analysysmason.com

RESEARCH SURVEY REPORT

CONNECTED CONSUMER 2017: MOBILE SERVICES AND DEVICES IN THE MIDDLE EAST AND NORTH AFRICA

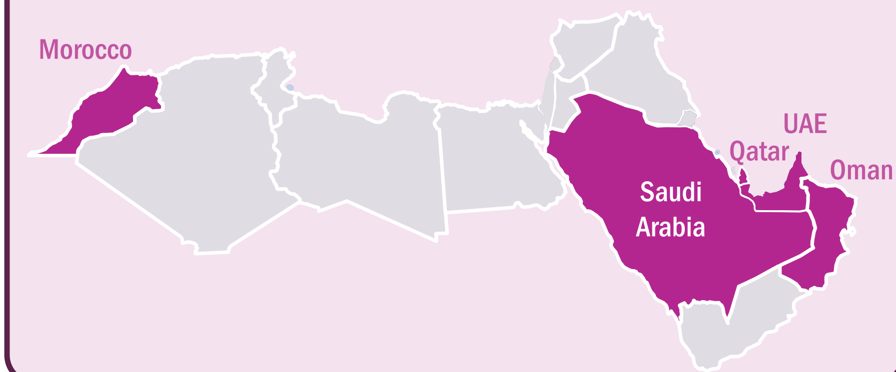
KARIM YAICI and ARIS XYLOURIS

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). In particular, it focuses on respondents' usage of mobile services and devices. The survey was conducted in association with On Device Research.

The research was conducted between August and 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

- How strongly do operators perform as smartphone sales channels, and how does their performance relate to consumers' choice of tariffs?
- What is the average consumer spend on handsets and how can operators capture a larger share of this spend?
- What are the mobile data usage patterns among respondents and how does data pricing affect these patterns?
- What impact does 4G have on mobile users' spend and engagement with their smartphones?
- What are the data utilisation levels for contract subscribers and what effects do differing approaches to overage have?

WHO SHOULD READ THIS REPORT

- Operator-based strategy executives and marketing managers who are interested in understanding consumer market trends, the role of operators as smartphone distribution channels, and the impact of differing approaches to pricing in the market.
- 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.
- Equipment/device manufacturers and software providers that want to identify end-user trends in service and device usage and help their operator customers to improve their ability to address market opportunities.

Operators in the MENA region are in a weaker position than retailers in terms of handset distribution, especially to prepaid mobile customers

Retailers in MENA have been more successful in addressing the needs of the prepaid customer base in particular.

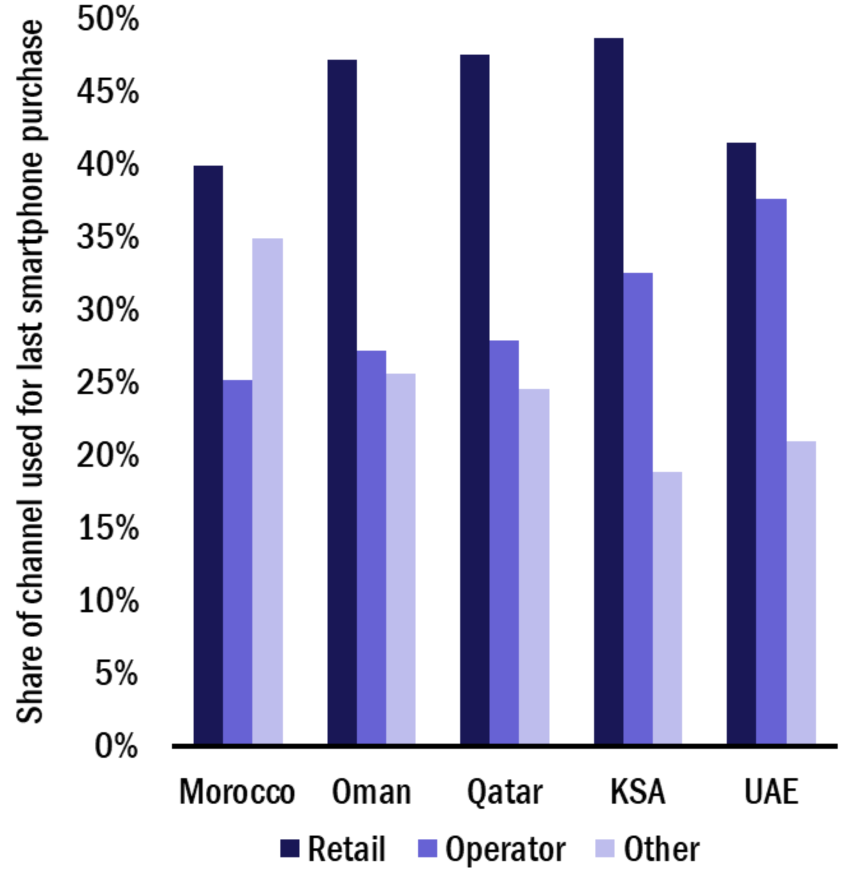
In most markets in MENA, operators account for between a quarter and a third of handset sales. Most of our respondents prefer retailers over operator channels for their smartphone purchases. This has been consistent with previous years' survey results. Operators' focus on high-end devices has created opportunities for retailers to capture the growing demand for smartphones from the larger prepaid customer base.

An exception is the UAE, where the operators' position is slightly stronger at 38%. This could be linked to the operators' ability to quickly commercialise high-end smartphones. For example, Etisalat and du had a pre-ordering service for the iPhone 8 before launch.

The increasing diversity of handsets models has favoured the retailers because they are better-positioned to cater for a broader segment of the population and are able to offer more-competitive prices.

It is also important to note the relative importance of secondary channels, which include handsets passed on, or gifted, to family and friends. According to our sample in Morocco, these channels are used more widely than any other, accounting for nearly 35% of all handset sales. In the Gulf region, this figure declines to 22%.

Figure 4: Last mobile handset purchase by sales channel, the Middle East and North Africa, 2017[1]



Source: Analysys Mason

[1] Question: "Where did you buy your mobile handset from?"; *n* = 4500.

Operators should encourage migration to 4G because it opens up opportunities for increased data consumption and customer engagement

4G subscribers tend to have higher data allowances than those on legacy networks, which translates into higher spending.

On average, 42% of respondents that reported being on 4G indicated that they have a 5GB (or more) data allowance, whereas for respondents using 3G, this figure was only 25%. This shows that better 4G speeds help to driver data consumption. 4G also creates opportunities for bundled value-added services and improved engagement.

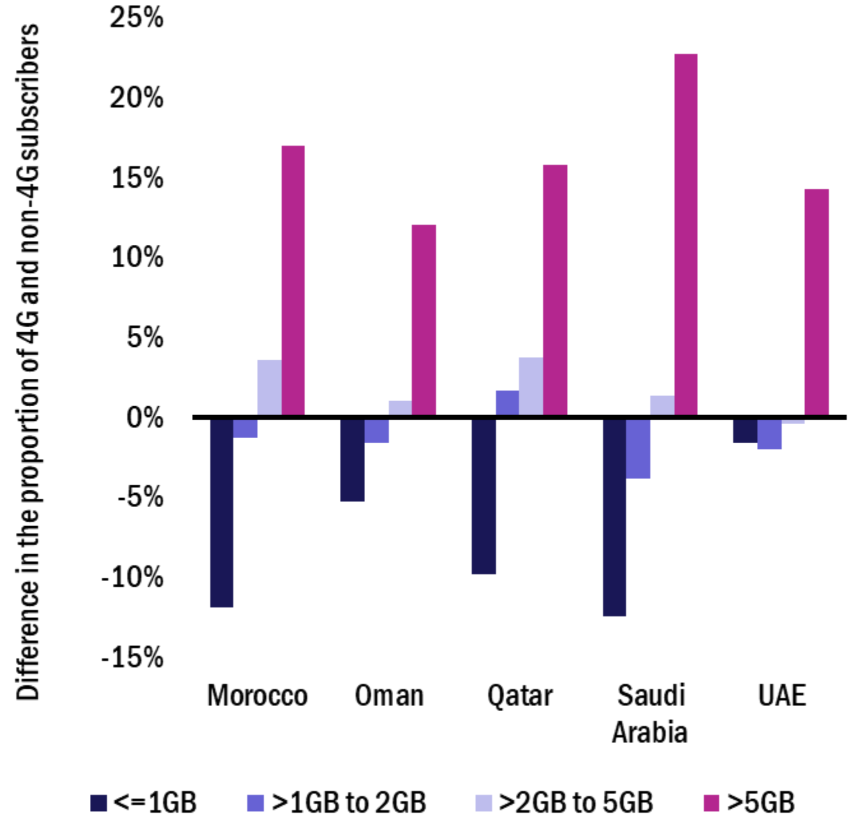
The contrast is data consumption patterns is most visible in Saudi Arabia, where there is a 23 percentage points difference between 3G and 4G users using more than 5GB of data. At other end of the spectrum, there is a 12 percentage points difference in terms of the penetration sub-1GB data tiers between 3G and 4G users.

Surprisingly, there is a much higher proportion of users with 5GB+ data allowances than expected in Morocco, given that LTE was launched only relatively recently. We believe that the preponderance of early adopters may have skewed the results towards the high-end segment.

4G users in Oman are least likely to opt for higher data allowances. This could be linked to the relatively high unit data prices, which prohibit this move, especially for LTE late adopters.

This suggests that operators could offer a more-gradual migration path to higher data usage, especially among low-data service users who might still be on 3G or have recently migrated to 4G.

Figure 10: Difference in the proportion of customers with 4G compared to non-4G subscriptions by stated data allowance, by country, MENA, 2017[1]



Source: Analysys Mason

[1] Questions: "How much of your data allowance do you use?"; *n* = 1486, "Do you have a 2G, 3G or 4G mobile service?"; *n* = 4500.

CONTENTS

EXECUTIVE SUMMARY

HANDSET CHANNEL DYNAMICS

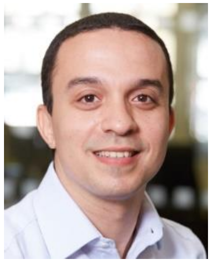
4G USAGE AND MONETISATION

IMPACT OF VAS

METHODOLOGY AND PANEL INFORMATION

ABOUT THE AUTHORS AND ANALYSYS MASON

About the authors

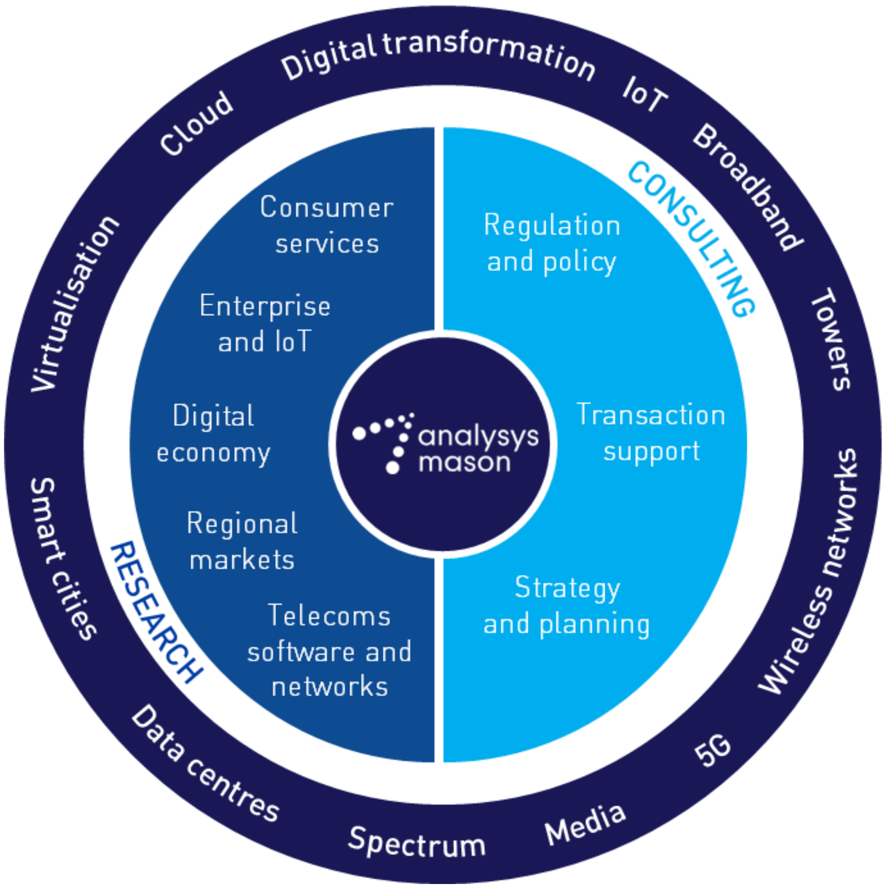


Karim Yaici (Senior Analyst) leads Analysys Mason's *The Middle East and Africa* regional research programme. His primary areas of specialisation include operators' digital strategies, new telecoms opportunities and challenges, and consumer trends in growth markets. Prior to joining Analysys Mason, Karim was an associate analyst at Ovum, where he authored reports on mobile accessories and mobile applications. Prior to that, he worked as a research engineer at the Institute for Communication Systems and Vodafone. Karim holds an MSc in Information Systems Management from the University of Southampton and a PhD in human–computer interaction from the University of Surrey.

Aris Xylouris (Analyst) is the lead analyst of the *Fixed Broadband Services* programme and a key contributor to Analysys Mason's primary research for the Consumer Services research practice. His areas of specialisation include fixed broadband strategy, the bundling and pricing of multi-play and convergence services, customer satisfaction and consumer-facing marketing strategy. He also specialises in statistics, surveys and the analysis of primary research, and manages Analysys Mason's *Connected Consumer Survey* and *Consumer smartphone analytics* series of research.

Analysys Mason's consulting and research are uniquely positioned

Analysys Mason's consulting services and research portfolio



CONSULTING

- We deliver tangible benefits to clients across the telecoms industry:
  - communications and digital service providers, vendors, financial and strategic investors, private equity and infrastructure funds, governments, regulators, broadcasters, and service and content providers.
- Our sector specialists understand the distinct local challenges facing clients, in addition to the wider effects of global forces.
- We are future-focused and help clients understand the challenges and opportunities that new technology brings.

RESEARCH

- Our dedicated team of analysts track and forecast the different services accessed by consumers and enterprises.
- We offer detailed insight into the software, infrastructure and technology delivering those services.
- Clients benefit from regular and timely intelligence, and direct access to analysts.

Research from Analysys Mason

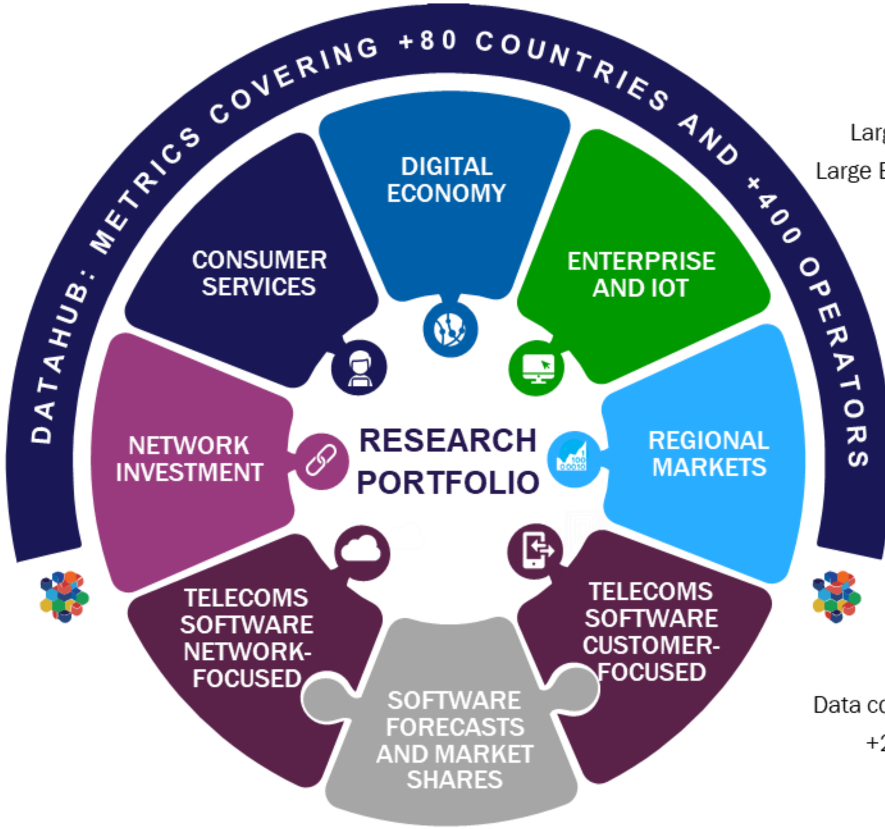
Consumer services programmes
Mobile Services
Mobile Devices
Fixed Broadband Services
Convergence Strategies
Video Strategies

Network investment programmes
Network Investment Strategies
Network Traffic
Spectrum

Telecoms software and networks programmes
Software Forecast and Strategy
Telecoms Software Market Shares

Network-focused
Next-Generation Wireless Networks
Service Delivery Platforms
Service Fulfilment
Service Assurance
Network Orchestration
Software-Controlled Networking

Customer-focused
Digital Experience
Customer Engagement
Monetisation Platforms
AI and Analytics



analysysmason.com/research

Digital economy programmes
Digital Economy Strategies
Future Comms

Enterprise and IoT programmes
Large Enterprise Voice and Data Connectivity
Large Enterprise Emerging Service Opportunities
SME Strategies
IoT and M2M Services
IoT Platforms and Technology

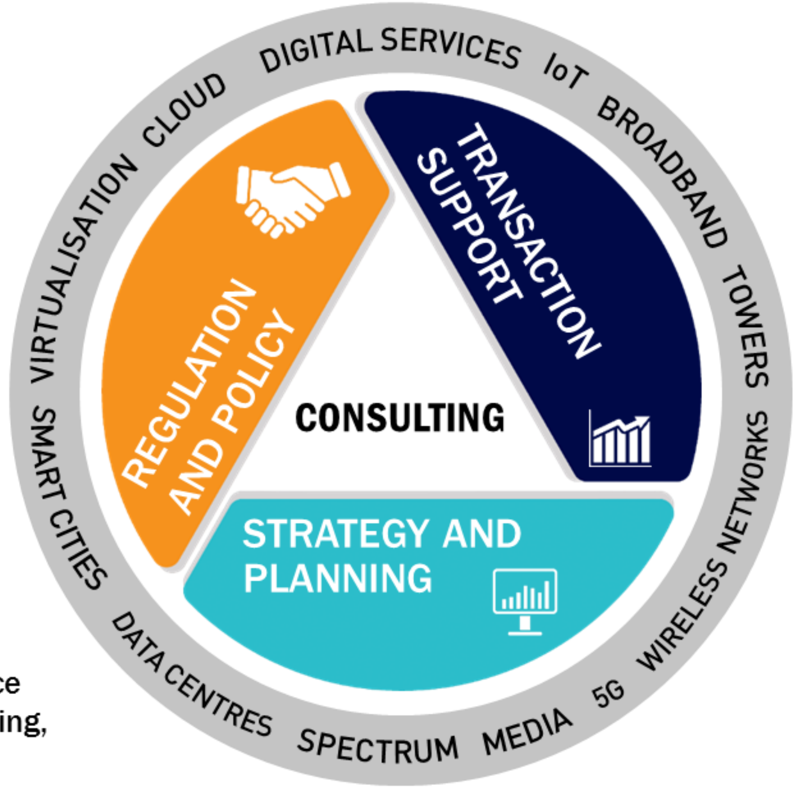
Regional markets programmes
Global Core Data
Americas
Asia–Pacific
Middle East and Africa
European Core Forecasts
European Telecoms Market Matrix
European Country Reports

DataHub
Data covering +80 countries and +500 operators
+2300 forecast and +250 historical metrics
Regional results and worldwide totals
Operator historical data
Compare markets and operators
Financial values in USD, EUR or local currency
Export data to Excel and save searches

Consulting from Analysys Mason

REGULATION AND POLICY

- Quality of service
- Market review
- Margin squeeze tests
- Analysing regulatory accounts
- Regulatory economic costing
- Policy development and response
- Media regulation
- Expert legal support
- Radio spectrum management
- Net cost of universal service
- Radio spectrum auction support
- Postal sector policy: universal service obligation (USO), liberalisation, costing, pricing and regulation



TRANSACTION SUPPORT

- Commercial due diligence
- Technical due diligence
- Mergers and acquisitions (M&As)
- Debt and initial public offerings (IPOs)
- Joint-venture (JV) structuring
- Mid-market financial sponsors

STRATEGY AND PLANNING

- Commercial expertise
- Technology optimisation
- New digital frontiers

analysysmason.com/consulting

PUBLISHED BY **ANALYSYS MASON LIMITED** IN **MARCH 2018**

Bush House • North West Wing • Aldwych • London • WC2B 4PJ • UK

Tel: +44 (0)20 7395 9000 • Email: research@analysysmason.com • www.analysysmason.com/research • Registered in England No. 5177472