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Going for growth

With pay TV subscriber growth levelling off in mature markets, or even going into decline, the Middle East and Africa are more than ever seen as key growth regions for subscription services.

While the Middle East continues to be dominated by free TV, there has been significant movement on the subscription side, with OSN losing some ground to a beIN Media Group that is determined to dominate the space, along with the launch of Netflix to stir a digital distribution space occupied by players with a stronger local presence such as Starz and Icflix.

In Africa, meanwhile, pay TV groups continue to expand from a relatively modest base, while new digital subscription VOD offerings have also appeared. Local content creation, centred in Nigeria, continues to grow.

Digital TV Europe's Middle East & Africa 2016 looks at these developments in detail. We assess the changes in free and pay TV penetration across the region and look at how beIN Media and OSN are competing for Middle East pay TV customers, while MBC continues to dominate the free-to-air space.

In Africa, meanwhile, we assess the prospects for key SVOD players ShowMax, iROKOtv and Trace Play across a region where connectivity challenges and bandwidth costs pose formidable barriers to growth. We also look at the growth of local content and assess the approach of millennial-focused channel EbonyLife TV. ●

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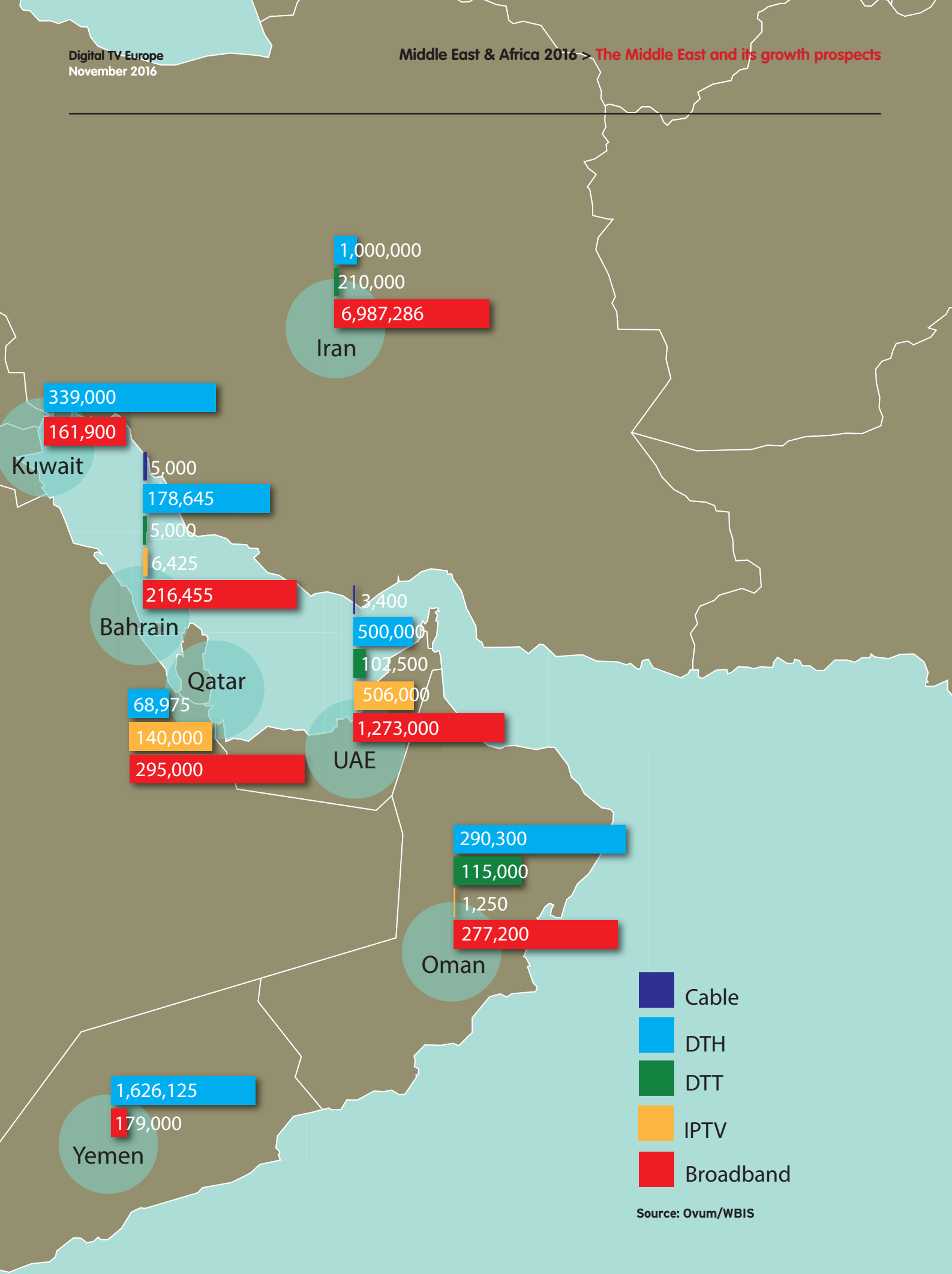
Middle East: the big picture

Satellite-delivered free-to-air TV remains the dominant form of distribution in the Middle East, but fixed broadband networks are developing. Competition in pay TV is also having an impact on the overall picture.



Source: Ovum/WBIS

Middle East: the big picture

Satellite still rules in the Middle East, though IPTV is making more inroads as internet connectivity improves across this varied region.

Free satellite has long dominated the TV scene in the Middle East. However, pay TV services are making up some ground and IPTV is also making some headway as broadband and fibre access improves. This connectivity is also opening up the market to over-the-top providers who are starting to provide services alongside established incumbent operators.

Unlike many other countries in the Middle East and North Africa (MENA) region, the UAE has been able to establish a strong pay TV market – despite the competition from free-to-air alternatives. Broadband penetration in the UAE stands at roughly 1.27 million households and IPTV is the top television platform in the country with an estimated subscriber base of 506,000. This is thanks to the success of operators like Etisalat and Du, which offer fibre-to-the-home (FTTH) and bundle TV services with their subscription offers. Ovum expects IPTV uptake to increase over the coming years before levelling off by 2021.

Following closely behind IPTV is DTH satellite at 500,000 subscribers, with pan-regional operators such as OSN and beIN Sports performing well in the UAE. Meanwhile, digital terrestrial television (DTT) trails at 102,500, according to Ovum figures.

Saudi Arabia is one of the most digitally advanced countries in the region, following the switch-off of analogue TV during 2015. As of Q2, Saudi broadband subscriber numbers stood at roughly 3.03 million. However, IPTV penetration was just 292,000, compared to 4.29 million DTH users and 230,000 DTT customers.

Ovum predicts that high levels of DTH viewing will be maintained in Saudi Arabia, but predicted that free-DTH penetration will decrease as users migrate to pay DTH. Arabsat has partnered with Emerging Markets Communications to form a joint venture for providing triple-play services over satellite, while Saudi regulator the Audio-Visual Media Commission has plans to assist Saudi-financed satellite channel operators, currently operating outside the country, to set up bases within Saudi Arabia.

In Kuwait less than half of TV households pay for a TV service, although Ovum expects this to rise to almost three in five by the end of 2020 – boosted by additional pay DTH subscribers and potential competition from IPTV. As of this year, satellite reigned supreme with 339,000 DTH subscribers. This is more than twice the number of broadband subscribers, which numbered 161,900.

Terrestrial TV in Kuwait has a minor presence, with the country having missed its June 2015 deadline for digital switchover, as set by the ITU.

More than 700 satellite channels are available free-to-air in the region via the Arabsat, Nilesat, Noorsat, and Eutelsat platforms and Ovum tips this number to increase as new satellite companies gain momentum.

In Oman, some 50% of TV households rely on free-to-air satellite for their primary TV signal, a factor that limited pay digital satellite penetration to just 11% by the end of 2015 according to Ovum research. As of Q2 2016, the country had an estimated 290,300 DTH users and 115,000 DTT homes.

Omantel launched IPTV services in January after partnering with UAE-based telco Du. However, Ovum estimates that IPTV subscription numbers stood at just 1,250 as of Q2 of this year. As long as fixed-line broadband penetration remains low, the research firm claims that the prospects for IPTV in the coming years will be "limited". That said, Omantel is expected to make some progress with triple- and quadruple-play services.

Bahrain's DTH penetration stood at roughly 179,000 in Q2. Cable, DTT and IPTV each accounted for a relatively small number of people, according to Ovum's statistics. Bahrain's broadband subscriber count comes to 216,500 and Ovum predicts that strong regulatory backing for the broadband sector means there is a positive environment for IPTV – although it will be difficult for it to make a major impact against the established satellite market.

Broadband growth

Despite this, incumbent telco Batelco now offers three IPTV packages in areas where it has rolled out FTTH and its Blackbox set-top box can also access OTT content. Nuetel also offers IPTV and triple play in the Amwaj Islands, where it has a geographic monopoly, and plans to extend its service to the mainland.

One of the Middle East's leading broadband markets is Iran, with an estimated subscriber base of almost seven million, compared with about one million DTH and 210,000 homes. Here, as in Bahrain, Lebanon, Qatar, Yemen and the UAE, the total number of broadband customers is greater comparatively than the country's combined TV penetration.

Improving internet penetration is giving an opportunity to over-the-top content providers such as Dubai-based SVOD service Icflix and other regional players like Starz Play Arabia. Netflix also launched across the Middle East as part of its global expansion in January. After an initial free trial of one month, Netflix now provides three different pricing plans ranging from US$7.99 (€7.30) to US$11.99 per month. According to Ovum forecasts, Netflix will round out the year with a subscriber base of some 1.6 million subscribers across the Middle East – a figure it predicts will climb gradually in the coming years to reach 3.7 million in 2021.

Separate estimates by Digital TV Research are less upbeat, claiming that the Middle East and Africa region as a whole will have 19.59 million paying subscription video-on-demand subscribers by 2021, with Netflix accounting for just 17.2% of these with 3.37 million subs.

Shifting sands

While MBC continues to dominate free TV in the Middle East, moves by beIN Media and the development of digital platforms could change the balance in pay TV. Rebecca Hawkes reports.

The past year has seen the three big purveyors of premium TV content in the Arab World remain unassailably dominant: free-to-air broadcaster MBC still commands huge pan regional audiences and the lion's share of advertising revenue, while the multi-territory pay TV space continues to be governed by OSN and beIN Media.

Yet, below the surface there have been some significant developments in the subscription sector in the Middle East and North Africa (MENA). Qatar-based beIN Media has expanded its content offering from sport to also encompass entertainment, US video streaming giant Netflix has entered the regional arena, and OSN has endured an executive re-shuffle following a drop in subscriber numbers.

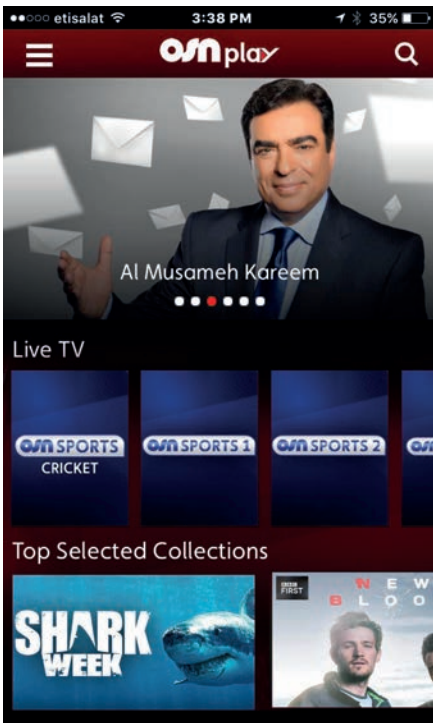
After last year's 10% rise in the number of pay TV households in MENA (to 4.95 million) and pay TV revenues surpassing the billion-euro mark for the first time, the growth of MENA pay TV households will, this year, lose some of its pace, according to analysts IHS Markit.

"Our estimations point to OSN losing around 50,000 subscribers year-on-year between the end of 2015 and end of 2016," says Constantinos Papavassilopoulos, technology analyst at IHS Markit. "This is logical to expect, given the churn rate between OSN subscribers almost doubled from just 16% annually in 2013 to 30% in 2015."

As a result, the consultancy expects the total number of MENA pay TV households to cross the five million mark, "but only just", at the end of 2016.

This is still a 2.5% rise overall on 2015, but this represents, says IHS, the lowest growth rate in the region's pay TV penetration base since 2010.

A localised version of *Project Runway* (left) is performing well for MBC. OSN Play (right) offers video-on-demand and live channel streaming.



beIN entertainment

The rise in pay TV households, albeit small, is attributed by IHS Markit to the extra subscribers picked up by IPTV services provided by Ooredoo in Qatar and STC in Saudi Arabia, and by beIN Media – which this year completed its acquisition of Turkish pay TV platform Digitürk and bought film and TV studio Miramax. OSN's regional rival also expanded its portfolio to include movies, general entertainment, factual and children's HD content in November 2015.

"beIN was very strong in attracting a male audience with its premium sports content but it had reached a plateau with its subscriptions, which were in the region of 3.4 million or 3.5 million at the end of 2015," says Papavassilopoulos. "By expanding into entertainment it is approaching another demographic to try and cement its position as the dominant pay TV operator."

With OSN having already sewn up compelling content deals for years to come with major Hollywood studios such as Disney-ABC Studios, NBCUniversal, Warner Bros, HBO, Paramount, Fox, Sony and MGM, beIN is playing catch-up – entertainment-wise – and building its base. This year has seen it targeting kids content, having added Cartoon Network, Discovery Kids, CBeebies, and DreamWorks Animation, and created the beJunior channel with German producer Studio 100 Media.

The strategy is of significance in a region where conservative family values are the norm, and where families often watch TV together – especially during the Muslim holy month of Ramadan. Family-centric programming could well boost beIN's penetration of the entertainment market, as could the addition of Turkish content from Digitürk – if, as expected, beIN decides to utilise its new asset for MENA audiences.

Arabic programming, however, seems conspicuously absent from beIN's current entertainment package. OSN's 26 Arabic channels, including its premium Ya Hala brand are, in contrast, very valuable, particularly set alongside its premium US content – plus Turkish, South Asian and Filipino entertainment.

"From cutting edge programming such as *Saturday Night Live Arabia*, to same day and time premieres [as the US/UK] of key series such as *Westworld* and *Divorce*, and our specialty channels such as OSN First HBO HD, we are constantly pushing ourselves to bring exclusive and nowhere else content to our viewers," says Emad Morcos, chief content officer, OSN.

Acquisitions such as these differentiate OSN's value proposition in the market, says Morcos, adding: "We have also evolved our relationships with content providers and engage them in local content on our western channels. Most recently, we have localised E! News and there will be more local content coming on Food Network and Comedy Central HD."

IHS Markit's Papavassilopoulos concurs: "OSN has valuable content, experience in providing entertainment and a reputation for cooperation." He cites as regional examples its partnership with MBC in creating the MBC + Drama channel; its active involvement in the regional anti-content piracy coalition; and its tie-up with Abu Dhabi Media to exclusively carry its premium channels, adding that "beIN has instead gone it alone, and its entry in the market has sometimes created counter alliances".

Certainly the rivalry between OSN and beIN looks set to continue, with neither expected to emerge as an out-and-out market leader over the next five years.

By the end of 2016, Digital TV Research estimates OSN will have around 1,153,000 subscribers and beIN will have 823,000. Simon Murray, principal analyst, Digital TV Research thinks that come 2021 the two operators "will be neck-and-neck", each with 1.6 million subscribers.

Although OSN's subscriber base seemed to have fallen in the first quarter of 2016, parent company KIPCO hasn't provided an explanation. "We are assuming that this is some sort of readjustment and that subscription numbers will increase from now on," says Murray.

Between the two regional pay TV powerhouses, OSN and beIN account for between 65% and 66% of pay TV subscribers and 70% of the subscription sector's revenues, according to IHS Markit. Along with free-to-air giant MBC, they have the financial muscle to retain control of the market's premium content for the immediate future, the research group believes.

Ready, steady, Netflix

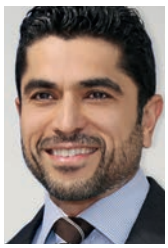
As part of its global expansion, Netflix arrived on the scene with a MENA service in January 2016, but like other subscription video-on-demand (SVOD) services, has not yet made a huge impression on the region's entertainment sector.

IHS Markit estimates Netflix's MENA subscriber figures will be well below 200,000 at the end of 2016, while Digital TV Research suggests the region will provide Netflix with just 62,000 paid up subscribers by the end of the year.

Going forward, Netflix and other locally-based SVOD players such as Icflix, Istikana, Starz Play Arabia, OSN Go and beIN Connect are looking at significant growth – albeit from an estimated base of 500,000 at the end of 2016 (IHS Markit). However, this sector-wide figure is predicted to rise to 1,317,000 by 2021, according to Digital TV Research.

A lack of Arabic content and issues with piracy may potentially be stunting the immediate growth of Netflix. However, another reason SVOD as a sector is yet to take MENA by storm is the inconsistent availability

"Netflix has actually been positive for us. It has brought category recognition to the SVOD space in MENA."



Maaz Sheikh, Starz Play Arabia

of fixed broadband and affordability of data if the region is considered as a whole. While Qatar and the UAE boast 85% penetration of fibre to the home, elsewhere, in countries such as Algeria, Egypt and Tunisia, online connectivity often presents obstacles for consumers.

This, and the difficulty of billing a service across multiple territories which have low recognition of credit cards, is why tie-ups with established mobile and IPTV operators are crucial to the expansion of SVOD services in MENA, says Maaz Sheikh, CEO of Starz Play Arabia.

"Our greatest challenge is that we operate in 19 countries, and we have found that in order to grow and create a presence in all the key markets we must integrate with multiple operators," he says.

For example, in the UAE Starz Play's primary partner is Etisalat; in Qatar and Tunisia it's Ooredoo; in Saudi Arabia it's STC; in Morocco, Maroc Telecom; in Egypt, Vodafone. Brand recognition helps attract customers, and joint marketing initiatives also pay dividends, says Sheikh.

With box-set attractions and Hollywood-heavy content, Starz Play Arabia claims to have been adding between 30,000 and 40,000 subscribers a month to its SVOD service since May or June 2016 – a growth spurt that coincides with new partnership deals with major telcos in Saudi Arabia, Egypt and Morocco.

The arrival of Netflix in the Middle East has added another dimension to proceedings. "We were dreading it, but it has actually been positive for us. It has brought category recognition to the SVOD space in MENA," says Sheikh.

"Plus, when Netflix launched the global service it had to treat the virtual private network (VPN) menace. As it had to show growth in international markets, it had to shut down international servers, which meant local subscribers had to subscribe to local services. When we are compared to Netflix Middle East – which has a different content proposition to its US or UK service – our content is very strong, more compelling," he says.

Certainly Netflix's content proposition in MENA is weaker than its offer in the US, as the first-to-air rights of significant titles such as *House of Cards* are currently held by OSN in the region. So, in the first quarter of 2016, Netflix offered 611 TV series in the Arab world compared to 5,379 in the US – with a uniform monthly subscription of between US$7.99 (€7.30) and US$11.99 across the region.

Whether it will retain the 'one size fits all' pricing policy across such an economically diverse region remains to be seen. Since its launch Starz Play has reduced subscription charges to US$4.99 in the North African countries of Egypt and Morocco, compared to the US$7.99 consumers are required to pay in the wealthy Gulf States.

While Netflix focuses more on developing its original content, its Dubai-based competitor has been acquiring Arabic content. "It is too soon for co-productions," says Sheikh. Instead Starz Play Arabia has been dubbing its core Hollywood and western content into both Arabic and French for the Maghreb countries. That, and integrating the Starz Play service with carriers and IPTV networks for local billing – "which is where we currently have the advantage over Netflix," claims Sheikh.

Meanwhile OSN, which has offered its own SVOD offer OSN Go since 2014, believes Netflix' arrival has helped educate people in the region about over the top (OTT) video services too. The US streaming company has also, says OSN's Emad Morcos, educated people on "how to engage with content via OTT. At the same time, it is a competitor

YouTube presents Arab TV classics

In October, video streaming platform YouTube unveiled a new digital hub called Mosalsalat, which brings together more than 500 iconic Arabic television series dating back to 1962.

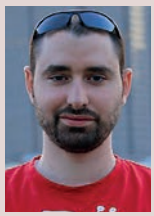
The idea behind Mosalsalat (which means 'series' in Arabic) was, with the help of local broadcasters, to collate shows from across the Middle East and North Africa (MENA) to an easily accessible digital library, where content could be viewed on-demand on any connected device and without charge.

The YouTube hub includes series such as the 1982 historical comic anthology of folklore tales *Taraef Al Arab*, and the critically acclaimed first season of *Bab Al Hara* from broadcaster Al Watan TV Network in Syria.

Founder Bassel Khair, says: "At Watan Network we believe that Arabic users have the right to access premium content without paying for subscriptions or additional costs. That is why we cooperated with YouTube to form the optimal formula of success to launch Mosalsalat. We are proud of what we have done so far, which we achieved through our outstanding cooperation with the YouTube Team in the region".

YouTube also worked with Egyptian Television and Radio Union (ERTU) in Cairo to curate more than 7,000 hours of Arabic series for the new digital hub. Available ERTU series include *Layali El Helmeya* and *Damir Abla Hekmat*.

Khair: Arabic users have the right to access premium content without paying for subscriptions or additional costs.



"With more than one billion users, YouTube is a platform where anyone, anywhere can access global and local entertainment. With launching Mosalsalat, we want users in the Middle East and North Africa to watch the best of Arabic television anytime they want. These shows have made millions over the past 50 years laugh, cry, and rejoice. We are glad to have been able to digitise a part of the region's heritage," says Zain Masri, marketing manager, Google Middle East and North Africa.

The project follows the 2015 launch of YouTube's Arabic film hub Aflam.

***Westworld* is available on OSN's 'home of HBO' channel OSN First HBO HD.**

because, at the core, we are all content providers vying for subscribers".

What sets OSN apart from Netflix and other SVOD-only providers, says Morcos, is its "privileged position of being able to reach audiences via multiple devices and mechanisms that cater to all types of viewing behaviours; those that are more comfortable with traditional linear viewing methods and those that bypass the box and go straight to digital intake."

As well as linear and SVOD viewing, OSN offers a catch-up and a 21 channel live streaming service called OSN Play, and video-on-demand via OSN on Demand. These offer recently aired content, box sets and thematic collections.

"We are continually developing and expanding this offering. We have obtained more rights from all our partner studios and networks, which means we now have more catch-up and on-demand content than any other player in the region," says Morcos.

Yet an even loftier position could be claimed by Dubai-based free-to-air broadcaster MBC: that of undisputed dominance in the region's audiovisual scene, in terms of viewing figures, advertising revenues and multi-platform engagement with its audience.

The Dubai-based media group can draw an estimated satellite TV audience of around 100 million for the finales of its flagship Arabic shows. Indeed, *Arab Idol*, *The Voice* and *Arabs Got Talent* have a cumulative reach of over 60% of MENA satellite television households, according to a 2014 regional reach study.

MBC also offers VOD and catch-up TV via its platform Shahid.net, which it launched in July 2011, along with premium digital content on its subscription sister platform Shahid Plus, and has gained 20 million subscribers via YouTube. MBC's Facebook fans now number 244 million and it has 55 million followers on Twitter.

The group's ratings have "created an impenetrable barrier" between it and the regions other broadcasters, says Mazen Hayek, official spokesman and group director of PR, commercial, and corporate social responsibility, MBC Group. "However, we are not a media group that takes our successes for granted. Nor do we take our competition for granted, but SVOD is still not a game changer for the masses [in MENA]. Will Netflix invest a few hundred million dollars a year to create traction? We're not seeing that yet, or seeing any great impact," Hayek adds.

"We are not a media group that takes our successes for granted, but SVOD is still not a game changer for the masses [in MENA]."

Mazen Hayek, MBC

Location, location, location

What is having an impact on MENA's mass audience this year, says MBC's Hayek, are the localised versions of US formats *Top Chef* and *Project Runway*, which have been recently added to MBC's programming. Although the group has to rely on 'guesstimate' figures as most countries in the region lack reliable TV audience measurement data, "initial indications are that both shows are being well received and audience size is comparable to the launches of *Arabs Got Talent* and *X Factor Middle East*," he says.

Project Runway Middle East, which is licensed by FremantleMedia and is a partnership project with renowned Lebanese fashion designer Elie Saab, showcases young designers in the Middle East. It will reach its finale – live in Dubai Design District – on December 10. Meanwhile, a new season of *Arab Idol* will take to the air in November, and *Arabs Got Talent* and *The Voice Middle East* will return to MBC schedules in 2017.

"These reality shows are very entertaining but also motivational. They are a platform for artistic self-expression and self-identification, and draw on a great pool of talent in the Arab World, where 180 million people are under the age of 30," says Hayek. "They are produced locally to the strictest international standards."

MBC has been instrumental for many years in producing, distributing and promoting high-quality Arabic programming, and also for employing staff from countries across the Middle East and North Africa, which helps build its pan-regional appeal: strategies commentators think others could learn from.

Marketing content to the region's tech-savvy youthful demographic is also key to pay platforms going forward. As is the exploration of untapped pay TV markets such as Egypt and Iran, thinks Constantinos Papavassilopoulos, technology analyst from IHS Markit.

"At the end of 2016, pay TV penetration will be slightly over 10% of the 47.5-48 million TV households in the 14 countries where we provide pay TV data. But Iran alone, for instance, which is not included in our data,

Starz Play Arabia has added French audio to its Hollywood content this year.

has around 14 to 15 million TV households," says Papavassilopoulos.

"Overseas satellite TV reception is still illegal in Iran, but over 70% of households in Tehran have satellite dishes. There is an audience. However, broadcasters would need to cooperate with local Iranian producers to make Farsi content that will have an impact on Iranian viewers. Repurposing content made for Arab audiences, as MBC tried with MBC Persia, does not work," he warns.

French-language programming and keener pricing could also help improve the pay TV footprint in the North African countries of Morocco, Tunisia and Algeria, where generations have been raised watching European content received via analogue TV transmission.

In recognition of this, Starz Play Arabia has, this year, launched a French version of its interface and its apps, and has added French audio to its Hollywood content. Although it is taking a lead on OSN in providing dubbed French shows, the SVOD operator admits that its French content is still limited.

Of course it remains to be seen if Netflix will follow suit, and provide more localised services within the region, as it has recently done for the Turkish market (it now provides streamed video content in Turkish and bills subscribers in local currency).

But amid the general uncertainty, OSN, beIN and MBC look set to retain their combined status as home to the most attractive premium content in the region – whether paid for or free-to-air.

They will be aided, no doubt, by MENA's ever expanding talent base and state-of-the-art facilities, fuelling the production of even greater quantities of high quality local programming from the Arab world. ●

Simplifying security in a complex world

Conax, part of the Kudelski Group, is a leading global Content Security Specialist for digital entertainment delivering services for 400 operators, representing 140 million pay-TV consumers in 85 countries globally.

At Conax, we believe that we can simplify content security in a complex world, with our feature rich and highly sophisticated security hub, Conax Contego that seamlessly supports smartcards, cardless security, next-generation IPTV, advanced multi-DRM and OTT services. Conax Contego also fulfils MovieLabs specification demands with Forensic Watermarking, enabling secure and traceable distribution of 4K/UHD content.

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Keep OTT simple

In a rapidly changing TV landscape where disruption is the norm, pay-TV operators are launching OTT services to combat churn and target new revenue streams. Conax's commercial product director Einar Vaagmo says the secret to success is "keep it simple".

Conax's commercial product director Einar Vaagmo has been working with online video and OTT services for a decade, with extensive experience in the converging telecom and media industries.

"It's not long ago that streaming services was a thing for computer nerds. Now streaming is main-stream as well as the fundamental changes in user experience and behaviour," he says.

Previously part of a Nordics OTT start-up launching a premium SVOD service on tablets, game consoles, smart TVs and phones, Vaagmo recalls: "We actually received an email from a customer asking 'you mean I actually have to watch this video on my computer?'"

Now disruption is the new norm. "Pay TV providers, service providers and broadcasters need to adapt to rapid industry changes," Vaagmo says.

A specialist in total service protection for broadcast, broadband, multi-network and multiscreen digital TV services, Conax supports over 140 million pay TV consumers in 85 countries. "We come from the conditional access part of the industry, delivering a security back end and smart cards. Today we offer a complete portfolio, delivering smart cards, cardless, IPTV solutions, multi DRM solutions, cams and more - managed from our modular Contego back-end," says Vaagmo, who works closely with the sales and engineering departments responsible for product development. "I also work closely with partners. There are many challenges to launching a successful OTT service, spanning the technical, commercial and structural issues faced by operators. Getting input from the market is key."

New market challenges

Vaagmo explains: "Many argue that the technology stack is not there yet. There's a lack of standardisation despite some great initiatives like HTML5 video, MPEG-DASH as a format, Common Encryption and so on."

In addition, multiple hardware platforms, operating systems, streaming and encoding formats multiply the technical challenges. "You need to deal with updates and introductions of new platforms," he explains.

Commercially, "many operators are finding it hard to gain ROI for their OTT service – it's hard to monetise and at the same time they are being disrupted by the new market players", he says.

Vaagmo explains that operators are finding it hard to grow audience. "At the same time, cord-cutting is happening," he adds. Churn is costly and cost of customer acquisition is huge. For many operators the fact that you can combat churn by launching OTT services should justify the ROI in itself."

A third challenge for traditional operators is the "simplicity of scalability". He cites the example of WhatsApp. "They were 55 employees serving 900 million users when Facebook acquired the company for USD$19 billion. And, Pokémon became a world phenomenon in just a few days. With cloud technology anyone can scale, offering huge opportunities for newcomers entering with low investments," he says. "Traditional paid-TV operators need to think differently, see new market opportunities, and see the benefits of new technologies and how they can monetise."

All these changes are driven, at least in part, by changing audience habits with a growth in niche audiences. Vaagmo uses the example of YouTube, where there are channels "with millions of subscribers watching gamers playing games on the internet".

He explains: "Millennials are watching TV in a completely different way and don't care how the content is delivered. They care about user experience and simplicity, so these new streaming devices and services that are reducing complexity for the end user are major opportunities and challenges for traditional players."

Keep it simple

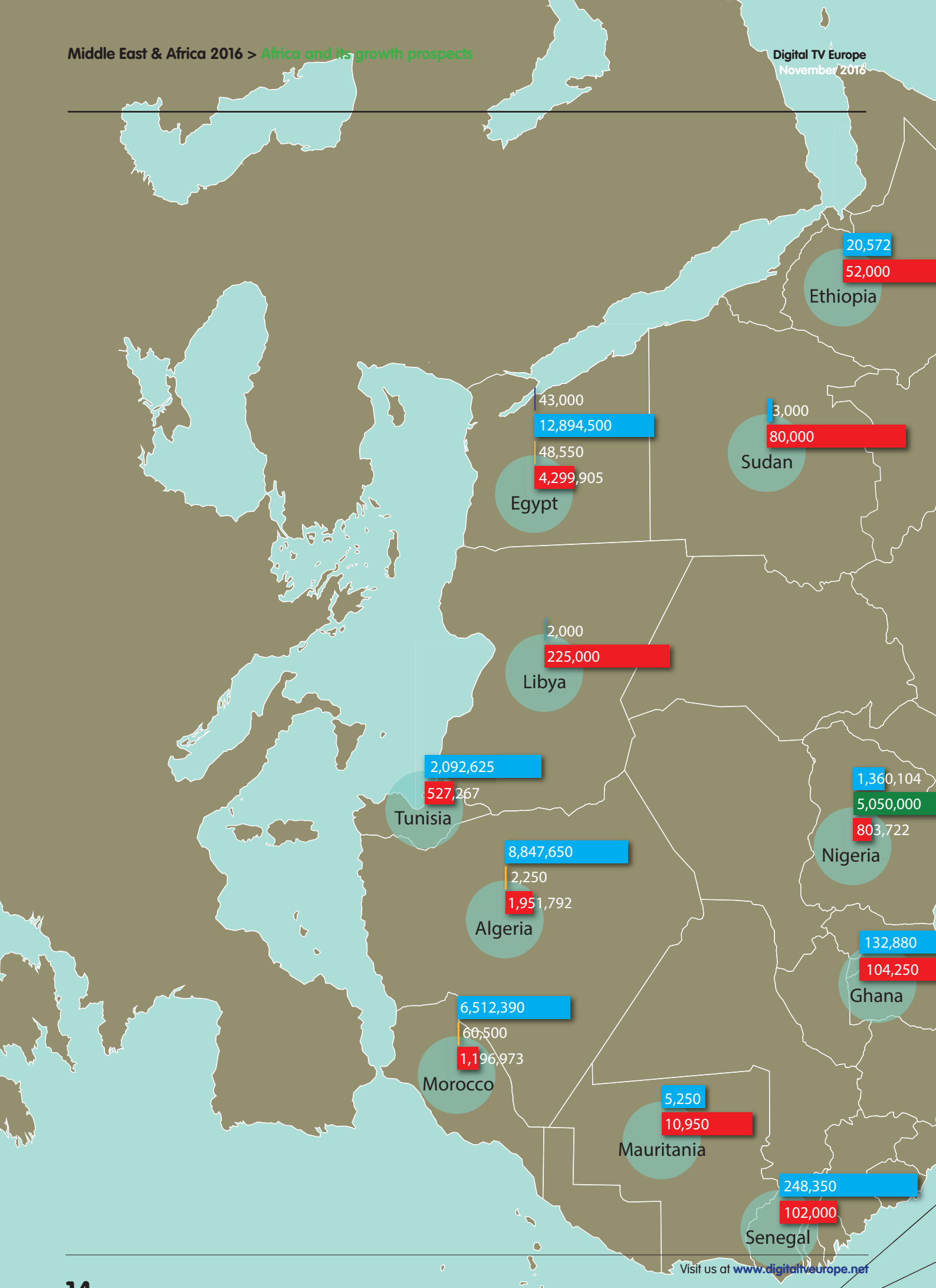
One piece of advice Vaagmo has for traditional operators is, "don't close your eyes on what's happening in the industry. It's either disrupt or be disrupted."

He says the market is reacting: "We see content owners and broadcasters going directly to consumers. There's no doubt the market will continue to evolve, with new players on all sides, so simplicity is key: the end user has never had more options. Those falling behind are those closing their eyes."

One structural challenge traditional operators have to overcome, Vaagmo says, is the historic product cycle and time to market. "The time when the pay TV operators spent two or three years making a new experience available with new middleware or boxes has passed. You cannot operate like this anymore because the industry is changing so rapidly."

TV operators need to look to internet companies for the right approach, because "they are the ones that are going to win this game with a new approach to customers".

Einar Vaagmo is presenting a session called "Don't let complexity kill your OTT revenue" on October 31 at TV Connect MENA, at Westin Dubai Mina Seyahi, Dubai. For more information, please visit https://tmt.knect365.com/tv-connect-mena/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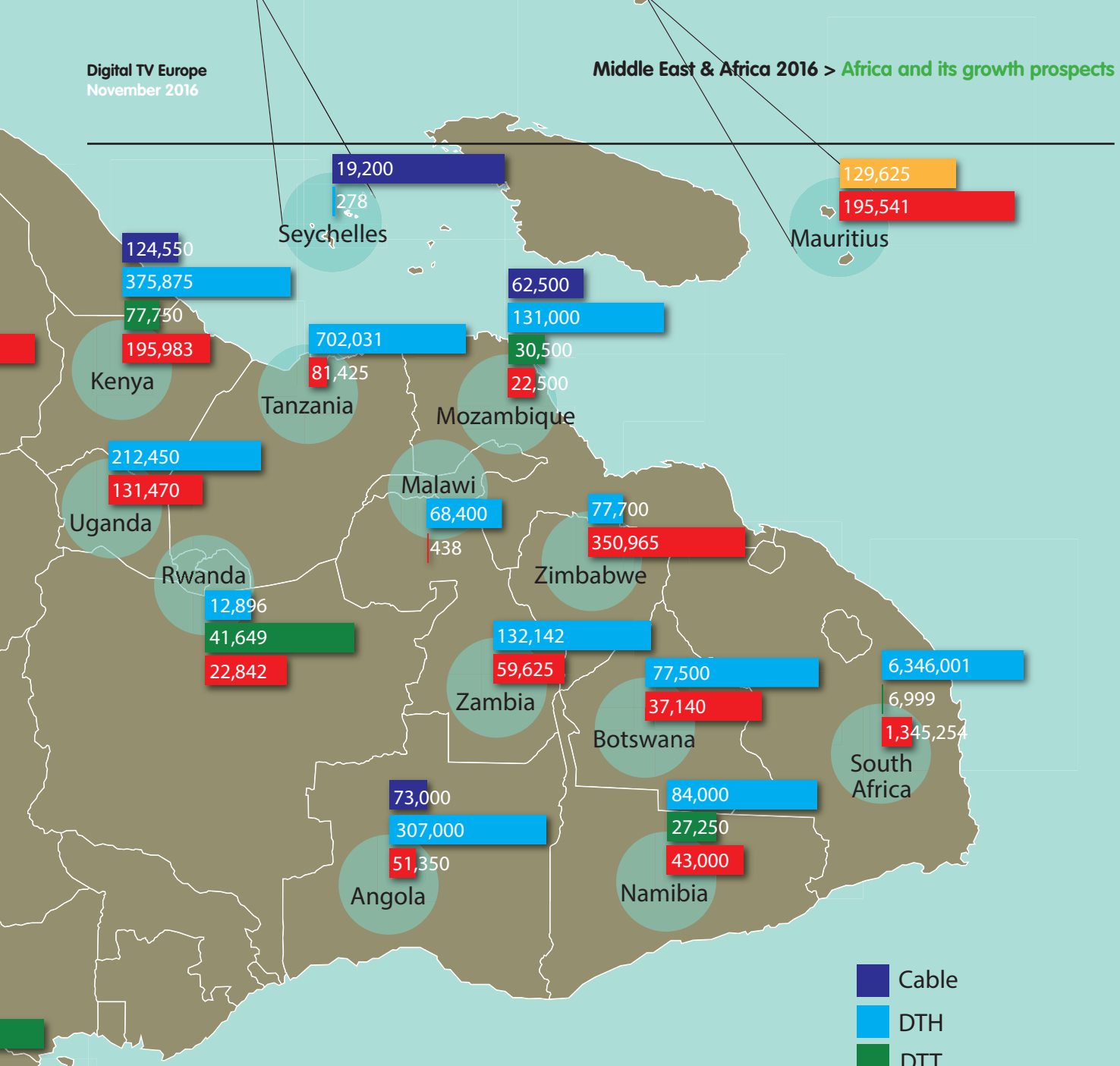
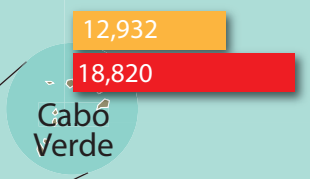


Source: Ovum/WBIS

Africa: the big picture



Growth in TV homes is continuing in sub-Saharan Africa, with progress towards digital switchover underway. While progress is uneven, pay TV players are changing the nature of the game.

Africa: the big picture

Sub-Saharan Africa has seen strong growth in TV households and significant traction for pay TV. However, progress and the overall level of development is uneven, with some countries making much greater strides than others.

The African TV market continues to develop rapidly but unevenly, with a number of initiatives underway to develop pay TV across key markets, a number of still nascent moves to build on-demand TV services, and patchy progress towards digital switchover.

According to Ovum, digital-terrestrial homes are still under half of all TV homes this year across the continent. The figure is expected to rise to over four in five homes over the next five years. Primary DTT homes will account for about three in four. The number of pay digital-terrestrial homes is meanwhile expected to decline as a proportion of all TV homes from a peak of about one in seven last year.

However, the top-line figures disguise huge differences between countries across the region – encompassing the proportion of homes with TVs as well as progress towards digitisation and penetration of pay TV.

Satellite remains a key TV transmission technology, particularly for pay TV services. Ovum expects the proportion of pay DTH homes to all TV homes to remain more or less stable at around one in five over the next five years. Pay DTH homes as a percentage of overall pay homes will be about half in five years time, also similar to today's proportion.

A recent Ovum study of Botswana, Mozambique and Namibia found that just under half of homes took pay TV services with these mostly being delivered over digital satellite. All three countries missed the June 2015 digital switchover deadline set by the ITU, even though Namibia has been seen as a leader in digitising its terrestrial network.

Digitisation is much less advanced in Botswana – despite the population being concentrated in the capital, Luanda – and Mozambique, with analogue terrestrial TV remaining the principal distribution mechanism.

Broadband coverage in the region remains patchy, being focused on the larger cities and plagued – at least in terms of TV distribution – by lack of affordability. Piracy also remains a key challenge to the development of legitimate pay services.

In the pay TV sector, MultiChoice is the dominant provider in Botswana and Namibia, with Zon-backed Zap TV and cable service TV Cabo – as well as China's StarTimes – providing competition in Lusophone Mozambique.

Pay TV is expected to account for the lion's share of TV revenue growth in all three markets. However, across Africa, pay TV homes are expected to decline as a proportion of the total TV homes universe over the next five years as digital switchover progresses. Overall, Ovum expects pay TV homes to account for under a third of all TV homes by 2021, down from two in five this year. The overall number of pay TV homes will however rise – in Ovum's reckoning by just under a half to just short of 32 million homes over the next five years. The proportion of homes with a TV will meanwhile rise from just under a third today to just over half in five years' time.

Wide disparities

A similar study of four East African markets – Ethiopia, Malawi, Tanzania, Uganda and Zambia – highlighted the wide divergence between different countries in the region. Here, digital-terrestrial TV is more important as a pay TV platform. Pay TV growth is expected to be strong. However, there are wide disparities between these four markets, with TV penetration still only in single figures in Ethiopia, and the market still dominated by analogue TV, while digital-terrestrial TV in Tanzania reached over three in five TV homes and TV penetration double that of Ethiopia.

A separate Ovum study of Francophone Africa highlighted strong expected growth of about 39% in TV homes across Cameroon, the Democratic Republic of Congo, the Republic of Congo, Cote d'Ivoire, and Senegal over the next five years. Canal+ is meanwhile driving strong pay TV growth, adding half a million homes across the region in the year to March. The Ovum study again highlighted wide variations within the region, with over half of homes in Senegal and Côte d'Ivoire, for example, having a TV set, while under one in five homes in the Democratic Republic of Congo have a TV. Pay TV is dominated by Canal+ across the region, although MultiChoice's DStv has a significant presence in Cameroon. As elsewhere, digital-terrestrial TV growth is being led by pay TV providers, who have invested in the platforms necessary to enable the transition.

Digital TV Research, another research outfit, meanwhile predicts that low-cost offerings will make much of the running in pay TV growth. MultiChoice's premium DStv service will in fact remain the major player over the next five years and the only pay TV provider in the wider MEA region with over 10 million customers by 2021. However, DStv's growth rate will be more modest than that of StarTimes, which is expected to more than double its base to close to 6.5 million over the same period. MultiChoice's low-cost digital-terrestrial offering will also almost double its base to 6.2 million. Canal+'s Francophone African offering will meanwhile grow by about 50% to reach 3.2 million.

Digital distribution platforms are developing from a small base and continue to face significant infrastructure and commercial challenges such as poor connectivity and high data costs. Despite this, a significant number of SVOD services have launched. Digital TV Research predicts that SVOD numbers across the Middle East and Africa as a whole will grow from 3.7 million at the end of this year to almost 20 million in five years' time, with African platforms iROKOtv and ShowMax reaching 1.551 million and 992,000 subscribers respectively.

On-demand Africa

Africa has seen the launch of a significant number of SVOD services over the last couple of years. Despite challenges related to affordability and connectivity, the appetite for content and growing penetration of smartphones means that the region has potential for growth. Stuart Thomson reports on recent activity.

Largely thanks to the example of Netflix, the subscription video-on-demand model has dominated the debate about how best to make money from video as viewing patterns shift away from linear TV towards time-shifted viewing.

Africa has not been immune to the shift. The absence of the kind of technical infrastructure that is required to support SVOD across much of the continent, low disposable income levels and difficulties in securing payment for services have not deterred a number of players from entering the market.

In order to mitigate the risks and challenges associated with on-demand offerings in Africa, these companies – although very different in the markets they specifically target and in many aspects of their strategies – have embraced a number of common approaches. They have looked to deliver services that are geared towards viewing on mobile phones, they have looked to provide download capability as well as partnerships with telcos to get round bandwidth and affordability challenges, and they have targeted the African diaspora market as well as local audiences.

ShowMax: mobile optimised

South Africa-based ShowMax, the SVOD service backed by Naspers, the owner of the MultiChoice pay TV service, is currently available in 55 countries, including 28 outside of Africa, where it is targeting the diaspora.

Within Africa, ShowMax has a localised presence in only two of its African markets currently – its home market of South Africa and Kenya, where it launched in October.

According to Richard Boorman, head of communications at ShowMax, the service as it was originally conceived was designed for viewing via both fixed and mobile networks. However, for Kenya, the company launched a version that was specifically aimed at mobile users – ShowMax Select. "ShowMax Select was designed as mobile-first. It is lower-resolution video, which works for smartphones and tablets," says Boorman. For the full ShowMax Premium service, viewers can opt for one of three resolutions for the streaming version of the service, depending on the availability of bandwidth. Select users can opt for the lower two resolutions.

ShowMax also offers a download option – seen as key in Africa because of the patchy availability of connectivity at speeds that

ShowMax recently launched a new mobile-optimsed service for Kenya.

support streaming, as well as the cost of bandwidth – with four file size options. Again, the Select option provides the smaller two file sizes. ShowMax Premium is available in Kenya for KES880(€7.70), while ShowMax Select costs KES330.

"Kenya is a very interesting market – it is quite large with rapidly growing connectivity," says Boorman. He adds that launching SVOD in the country is nevertheless challenging thanks to a low level of fixed network connectivity and reliance on mobile. "We wanted to get ShowMax Select up and running there first because it is a challenging market, and we can then apply the learning from that launch to other markets," he says.

Despite the mobile focus of the Kenyan launch, ShowMax has taken a broad-brush approach to distribution. The service is available on a wide range of devices, including Apple TV, Chromecast, Hisense, Samsung and LG smart TVs and the DStv Explorer advanced set-top box in South Africa.

The company has also looked to team up with local mobile and fixed-line telcos to further its distribution goals and provide packages that get round the challenges associated with affordability in markets where disposable incomes remain low. In South Africa ShowMax has a deal in place with Telkom whereby the latter will offer an 'entertainment' data package including support for ShowMax streaming for ZAR99 (€6.50), with users paying the monthly ShowMax subscription fee on top. In Kenya, ShowMax has teamed up with mobile telco Safaricom and Boorman says that exclusive data packages will be part of this. It has also teamed up with mobile payment specialist M-PESA for payment services.

Data remains a key challenge, though Boorman believes that this is shifting, with prices steadily falling, driven by campaigns such as the #DataMustFall initiative launched in South Africa in September.

Boorman says that ShowMax Select offers a 50:50 mix of local and international content, while Premium is more heavily weighted towards international content.

"We are not trying to be the Netflix of Africa but the ShowMax of Africa. We want to be a great platform that is localised in terms of payment and also content. We have a content team on the ground in Kenya," says Boorman, who adds that people will take more than one service if prices are attractive enough. "This is not a zero-sum game," he says.

iROKOtv: Nollywood bet

ShowMax, despite its heavyweight backing, is only one of a number of SVOD initiatives in Africa. iROKOtv initially targeted the diaspora audience, but has more recently focused its attention on building a base in Nigeria, home of Africa's homegrown Nollywood movie industry.

According to Jason Njoku, iROKOtv's founder and CEO, the Nigerian market, the fastest growing in Africa, offers a solid base on which to build the service. iROKOtv has concentrated on offering Nollywood content, and for the last couple of years has focused on distributing to Android smartphone users.

"A lot of the changes we made two years ago have started to yield results," says Njoku. "We started by targeting digital natives and the diaspora audience – and we still have that – but we have also shifted aggressively to targeting Android users in Nigeria, which is still the fastest growing region in Africa."

iROKO, which now has its own Nollywood studio business as well as licensing content from other movie houses, has also moved into offering linear channels as well as SVOD. Most recently it launched ROK, a Nollywood channel that is available on Sky in the UK as well as – from November 1 – DStv. iROKO also already distributes two channels on the StarTimes platform.

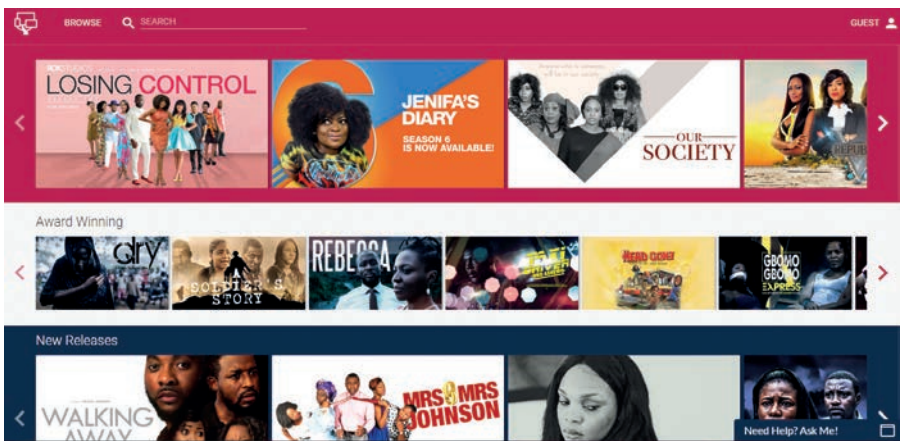
Njoku says that ROK is positioned as a premium service that carries the ROK studio's large output of movies and series. DStv will carry it on its higher tiers. "Our movies went direct to DStv but the studio has so much content – 100 movies and 10 series this year – that it made sense," says Njoku.

Regarding iROKOtv, Njoku says that the biggest challenge is not content but accessibility. However, with four telcos competing for business in the Nigerian market, mobile data costs will continue to fall, he argues. He says that 90% of traffic is to Android devices and the primary mode of viewing is via download rather than streaming. "One of our key things is download first. We actually hide the fact that you can stream the content. What happened in the past was that when you pressed play you handed the experience over to the telco. A download takes less than 60 seconds and we can control the experience," he says.

iROKOtv is focusing its marketing efforts in the greater Lagos area, home to about 20 million people as well as Nollywood. However, the company recently also teamed up with Canal+, which participated in iROKO's funding round at the start of this year, to launch an Android-based service for Francophone Africa that includes telenovelas and content from Canal+'s A+ channel as well as Nollywood fare.

"One of the key things for us is trying to understand how French-speaking Africa differs from Lagos," says Njoku. The company is making use of Canal+'s eight and a half thousand points of sale to expand into a region where it had no presence previously, and Njoku says that it will learn a lot from the experience that could then be applied to the domestic Nigerian market.

"We are now a broader media player than we were. We are balancing our revenues with a diversified customer base that we



iROKOtv has focused in on the Nigerian market and on Nollywood content.

can introduce to linear channels and then take them to digital," says Njoku, who adds that linear TV is likely to provide the biggest revenue stream for the company. While the company faces a number of significant challenges – including an economic recession in its home market and growing competition from rival players – he is confident that iROKO's focus on building its own pipeline of Nollywood content offers a recipe for success. iROKO currently offers a roughly 50:50 mix of own-produced and acquired content and NJoku has the ambition of taking the homegrown element to 85%.

Trace Play: urban filter

One of the latest companies to throw its hat in the African SVOD ring is youth and urban music-focused broadcaster Trace, which is set to launch its long-awaited Trace Play SVOD offering before the end of this year.

According to Trace founder and CEO Olivier Laouchez, Trace Play will ultimately be available in English and French in 100 countries. Trace, which has built a business with a focus on urban culture and music as well as sports celebrity news, has acquired additional content rights through its purchase of African SVOD provider Buni TV, which is now fully integrated into the group, according to Laouchez.

Trace Play will be UK-based and Ofcom-regulated. The platform will include Trace's total offering, encompassing its suite of linear channels as well as VOD. The company recently expanded its bouquet of channels by launching three regional music services – Trace Africa, aimed at southern Africa, with a mix of music videos, specials and documentaries covering genres including Kwaito, House, Coupé-Décalé, Afropop, Rumba and Ndombolo, Trace Mziki, targeting eastern Africa with a mix of music including Ugandan and Tanzanian hits and genres such as Bongo Flavas in Swahili and English, and Trace Naija for West Africa, spanning genres including Afrobeats, Afropop and Hip Life. The channels were initially available on DStv, but Trace recently struck a deal to distribute Trace Mziki on Kenya's Zuku TV along with its existing Trace Gospel service.

Trace is also planning to expand its original content line-up by commissioning new series. Four series are currently in production, including three in the US, one in the UK and one in France. Laouchez said that the group is making a significant investment in content and is also discussing two additional series, one in the Caribbean and one in Africa. "We are making a significant investment – we saw it as necessary to launch not just with content that has been watched by the audience already. We have a strong component of original content and we are acquiring more. It will take a long time to find that, and we will also acquire some existing content," says Laouchez, who adds that the content mix will be broad but selected through Trace's 'urban' filter.

Laouchez says that Trace Play will be available in the US as well as Europe and Africa. "We are targeting everyone interested in urban culture," he says. While the content mix will include movies and series as well as music programming, music remains core to its offering. "Our music offering has the biggest line-up of channels dedicated to African and Caribbean music there is, and this will be a unique selling point for the platform," says Laouchez.

He admits that launching a VOD offering in Africa is complex, because of bandwidth, connectivity and billing issues. However, he says that Trace would work through these areas and adds that the early phase of the launch is likely to involve a learning process, with work still being done on elements like billing mechanisms. "We are taking it step-by-step. We are going to learn. There are things that we don't control 100%," he says. Trace is launching in a number of countries outside Africa as well, targeting a diaspora audience as well as anyone else interested in its content, which will help mitigate the risk. For Africa, as with ShowMax and iROKOtv, Trace will offer download capability to overcome the challenges associated with streaming. However, this will not be extended to the music offering because of rights issues.

"We are looking to offer a mass-market product that will give us the scale to invest in original content," says Laouchez. "We want Trace to be the number one global urban entertainment platform. Urban culture is not a small niche. Most contemporary entertainment in Africa and the Caribbean will fit into this filter. The great thing about urban music and culture is that it goes beyond hip-hop and R'n'B music and so on – it is a form of expression for young people all over the world and it is inclusive."

Within this context, some Nollywood content and even telenovelas may have a place in the mix. Indeed, Laouchez says that Trace is talking with iROKOtv about taking some of that company's content. Laouchez says he would like to see Trace Play acquire "a few hundred thousand" subscribers in the first few years following the launch.

Many other companies are experimenting with SVOD in Africa, competing but in some cases collaborating with each other. Technology provider Ericsson earlier this year launched its own SVOD service, NuVu, in partnership with mobile operator Airtel, offering a mix of content from international distributors, but also licensing content from both iROKO and Trace. Ericsson positions NuVu as an end-to-end SVOD platform aimed at mobile operators. Other providers active in the region include south-east Asian player iFlix, and Afrostream, a movie-focused service that last year secured backing from Orange Digital Ventures to bring Afro-American, African and French films to a wider audience and launched initially in France, Belgium, Luxembourg, Switzerland, Senegal and Côte d'Ivoire.

Trace's Laouchez says he expects further consolidation of VOD platforms in Africa and expects Trace to be a consolidator in the region. "The African market has a billion people, and there are lots of Africans living in the US and Europe," says Laouchez. "We still need to build this market. It is important to find a vertical and a business model that makes sense." ●

"The great thing about urban music and culture is that it goes beyond hip-hop and R'n'B – it is a form of expression for young people all over the world."

Olivier Laouchez, Trace

A different side of Africa

EbonyLife TV founder and television personality Mo Abudu discusses the importance of portraying the young and vibrant face of Africa. Andy McDonald reports.

Nigerian talkshow host, media personality and entrepreneur Mo Abudu set up EbonyLife TV to tell African stories – a mission that is just as vital today as when the station first hit the airwaves in 2013.

Speaking to *DTVE* at this year's MIPCOM television market in Cannes, Abudu explains that "this all started with the fact that we saw there was a massive gap in the market, we wanted to own that space by creating premium quality programming."

Before Nigeria-based EbonyLife TV went live, London-born Abudu says the company spent a full year putting together "premium-quality, home-grown African programming, speaking to the millennials" – content she felt was missing in the TV landscape. "We started from ground zero," she says.

The female-focused channel targets 18-34 years-olds, though actually reaches a wider demographic of 16-55 year-olds with a blend of Anglo-African entertainment programming that includes include talk, entertainment, reality, comedy, drama, lifestyle and factual programming.

The pay channel is distributed in 49 countries in Africa through MultiChoice's DStv platform and is now available even further afield as the company focuses on both increasing distribution and upping its content production. The network currently produces 1,000 hours of content a year, 80% of which belongs exclusively to EbonyLife TV, and the channel has two studios in Nigeria – one in capital Lagos and another in Calabar, Cross River State.

One of the first big-name shows that EbonyLife worked on was an African version of hit US drama series *Desperate Housewives*. A co-production between EbonyLife and Disney, the show premiered in 2015 – three years after US original's eight-year run on ABC came to an end. Since then, notable examples of EbonyLife's programing have included political drama *The Governor* and a new drama set in Northern Nigeria about the lives of three rich, entitled, and ambitious young men, called *Sons of the Caliphate*.

"This all started with the fact that we saw there was a massive gap in the market. We wanted to own that space by creating premium quality programming"

Mo Abudu, EbonyLife TV

Abudu says that lining up another major co-production with an international partner is one of her main aims for the next year. She has high hopes that MIPCOM's first Diversity Summit, which ran as part of the TV market's programme, will yield tangible results.

"The only way that things are going to change and are going to happen is if we do believe that diversity is going to happen and we take active steps towards encouraging that," said Abudu. "We have stories and scripts that I am developing, that we know [will] have crossover appeal that can take a co-production partner. I'm going to be pushing a lot of scripted in the next 12 months, so by the time you see me at MIPCOM next year, we're going to have a huge scripted library."

On the distribution side, EbonyLife is also reaching out beyond its pan-African footprint. "We go out to 10 countries in the Caribbean now and I just recently sealed a deal with Virgin Media to go to the UK," says Abudu. "These are all really, really big projects for us. At the end of the day it's all about distribution – there's no point creating all this content if then it doesn't get out there."

Elsewhere, the channel is also making inroads in the over-the-top space as a way to reach diaspora audiences. EbonyLife has both a free and a paid app. The free version provides a limited selection of content, while the US$4.99 (€4.55) per-month app offers more comprehensive access and Abudu says that a 'watch live' function is also coming that will allow users to stream the channel all over the world.

"I think for me there's been a deep burning passion in my soul to get that story out about 'the other Africa'" says Abudu. "The western media is so focused on portraying a particular side to Africa. I'm not saying that side doesn't exist, but I am saying it's not the only part of Africa that exists."

Abudu claims that the same prejudices she faced in England – where she was born and educated – still persist today. "My children are being asked the same questions, and I'm thinking 'what's going on!' I do not live under a tree!" Abudu's goal is to show a side the Africa where people are "doing amazing and incredible things", and to reflect the stories of well-travelled citizens of the world – young people who are no different to their peers living in other parts of the globe.

"They need content that resonates with them and speaks to them – and that's the gap. That's the gap that we want to fill. This is the Africa of today and they want a voice – and they deserve to have a voice like everyone else."

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