

Keys to Successful Cultural Enterprise Development in Developing Countries

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Box 3.1

Music as a part-time activity

70 to 90 percent of musicians in Asian countries perform a second trade outside their music; over 80 percent of African musicians do the same. In Latin America, the situation varies greatly between countries, with only 20 percent holding a second job in some countries but up to 80 percent in others. Musicians in these regions are often teachers, but they may also be journalists, policemen, soldiers, shopkeepers, and farmers. The accumulation of jobs outside their artistic discipline leaves many artists with an “amateur” status and tends to devalue the profession in society.

Box 3.2

HIV/AIDS favours short-term strategies in the music industry

In certain southern African countries, HIV/AIDS is very prevalent amongst musicians and deaths from AIDS related illnesses are common. As a response, record labels favour short-term strategies, releasing as many albums as possible within a short period of time, thus reducing the shelf life of the album in question and decreasing the internal rate of return of the investment made.

Box 3.3

Lack of confidence hinders business expansion

Kitengela Glass, established in 1979, is one of Kenya’s leading craft enterprises with an annual turnover of about US\$ 100,000 and strong domestic sales. The managers recently tried to franchise their successful business, but gave up on the idea when they found that few people had the confidence to take part in such an initiative. In May 2000, Kitengela established a Glass Research and Training Trust whose aim was to “spread the good news of glass across Africa”. Whilst this initiative has led to a rich series of exchanges between artists from various continents, it has not incited

artists to establish their own glassblowing enterprises as it intended. Anselm Croze, the director of Kitengela attributes this again to a lack of confidence.

Box 3.4

Financial constraints in the publishing sector

Ignace Hien, the literary and publishing director of Graphic Technic International, a Burkinabé publishing company that has published and co-published 22 literary works since 1989, identifies financing as the biggest constraint on the publishing sector, bemoaning the fact that often authors have to finance the publication of their books themselves. He himself only undertakes his publishing duties on a part-time basis, earning his living from a post as a price inspector in the Ministry for Economic Affairs.

Box 4.1

Kitengela Glass substitutes for glass imports

Kitengela Glass was founded in 1979 in Kenya. At the time there was no flat glass being made in the country, all of it being imported from the West. Kitengela's founder, Nani Croze, a muralist, saw an opportunity in the number of churches that were then being built, and within a few years started the production of stained glass windows. Today, Kitengela is still the only glass-blowing company in Kenya (and only one of four in the whole of Africa). It produces a wide-range of decorative glass products that find a strong market within the corporate and elite sectors of Kenyan society. The company employs around 50 people today and has annual turnovers in the range of US\$100,000.

Box 4.2

Pricing low and pricing high

Libros del Ciudadano

In 1998, LOM Editorial, a Chilean publishing house launched a collection of books entitled *Libros del Ciudadano* (Citizen's Books) priced at under US\$2 before taxes. The advertising campaign accompanying the launch of the collection compared the books to a packet of cigarettes, which cost about the same amount, saying, "Books do not kill". The collection of low-cost books was created in a bid to open books up to a wider audience in Chile, as following the dictatorship, books had become increasingly restricted to an elite for economic and other reasons. The books were priced at the lowest possible price allowing a recovery of costs and perpetuation of the collection. The collection has worked very well, outselling by far LOM's regular collections: a *Libro del Ciudadano* title sells on average 3,500 copies (with bestsellers selling up to 31,000 copies), whilst the average for all LOM titles is only 927 copies. Not only has this pricing policy allowed LOM to expand its audience, but it has also

allowed the publishing house to take more artistic risks and release titles that are not conventional “best sellers”.

DRIK Photo Agency sets a high price

DRIK is a photo agency founded in Bangladesh in 1989 with the aim of raising the quality of photography products in the Bengali market. The agency started by producing postcards and calendars and gradually diversified into other branches, including publishing and video production. Initially, DRIK was considered expensive by potential clients, but the agency soon established a reputation for delivering high quality products and gave impetus for standards and prices to be raised in the printing industry.

Box 4.3

Kazuri Beads sells its story

Kazuri Beads is Kenya’s leading manufacturer of hand-made ceramic jewellery and pottery. Founded in 1975 by Lady Susan Wood, Kazuri has developed a strong brand image locally, as well as in international markets. Their product got a huge marketing boost in the early 80s when during the filming of *Out of Africa*, the American actress, Meryl Streep was photographed wearing one of their necklaces. They got permission to use the photo for promotional purposes and continue to use it to this day. The company is careful to sell its story along with its products: every customer is given a leaflet detailing the history and the mission of Kazuri Beads, and a book has been published, *A String of Beads*, by founder Lady Wood documenting the adventures of Kazuri. Today, Kazuri’s international sales are very strong, and it has opened several outlets overseas, as well as three locally.

Box 4.4

Diversification for festivals

Fet’arts is an annual multidisciplinary festival held in Burkina Faso, featuring music, drama, dance and visual arts. Launched in 1999 by Jovial Productions, the festival plans to help assure its economic sustainability through merchandising – T-shirts and gadgets – and by establishing strategic partnerships with hotels, restaurants and other private sector actors.

HIFA, the Harare International Festival of the Arts is another annual multidisciplinary festival. Since its establishment in 1999, it has successfully formed strategic partnerships with the corporate sector, and the festival now assures 70% of its revenues through corporate sponsorship. Companies have even come forward and asked to be involved in the festival without being solicited. On their comprehensive website, the HIFA organizers devote pages to encouraging corporate donations, explaining to potential sponsors the benefits sponsorship can offer their companies.

Box 4.5

Intellectual Property

WHAT IS INTELLECTUAL PROPERTY?

Intellectual property (IP) refers to creations of the human mind. Intellectual property rights (IPRs) are legal rights governing the use of such creations. IPRs generally exclude third parties from exploiting protected subject matter for a given period of time without explicit authorisation from the owner of the rights. There are two categories of intellectual property rights: copyright and industrial property rights.

Copyright: These are rights given to creators for their literary and artistic work, granting them the exclusive power to authorise the exploitation of these works, such as through reproduction, public performance, and use over digital networks. The works covered include novels, poems, plays, reference works, newspapers; databases; films, musical compositions, and choreography; artistic works such as paintings, drawings. Copyright is of relevance to almost all cultural enterprises, except may be craft enterprises for whom industrial property may be more relevant.

Industrial property: This type of IP covers patents for inventions, industrial designs, trademarks and geographical indications. Industrial design rights can cover ornamental or aesthetic aspects of an article not linked to its functionality, such as a unique shape of pottery, for instance. Trademarks and geographical indications can be very useful elements in a marketing strategy, to develop a brand image and customer loyalty. Amongst all the cultural sectors, this kind of IP is most likely to be found in the crafts and design sector.

CULTURAL ENTREPRENEURS AND INTELLECTUAL PROPERTY RIGHTS

Intellectual output is more difficult to control than physical property, yet controlling IP assets holds important advantages for cultural entrepreneurs. Controlling IP can create a new kind of trust and stability in commercial relationships and is an important riskreduction tool for cultural entrepreneurs. IPRs make it possible for artists to earn money in a secure way, in a number of different ways and for a longer period of time. Creation of new innovative and original products often has high upfront fixed costs, but once created, IPRs in these products can be licensed and sold for very little additional cost; thus IP has a great investment return potential. Furthermore, IPRs provide the basis for exclusivity in the marketplace, which is a precondition for determining the highest price the market is likely to bear for a particular product.

HOW TO USE INTELLECTUAL PROPERTY

Cultural entrepreneurs should thus make efforts to protect their intellectual property and to use it in such a way as to gain a competitive advantage in the marketplace.

Registering intellectual property, whilst not always necessary for IPRs to be protected, is an important step in controlling IP, reducing the chances of theft and helping in cases of disputes over ownership.

Licensing of IPRs gives cultural entrepreneurs the opportunity to create new revenue streams from their creative output. A license agreement is a contractual agreement under which the IP owner permits another (the licensee) to use her/his protected subject matter in one or more forms, for a certain territory, in return for some form of compensation and for a determined period; the agreement does not transfer ownership to the licensee. Different types of license agreements exist: they may be exclusive or non-exclusive, limited or divided licenses. An entrepreneur should inform her/himself well on the different implications of these types of licenses and clearly understand her/his rights before entering into any kind of license agreement. Licensing of IPR can also be done through the intermediary of a collective management society that will monitor the use of works on behalf of creators and will be responsible for negotiating license agreements and collecting remuneration. Licensing can be a useful way to gain access to new markets for cultural entrepreneurs who do not have the capacity to break into foreign markets themselves, as a licensee usually agrees to make all the adaptations required for entering the new market, e.g. translation of labels and instructions, subtitling, etc. When thinking of protecting and/or licensing products, cultural entrepreneurs should think not only of the core product, but also of possible derived products. For instance, a painting may give rise to postcards, and T-shirts, which should generate royalties for the creator or the owner of the rights.

Selling of rights: A creator may also sell his rights, and this is often the case for products that require mass distribution, communication and financial investment for their dissemination (for example sound recordings and films). Creators can sell their works to individuals and companies best able to market the works in return for royalties.

Marketing: Trademarks, geographical indications and appellations of origin can help build a brand image for cultural products and instil consumer confidence by acting as a seal of quality. Trademarks like other rights can be licensed, and may also be franchised, thus creating a new source of royalties. An enterprise that uses a trademark or a geographical indication must pay very careful attention to the quality of her/his product; a trademark associated with poor quality can be extremely damaging for a cultural enterprise.

Financial assets: IPRs can also be valued as financial assets on the balance sheets of cultural enterprises, and in the certain environments may be used as collateral for acquiring loans.

CAVEATS

Whilst intellectual property rights do offer several advantages to cultural entrepreneurs, the control and exploitation of these rights is more difficult in contexts

with weak IP systems: a favourable policy environment is therefore important for cultural entrepreneurs to be able to exercise their rights. IP systems also differ across countries, and entrepreneurs seeking overseas markets need to inform themselves on how to ensure the protection of their rights across borders.

Sources: ITC/WIPO, 2003: Marketing Craft and Visual Arts: The Role of Intellectual Property: A Practical Guide, Geneva, ITC/WIPO. WIPO: Intellectual Property for Businesses, WIPO SME Division

Box 4.6

The entrepreneurial spirit

On his C.V., the Burkinabé, Oumarou Sanfo proclaims himself a “cultural entrepreneur”. He is currently the managing director of a film production company founded in 1999, as well as the coordinator of the annual Fêt’arts festival and manager of a music group Yeelen. He attends training on business aspects of the cultural sector as often as he can, having participated in a workshop on the Management, Administration and Stimulation of Cultural Industries in Morocco, amongst others.

Box 4.7

The Business Plan

The business plan is the practical application of the marketing strategy and is informed by preliminary market research. A good business plan provides an overview of where a business is, how it plans to position or reposition itself, and how it seeks to attain its business objectives. In general practice, business plans cover a period between one and five years long. It is crucial that the business plan is updated regularly.

A business plan incorporates the following plans within it as integrated components:

- A **marketing plan**: this is a schedule for implementing the marketing strategy.
- A **product development plan**: this is a schedule for implementing the required production and design processes through all stages from creation to the launch of the final products.
- A **promotional plan**: this is necessary to ensure that the promotion of a product precedes its launch and continues until the product is withdrawn from the market. It should ensure that the primary selling features of a product are brought to the close attention of target consumers.
- A **distribution plan**

The business plan should also indicate how the cultural enterprise plans to protect, manage and commercialise their intellectual property assets for business success.

Adapted from International Trade Centre/World Intellectual Property Office, 2003: *Marketing Craft and Visual Arts: The Role of Intellectual Property: A Practical Guide*, Geneva, ITC/WIPO.

Box 4.8

Festivals help artists grow

“An artist cannot exist in a vacuum as we tend to do in Zimbabwe. Having international art and artists around us, even for a short time, gives us something to measure ourselves against and helps us grow.”

Debbie Hawkins, a Zimbabwean actor commenting on the utility of the Harare International Festival of the Arts (HIFA).

Box 4.9

A how-to guide to craft fairs

UNESCO and the International Trade Centre published *International Craft Trade Fairs: a Practical Guide* in 2001. This guide walks small craft enterprises through the process of preparing for and participating in international craft trade fairs so as to derive the greatest benefit from these. The guide provides information and advice on identifying, selecting, budgeting and planning participation in fairs, and how to follow-up for maximum impact. A useful directory of key specialised international craft trade fairs and of on-line databases is included.

Box 4.10

Key questions to facilitate strategic thinking for cultural enterprises

Market

- Who is our market? (What age? What gender? Where do they live? What do they do?)
- What income do they have at their disposal to purchase our product – play, concert, craft product, music CDs/cassettes, paintings, etc.
- How do we ensure that they spend this income on our products rather than on the competition or other substitutes?
- How do we generate new markets and increase our market share locally, regionally and internationally?

Creative inputs

- Who provides our creative inputs– artists, composers, scriptwriters, designers, etc?
- How do we generate “new inputs” that correspond to our demand (competitions, festivals...)?

- What contractual and financial conditions are best suited to ensure that they are productive and dedicated (i.e. how can we contribute to fostering creation)?
- What skills training support do they require (in terms of creative, artistic, and technical skills)?
- What management support do they require?
- What support do they require in terms of access to equipment?

Production facilities

- How do we use existing facilities for our products?
- What is the opportunity cost of developing our own facilities (e.g. theatre, arts studio, kiln for clay products), independently or in coordination with other actors, as opposed to making use of existing facilities?
- What steps can we take and what steps should others be taking to ensure greater access to necessary equipment?

Circulation and distribution

- What circulation and distribution channels can we utilise to make our products more accessible and affordable to our market?
- Should we develop our own circulation and distribution channels or should we co-opt existing channels (locally, regionally and internationally)?
- How do we monitor the nature and extent of audience reception for our products (sales records, competitions and awards, newspaper coverage, market research...)?
- How do we use the feedback in terms of audience reception to refine our operational strategy?

Partnerships and growth strategies

- What strategic partnerships can we develop to ensure that our business interests are protected and promoted? (e.g. fight against piracy, copyright protection, capacitybuilding and skills training)
- What complementary business partnerships can we craft to facilitate the growth of our business? (e.g. relationships with the media, establishment of collective marketing associations)

Trends, contextual impediments and opportunities

- What are the global, regional, national and local trends affecting our business?
- What do they mean for the growth of our business and that of our competitors?
- How do we diminish the negative impact of contextual impediments to the growth of our business?
- How are competing or complementary businesses responding to these impediments?
- How do we maximise opportunities to leverage growth in our business?

- What actors have a stake in these opportunities and how should we relate to these other actors?

Box 5.1

Developing the local market

AGEXPRONT, a non-traditional export promotion agency in Guatemala has had a Handicraft Commission since 1993. Although the commission has done a lot of work to increase access for its artisans to export markets, it has not neglected the development of the local market. The agency developed a programme with three major chain stores that agreed to hold bazaars of high quality crafts in all of the shops in different months of the year. This has been a successful initiative, providing artisans who may not have an exporting capacity with an important market outlet.

Box 5.2

The UNESCO-AHPADA Seal of Excellence

UNESCO and the ASEAN Handicraft Promotion and Development Association (APHADA) established a Seal of Excellence for craft products from South-East Asia in 2001. The Seal is not an awards competition, but instead acts as a stamp of approval guaranteeing that the craft product or product line has met the highest standards of quality and has been produced with careful regard to cultural authenticity and environmental conservation. The Seal, through its notoriety, serves as a marketing device for the products that receive it. The marketing benefits for Seal recipients are amplified through the organisation of an annual exhibition and trade fair of Seal products and an electronic database and e-commerce website (www.ahpada.com) developed for these products.

Training of trainers workshops for Seal producers have also been organised. Since its launch, the Seal has succeeded in raising the standards of Southeast Asian crafts and in improving their marketability. It is foreseen to expand the Seal into other Asian regions in the near future.

Box 5.3

Culture banks: an innovative micro-finance programme

In January 2002, the World Bank-sponsored Development Marketplace awarded a grant to "Building Creative Communities in Mali". This innovative project is built around "culture banks", local institutions providing access to credit that allow community members to use cultural objects as collateral for loans. The objects are then displayed in the village museum, and local entrepreneurs are able to access much needed credit.⁸⁹