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Telco partnerships boost the Growth of OTT Video Services in the Middle East and North Africa region

This Frost Perspective provides an insight into the trends shaping the market, viewership and subscription forecast, OTT video ecosystem, brief overview of the content catalog of leading market participants by language, and other factors

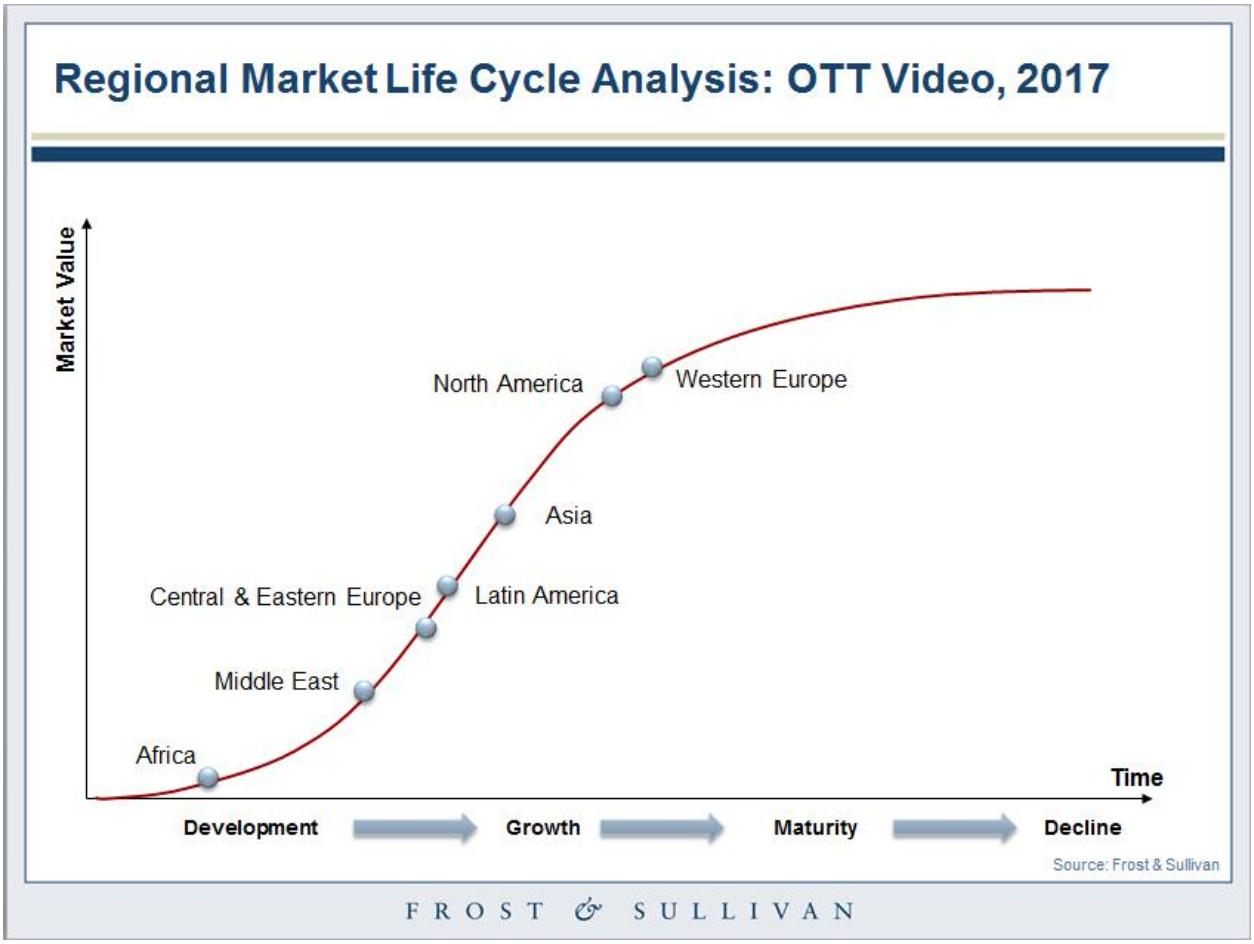
By Vidya S Nath, Director, and, Aafia Bathool, Research Analyst, Digital Media Practice, Frost & Sullivan

It is established through various forums in the media industry that 'non-linear video is the way forward'. Video-on-demand (VOD), or, if you were willing to expand the definition a little bit, over-the-top (OTT) video is disrupting viewership trends across the world. By 2020, at least 40% of all video viewed will be over broadband connected platforms. These platforms include individual OTT services or converged Pay TV & OTT services. Either way change is imminent.

From an analyst lens, we have been trying to measure the speed at which that inflection will occur over the timeline; the business opportunity for stakeholders in the media universe; as well as the change in the market landscape. Our team has been closely tracking trends and developments that will likely have a near term and mid-term impact over the growth of the market, by classifying developments in investments, product and service launches, partnerships and content strategies. This article provides an overview of the MENA OTT Services Market in 2017 and proffers an outlook for 2018.

MENA versus the World: OTT Growth Phase

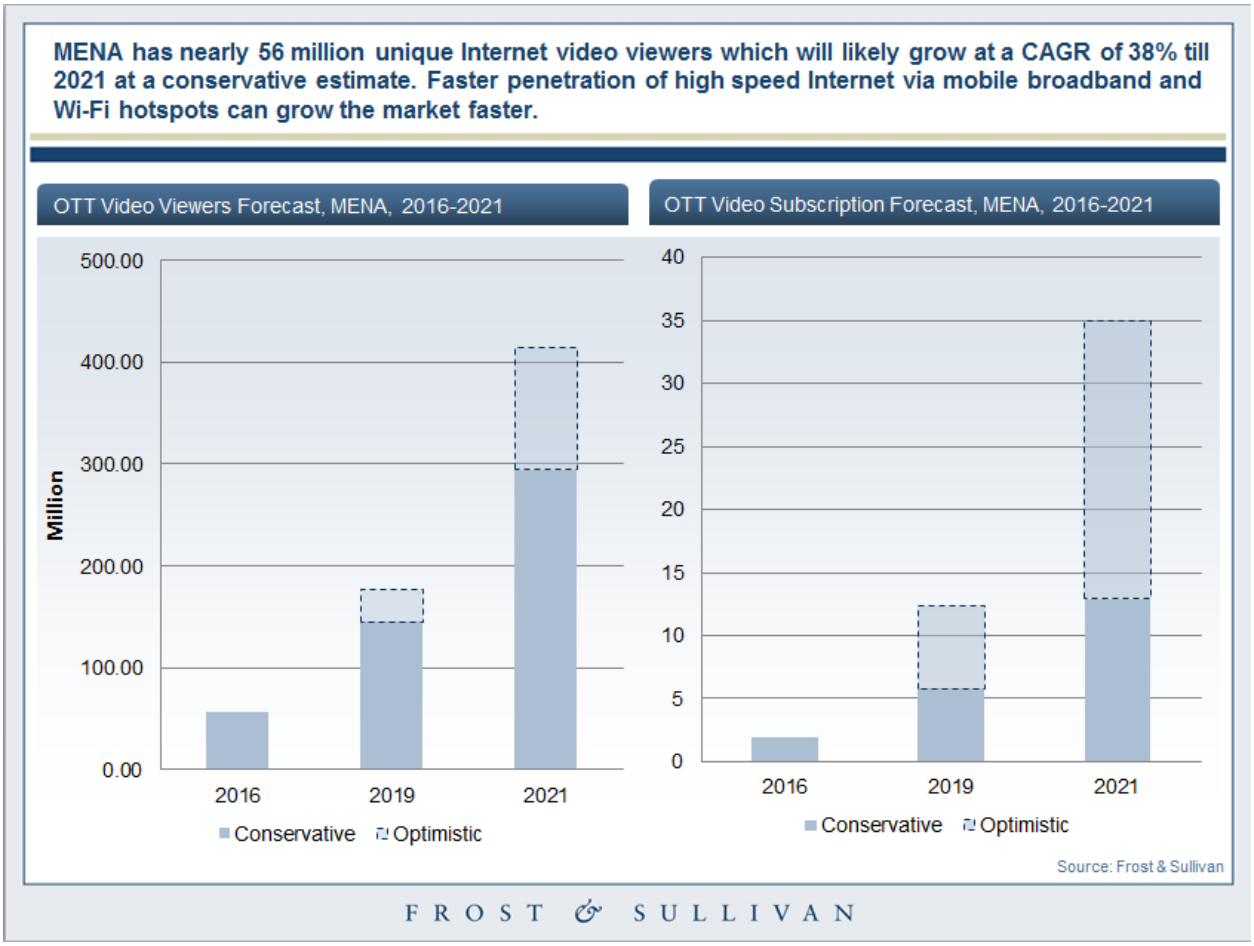
OTT adoption and service availability is quite uneven across geographies. Regions at an advanced state of adoption- North America and Western Europe- equipped with high broadband access well as number of services have already moved on to providing several videos in HD and 4K, while the rest of the world is grappling with how to provide seamless video over inconsistent broadband speeds.



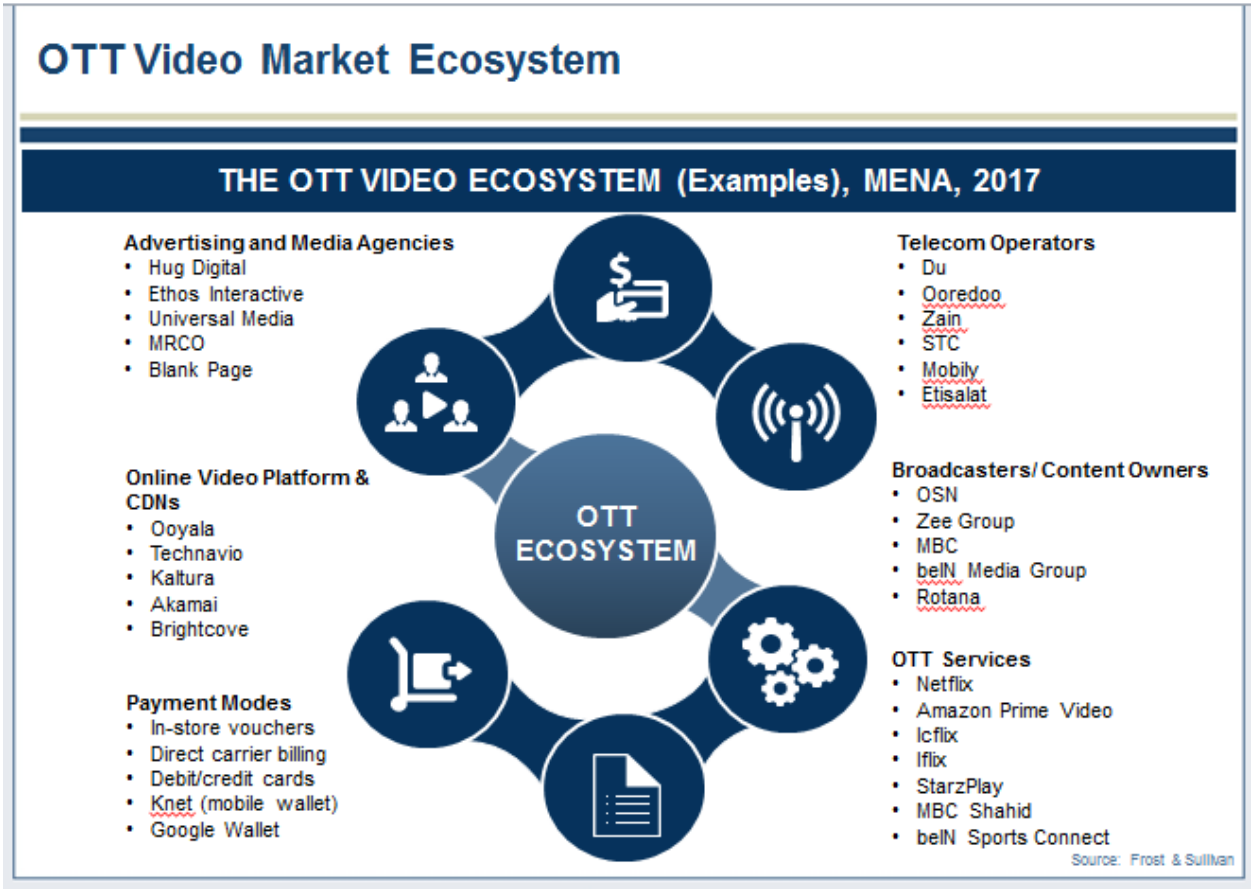
According to Frost & Sullivan's analysis, the MENA OTT Market which has about 75 million active viewers will likely grow at a CAGR of at least 38% in viewers and to US$775 M in revenue, by 2021. With a higher positive impact of better macroeconomic conditions, agility in driving broadband penetration, better digital advertising rates and more paid subscriptions, the region has potential to grow 1.5x in viewership base and 2.5x in revenue.

MENA's OTT viewership is still largely driven by Youtube which also harbors online channels for several TV stations. The other companies who have garnered sizable market shares are MBC's Shahid, beIN's beIN Connect, and Fox's NatGeo website.

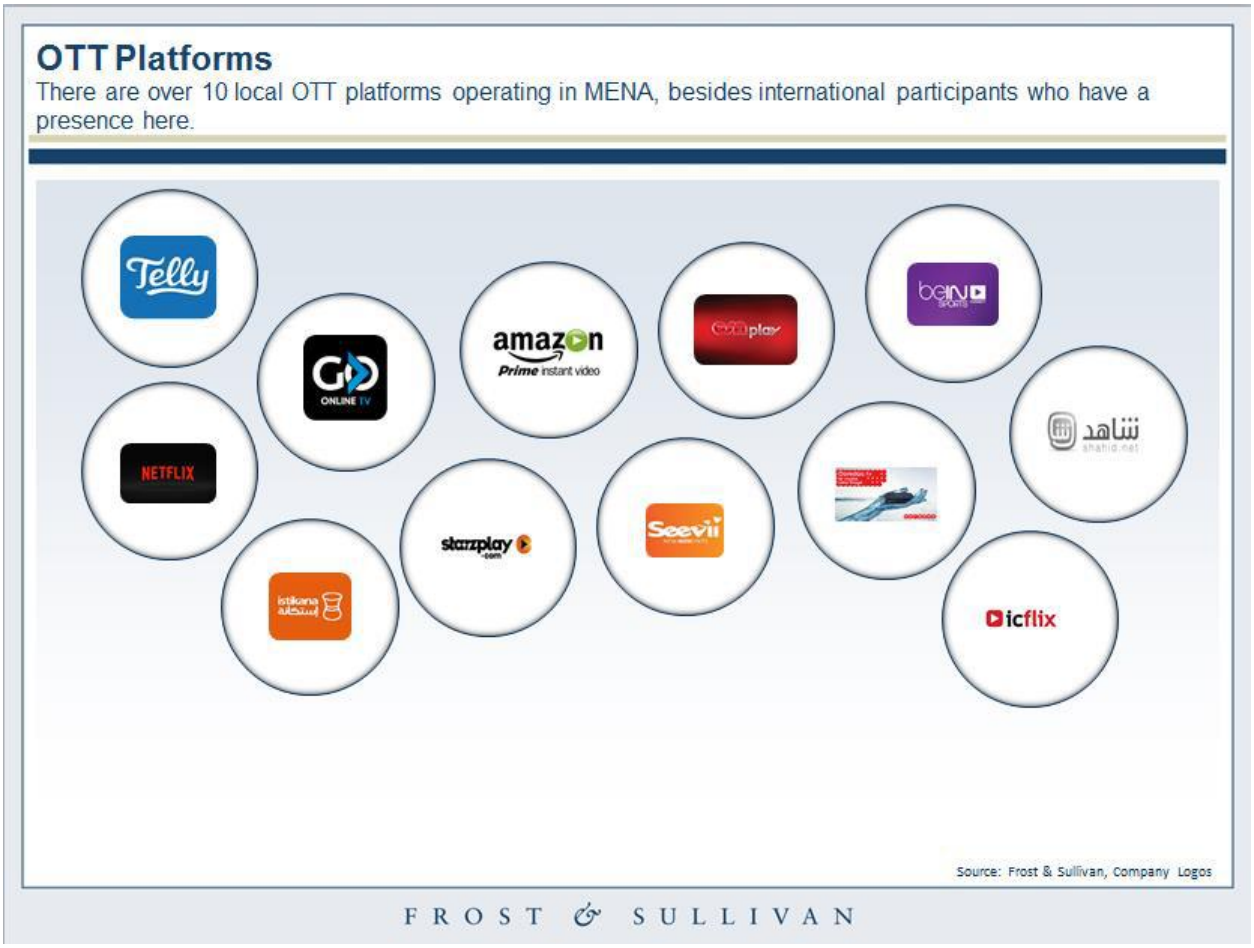
But the segment that MENA struggles with to expand in television as well as OTT is paid subscriptions. Highly dominated by free to air satellite TV channels, free videos, and pirated content, MENA finds it challenging to increase the percentage of consumers who are willing to pay for content.



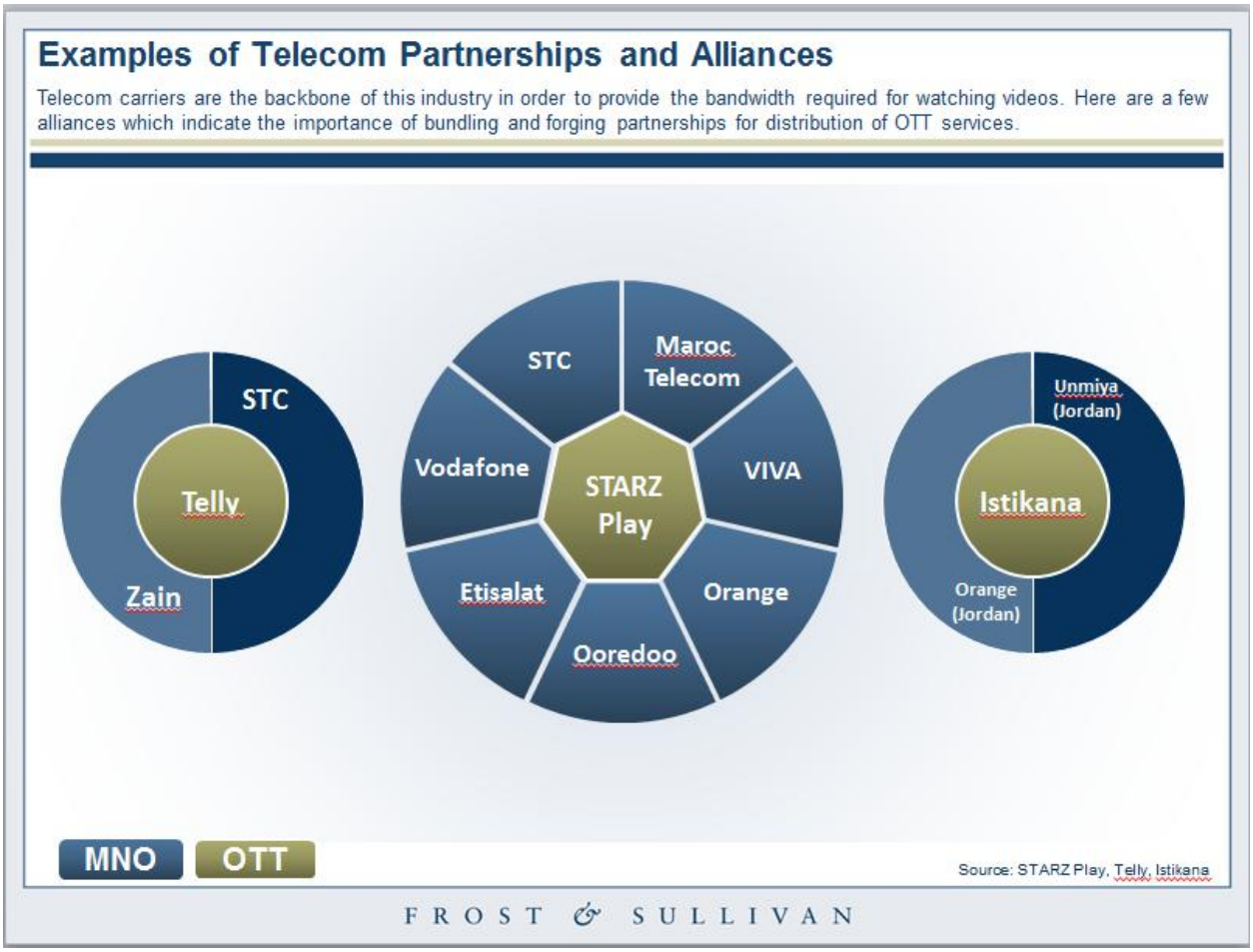
The OTT Ecosystem: The Growing Landscape



The ecosystem for OTT video services is growing including a number of technology firms that enable distribution, monitoring of QoS, payment, monetization and analytics. The challenges of OTT delivery to conform to different media sources, delivery types and streaming at variable bit rates to suit different devices continue to confound broadcasters and telecom companies, who rely largely on outsourced partners to facilitate the same.



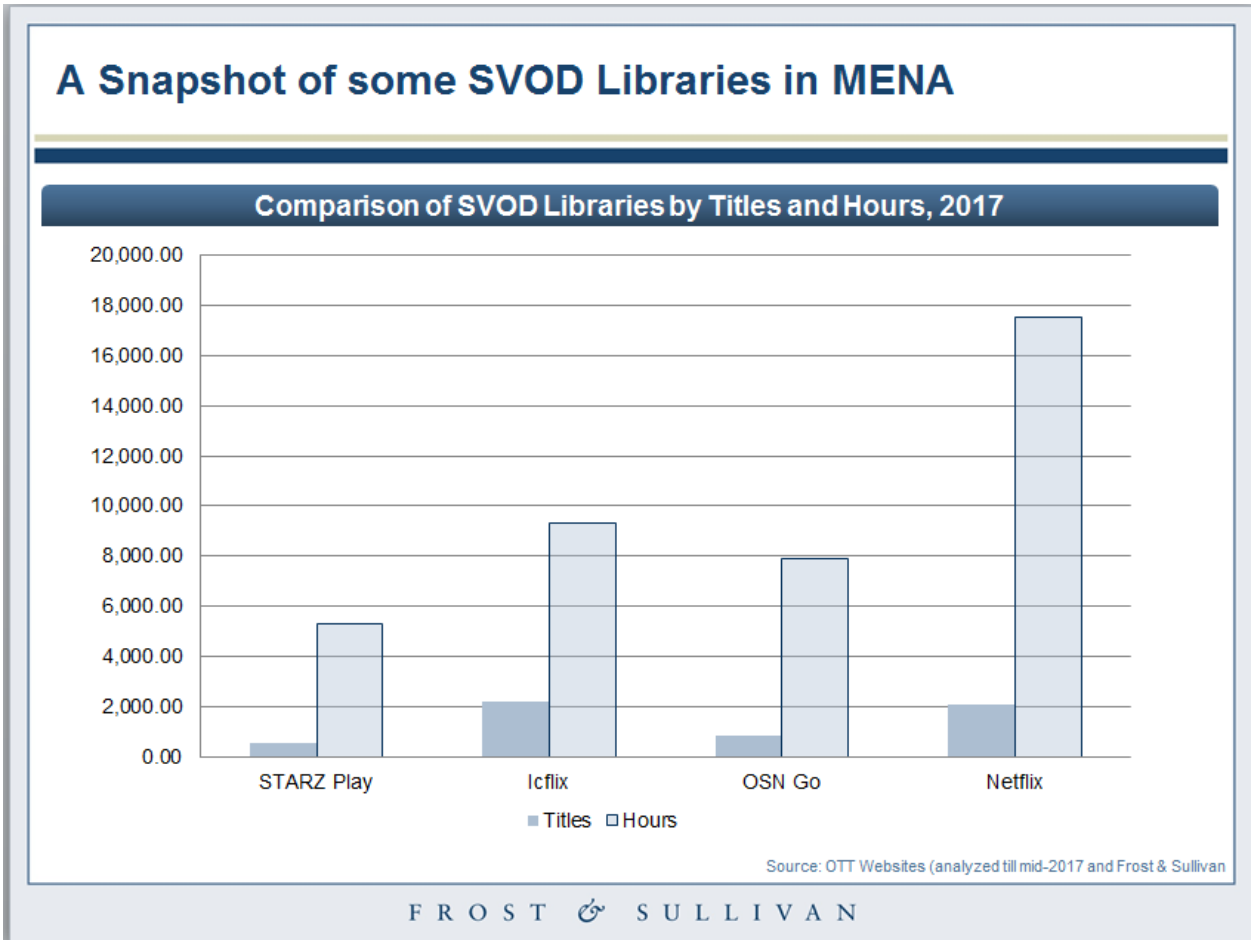
Several OTT providers today are piggy riding on partnerships with telcos to acquire their viewership base, assuring them of minimum guarantee of a subscriber base. Carrier billing is one strategy that will augment distribution and subscriptions due to low penetration of online payments.



As the number of service providers today are limited, telcos are careful to make their choices, as integration of multiple services into their platforms results are highly challenging technically.

Content Strategies: Localization is a priority

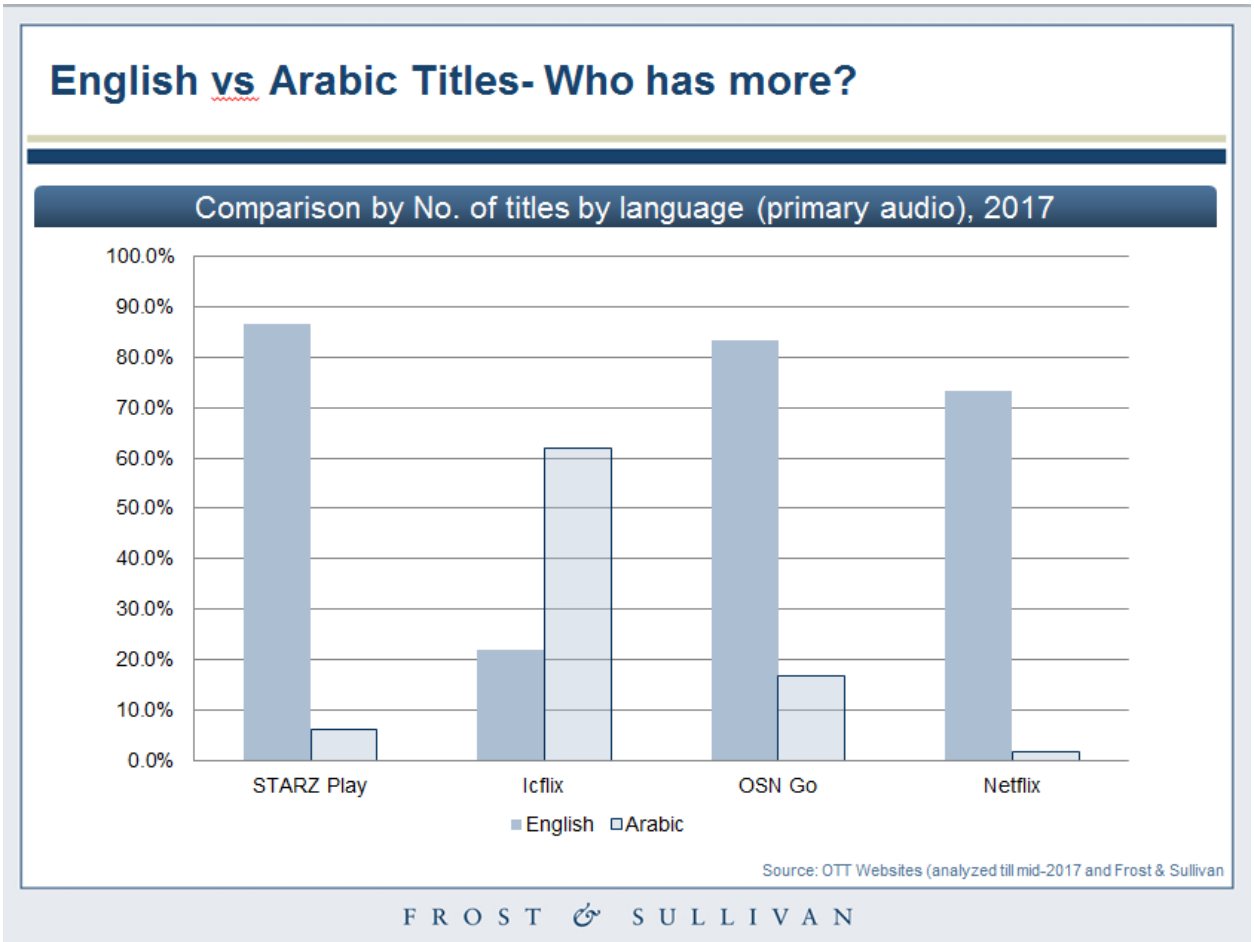
Among the SVOD OTT service providers we found that Netflix and icFlix offer over 2000 titles to subscribers across languages, while others have less than 1000 today.



The number of hours which is often another metric that SVOD providers compare each other on, fluctuates based on how many of the titles are movies and how many are series.

Globally we find that there is necessarily no relation between the volume of content, number of titles and the number of subscribers. Viewership is also driven by targeted marketing, as well as the age of the content in the OTT libraries.

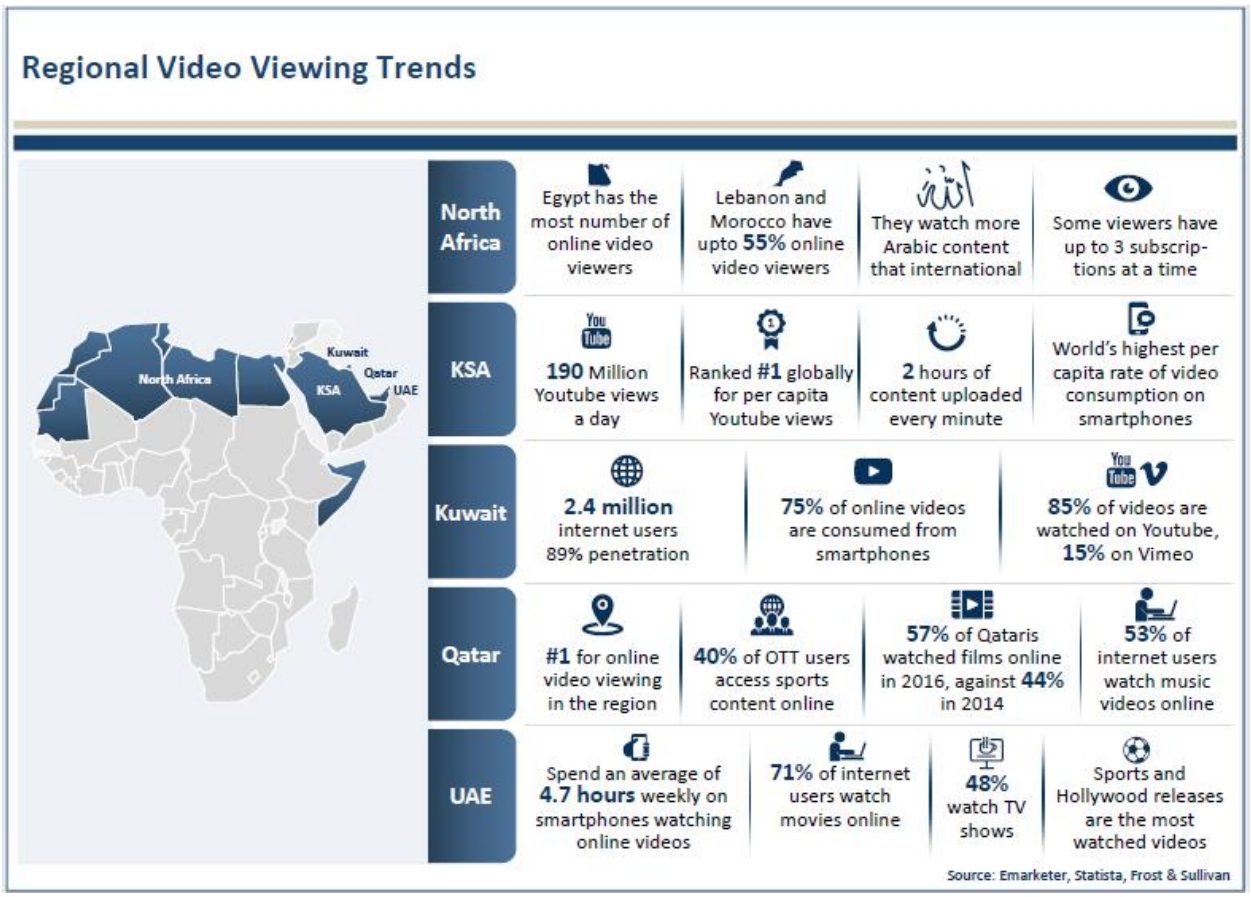
The gap that MENA OTT service providers have to bridge is that of content in Arabic.



Investments in OTT have been driven towards OTT-service providers. Companies such as Starz Play, IFlix and Viu have raised nearly US $500 million among themselves, but not all of it will be directed towards the region. Majority of investment activity for the region itself will be focused on content production, localization of international content. OTT platforms are also spending on building robust services, which are equipped with agility and scalability to cater to large audiences seamlessly.

Social Media: Will they embrace OTT video?

Leading social media platforms- Google, Facebook, and Twitter have all committed to increase their efforts toward building an effective video strategy. Video continues to be an application that offers a highly immersive experience which will ensure maximum Internet user retention on any platform. MENA will be no different.

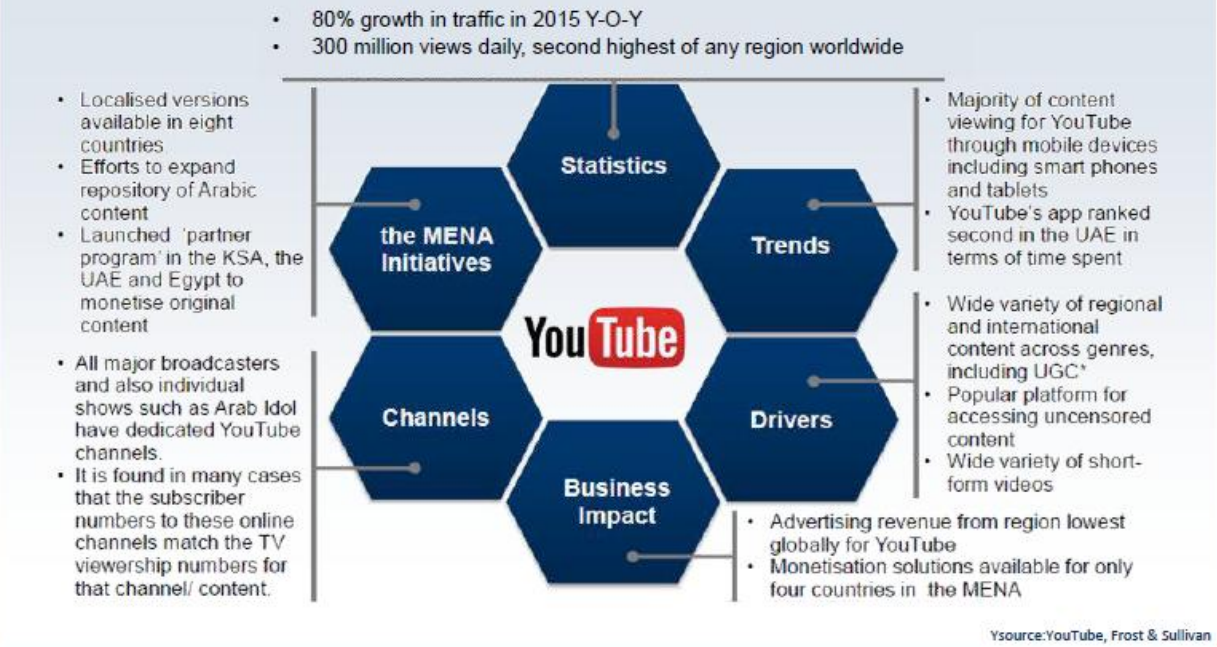


Youtube continues to wield considerable sway over the MENA market, especially in key markets such as KSA. It accelerated its efforts to localize the platform for multiple countries and its blend of multi-lingual free content helps its continued popularity.

YouTube Incumbency

Despite the influx of many regional OTT platforms, the invincible position of YouTube can be traced to a multitude of factors

YouTube Trends, MENA, 2016



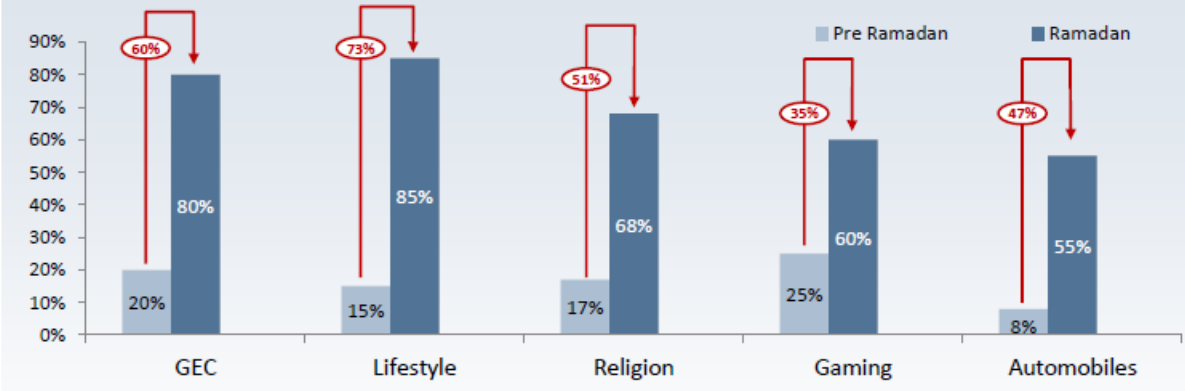
Ysource:YouTube, Frost & Sullivan

In addition, Youtube sees significant spikes during the Ramadan season.

YouTube Incumbency

Online video experiences a seasonal burst during the holy month of Ramadan. Mobile phones record the most traffic.

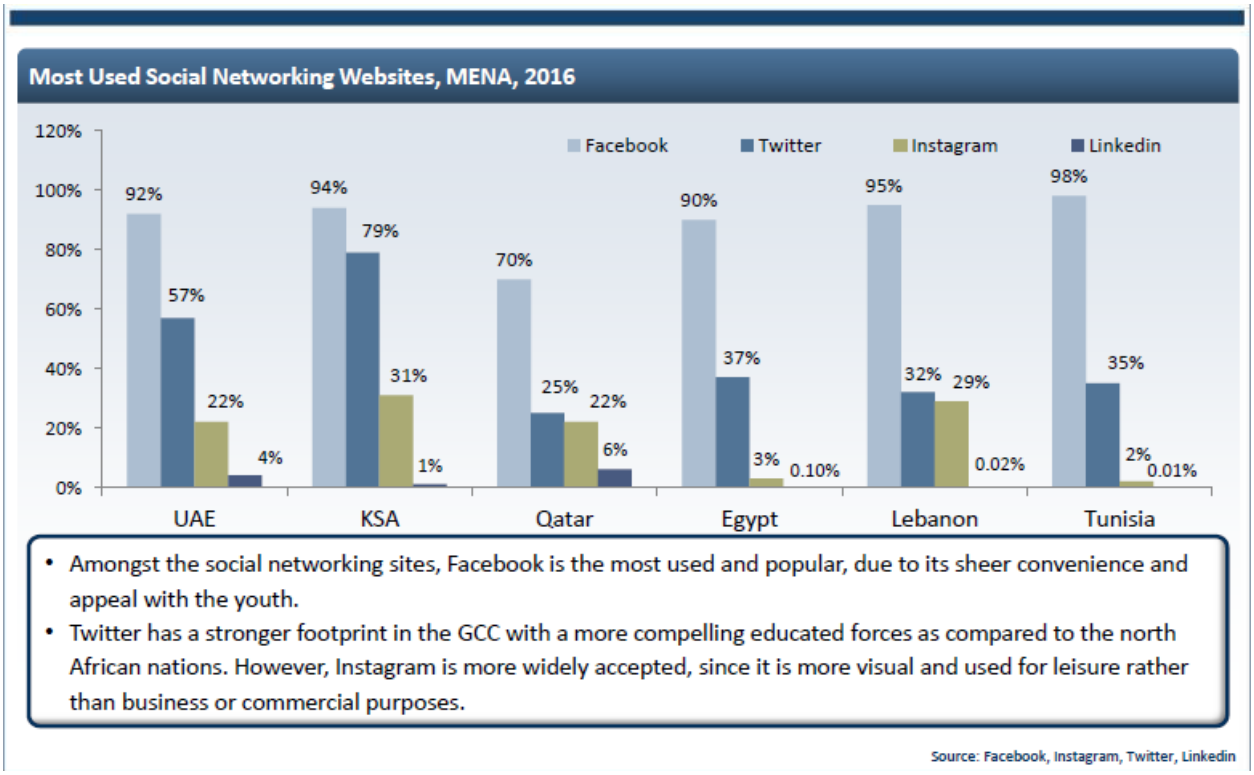
Ramadan Spike in Video Views, MENA, 2016



Google traffic data indicates a surge in daily views by over 30% during this month, until Eid-ul-Fitr. Although TV rates skyrocket for the same time slots, producers claim higher reach and

audience engagement during this month. Mobile phones are the most used device to access online videos during this period as they witness a 65% growth in traffic.

Today the region looks to Facebook. With over 90% usage among the population across countries, Facebook's reach can be tapped into for video services.



Round Up: 2017

We find that local broadcasters are waking up to the need to go digital and the potential loss by offering only legacy services, but ROI from OTT is too huge a challenge for anyone to consider it a serious avenue for driving business. Everyone wants to focus on drive Pay TV and drive up ARPUs in the near term. But Frost & Sullivan is bullish on the OTT video services market. There is a rising appetite for exclusive original shows in vernaculars as it is plagued by conventional narratives and having a cultural disconnect with the youth demography. OTT platforms are ramping up efforts to curate content to stay abreast with international producers in order to compete on a level-playing field. They are also curating content from Hollywood studios and dubbing or subtitling them for local audiences who have an appetite for such content.

Iflix, Z5 Weyyak, Wavo are some of the latest entrants in the market, arising out of consolidation or revamping of existing platforms.

But the biggest driver for the market will be infrastructure. Uniform broadband services will be the primary factor that can catapult the growth of this market to another level.

The author can be reached for more insights on vnath@frost.com. This article was also published in BroadcastPro ME, March 2018