OTT AND MULTI-SCREEN IN THE MIDDLE EAST AND NORTH AFRICA: MAXIMISING OPERATORS' REVENUE AND REACH

MARTIN SCOTT AND KARIM YAICI

analysysmason.com

analysys mason

About this report

Consumer behaviour is changing, driven by IP delivery of OTT and managed multi-screen services. The immediate impact of OTT video on traditional pay-TV services in the Middle East and North Africa (MENA) has been limited, primarily due to operators willingness to form partnerships with OTT players and the release of operators' own multi-screen services.[1] However, OTT video is also creating the opportunity to monetise new consumers who have previously not used paid-for services, sometimes due to use of illegal set-top boxes (STBs).

This report investigates the current state of multi-screen propositions in the MENA region, identifies opportunities to extend these services to an OTT audience, and establishes the opportunities to further monetise both multi-screen solutions and OTT video partnerships that remain.

GEOGRAPHICAL COVERAGE	CASE STUDIES
▪ Middle East and North Africa	▪ Etisalat eLife ON
▪ Qatar	▪ Sky Now TV
▪ Saudi Arabia	▪ STC My Invision
▪ UAE	▪ PCCW Viu

KEY QUESTIONS ANSWERED IN THIS REPORT

- How can operators in MENA maximise revenue from OTT and multi-screen services?
- What should a 'best-in-class' multi-screen service look like?
- Is there value in launching multi-screen services as separate OTT services in the MENA region?
- How can operators further monetise their relationships with OTT video service providers?

WHO SHOULD READ THIS REPORT

- Pay-TV providers or telecoms operators aiming to evolve their multi-screen proposition to optimise quality of experience (QoE).
- Operators that are considering launching their own OTT video services to increase reach.
- OTT players that are trying to establish partnerships with telecoms operators or that wish to better understand operators' strategies.
- Investors and other professional institutions that wish to understand the interplay between OTT video providers and traditional pay-TV providers.

[1] Video services offered by operators to their own broadband or pay-TV subscribers that are accessible through multiple devices (including TVs, tablets, PCs and smartphones).
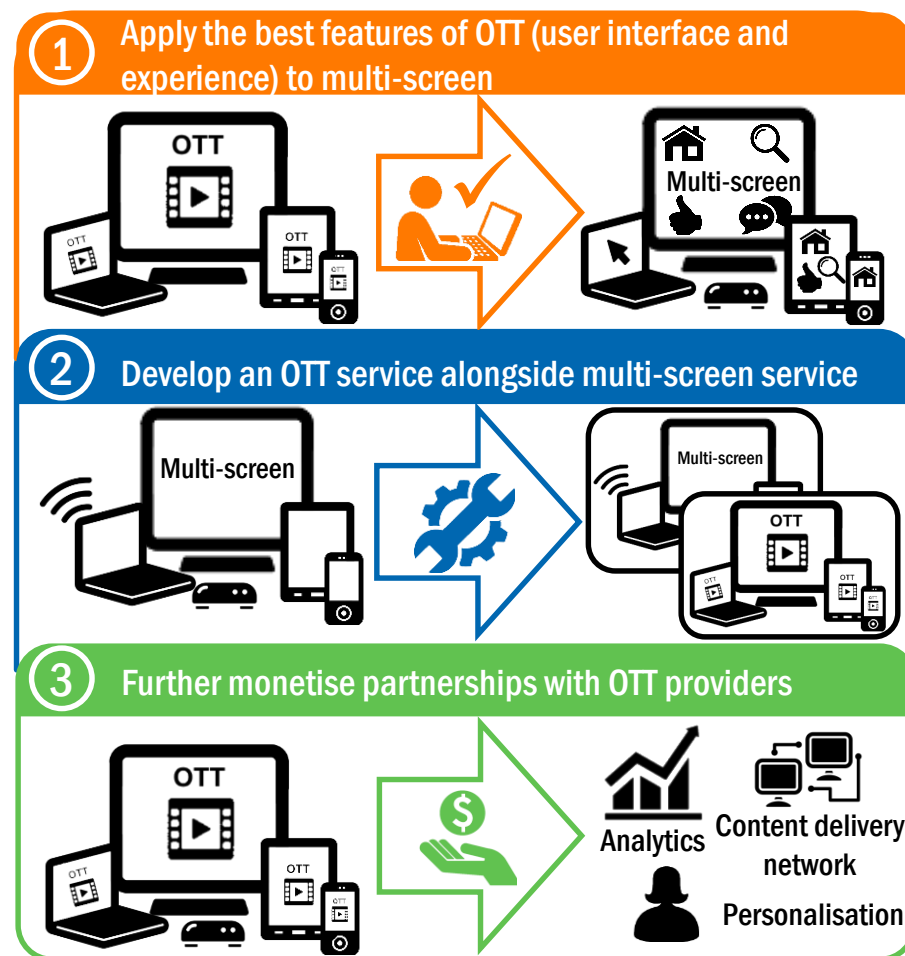
analysys mason

CONTENTS

Executive summary

Operators can learn from OTT video players and could further monetise their own services and third-party ones.

Consumer expectations are now for video services to be available 'on any device, anywhere.' Operators in MENA currently satisfy this requirement through multi-screen services and partnerships with OTT players.

Operators can adopt several strategies in order to reap maximum benefit from OTT and multi-screen services in the region.

- Operators' multi-screen strategies should adopt the successful features of OTT video players' user experience and interface design, but should ensure that linear content is positioned prominently, as this is their key differentiator.

- Operators could also develop an OTT service in addition to their current multi-screen service if the following conditions are met:
  - OTT content must be different to multi-screen content
  - infrastructure must be ubiquitous and affordable
  - the market must have 'space' for an appropriate pricing tier
  - the services must have a clear target demographic that is different to that of the core video service.

- Operators also have further opportunities to directly and indirectly monetise their partnerships with OTT providers.

Figure 1: Three routes to maximise benefits of multi-screen and OTT services for operators

① Apply the best features of OTT (user interface and experience) to multi-screen

② Develop an OTT service alongside multi-screen service

③ Further monetise partnerships with OTT providers

Source: Analysys Mason

analysys mason

Partnerships with OTT video players do not necessarily benefit operators as much as having their own, strong multi-screen services

Changing consumer expectations and ever-more-sophisticated OTT video services are a risk to pay-TV providers' margins, even if they are unlikely to lead to cord-cutting.

Consumer behaviour is changing, driven by the delivery of OTT and managed multi-screen services over the Internet.

- Consumers now expect delivery of 'all content, everywhere.'

- This has been facilitated by the launch of IPTV services in the MENA region, including multi-screen services as well as OTT services from third parties.

The immediate impact of OTT video on traditional pay-TV services in MENA has been limited, primarily due to operators' willingness to form partnerships with OTT players and the release of operators' own multi-screen services. However, it has driven a change in consumer expectations for flexibility, content and QoE.

Multi-screen and OTT propositions have many features in common and serve similar consumer needs. However, multi-screen services have a greater positive impact on operator margins than OTT propositions (whether directly, through an extra charge, or indirectly, by making the service more attractive). The majority of customer spend on OTT services is passed to the OTT provider. We do not anticipate significant cord-cutting in MENA over the next 5 years, but operators' share of wallet for paid-for video services is at risk.

Figure 2: Pay-TV retail revenue by service type and ASPU for traditional pay-TV and OTT-to-the-TV services, MENA, 2013–2021
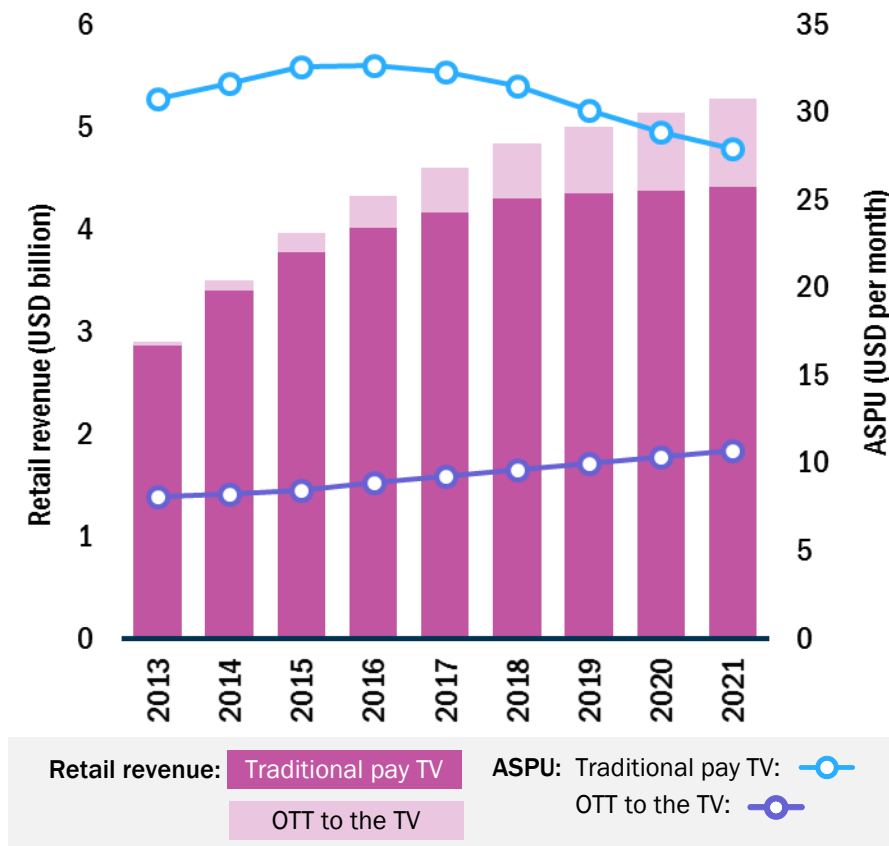
Source: Analysys Mason

analysys mason

Operators should take cues from OTT providers, consider if launching their own OTT service is viable, and establish other ways to monetise OTT

Operators can take several routes to further optimise their multi-screen and OTT services and the revenue derived from them.

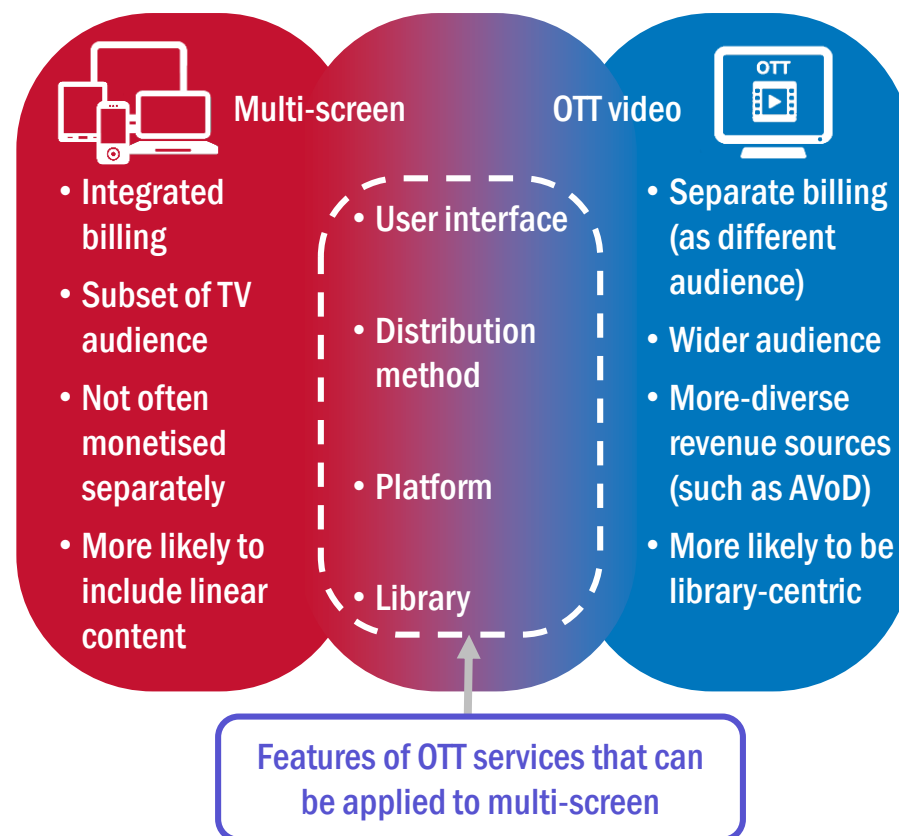Operators can draw directly from the approach of OTT players.

- They should enhance the user interface of their current multi-screen services to ensure that their common service features (as shown in Figure 3) match, or beat, those of OTT providers.

- They could also develop an OTT service in addition to their current multi-screen service if certain conditions are met, such as ownership of original content and accessible broadband infrastructure.

Operators in MENA have been successful in monetising their partnerships with OTT providers directly through the following two strategies.

- Direct operator billing to pay for a subscription to an OTT service. Major OTT video services (such as beIN Sports Connect, OSN GO, Shahid and Starz Play) support this facility.

- Bundling of OTT video services on a promotional basis. Mobile operators have offered special tariffs to access a streaming service. For example, du (UAE), Maroc Telecom, Ooredoo Kuwait and Orange Tunisie partner with OTT provider iciflix.

Operators can also help OTT providers with content distribution and recommendations using in-house capabilities and infrastructure.

Figure 3: Shared and differentiated features of multi-screen and OTT services

Multi-screen

- Integrated billing
- Subset of TV audience
- Not often monetised separately
- More likely to include linear content

- User interface
- Distribution method
- Platform
- Library

OTT video

- Separate billing (as different audience)
- Wider audience
- More-diverse revenue sources (such as AVoD)
- More likely to be library-centric

Features of OTT services that can be applied to multi-screen

Source: Analysys Mason

analysys mason

Recommendations

1 **Operators' multi-screen strategies should adopt the successful features of OTT video players' user experience and interface, but should ensure that linear content is positioned prominently, as this is their key differentiator.**

Multi-screen and OTT video services often deliver similar content in a similar manner. However, off-the-shelf solutions deployed by operators can appear cumbersome compared to the sleek user interfaces of major players, such as Netflix. Operators' key differentiator from most OTT players is the wealth of linear channels they deliver – they need to emphasise these as part of their user interface, to give the impression of a premium, plentiful, user experience.

2 **Operators can develop an OTT service in addition to their multi-screen service if certain conditions are met.**

Operators must differentiate their OTT content from their multi-screen content, and the rights to content must permit its OTT distribution. The infrastructure to provide this OTT service must be ubiquitous and affordable. The market must have 'space' for an appropriate pricing tier. Finally, the product must have a clear target demographic that is different from that of the core multi-screen video service.

3 **Operators have further opportunities to directly and indirectly monetise their partnerships with OTT providers.**

Partnerships with OTT providers have helped operators generate some revenue directly (from commission on subscriptions paid through direct carrier billing) and indirectly (by bundling OTT video services on a promotional basis to drive data usage). However, there is potential for operators to further increase their revenue share by providing OTT providers with additional capabilities, such as content delivery networks (CDNs) to help with traffic distribution, platforms to support delivery of personalised, seamless video content, and advertising based on user preferences.

analysys mason

CONTENTS

About the authors

Martin Scott (Principal Analyst) co-ordinates Analysys Mason's research initiatives related to media, TV, fixed broadband and convergence. He manages the *Video Strategies* and *Fixed Broadband Services* research programmes. Martin has held numerous positions within Analysys Mason during the last 10 years, including heading the company's Consumer Services, Data and Regional Markets practices. He also launched Analysys Mason's Connected Consumer and Consumer smartphone usage series of research. His primary areas of specialisation include telco TV strategy, OTT video and media, consumer smartphone usage, the bundling and pricing of multi-play services, including quadruple-play bundling, customer satisfaction and consumer-facing marketing strategy.

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 in 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.

analysys mason

Analysys Mason's consulting and research are uniquely positioned

Analysys Mason's consulting services and research portfolio
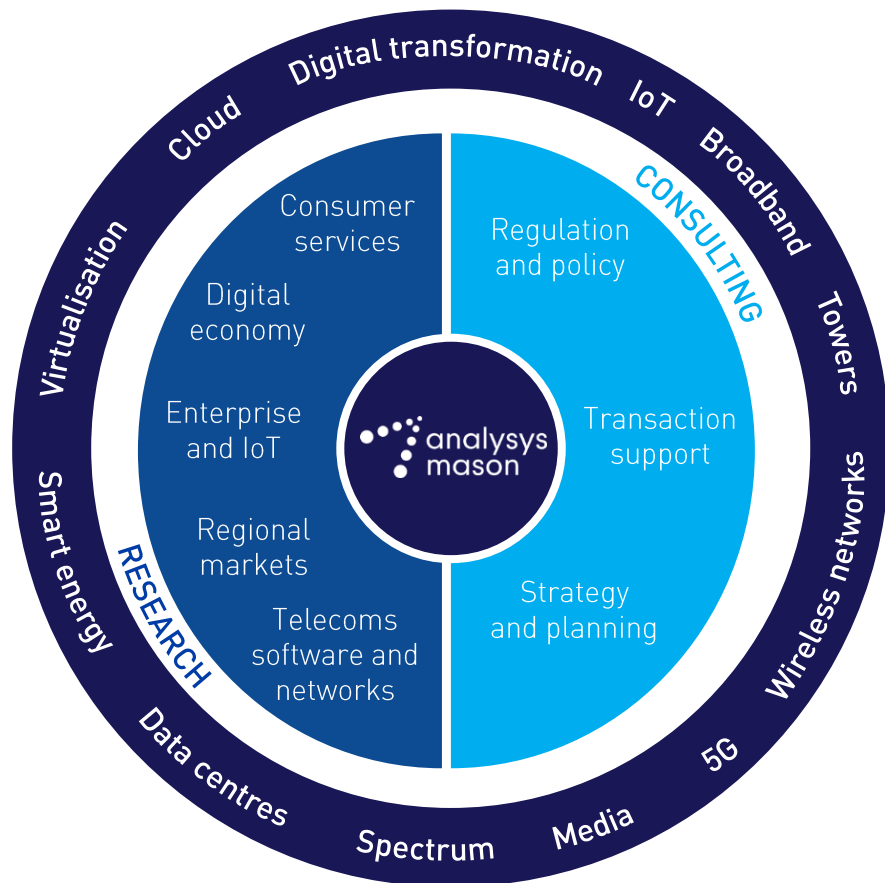
CONSULTING

- 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

Clients across the breadth of telecoms, media and technology sectors rely on our research and analysis to inform business-critical decisions.

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 Care
Revenue Management
Analytics

DATAHUB: METRICS COVERING +80 COUNTRIES AND +400 OPERATORS

DIGITAL ECONOMY
CONSUMER SERVICES
ENTERPRISE AND IOT
NETWORK INVESTMENT
RESEARCH PORTFOLIO
REGIONAL MARKETS
TELECOMS SOFTWARE NETWORK-FOCUSED
TELECOMS SOFTWARE CUSTOMER-FOCUSED
SOFTWARE FORECASTS AND MARKET SHARES

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 Telecoms Forecasts
Asia–Pacific
Middle East and Africa
European Core Forecasts
European Telecoms Market Matrix
European Country Reports

DataHub
Data covering +80 countries and +400 operators
+1400 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

analysys mason

Consulting from Analysys Mason

For 30 years, our consultants have been bringing the benefits of applied intelligence to enable clients around the world to make the most of their opportunities.

Consulting portfolio

EXPERTISE
Performance analysis
Technology optimisation
Commercial excellence
Transformation services

Performance improvement

EXPERTISE
Radio spectrum auction support
Radio spectrum management

Spectrum policy and auction support

EXPERTISE
Policy development and response
Margin squeeze tests
Analysing regulatory accounts
Expert legal support
Media regulation
Postal sector costing, pricing and regulation
Regulatory economic costing
Net cost of universal service

Regulation

Transaction support

EXPERTISE
Commercial due diligence
Regulatory due diligence
Technical due diligence

Strategy and planning

EXPERTISE
Market research
Market analysis
Business strategy and planning
Market sizing and forecasting
Benchmarking and best practice
National and regional broadband strategy and implementation

To find out more, please visit **www.analysysmason.com/consulting**

analysys mason

Figures and projections contained in this report are based on publicly available information only and are produced by the Research Division of Analysys Mason Limited independently of any client-specific work within Analysys Mason Limited. The opinions expressed are those of the stated authors only.

Analysys Mason Limited recognises that many terms appearing in this report are proprietary; all such trademarks are acknowledged and every effort has been made to indicate them by the normal UK publishing practice of capitalisation. However, the presence of a term, in whatever form, does not affect its legal status as a trademark.

Analysys Mason Limited maintains that all reasonable care and skill have been used in the compilation of this publication. However, Analysys Mason Limited shall not be under any liability for loss or damage (including consequential loss) whatsoever or howsoever arising as a result of the use of this publication by the customer, his servants, agents or any third party.