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RESEARCH SURVEY REPORT

CONNECTED CONSUMER SURVEY 2017: OTT AND DIGITAL ECONOMY SERVICES IN MIDDLE EAST AND NORTH AFRICA

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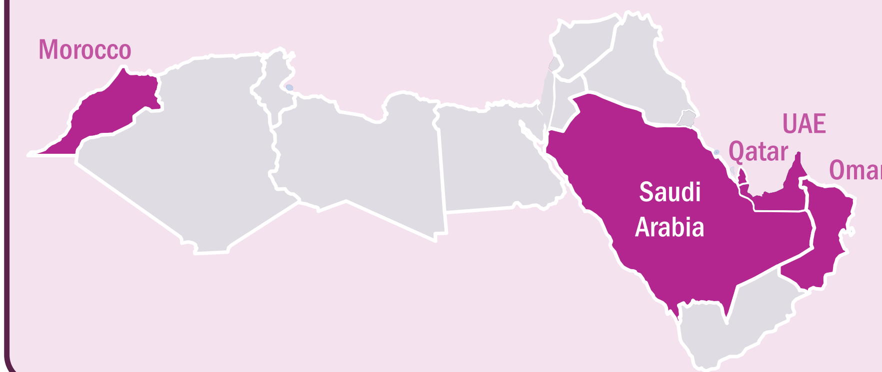
About this report

This report focuses on aspects of Analysys Mason's *Connected Consumer Survey* that relate to the behaviour, preferences and plans of smartphone users in the Middle East and North Africa (MENA) region. In particular, it focuses on respondents' usage of over-the-top (OTT) communications and digital economy services. The survey was conducted in association with On Device Research.

The research was conducted in August to October 2017. The survey groups were chosen to be representative of the mobile-Internet-using population in the region. We set quotas on age, gender and geographical spread to that effect. There were 4500 respondents in the region.

GEOGRAPHICAL COVERAGE



KEY QUESTIONS ANSWERED IN THIS REPORT

- Which OTT communications apps are used most in MENA?
- How does consumer usage of OTT communications services compare with the use of traditional services in MENA?
- What are the main payment mechanisms for ecommerce in MENA?
- Which organisations are consumers in MENA most willing to trust with their personal data?
- What are the trends in operator-led mobile money service usage in MENA?

WHO SHOULD READ THIS REPORT

- Operator-based strategy executives and marketing managers who are interested in understanding consumer market trends, and the changing role of operators as communications and digital service providers.
- Market intelligence and research executives in service providers that are responsible for understanding end-user trends and supporting business units in identifying and addressing new opportunities in mobile communications, ecommerce, payments, and identity management.
- Equipment/device manufacturers and software providers that want to identify end-user trends in service and device usage and help their operator customers to better address market opportunities in mobile services and services related to ecommerce and payments.

Executive summary

OTT communication is common among all smartphone users, but strong differences remain between local and foreign nationals.

WhatsApp is the default app for all consumers in MENA, while Facebook Messenger and voice calling apps such as Skype and WhatsCall[1] are more popular among foreign nationals, who account for 30% of the sample. BBM is the only service that is more common among local nationals. The large population of foreign nationals in MENA is driving the widespread adoption of all communication features, especially messaging (which grew by 7 percentage points (pp) in the overall sample penetration) and OTT VoIP services. The use of free voice calling in the Gulf Cooperation Council (GCC)[2] countries is stable despite the prolonged effort of operators and regulators to block or disrupt OTT VoIP traffic.

Regulators' and operators' changing approaches towards VoIP is enabling new revenue opportunities for operators to emerge.

Consumers may respond to the liberalisation of VoIP services with more demand for mobile data, as reported by respondents in Morocco, where the national regulator authority lifted the ban on Skype and WhatsApp voice calling services in November 2016. Operators' own VoIP services can cover portions of mobile voice demand (for example, 'Ooredoo Talk' provides this service to Ooredoo Omani subscribers).

[1] WhatsCall is an OTT communications app that offers messaging, free VoIP calls and paid-for voice calls to landline numbers and other communications and social networking functions.

[2] Gulf Cooperation Council (GCC): Oman, Qatar, Saudi Arabia and UAE are included in our survey.

Adoption of ecommerce in MENA continues to increase, but the next tier of customers will be more challenging to serve due to infrastructural limitations.

Ecommerce adoption in MENA continues to grow, with a greater proportion of respondents making frequent purchases (once a month or more) in all the countries surveyed except for Morocco, where ecommerce usage declined. However, there appear to be early signs of saturation in Qatar, and the relative decline in Morocco suggests that there are hard structural limits to growth. 71% of respondents in MENA use their mobile phones to buy goods or services online, making this a mobile-first region for ecommerce.

Operators' mobile wallets benefit from good penetration, but still lag in terms of usage.

Operators' mobile wallets were among the top-two solutions (in terms of penetration) in all countries except the Saudi Arabia. However, actual payments usage for ecommerce, was dominated by COD, payments cards, and PayPal.

Technology players lead in terms of consumer trust in MENA.

Respondents' willingness to share private data in exchange for a benefit (a proxy for trust) was highest in the GCC countries for Apple (20% of participants), while in Morocco, Facebook (30%) and Google (24%) achieved the largest values.

Recommendations

1

Operators in MENA can benefit from a softer approach towards OTT VoIP traffic and are well-positioned to cover customers' mobile voice demand with their own services.

Operators can benefit from unrestrained VoIP traffic services following the removal of VoIP bans in MENA, which is likely to generate increased demand for mobile data (as was the case in Morocco following such moves). Operators are also well-positioned to offer tailored voice services to segments of high VoIP users (such as foreign nationals), partner with OTT app developers or develop their own solutions (following the lead of Ooredoo in Qatar).

2

The ecommerce market in MENA is at an inflection point. Operators have the opportunity to play a key role in fostering the next generation of ecommerce enablement services in the region and should invest accordingly.

Most customers in MENA that have access to electronic payments technologies and live in areas with adequate logistics infrastructure are already served by ecommerce services. Operators have an opportunity to develop innovative approaches to logistics, electronic payments, identity management and security, to reach the next tier of customers that are currently underserved by ecommerce providers.

3

Operators in MENA should develop strategic responses to the way they are perceived by their customers compared with Internet giants such as Facebook and Google.

Facebook and Google are gaining a greater share of consumers' trust in MENA, while trust in mobile operators remains stable year-on-year. Operators should explore ways to differentiate from Internet giants in a way that increases consumers' trust in them. Data and privacy protection, customer support and localised services are some of the ways in which operators in MENA can seek to differentiate.

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About the authors

Enrique Velasco-Castillo (Senior Analyst) is a lead analyst for Analysys Mason's *Digital Economy Strategies* research programme, focusing on the opportunities for communications service providers and vendors in emerging verticals such as payments, ecommerce and advertising. Previously, Enrique covered mobile financial services and M&A and funding activity for more than 2 years at research firm IHS, where he wrote several reports on the opportunities for mobile operators in mobile payments and venture capital investments in mobile. Enrique also has research experience in 'cleantech' and healthcare from other previous roles.

Giulio Sinibaldi (Research Analyst) is a key contributor to Analysys Mason's Consumer Services and Digital Economy research practices. He is interested in mobile strategies, over-the-top (OTT) platforms, Internet regulation and consumer behaviour, and his skillset includes quantitative forecast modelling and big data analytics. Giulio holds a BSc and an MSc in Economics from Bocconi University.

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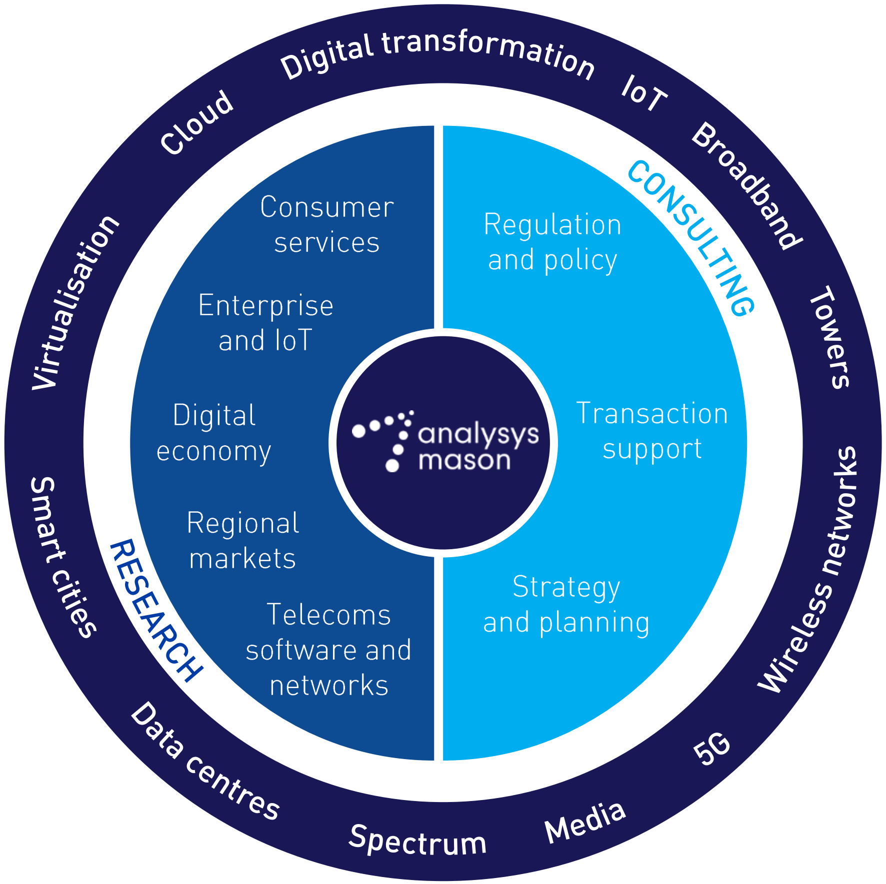

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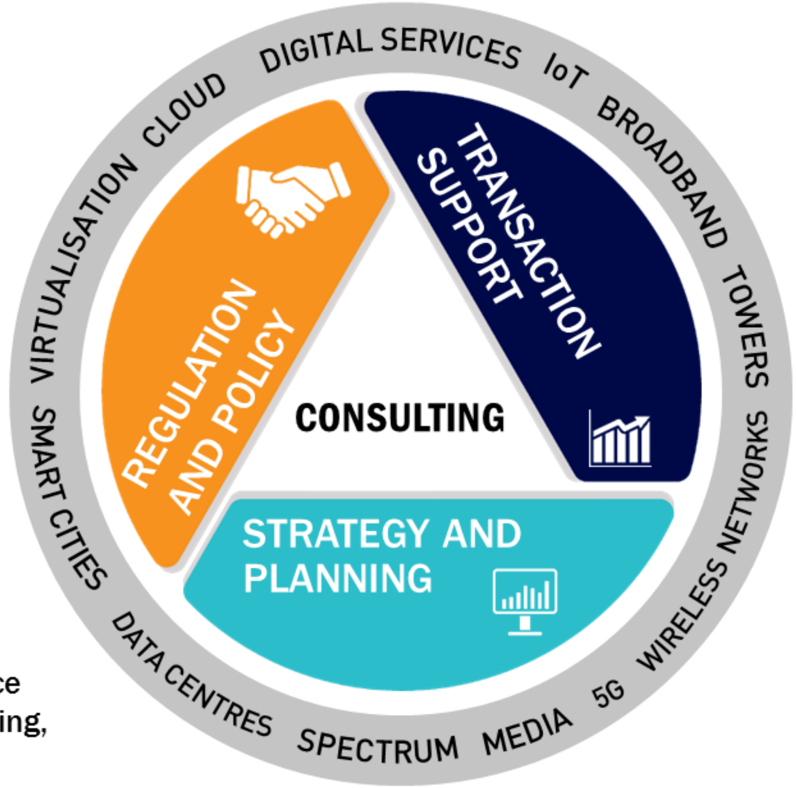

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