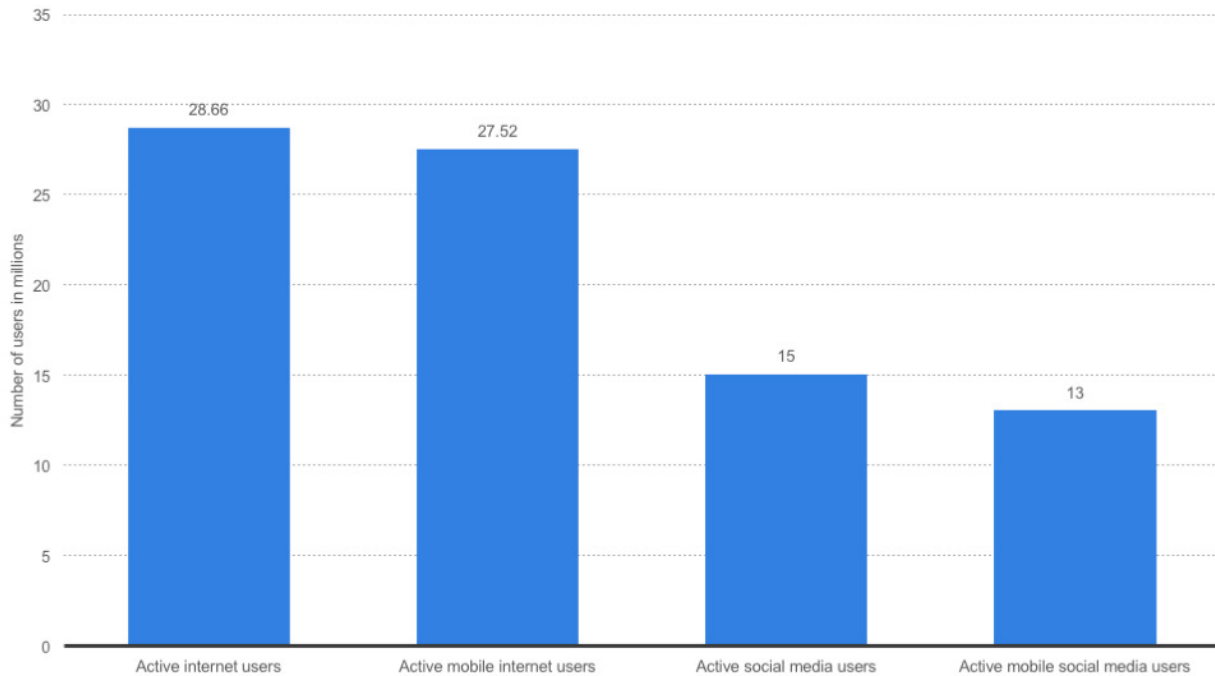
statista



As seen in the chart below, the proportions of South Africans accessing the internet through fixed and mobile connections are almost identical, as are the proportions of people using social media by way of fixed internet connections vs. mobile devices.

South Africa: digital population as of January 2017

### Digital population in South Africa as of January 2017 (in millions)



Note: South Africa; January 2017

Further information regarding this statistic can be found on [page 8](#).

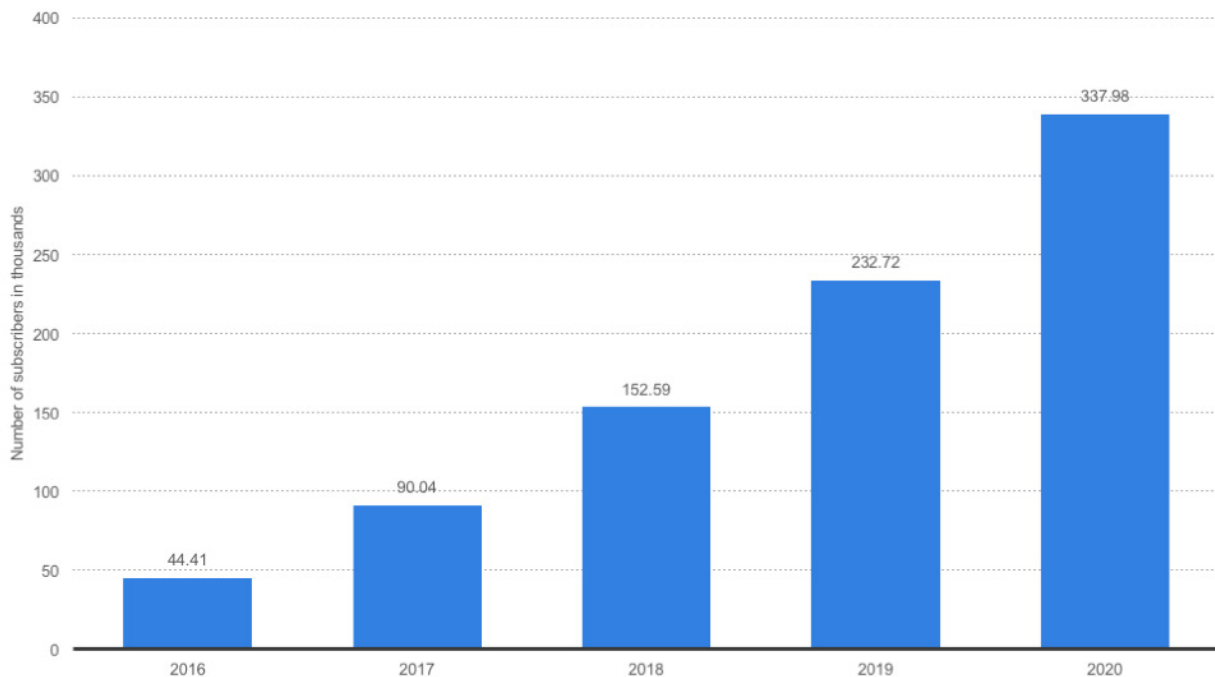
Source: We Are Social; Various sources (Worldometers, United Nations, IAMI, Facebook, Cisco) [ID 685134](#)

statista

The rapid growth of South Africa’s digital population can also be seen in the uptake of OTT streaming services such as Netflix. Although the absolute numbers are low—only 90,000 subscriptions out of a population of about 56 million (compare this figure to the approximately 5 to 6 million Canadian households<sup>26</sup> and the 70 million American families<sup>27</sup> that subscribe to Netflix), note the more than doubling of the user base in the past year and the similarly healthy growth forecast going forward.

Estimated number of streaming subscribers to Netflix in South Africa 2016-2020

## Estimated number of active streaming subscribers to Netflix in South Africa from 2016 to 2020 (in 1,000s)



Note: South Africa; 2016; all figures are estimates

Further information regarding this statistic can be found on [page 8](#)

Source: Nakono [ID 607684](#)

statista

## TRADE AGREEMENTS WITH CANADA

In 1997, Canada was the first country in the world to enter into a coproduction treaty with South Africa. As such, Canada has a 20-year track record in the country, enjoying longstanding relationships with producers and industry players in the popular production centres of Cape Town, Durban, and Johannesburg. South Africa has since entered into seven other international coproduction treaties<sup>28</sup>, providing further stimulus to the country's burgeoning media and entertainment industries.

The Canada-South Africa Coproduction Treaty can be accessed [here](#).

## REGULATORY ENVIRONMENT

South Africa is a country where broadcasting has traditionally been highly regulated. This began in the restrictive days of apartheid, in which SABC, the state-owned broadcaster, functioned largely as a government propaganda tool.<sup>29</sup>

Today, South Africa is an open country in terms of diversity of voices and cultures, and this diversity is reflected in the telecommunications industry's regulatory environment. To this end, broadcasters in the country must comply with a variety of public service requirements and also have an obligation to contribute to agencies such as the [Media Development and Diversity Agency](#), the [Universal Service and Access Agency](#), and the [Independent Communications Authority of South Africa](#).<sup>30</sup>

South African television also has a quota requirement for programming produced within the country's borders. This is a scenario familiar to Canadian producers and broadcasters, which are subject to quota of Canadian content during primetime hours.<sup>31</sup> In May 2016 Hlaudi Motsoeneng, then COO of the SABC, announced that 80% of films broadcast on the SABC 3 channel were to be produced in South Africa. At the time of this announcement 14 of the channel's top 20 programs were international productions<sup>32</sup>, so this edict was met with excitement from local producers, but

also apprehension. While the local industry would be stimulated by the new requirement, the cost of producing programs vs. acquiring them from foreign producers is far higher. At the same time, the SABC's main revenue sources, i.e., license fees and advertising, are shrinking as viewing shifts online<sup>33</sup> and the SABC's budgets are reported to be extremely low, as little as \$20,000 per hour of programming, compared to American budgets that can average \$2 million per hour.<sup>34</sup>

## MARKETPLACES AND TRADE EVENTS

South Africa hosts a variety of film and documentary festivals and marketplaces as well as international gaming industry and animation events.

In 2012, the multi-city industry event Discop, “the world’s number one destination to acquire and coproduce content ‘Made in Africa’, and sell international film, TV series, adaptation rights, digital content and packaged TV channels into Sub-Saharan Africa”<sup>35</sup> added a Johannesburg event to its roster.

Select markets and trade events in South Africa include:

- ▶ [Discop Johannesburg](#)
- ▶ [Cape Town International Film Market & Festival](#)
- ▶ [Cape Town International Animation Festival](#)
- ▶ [Durban International Film Festival](#)
- ▶ [A Maze International Games and Playful Media Festival](#)
- ▶ [rAge Video Gaming, Computer, and Technology Festival](#)
- ▶ [Encounters South Africa Documentary Film Festival](#)
- ▶ [RapidLion South African International Film Festival](#)

## OFFICES/PERSONNEL IN CANADA

Organizations that assist Canadians doing business in South Africa include:

- ▶ [Canada-Africa Chamber of Business](#)
- ▶ [Canadian Council on Africa](#)
- ▶ [High Commission of Canada in South Africa](#)

## FOOTNOTES

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