

A CONSUMER PERSPECTIVE

OTT AND PREMIUM ONLINE VIDEO

SERVICES IN MENA

EXCLUSIVE REPORT FOR CABSAT



INTRODUCTION

The MENA region and in particular GCC markets have some of the highest internet penetration figures in the world and a proliferation of high end devices. In parallel operators have invested heavily in fixed and mobile broadband services to be able to deliver high quality experiences to customers. The distribution of video content in the region has been dominated by satellite TV operators to date. While the appetite for video content is phenomenal with Saudi Arabia famously having some of the highest per capita consumption figures for online video anywhere in the world. The region is also characterized by a large population bulge in the millennials segment. In KSA 67% of the population is under the age of 30, in the UAE the equivalent is 50% and Egypt 60%. This market context provides in principle a perfect storm for OTT players to deliver new content offerings.

OTT players have recognized this market opportunity and 2016 has seen the launch of new OTT services in MENA for Premium Video Content. At the start of 2016 Netflix announced global expansion to include MENA markets. The hyperbole around this launch raised the profile of OTT services, other operators have followed suit with Google Play movies launching towards the end of the year and other players such as OSN and MBC via the Shahid brand investing in their offerings and the content being offered. Telecom operators have also launched their own initiatives into market. With brands such as eLife ON in UAE and Mosaic from Ooredoo in Qatar. Telecom players are

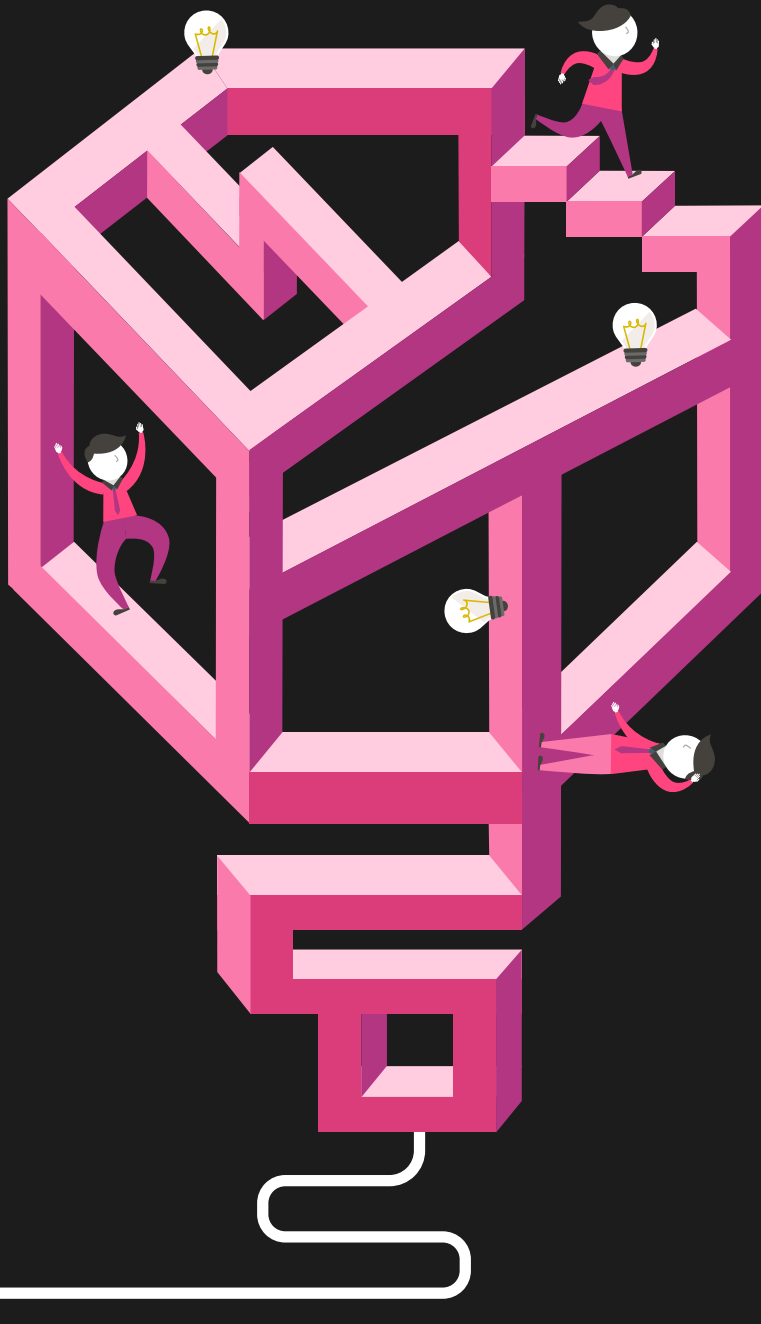
now looking at this market seriously in order to drive new revenue streams as revenues from voice and SMS stagnate or even decline.

In order to maximize a return on their investments it is important for operators to have a solid market understanding from a consumer perspective on how these developments are viewed. The size of the potential market, preferences for premium content, willingness to pay for premium, brand preferences, satisfaction with their experiences to date and unmet needs.

To this end Ipsos embarked on a research programme to track market developments from a customer view. In December 2015 Ipsos launched wave 1 of its research programme which provides a base line "pre Netflix" on how the market stacked up at the end of 2015. In October 2016 Ipsos updated the study to understand how the market had developed during the year, and in more detail perceptions of early adopters and their user experiences. Ipsos will be updating the study in Q3 2017 to provide year on year trends.

To date more than 9000 consumers have been surveyed across 8 MENA markets from Morocco through to Pakistan. For the purposes of this report we are focusing on the results from KSA, UAE and Egypt and are representing 31million internet users across these 3 markets aged 15 and over.





DEFINING TERMS

From a consumer standpoint premium is typically driven by a combination of exclusivity and scarcity of content, and optimum user experience. In our study we focused on paid platforms. Those that customers need to subscribe to over and above their monthly satellite

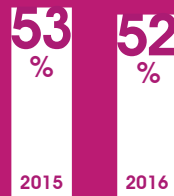
or cable TV or telecom service. We wanted to ascertain the extent to which consumers in MENA are willing to pay the premium for exclusive content and a streamlined user experience with a focus on video but also with a read on other types of content.

HAVE PAID FOR DIGITAL CONTENT PAST 12 MONTHS ANY FORMAT



Digital content includes: paying to download, stream or rent movies TV shows, games, music, mobile apps, in app purchases, digital newspaper or magazine, ebooks

HAVE PAID FOR PHYSICAL CONTENT PAST 12 MONTHS ANY FORMAT



Physical content includes: buying a DVD, CD, a book, concert ticket, paying for cinema ticket

ARE MENA CONSUMERS WILLING TO PAY FOR CONTENT?

To understand the potential market for incremental content revenues we firstly wanted to ascertain the extent to which MENA consumers are already paying for content in its different forms both digital and physical. In our study we asked about a range of content types including music, video, games, ebooks, newspapers and magazines. We look at

digital content and benchmarked this against physical formats such as DVDs, CDs and live events.

The study uncovered that close to two thirds of consumers (62%) have paid for digital content compared to just over one half that have paid for any physical format.

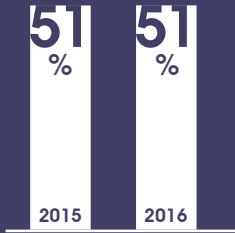
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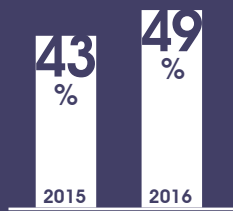
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PAY TO OWN ANY DIGITAL CONTENT



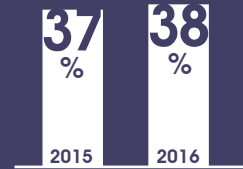
Base: 3,087 interviews among internet users in Egypt, KSA and UAE

PAY TO SUBSCRIBE TO ANY DIGITAL CONTENT



Base: 3,087 interviews among internet users in Egypt, KSA and UAE

PAY TO RENT TO ANY DIGITAL CONTENT



Base: 3,087 interviews among internet users in Egypt, KSA and UAE

WHICH MODEL ARE CONSUMERS USING MOST OFTEN TO PAY FOR CONTENT TODAY?

Consumers have various options to pay for content in its different forms. Pioneered by Apple and the iTunes stores paying to own content where consumers can pay, download and install has been for many years a main staple for content distributors leveraging retail channels supported by Apple, Google as well as telecom operators. The offering is typically a la carte and consumers select the content they want and pay a one off fee to own. Rental options, in particular pay per view for

sports events and movies are a further option where consumers have exclusive access to sports events in real time. Finally, all you can eat subscription models are available typically with monthly recurring payment plans.

Looking at how consumers pay for content today in MENA we can see a growth in the subscription model corresponding to the launch of Subscription Video on Demand services.

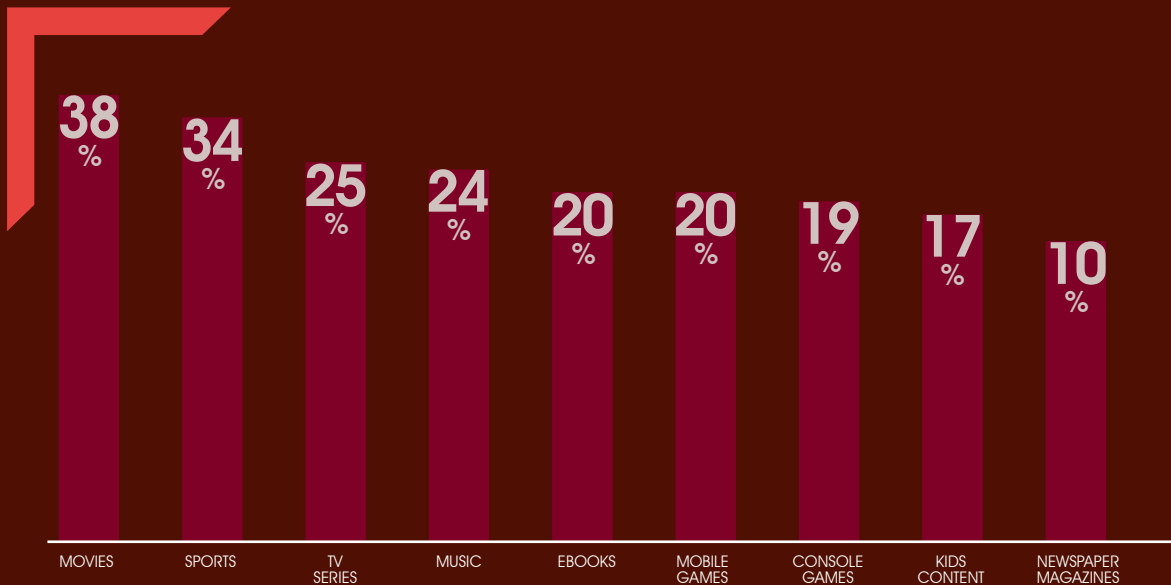
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WHICH OF THE FOLLOWING TYPES OF CONTENT,
IF ANY, HAVE YOU PAID A SUBSCRIPTION FOR OVER THE PAST 12 MONTHS?



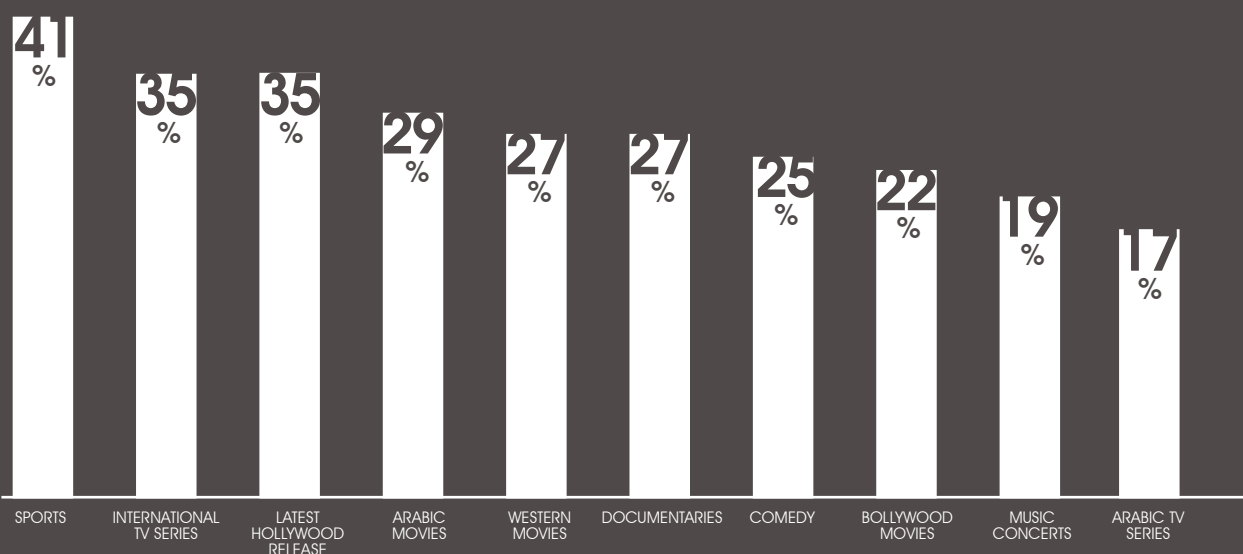
Base: 1,532 interviews among internet users in Egypt, KSA and UAE and those that have paid a subscription for digital content any format over the past 12 months

WHAT KIND OF CONTENT ARE THEY PAYING FOR VIA A SUBSCRIPTION MODEL?

Among those that have paid to subscribe for digital content video drives subscriptions with movies (38%) and sports (34%) being the most often cited content types followed by TV series (25%). Twenty four percent of

those that have subscribed to a content subscription have signed up for music, 20% for ebooks and a further 20% for games. 10% have taken out newspaper or magazine subscriptions.

WHAT KIND OF CONTENT WOULD YOU BE PREPARED TO PAY FOR USING ONLINE VIDEO PLATFORMS?



Base: 283 interviews among internet users in Egypt, KSA and UAE and those that paid to stream TV series or movies and consider they are very likely to subscribe to SVOD over the next 12 months

WHAT KIND OF CONTENT DRIVES PREMIUM FOR VIDEO CONTENT IN MENA?

In order for operators to prioritize their content acquisition and go to market strategies it is important to understand which types of content drive premium, that is which content types are consumers willing to pay premium for through a subscription video on demand (SVOD) service. In order to provide direction on this we focused the analysis on those that have paid to stream TV shows or movies in the past and consider they are very likely to subscribe to a premium online video service over the next 12

months. This can be considered the early adopter market for these services. Looking at the results for KSA, UAE and Egypt we can see Sports content comes top in terms of premium. There are important demographic differences here by segment with sports being driven by men predominantly, and women equally favoring international TV series and documentaries. Importantly Arabic movies feature as important as Western Movies and Documentaries. In Egypt Arabic movies are actually as important as Sports.

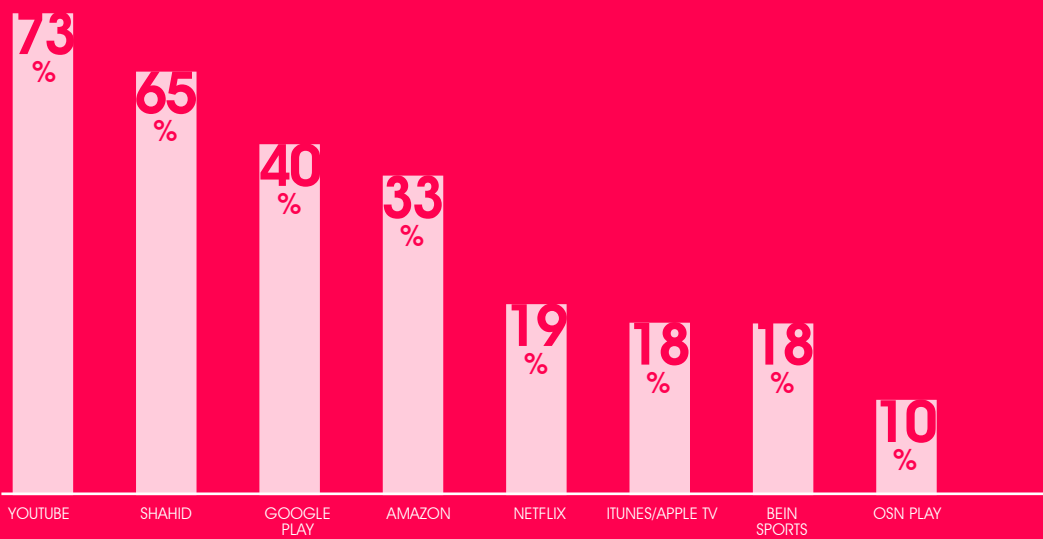
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WHICH OF THE FOLLOWING PLATFORMS HAVE YOU EVER HEARD OF FOR RENTING, DOWNLOADING OR STREAMING TV SHOWS AND MOVIES?



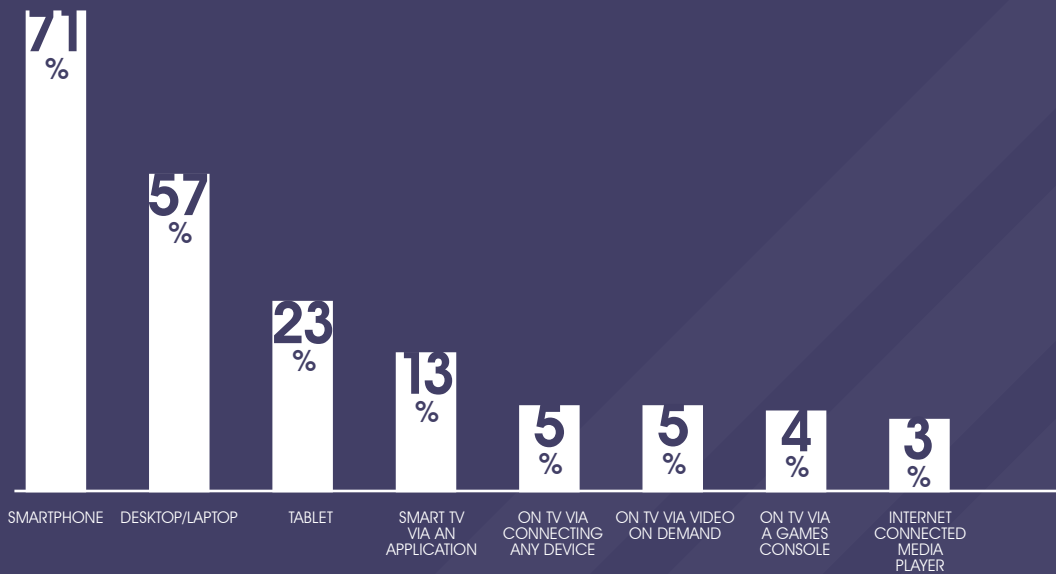
Base: 3,087 interviews among internet users in Egypt, KSA and UAE

WHICH BRANDS DO CONSUMERS CONSIDER FOR SVOD SERVICES IN MENA TODAY?

Despite the hyperbole around the launch of Netflix across the region at the beginning of 2016, when asked to think of brands of online or mobile video platforms for renting, downloading or streaming TV shows and movies spontaneously two thirds of consumers across UAE, Egypt and KSA are unable to think of any brand. Those that are

able to cite a brand are most likely to mention YouTube. This is a reality check for marketers in terms of the infancy of the category, it also provides an opportunity for brands to build, grow and own this space. When asked on a prompted basis after YouTube, Shahid is the number one SVOD platform consumers are aware of.

WHICH DEVICE(S) DO YOU USE TO WATCH OR STREAM ONLINE VIDEO CONTENT?



Base: 3,087 interviews among internet users in Egypt, KSA and UAE

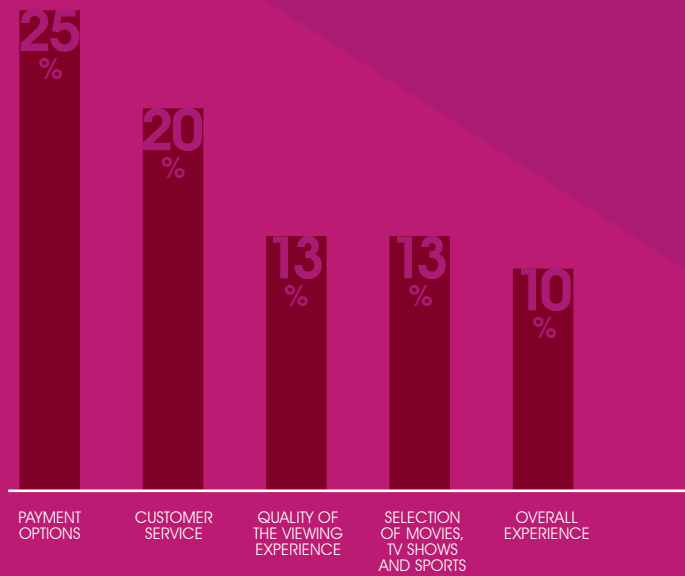
HOW ARE MENA CONSUMERS CONSUMING CONTENT TODAY?

The smartphone is the most used device to stream online video content. That said the TV screen is increasingly used to watch streamed content either through a smart TV application or via

a connected device to the TV. This has important implications for traditional broadcasters reflecting changing viewing habits.

TO WHAT EXTENT ARE YOU SATISFIED WITH EACH OF THE ONLINE VIDEO SERVICES YOU USE?

% NOT SATISFIED



Base: Users of Key platforms (2008)

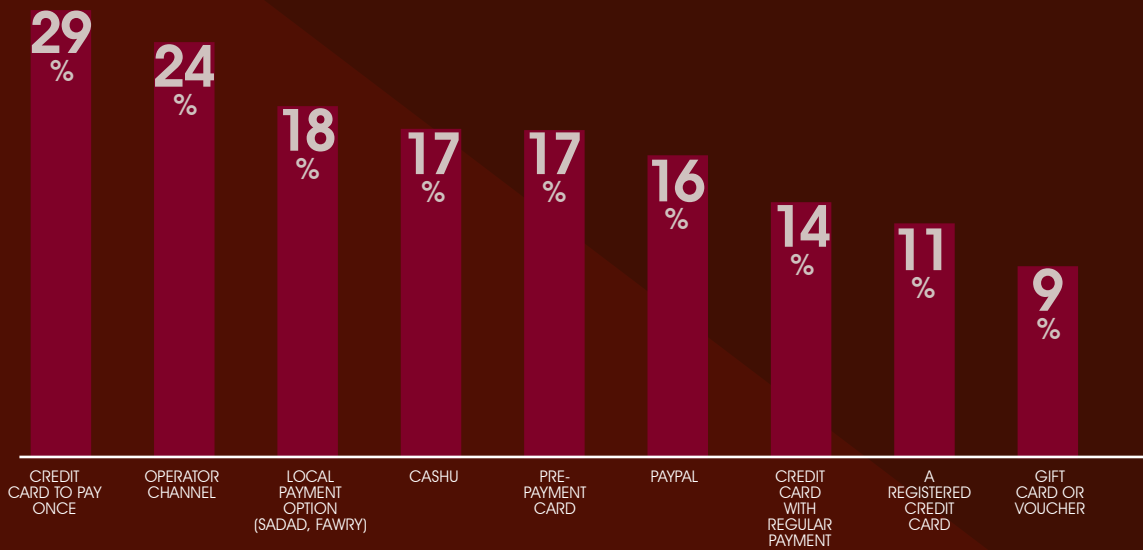
WHAT ARE THEIR SATISFACTION LEVELS WITH CURRENT OTT SERVICES AND OFFERINGS?

Going beyond content a high quality experience is an important driver of premium. Early adopters are now experienced users of OTT services. Their feedback on the level of service they receive, their pain points and unmet needs are invaluable to operators who want to retain customers and grow their share of wallet.

Importantly, 25% of users of key OTT platforms are dissatisfied with the

payment options available to them. And a further 20% with the customer service they receive. Conversely, around one in four are satisfied with the overall experience they receive and the selection of content they have access to. These are important considerations for operators going beyond the focus which has most likely been on the delivery of content, and they need to invest more in customer support options and a wider range of payment options.

WHICH HAVE YOU USED OVER THE PAST 12 MONTHS TO PAY FOR CONTENT ONLINE?



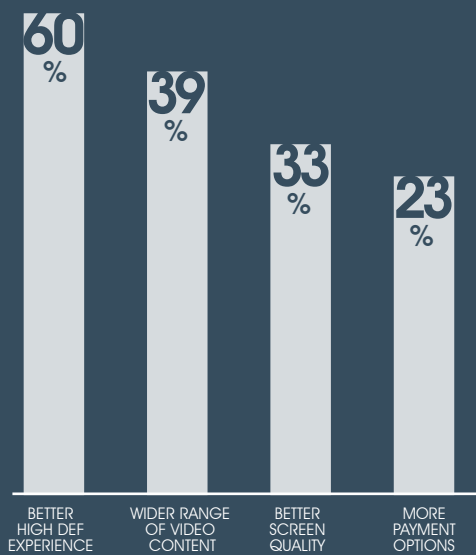
Base: paid online for any content past 12 months (1,940)

WHAT PAYMENT OPTIONS DO CUSTOMER USE NOW TO PAY FOR CONTENT?

The three main payment options used by OTT customers today are their credit card to pay once. Payments organized through their mobile operator, for example SMS and local payment options such as Fawry in Egypt and

Sadad in KSA. CashU is also popular. It is important for operators to consider these localized options in any offering. Among those dissatisfied with payment options 32% of this group are using payment options from the operator channel.

WHAT WOULD YOU LIKE TO SEE FROM ONLINE VIDEO PLATFORMS THAT THEY DON'T OFFER YOU TODAY?



Base: 3,087 interviews among internet users in Egypt, KSA and UAE

WHAT OVERALL ARE THE DESIRED IMPROVEMENTS CUSTOMERS WOULD LIKE TO SEE?

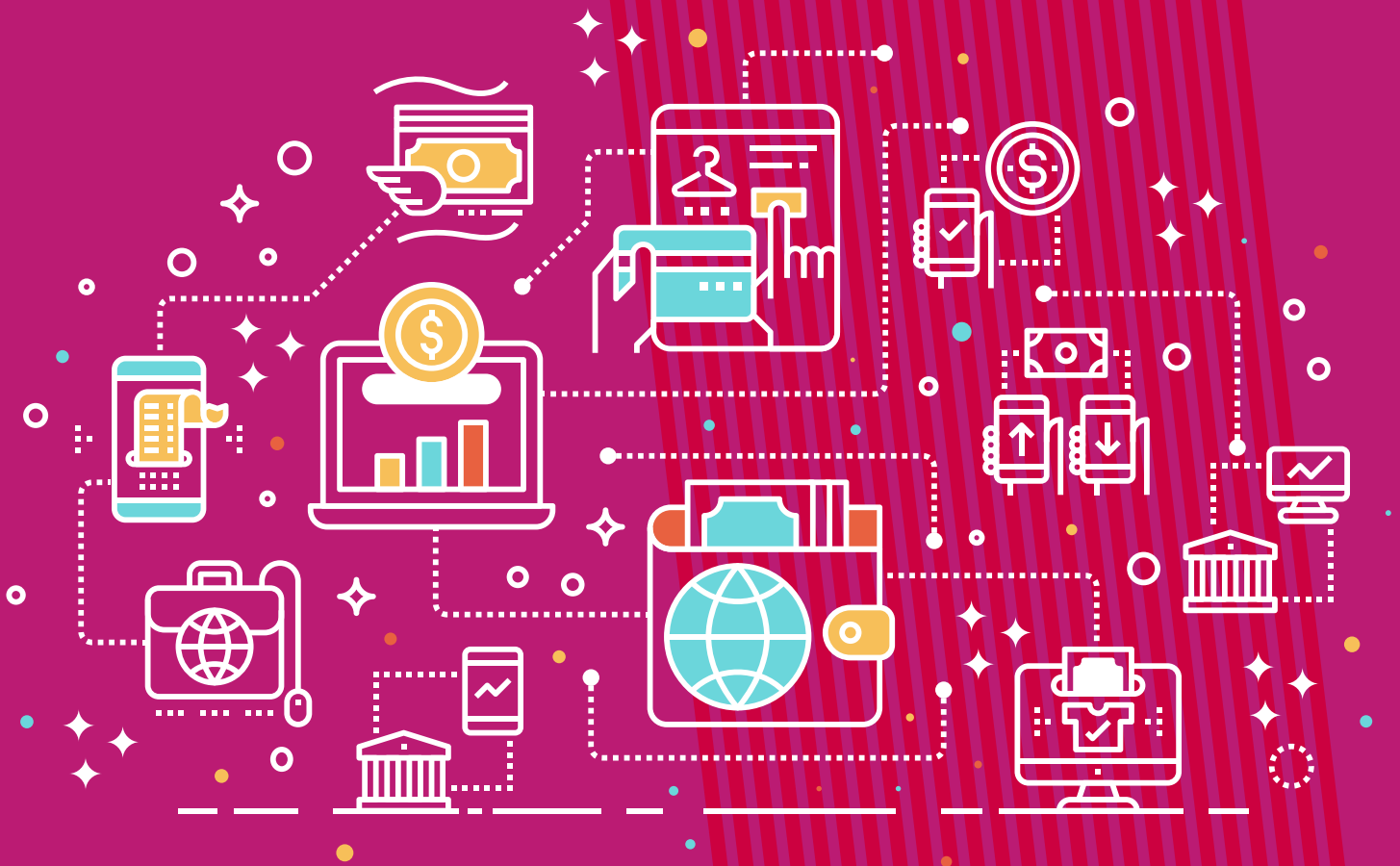
Finally we asked customers what additional improvements they would like to see. Overwhelming the quality of experience feature strongly for customers. With a better high definition experience receiving the most mentions,

for 60% of respondents. A wider range of content was cited by 39% and better screen quality 33%.

SUMMARY

The MENA region offers enormous potential for those delivering OTT services. Just over a half of internet users in our survey representing some 17 million adults across Egypt, KSA and UAE are paying for online content in its different forms. A third or around 10 million users say they are very likely to subscribe over the next 12 months to an online video service. Customers are prepared to pay for premium. While sports and latest movie releases are key drivers, Arabic movies and Arabic content should

not be ignored, especially in Egypt. In order to offer a truly premium service operators need to think beyond just the content however. The availability of different payment options and attention to customer service are important. And delivery of a better high quality experience.



ABOUT THE STUDY

This report provides a topline summary of some of the insights Ipsos is generating around the OTT market in MENA. Ipsos will be conducting the next wave of the OTT premium content study in Q3 2017. Clients can subscribe to receive the detailed country reports. Those that commit earlier in the year also have a chance to review the questionnaire

and include their own survey questions relevant to their own business needs. Markets covered to date are Morocco, Lebanon, UAE, Saudi Arabia, Egypt, Qatar, Jordan and Pakistan.



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