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A SOUTH AFRICAN ANTI PIRACY VENTURE THAT SEEKS TO ESTABLISH A RETAIL NETWORK THAT WILL SELL GENUINE DVD'S INTO THE WORKING CLASS MARKET WHICH IS CURRENTLY SERVICED EXCLUSIVELY BY DVD PIRATES.

prepared by Mr. Ben *Horowitz, a Producer and Director, Johannesburg*[*],

1. Origins

Bliksem is an Afrikaans word of Dutch origin meaning lightning. It has over the last 100 years come to mean a whole lot of other things too;

- "To strike" as in "I'll Bliksem you!",
- a light expression of displeasure as in "Ooooh Bliksem, I stubbed my toe",
- a call to greater powers or being gobsmacked, like when you discover your car missing in the parking lot "Bliksem!!"
- or a rude word to call someone "You Bliksem!".

[*] The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO

- That it's considered in conservative Afrikaans circles a profanity probably comes from staunch Calvanist roots where even the mention of lightning could invoke the wrath of God.
- Bliksem is also the name of the greatest anti piracy venture in the world.

I'm a film and television practitioner. 25 years ago I gave up surfing and studying Zoology to join what was the greatest circus I had ever seen. I achieved moderate success as an Assistant Director, Producer and Director across the sectors of documentary, commercials, feature films and television drama.

My passion is independently produced South African story. But the local content production industry in South Africa is in a state of crisis, especially for independent producers.

Our successful industry is "service" based. Our versatile locations, skilled crews, suitable weather and favourable exchange rate make South Africa a desirable destination for foreign producers. Research commissioned by the Cape Film Commission calculated that in the 2006/2007 financial year the film production sector contributed over $450m to the national economy.

We make award winning commercials for our own and international corporate clients with local commercial production turning over close to$100m a year.

We have a television production industry rooted in a 3 channel state broadcaster, a free to air commercial station, a subscription entertainment channel and a growing plethora of satellite based content providers.

We have a cinema industry too, which services a small middle to upper income market and only within major urban areas.

Television is the greatest producer of local content and one would hope that our filmmaking ambitions could be realised through this medium, but due to problems within the state broadcaster, television drama production has slowed down.

Our local content feature film industry is developing. Our films are maturing and we are enjoying the move from a stifling period where all filmmakers could talk about was the devastation of apartheid. From 1 or 2 features a year in 2000 we are now producing about 8 a year. In this sector, the producer's sights are set firmly on cinema release and the golden carrot of international recognition and distribution. But our feature films face very stiff competition. Our ambitious $.5m to $2m budgets must compete in cinema with the latest $100m Hollywood blockbusters. Our filmmaking has yet to take form as an attractive international brand.

We've enjoyed some success in films like "Tsotsi", which won a foreign language Oscar in 2006. "District 9", an Oscar contender in 2009, was created by a South African but produced by New Zealand's Peter Jackson. On the local front the well produced and well written "White Wedding" has broken even and its formula of accessible simple comedy backed by a television soap star offers some hope for the future. Then we have our own phenomenon, Leon Schuster, who produces slapstick candid camera comedy that makes a fortune at local box offices. Leon Schuster is our only profitable film brand. His producers are possibly the only independent producers in the country who actually make money from selling their product. Everyone else is working for a fee, a cut of the budget or nothing but the hope that their product of genius will somehow find its way to international fame.

Our dilemma stems in part from the fact that there are no South African independent film producers successfully servicing the demands of our own working class market.

In Gauteng alone there are 1.5 million households earning an income of between R2000 and R10 000 a month. This is the market that producers should be servicing. The demand for home entertainment in this market is massive. Walk into any Soweto home and you will find a television set, a DVD player and an 8 inch stack of DVD's, usually without boxes. The television set plays continuously with local soap operas being the most popular fare. But our television programming does not satisfy the viewing demand which is bolstered by high unemployment and more television viewing time than is desirable for any economy. DVD's fill the gap. Unfortunately for local independent producers these DVD's are supplied to this market almost exclusively by pirates.

And so the Bliksem dream was born.

2. The Idea

If we could penetrate the working class market and get a big enough share of the pirate's monopoly we could produce low budget, local content local language films for the straight to DVD market. The Nigerian producers have developed a $250m industry based on direct to DVD low budget films. The Nigerians do it, why can't we? We're not the first to think of this. Our local king of pop, Sello "Chiko" Twala produced a string of low budget slapstick "Swak" movies revolving around the antics of a retarded clown and a fake priest. "Swak" is what the trendy Sowetans call movies without good lighting, continuity or smooth camera moves and which talk to real working class culture. Chiko claims he sold 100 000 copies of each film - from taxi ranks and the boots of cars. This would make Chiko second only to Leon Schuster in our roll call of honour. Even if his figures can't be verified, his apparent success is inspirational for us. One thing's for sure; his movies are to be found in every stack of DVD's lying next to Soweto's television sets…most of them pirated.

There's more to prove the demand for low budget local content home entertainment. Nigeria's film production industry has grown to such an extent that satellite broadcaster DSTV now runs two 24 hour channels showing Nigerian films throughout Africa. In South Africa, DSTV offers an entry level package of satellite content that includes these two channels. They are very popular. MNET, our pay television entertainment provider, recognises that the popularity of Nigerian films in South Africa is due to the content which is speaking to locals as Africans. MNET has recently launched an exclusively local content channel.

So it's simple. Create a retail network that services the working class market and produce low budget DVD's to sell through the network. It's a nation building, employment creating, film industry saving idea. The window for DVD sales remains open so long as South African broadband costs remain as high as they are and other digital platforms remain out of reach of our target market. There are at least another 3 to 4 years of DVD's being the predominant vehicle for direct sale content.

Independent producers loved the idea. So did the National Film and Video Foundation. So did the Department of Trade and Industry. So did the distribution companies. So did the South African Federation against Copyright Theft. So did the City of JHB who would love to clean the streets of the pirates. Wow, we were getting a lot of support… in principle. All that was needed was research that could inform a business plan and then some financing.

3. The Pirates

According to SAFACT more than half the DVD's sold in South Africa are sold by pirates. In six months in 2009, SAFACT confiscated over 550 000 pirated DVD's. This is just the tip of the iceberg and the raids have done little to stem the flow of illegal product. From our own research, extrapolating what we have seen first hand in the Johannesburg JHB city centre, we estimate that the Pirates are selling up to 15 million DVD's a year nationally. It's substantial, considering that only 10 million are sold through the formal sector.

Johannesburg city is home to the most lucrative DVD pirate market in the country.
Over the last 10 years, as financial corporations have partnered with law enforcement to clean up their parts of the city, so have the buskers, criminals, street kids, gangs and homeless been swept into corners out of sight of the banks and mining houses. In these areas it's a matter of survival of the fittest. One such area is the commuter hub around Park Railway Station and its adjacent taxi ranks. Every day 1.2 million people commute into Johannesburg by train, taxi or bus. These commuters are our target market and every day they run the gauntlet of street traders, hustlers, petty thieves and pirates between their transport and their work. The commuter's buying habits show that impulse shopping is preferably done in the street on the way to and from work.

On any afternoon, up to 30 illegal vendors can be found on "The DVD Highway" that runs from the Cnr Bree/Sauer to the Park Station entrance on DeVilliers street.

The pirates have been established on the streets for more than 5 years. They have become a part of the street culture and *status quo* with most law enforcers not regarding them as criminals despite the fact that they are breaking the bi laws because they have no permits and they are breaking the Film and Publication Board Act by selling DVD's without a licence.

The commuter district is not a very dangerous place to shop. There is a low level of violent or petty crime aimed at the commuters. Foreign criminal syndicates have in fact helped clear out the muggers and opportunists that the area used to be famous for. The pirates know that their bread is buttered on the side of a safe commuter market not scared to spend money on the streets. Of course if you're looking for hard drugs or arms, it's not a bad place to go shopping either. A kind of unwritten agreement between the police and the criminals seems to be in place. The police turn a blind eye to piracy because it's low down on their list of priority crime. Corruption is evident at low and high levels; policemen on the beat receive R20 handouts during their rounds (or free DVD's) and rumours abound about high level ranking officers "eating with the pirates".

In JHB it's a Mozambique gang of young men selling the DVD's on the streets. They are tight knit and very professional. They know their product, they know the streets and they know their customers. They communicate via sms, warning of raids by unfriendly police, and as we personally experienced, can rally a group of 30 – 40 members at very short notice. They answer to a Nigerian syndicate who run legitimate businesses in the area and who we think are supplying the DVD's. The pirates are selling a wide variety of counterfeit DVD's; music, the latest release Hollywood films, locally produced and unregulated hardcore pornography, swak movies, home produced videos of political rallies and high end local films. They lay their product out on cloths that can be wrapped up in seconds if they need to run from the police. The DVD's range in price from R10 to R20, depending on whether they are sold with a cover or not.

Bliksem's advantage is that the pirates have done all the market research. Where you see a pirate operating, you know there is a market. Our credo going forward was that three elements are required to successfully fight piracy:

- Provide a legitimate product at the right price.
- Educate the market about the detriments of piracy.
- Encourage enforcement and the rule of law.

It was important to run a pilot project to test sustainability before presenting the business plan.

4. Bliksem's First Steps

We built the Bliksem Bicycle, an inspired piece of art and a valuable tool in selling the idea to some local producers who all agreed to supply us with their product at massively reduced costs so that we could take the fight to the pirates. We recruited our own gang of vendors from Meadowlands in Soweto through Mxolisi "White House" Duma and ex political convict, tavern owner and youth development enthusiast. The Metropolitan Trading Corporation was helpful in giving us a temporary permit to test our wares.

Early on the morning of Saturday 20th June 2009, Bliksem set-up our bicycle and traded on the corner of Bree and Sauer street, the heart of the pirate stronghold in the Johannesburg CBD. Public interest was as enthusiastic as we anticipated. We were again convinced that the commuter market would embrace legitimate product, had never before been offered legitimate product on their daily commuting routes and were keen to support local industry and the fight against piracy. The question remained whether the market would pay double to triple the price for a legitimate product. We were retailing DVD's for R20, R40 and R60 as compared to the pirates R10 (R20 with a cover). Naturally we were not selling latest releases but a range of popular catalogue budget films, mostly action and action comedy, as well as our select local product.

When 10 illegal pirates arrived to set up their stalls in their usual spot, we confronted them and told them that what they were doing was illegal. Verbal abuse and aggressive body language followed. The situation was brought under control when the Metropolitan Police arrived and told the pirates that Bliksem had the right to set-up on the corner of Bree and Sauer Streets.

For two hours the pirates kept a low profile and we sold 4 DVD's an hour which was well within our target.

At 11h30 the pirates set up a stand on the same corner a little way down the road from us. We again confronted them and told them to pack up their stand. The situation got very tense with the pirates getting very aggressive. We held our ground. An SAP patrol arrived during the confrontation and the pirates withdrew with their stand.

After the SAP had left the pirates started frantic sms communication and were joined by another 20 or so comrades including a few expensively dressed older men who appeared to be in charge. Their body language and attitude was very aggressive towards us.

The pirates set their stand up again this time with police patrols ignoring our protests. We decided that it was too risky to confront them once more.

By the afternoon, the Pirates had set up another very large stand on the other side of us, literally hemming us in.

And so for the rest of the day, Bliksem traded under very trying and intimidating circumstances; reduced to a small part of the corner that we were meant to freely trade on.

From the time the pirates set up their stands our trade dropped from 4 DVD's per hour to 1 DVD per hour.

During the course of that afternoon, a number of police patrols stopped at the corner for a few moments and then moved on. All police patrols were friendly to the pirates and in one instance were seen buying counterfeit DVD's from the pirates.

By the end of the day there were about 40 pirates operating on the corner.

Despite everything, we felt that our test had been successful. We managed to hold our ground, engaged the market and sold 16 DVD's for a retail price of R480. This was a little under our target of 20 DVD's but considering the aggression and disturbances during the day, we were convinced that there was a market for our product.

We decided that Bliksem was not going to involve itself in a turf war. All it would take would be one stabbing and we wouldn't know where to turn. We would have to resort to straightforward legitimate business strategy and return to a city corner with more strength, security and enforcement support.

We were confident that we could sustain a secure 6 month pilot project based in the city center.

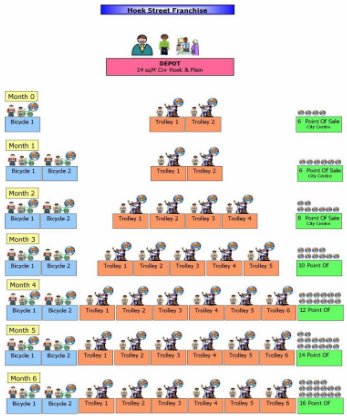
While developing the business plan, Bliksem was invited to exhibit at the Department of Trade and Industry's "Intellectual Property Day" celebrations in Pretoria. The day was spent educating the public about piracy, networking with stakeholders and selling DVD's. We were also invited to a SADEC conference on intellectual property and added our vision to their agenda.

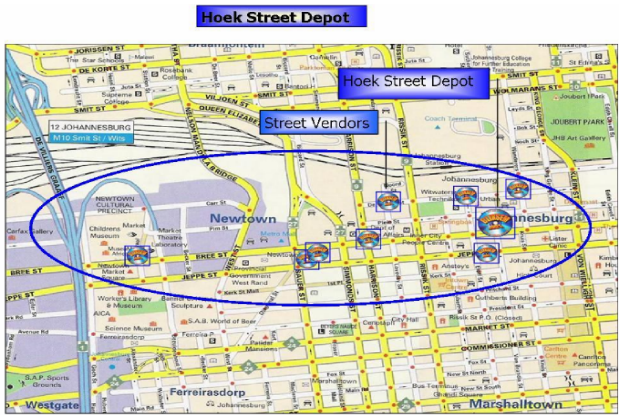
The business plan we presented to potential investors, including distributors, producers and venture capitalists encompassed a succinct vision and ambitious projections. It was backed by the market research and information outlined already in this paper as well as detailed capital expenditure, administration expenses and cost of sales and sales projections.

5. THE BLIKSEM BUSINESS PLAN

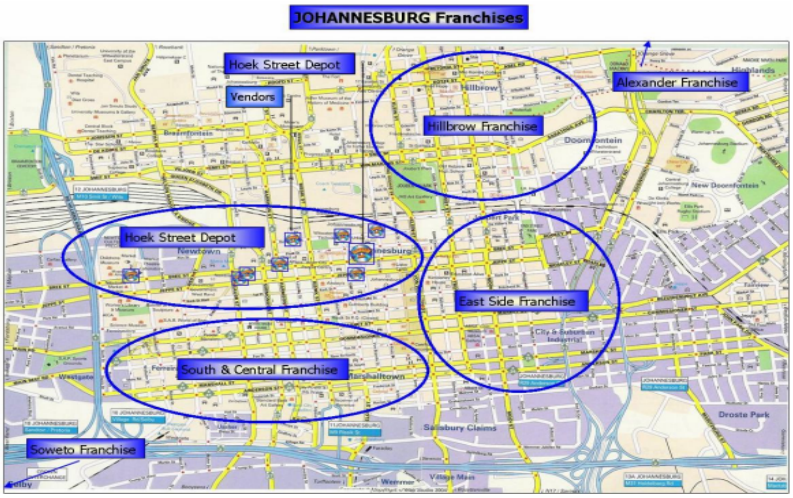
Bliksem would run a 6 month pilot project, "The Hoek Street Depot", from a depot and sales outlet in a new, secure "market mall" on the corner of Hoek and Plein Street in the Johannesburg CBD. Trading Spaces caters for lifestyle retail businesses. The centre is secure, includes CCTV cameras and security guards and is situated in a prime commuter market area. Most commuters walking from Metro Mall Taxi Rank and Park Station to the city centre use the Hoek Street pedestrian mall. Bliksem's immediate neighbours include an internet café, hairdressers, fast food, clothing and fashion outlets.

The small, inexpensive and branded depot would serve as secure storage for stock and vending stations, a place to issue and reconcile stock from vendors, an office and a sales depot.



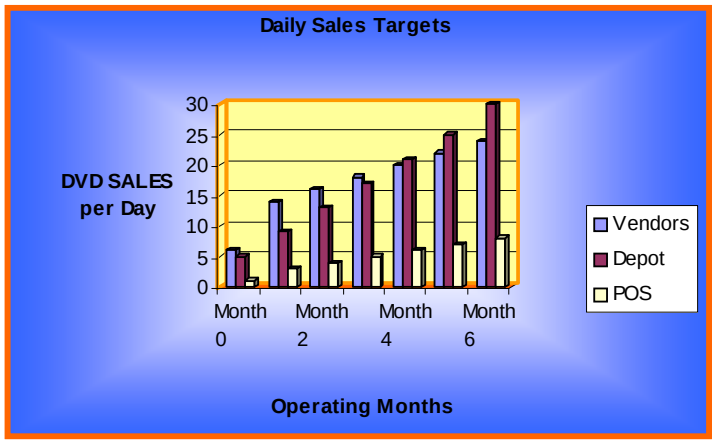


Over the 6 months, Bliksem would roll out 8 vending stations and 16 Point of Sale outlets in the area.

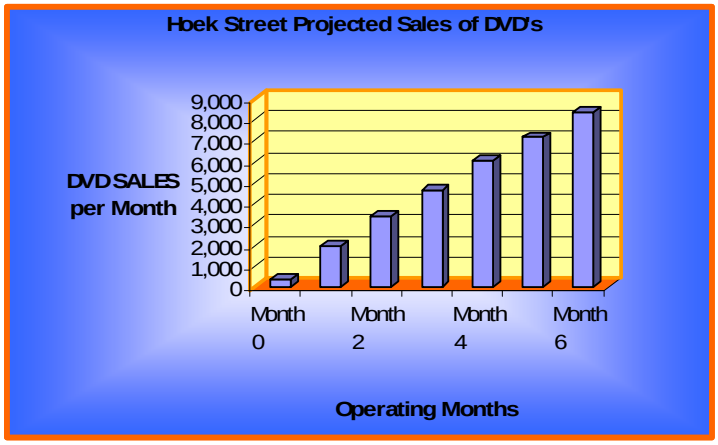


As the Hoek Street targets are met Bliksem would roll out 5 more Johannesburg franchises, based on the Hoek Street Depot model. Then we would expand nationally.

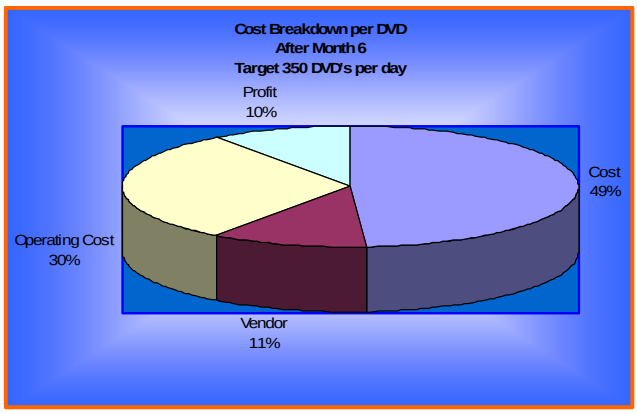
6. HOEK STREET SALES TARGETS



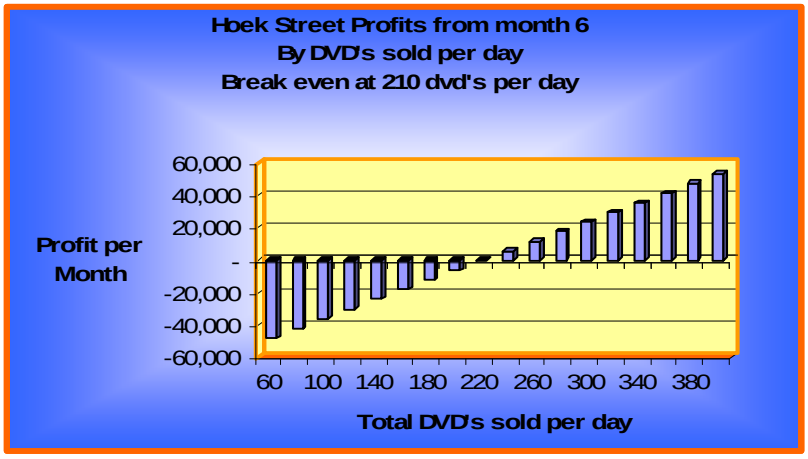
By month 6 The Hoek Street Depot would be selling 350 DVD's per day at an average retail price of R45 each. The pirates are currently selling over 500 DVD's at R10 & R20 each in the same area.

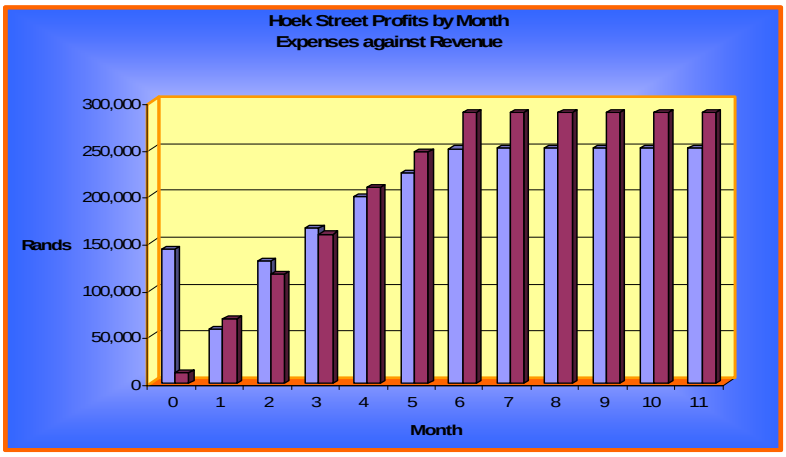


The Hoek Street Depot would sell over 8000 DVD's per month by month 6.

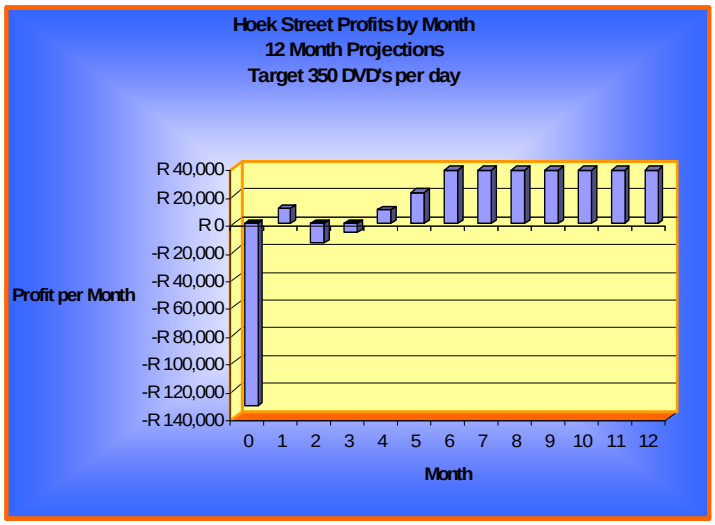


The Bliksem business plan showed profit margins of 10% per dvd and 30% operating costs. 11% was allocated to vendor employment/commission and 49% to cost of sales.



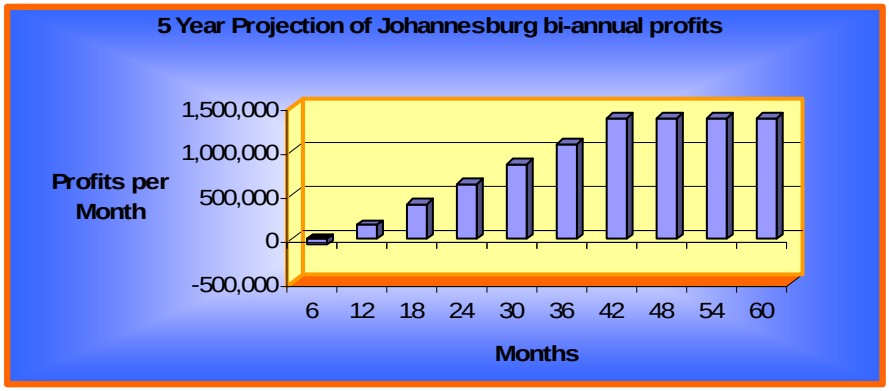


From a small investment of R 150 000, the Hoek Street Depot would start showing profit after 6 months.

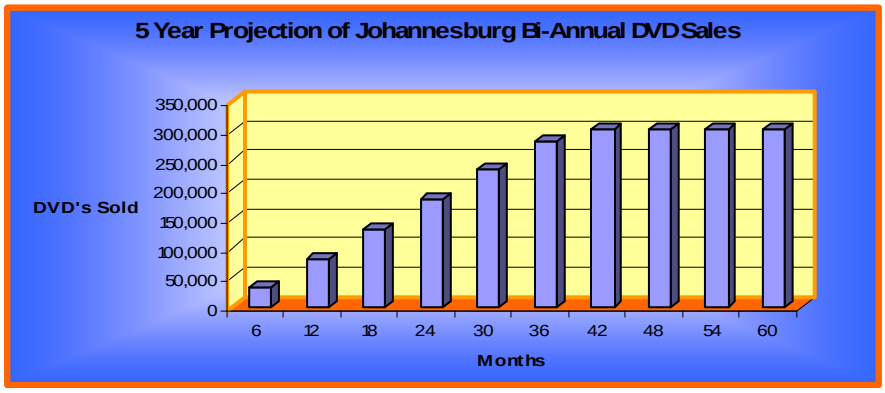


The Hoek Street Depot would break even after 1 year.

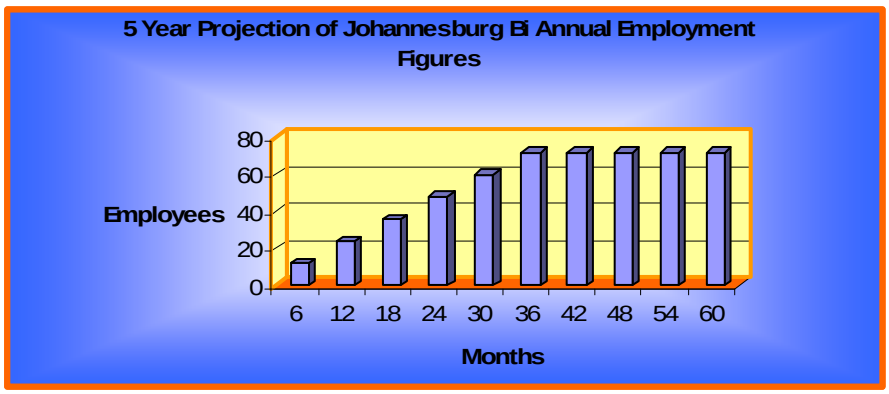
7. 5-YEAR PROJECTIONS



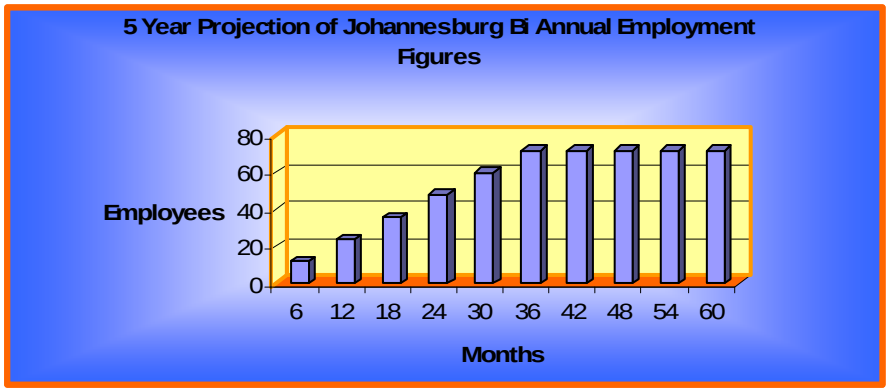
The 5 year projections of the 6 Johannesburg franchises showed a profit of R8 million based on conservative sales figures.



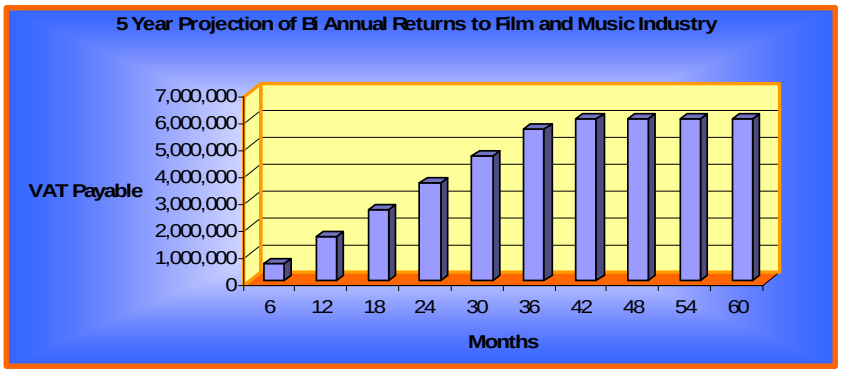
In 5 years, in Johannesburg alone, Bliksem would be selling over a half million DVD's per year.



The 6 Franchises would employ a minimum of 72 people.

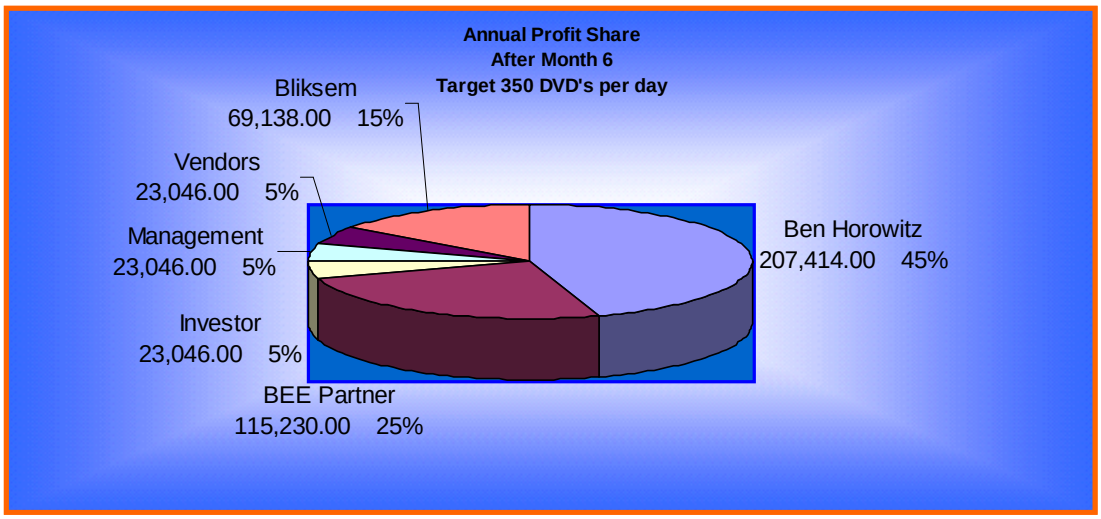


The 5 year projections of the 6 franchises showed a VAT return to the receiver of R12m.



Over 5 years In Johannesburg alone, Bliksem would return R43m to the Film and Music Industry.

8. PROPOSAL TO INVESTORS



In order to kick start the venture, Bliksem needed a cash investment of One Hundred and Fifty Thousand Rands (ZAR 150 000) in the form of a loan.

Bliksem would pay back the loan with 20% interest over two years and the investor would secure 5% of the shareholding of Bliksem.

Based on the conservative figures, 5% of share holding would realize a return of over R 20 000 a year for the Hoek Street Depot alone.

These projections were all based on returns excluding institutional support for training and development, corporate sponsorship and sales of franchises.

Finding Investors

Some investors were showing interest. Mostly liking the idea but some were skeptical about the business plan.

Nu Metro Home Entertainment, a division of media giant AVUSA were the ones that jumped on board and offered a small loan on reasonable terms as well as a good range of budget stock on consignment.
For our launch we enjoyed some good media opportunities. Financial Mail picked up on the story and ran a feature. SAFM interviewed us live for a Saturday morning slot. Film industry media did what they could to promote the venture and Bliksem launched to great fan fare and an exciting start.

9. THE OPENING

With 5 previously unemployed Sowetan youth, Bliksem DVD's opened our depot at Trading Spaces on the corner of Plein and Hoek streets in Johannesburg. A ceremony was conducted by three traditional healers who cleansed the depot and prayed to the ancestors to bless the venture and protect the participants. The traditional healers concluded that the ancestors were very pleased with the venture and they foresaw a bright future.

10. ANTI PIRACY CAMPAIGN

The opening was followed by an anti piracy campaign on the corner of Sauer and Bree Streets, the same corner where we originally confronted the pirates. At the launch which was facilitated by the Regional Director of JHB city centre, Nkosinathi Mthethwa, Bliksem was joined by representatives of The Film and Publication Board (FPB), South African Revenue Services Customs division (SARS), the South African Federation Against Copyright Theft (SAFACT), the Independent Producers Organisation (IPO) and the Gauteng Film Commission (GFC).

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JMPD officers were active in the area, keeping the pirates at bay and helping create a secure and safe environment. The day produced further proof of a receptive and demanding market.

The response from the public was phenomenal. Whilst the Bliksem DVD products were touted by the enthusiastic vendors, the participants tirelessly engaged with the public and made a tangible and positive difference to the mindset of hundreds of commuters, many of whom had never been enlightened about the facts of piracy.

The presence of the campaign created an enjoyable and festive atmosphere without the haphazard illegal vending and crowd of unaccountable pirate gangs usually associated with the corner. Many business owners operating in the area came to congratulate the participants, hoping that the campaign was a permanent installment.

As Bliksem engaged with the public, the extent of entrenchment of the piracy culture became evident.

One customer returned a DVD thinking it had the wrong film on it. It turned out that despite buying DVD's regularly, she had never watched one that had trailers and promotions on the front of the menu. She had mistaken a trailer for the movie she had bought.

Another customer ran back to the stall insistent on buying a second DVD because he was so impressed with the quality. He had bought a new large plasma screen, had been buying pirated DVD's all year and for the first time had seen what a genuine DVD looks and sounds like on his expensive system.

Bliksem was overwhelmed by the demand for their product and sold 250% above target for one vending station. The free t-shirts, donated by the Gauteng Film Commission, the presence of the organisations and the spectacle of the campaign helped boost sales. We sold 70 DVD's out of a steel box at an average price of R36.00, turning over R 2 530.00. The numbers were very encouraging. The sales figures proved what Bliksem have been speculating: The commuter market were willing to pay more than double for genuine products and a better brand if only it is available where they are used to shopping– on the streets.

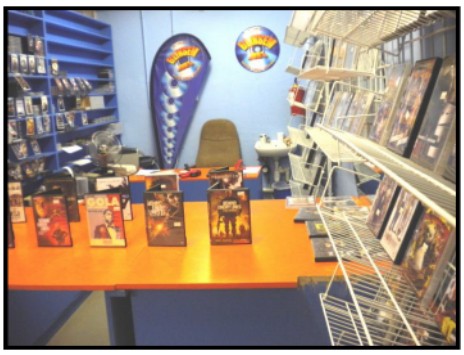
Now we needed to make the venture work on a daily basis. One swallow doesn't make a summer.

11. January 2010

Through 2009 we had been promised by The Metropolitan Trading Company that we would be issued with permits to trade in prime areas in the city. Unfortunately, due to political pressure from Trading organisations being exerted on MTC, these permits were not forthcoming. Although this set Bliksem back, we went ahead with the launch and recruited vendors who had existing permits to trade for us.

Through December and January we traded from the depot, a space in the street outside the depot, a stall in the Bree Street Taxi Rank, a Barber stall on Plein Street and a family market in Pretoria.

The Hoek Street Depot



The Hoek Street depot proved its worth as a secure depot in the heart of our target area. It had a disappointing amount of patrons so we focussed instead on setting up in the street.

The Plein Street Stall

We set up a stall outside the depot, in the entrance of an empty shop owned by our landlords.

Moses Bev's – Bree Street Taxi Rank

Moses Bevs started a Bliksem Stall at the Bree Street Taxi Rank. Moses was selling pirated DVD's before making a deal with Bliksem.

Ronnie Mpumelelo – Plein Street Barber Stall

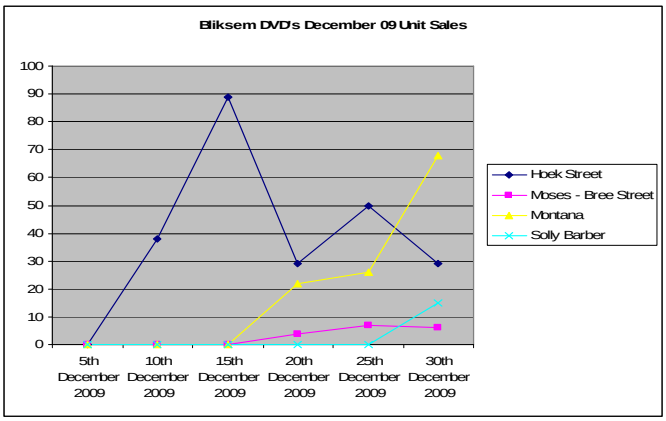
Ronnie was an established barber on the corner of Plein and Rissik streets. He offered very little display space but has a good customer base and was situated very near a taxi rank.

Montana Family Market

Thanks to the efforts of SAFACT and NMHE an opportunity opened up at Montana Family Market in Pretoria. The flea market had expelled all the pirates who had been operating there for years and management requested that SAFACT and NMHE recommend an alternative retailer. Bliksem opened a stall on the 19th December 2009.

12. DECEMBER 2009 RESULTS

In December 2009 we sold a total of 376 units. This was above target according to our business plan but was a little skewed because it did include sales from the Anti Piracy Campaign. We thought we would have done better in December if Bliksem had been better established so as to capitalize fully on the Xmas consumer rush. The lack of valuable permits also contributed to lower sales.



Nevertheless, sales were made, stock and cash control was tight, discipline was good and expansion a reality.

Initial concerns over security of the business in the city center, security of the vendors and intimidation from the pirates was quickly dispelled once Bliksem opened shop and started trading. The city was welcoming and the environment safe to grow a business in.

Many potential vendors approached Bliksem with proposals to open in Randburg, Dobsonville, Meadowlands, Pretoria, Hamandskraal, Fordsburg and Lenasia. The business model depended heavily on rapid expansion but we decided to perfect the logistics required to run the Hoek St Depot and Montana Market operation before expanding into uncharted water.

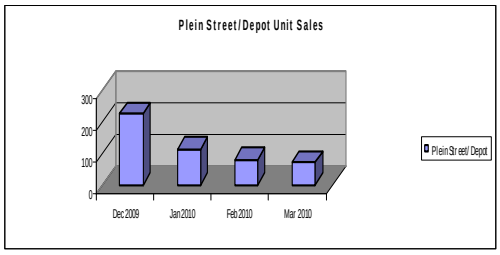
13. INTO THE DESERT

Over the next months, the encouraging support, business interest, customer enthusiasm and my own love of the idea didn't dwindle in the slightest. All that happened was sales dropped through the floor!!

Trading Spaces – The Hoek Street Depot

- The "shop" we opened never saw any successful sales – Trading Spaces did not live up to its promise of attracting browsing customers.
- We decided to continue using the shop as a "depot" because of the prime position for managing vendors in the area, the low rental and the good security.
- We focused on establishing a stall near the depot.

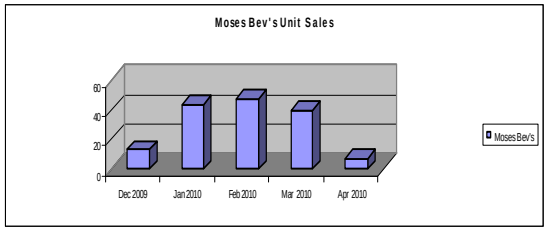
The Plein Street Stall



- Sales were good in December, but dropped radically in January and continued dropping through to March.
- In January the stall hit 65% below target. This dropped further in February and March.
- Bliksem vendors were running this stall and the low volume of sales determined that we had to lay off most of the vendors. This was a blow to moral.

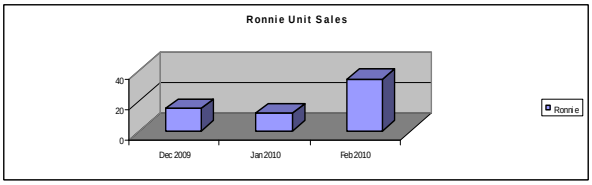
- We had to abandon the stall when the shop was let out in April.
- We then focused on trying to procure permission from MTC to trade from another space near the depot. This was only achieved 3 months later in June.

Moses Bevs – Bree Street Taxi Rank



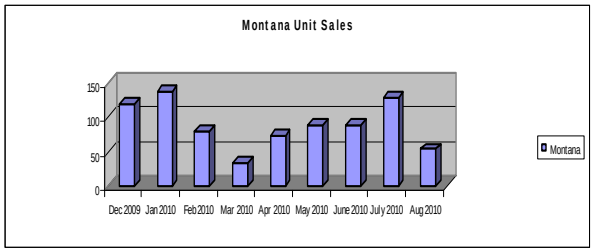
- Sales volumes were low, but consistent. The stall looked promising because management was relatively easy and the commission deal with Moses meant that any sales were better than none.
- But the low sales meant that Moses was only making an extra R300 per month which was not a model we could easily sell to other vendors, considering the amount of work required to run the stall.
- Moses had to close the stall in April when MTC proceeded with refurbishing that part of the market.

Ronnie Mpumelelo – Plein Street Barber Stall



- Ronnie's sales were very slow but again looked promising because management was relatively simple and he was working on a commission basis. The best he did was in his final month – but still hit 80% below target for a small point of sale stall.
- Unfortunately he could not make enough profit to warrant the amount of work he had to put in and Ronnie decided to stop trading Bliksem DVD's in March.

Montana Family Market



- Montana was different to the rest of our operation in that it catered for a middle class Afrikaans market. Because it is situated some distance from Johannesburg, we took on a partner who was going to manage and expand the Pretoria operation.

- Sales looked promising to start but our partner did not live up to expectations and left the venture in February, owing cash that he'd "borrowed" from sales.

- For March, April and May we did not restock the stall and ran a 20% off sale.

- In May we moved to a new more visible store refurbished the look and advertised for new management. We wanted more dynamic management and a sales person who could relate better to the Afrikaans customers.

- Zelda Van Rensburg did a good job of refurbishing the look of the stall, we invested in new stock and saw an increase in sales in July.

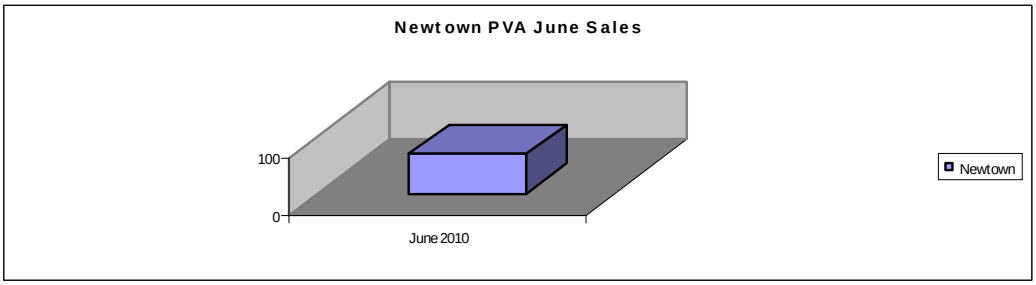
- Unfortunately Zelda proved to be unreliable and was dismissed end of June after she had helped herself to cash from the till.

- We then employed Phineas Montagatane who is proving to be very reliable and a good salesman. Sales for August look as good as July.

But sales are still slow and if we look back at the original business plan, we're hitting 75% below target for a stall this size.

Newtown Public Viewing Area (FIFA 2010)

- For the world cup we managed to get allocated a sponsored stall at the Newtown Public Viewing Area.
- The opportunity was embraced with vigor and we opened a stall for the month.



- The exposure at Newtown was good, there were no pirates operating in the PVA but still sales were disappointing.
- Sales were disappointing for all retailers in the PVA, due to the lack of spending power of those attending matches at that venue.

14. Why carry on?

We hung on tenaciously to the hope that when our permits came through things would change. We cut back on costs, reduced our employees radically, stopped taking stock on consignment, threw more money at the venture and focussed on establishing at least one vendor that would reach our targets. All we needed was one vendor who could sell at least 15 DVD's a day. The key was permission to trade in a prime position; the Hoek Street Linear Market, a new development under a roof, catering to approximately 20 000 commuters a day and a favourite haunt of a large pirate operation.

- We were fortunate to see a change of management at MTC and were given the necessary permission to have existing vendors in the Hoek Street Linear Market start trading Bliksem DVD's.

- At the same time we enlisted the support of the head of JHB crime prevention, Colonel Lategaan, who is passionate about fighting piracy, was having crime problems in that district anyway and promised to help clean up the corner.

- After a few weeks the South African Police installed a temporary police caravan on the corner.

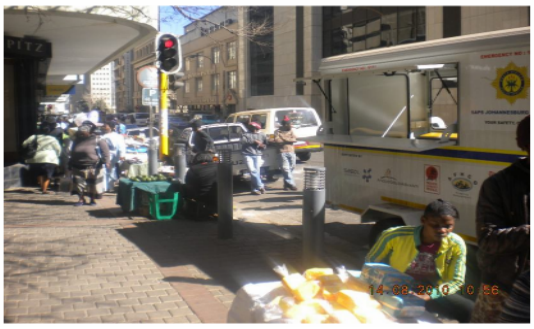
- By June the environment was looking good to open a stall.

- Due to trader politics it was proving difficult to recruit a vendor in the market but we eventually settled on Sergio Mitimucuio, a very hard working foreign national who has been selling kettles and nappies for 5 years on the corner right next to the market.

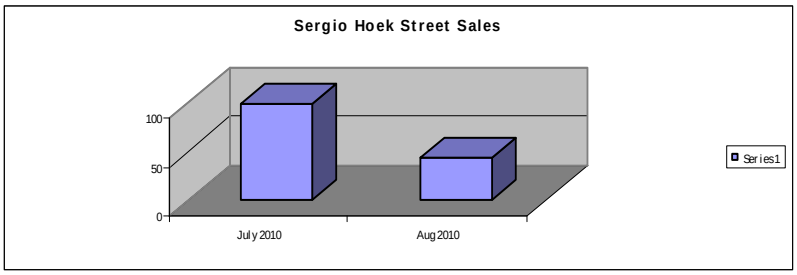
- Even though the stall is not directly in the market it is highly visible and enjoys a footfall of up to 2000 commuters at peak hours.

- We changed our display method and presented over 300 titles in two retail bins, focusing on price and range.

- Everything seemed set to boom



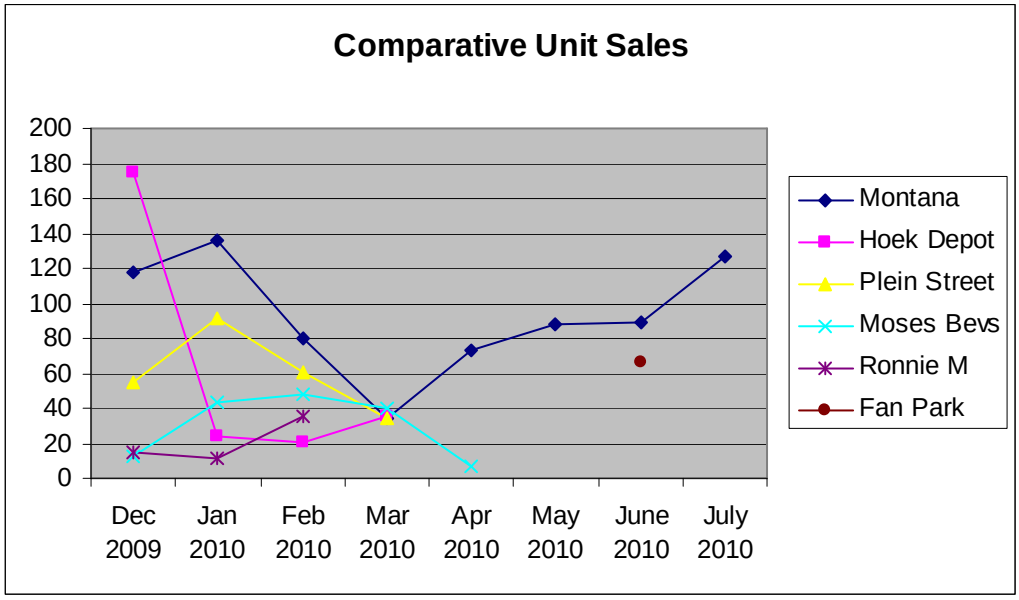
BUT, again, sales were disappointing!!

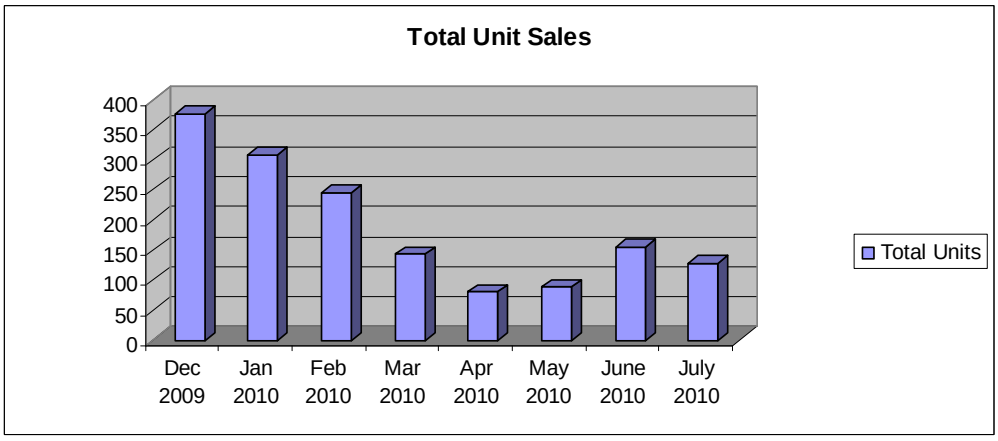


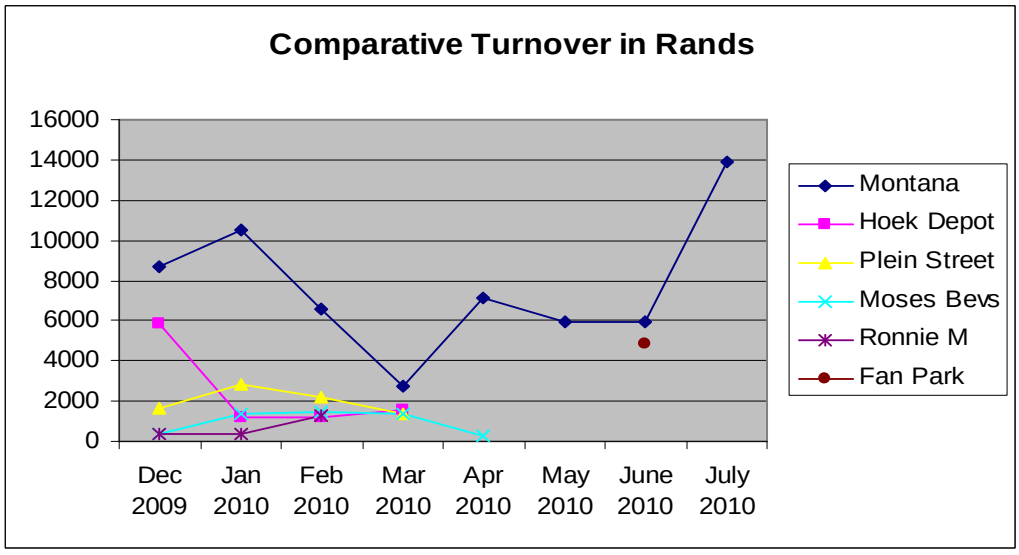
- Sergio reached higher sales than any of the other vendors in the city so we must have been doing something right. He sold 150 units over 30 days. An average of 5 DVD's per day - which was 60% below target.
- Even if Sergio was in a more prime position and doubled his sales, we would still not be achieving sustainable sales, for the vendor or for Bliksem.
- Sergio earned R720.00 in July and looks set to earn about the same in August. The rent on his stall is R300 per month.
- Even if we could miraculously double his income, this would still not enough to convince other traders to join the venture.

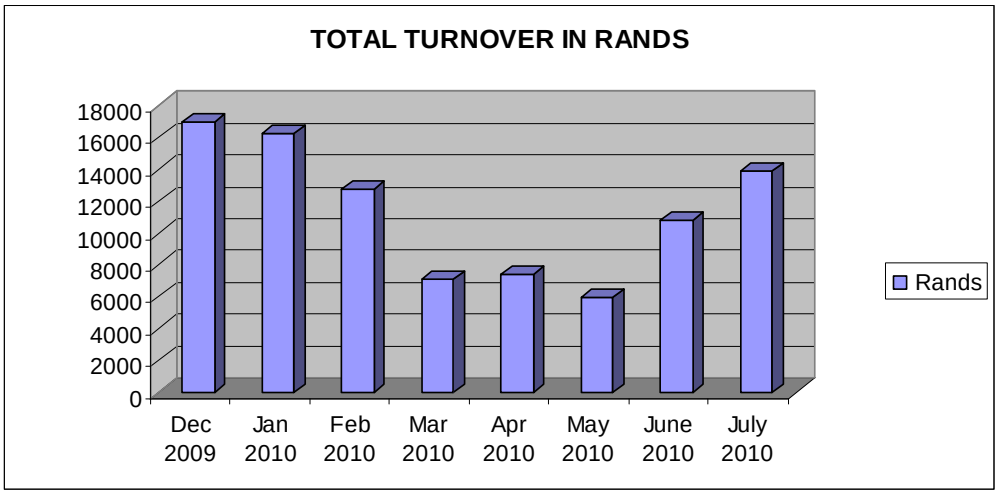
The time had come to face the reality. The model we were building was not working. We couldn't make the required sales.

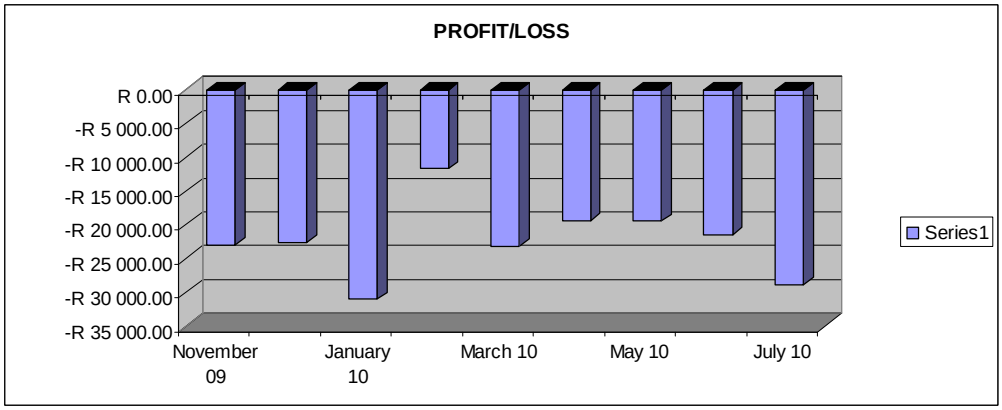
15. OVERALL RESULTS











Our investor's response to these figures was unemotional and their primary concern was about how we're going to pay back the loan and pay for the consignment stock that we've sold.

It's time to stop throwing good money after bad and to choose between a graceful exit or an end of month total shut-down. We've chosen to phase the venture out. We'll close down the Johannesburg city operation, move the stock to Pretoria and have a stock clearance sale which should at least help us pay some hard costs that at the end of the month.

Bliksem is R250 000 in the red, much of that owed to Nu Metro and Standard Bank. My wife and I are in for about R 50 000 of that, and I haven't earned a cent in 1 year. My energy is sapped and my dream is vanishing.

Our employees will be unemployed again and all we can salvage are some valuable lessons.

16. Why are we failing?

- Depressed economy – this is a legitimate reason. The working class market just doesn't have the money to pay the prices for the product that we need to become sustainable.

- Very strong competition – the pirates are very well established, brilliant strategists and the prices they ask are just too low for us to compete against. Our success at getting enforcement cooperation on one corner helped our sales… but not enough.

- Inexperienced retail management – I've made feature films which tends to endow one with an arrogance and a belief that anything is possible. I discounted my inexperience in retail and learned some expensive lessons.

- Stock purchase – The Montana stall caters for the top-end of the market whose demand for DVD's centres around the latest releases. Our customers are happy to support Bliksem who offer DVD's at just R10.00 below formal market prices. It's relatively easy to know how to stock a retail outlet in this kind of market. Every week a limited amount of new releases become available so it's easy to choose what to invest in. With a little knowledge of your customer base one can choose easily between 6 new titles and invest accordingly.

The difficulty arises in trying to choose new titles for a budget market. The commuter market's top end retail price is about R80. We can source catalogue movies to retail at this price and cheaper but the problem is the massive range of stock available. And because a stall's display space is limited it makes choosing your investment very difficult. What do you invest in when you have a choice of a thousand titles, do not have the capital to buy all the stock and do not have the display space to sell it? Even if it were possible to display everything available, how many of those titles would just sit on the shelf. We kept ordering titles that customers wanted only to find it sitting on shelf after 3 months. This one wants action – what action? This one wants Dolf Lungren – which Dolf Lungren?

Our experience with gospel content proves the point. For months we've been hearing from our vendors that customers want Gospel music. Our standpoint has been that we are in the film DVD business and only when that becomes sustainable should we be looking at music. When we opened in the Hoek Street Linear Market we again were told that our customers are crying for gospel. So we decided to invest in Gospel music DVD's. It made sense because it was still in the film realm and especially because a good quality music DVD must be attractive compared to the bad quality everybody knows the pirates provide. If you're going to play a music DVD at home you at least want something with good sound and pictures and something that will play more than once. We bought a range of 13 titles which included the best sellers Winnie Mashaba, Rebecca Malopi and Solly Moholo.

Over the 30 days that Sergio traded he only sold 1 gospel DVD.

- An over ambitious start – It must be said that we spent too much money when we first raised some finance. I thought we knew enough about the market to proceed and even though we didn't have the required permits in hand, believed we could make a go of it. If we had been more patient and waited until we had the Hoek Street Linear Market stall in hand, we may have had a chance to change the business plan to suit the real market. By the time we opened out premium stall, there was no more cash to try something different.

- Love of the idea – my vision of having young entrepreneurs becoming a part of our street culture and promoting a growing brand in the Johannesburg City Centre clouded the possibilities of changing the business plan to something less glamorous. I was a little obsessed with competing with the pirates we first met on the corner of Sauer and Bree Streets. We could have tried the tupperware party method, small stands within existing shops, other commuter areas, another shop in another area, more events orientated business like the anti-piracy campaign etc. etc. Instead all our energy went into proving that the dream would work.

- Confusing "Desire" with "Demand" – from the beginning we maintained that there was a demand for original DVD's in the working class market if only we could make the product

available and make it available at a decent price, even if it was double to triple the amount that the pirates were charging. Customers were not lying when they said the pirate brand was bad quality and that they wanted to support us, wanted original DVD's, wanted local content/local language films and were wanted to pay more than they were used to with the pirates. But these wants, as we have learned, translates into a "desire" – they do not have the cash in their pockets to call it a real market "demand".

- Underestimation of training costs – Good sales people are a rare commodity. We expected that a bright, young, ambitious and sober person would, after listening to an inspiring speech be able to go forth and sell DVD's. This is not the case. If you don't know about the product you are selling, you are going to struggle to sell it. In all cases, the Bliksem Vendors did not know enough about selling in general and certainly did not know enough about the films they were selling. I would experience the difference when I was present. I do not pretend to be an expert on films but I know more than the average consumer. A salesman must engage with the customer, draw them in, find out what they are interested in and then suggest what they should buy out of the stock available. Vendors need to be taught how to sell and they need to be taught about their product. We never budgeted for this beyond my inspirational speeches and casual daily tips on how to do better.

- We underestimated the value of a basic education when it comes to management. Without literacy and mathematics it is very difficult to contribute to the management of a business. In one particular case, when I was taking stock with an employee who had been with me for a month already, I began to question why it took so long for him to call out the title of the film. He would pick up the DVD, turn it over in his hand, mumble something incoherent and eventually hold it up for me to see the title. I realised he couldn't read and any success we had had until then was purely because he had been memorising the titles.

- It's easy to ask a vendor to lay out the DVD's on a shelf in order of price and genre. It's another thing when the vendor cannot read, has no sense of mathematical logic and doesn't know what a genre is. Training is not correcting and teaching somebody on the job – it's preparing somebody for a sustainable model.

- We underestimated the costs of marketing required – page one of retail maybe? The success of our Anti Piracy campaign is a good example. We operated from a big tent, we were giving away promotional T-shirts, there were lots of flags, lots of energy and lots of engagement. We sold 70 DVD's in one day – 250% over target. When it came to setting up our vendors, we never got beyond a sales sign and the DVD display. It wasn't enough. We never had the budget to make it bigger. It's here that I have the biggest regrets because from the beginning it was the bicycle and the inspiration and the confidence that sold the idea to the industry and the investors. I don't think we carried this inspiration to the market.

And so here we are… planning to close down the JHB business, holding onto Pretoria so we can salvage some pride and thinking that getting back into film production where we all work for a fee or a cut of the budget … is starting to look good.

Bliksem is an Afrikaans word of Dutch origin meaning lightning.

A bright flash, a lot of noise ……. and then it's gone!

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