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Winds of change

The Middle East and Africa are seen as emerging markets for pay TV. Video consumption across both regions remains largely dominated by free TV and there is plenty of room for growth.

However, new OTT TV services are beginning to make an impact, and the way pay TV operators are marketing their services is changing in response.

In Africa, multiple entrants offering lower-cost options have challenged MultiChoice's dominance of pay TV. These include recent entrant Kwesé TV from Econet Media. In this issue of *Digital TV Europe's Middle East & Africa*, we interview Econet Media CEO Joseph Hundal about the company's plans.

Africa has also seen the launch of multiple streaming services, the latest of which is Trace Play. We interview Trace co-founder and CEO Olivier Laouchez about this and his plans for the launch of further channels, including a dedicated service for the Democratic Republic of Congo.

The Middle East has seen multiple SVOD players pitch their offerings to a young and increasingly tech-savvy audience. We assess the strategies of Starz Play, Iflix, Netflix, Icflix and others and look at the ways in which pay TV operators OSN and beIN Media – itself further challenged by the regional boycott of Qatar – are responding.

Finally, original content is increasingly seen as a differentiator in the Middle East. We report on how the region's content creators are now looking to a wider international market. ●

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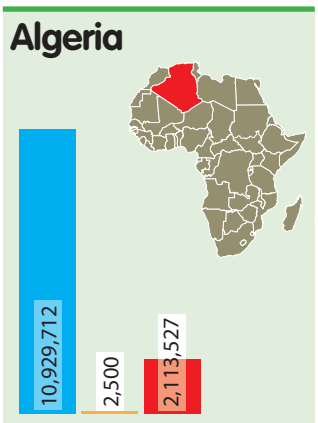
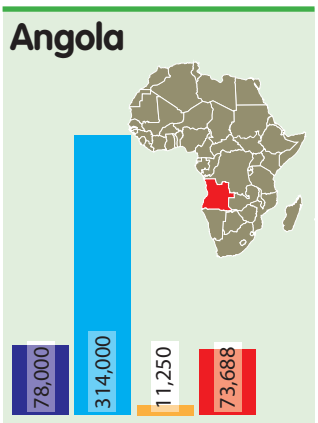
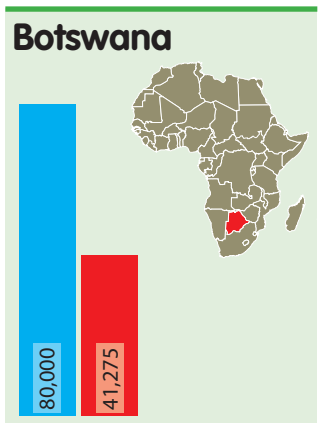
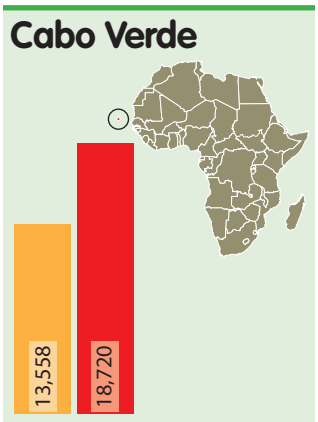
Africa: the big picture

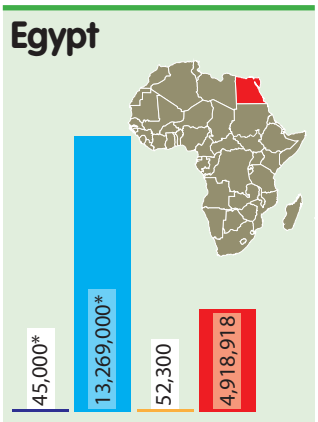
Long-delayed implementation of digital switchover is now underway in a number of African countries, while pay TV competition is heating up.

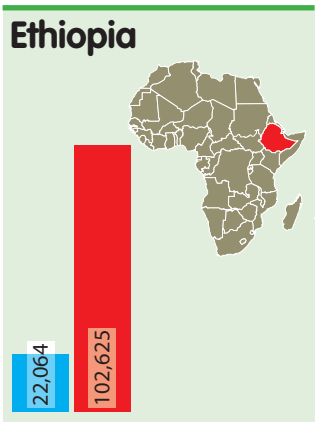


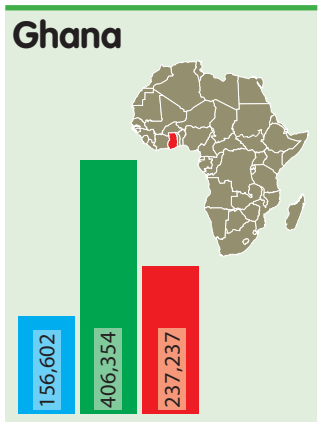


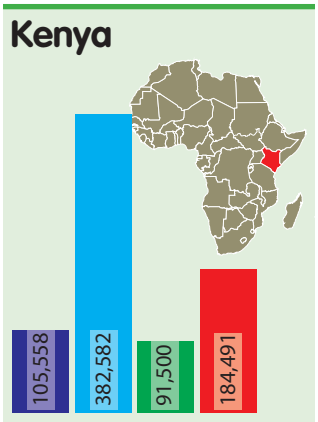


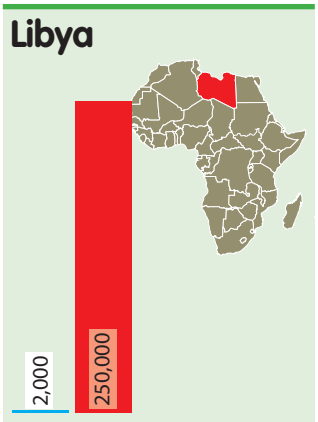


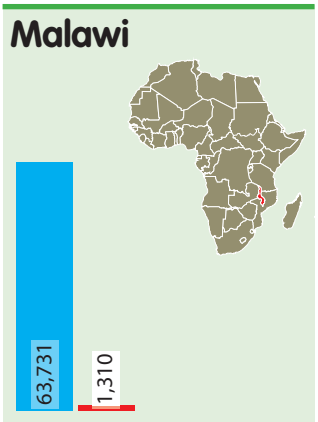


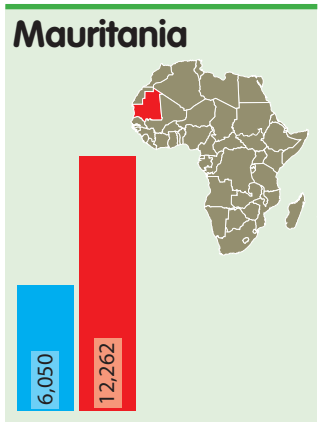


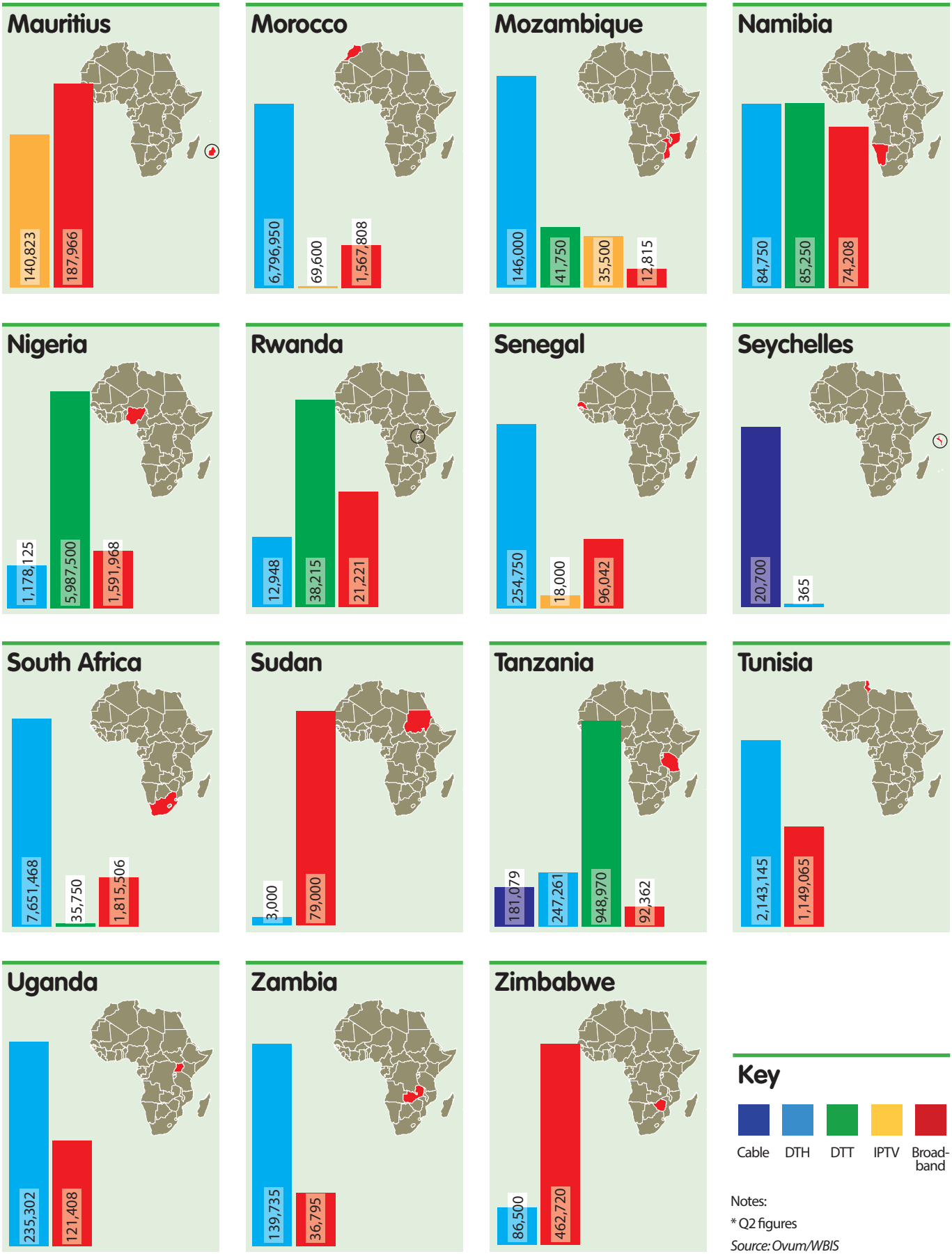












Notes:
* Q2 figures
Source: Ovum/WBIS

Africa: the big picture

Accurate data about TV numbers in Africa remains challenging, but the region's subscription TV market continues to grow, with more competition between regional, local and emerging digital players.

Gathering accurate data about TV penetration in Africa is highly challenging. While satellite operators make a significant investment in counting heads, it is more difficult to make an accurate assessment about digital-terrestrial numbers – and also the still huge number of analogue TV homes.

Comparing penetration figures for different TV platforms is therefore extremely difficult. The figures presented on the preceding pages are based on available information and do not necessarily reflect the reality of the balance between satellite and digital-terrestrial, for example, in all cases. Pay TV numbers are possibly easier to gauge, but gathering accurate statistics is nevertheless challenging.

According to analyst group Ovum, about one third of all households in sub-Saharan Africa – just over 60 million – could be counted as TV homes at the end of 2016, with pay TV homes representing about 40% of that total. The vast majority of these pay TV homes took services from trans-national operators rather than local players, according to Ovum. MultiChoice is the leading operator – accounting for about half of the pay TV total, followed by StarTimes, which has a base about two thirds the size of MultiChoice's.

Pay TV subscribers

While Ovum estimates that there were about 24.6 million pay TV subscribers at the end of last year, rival analyst outfit Dataxis estimates there were 23.7 million at the end of the second quarter of this year.

The other major player, with a focus on Francophone Africa, is Canal+, which has grown its base on the continent in leaps and bounds over the last couple of years, with growing in Africa regularly highlighted by the company in its quarterly results presentations, compensating for ongoing subscriber losses in metropolitan France.

Smaller players include Zuku, a signficant pay TV force in the regional East African market, Starsat, My TV and Azam TV. Angola's Zap TV also has a significant base in its domestic market. Recent entrant Econet Media, which operates a pay TV service under the Kwesé brand in several African countries, is profiled elsewhere in this publication.

There are significant concentrations of pay TV homes in Nigeria and South Africa – sub-Saharan Africa's biggest economies – with these two markets representing about half of all pay TV homes. These two countries also account for over half of all TV households in sub-Saharan Africa, according to Ovum, which estimates that there are 13.6 million TV homes in South Africa – an exceptionally high penetration of 81%. Pay TV services are taken by almost half of these. Nigeria, on the other hand, has an estimated 17.5 million TV homes, according to Ovum, with about 5.5 million pay TV subscribers at the end of 2016.

Despite the presence of satellite as a key distribution mechanism in many markets, Ovum expects that digital-terrestrial TV will be the dominant platform going forwards, with digital switchover completed by the end of 2020. The analyst group estimates that DTT and analogue terrestrial broadcasting accounted for 37% of TV homes each at the end of last year, with pay and free satellite together accounting for 24%.

According to Ovum, digital-terrestrial is already the leading pay TV platform in terms of numbers even if the lion's share of revenue still goes to satellite platforms. Dataxis, another research outfit, on the other hand estimates that DTH currently accounts for 70.8% of pay TV homes, with DTT accounting for 24.2%.

StarTimes has benefited significantly from the boom in DTT, while its satellite sister company continues to lag MultiChoice's DStv, according to Ovum, which estimates that the overall pay TV market is worth about US$5 billion (€4.25 billion). Another analyst group, IDATE, on the other hand estimated that the overall pay TV market was worth €6.6 billion at the end of last year and is set to grow to about €9 billion by the end of 2021.

South Africa aside, TV household penetration remains low in many markets across the continent, often hovering in the low-to-mid teens. Digital switchover is in general progressing slowly, hampered by lack of funds, lack of affordability, and regulatory issues.

Football rights remain a key driver of pay TV, with platforms focusing on a male audience primarily. However, the popularity of Nollywood content and telenovelas indicates a recent movement towards creating more appeal for a female audience.

Digital platforms

Digital platforms meanwhile remain in their infancy, but SVOD services such as Netflix, along with local players, do exist and are competing for eyeballs.

The high penetration of mobile phones across the continent continues to present an attractive target to content providers. According to Digital TV Research, mobile distribution will be the overriding factor in the take up of OTT services. With the number of fixed broadband homes only expected to reach 13 million by 2022, the estimated 486 million smartphones users in the region will be the key demographic for operators, according to the research outfit. SVOD is already the main revenue driver for OTT TV and video revenues in sub-Saharan Africa, according to Digital TV Research. While revenues were just US$22 million, they are set for exponential growth by 2022, when they are predicted to reach US$475 million, according to the outfit. In total, there will be an estimated 10.12 million SVOD customers, up from 525,000 at end-2016, and South Africa will contribute 2.7 million of these, followed by Nigeria with 2.64 million, says Digital TV Research.

Kwesé right now

Econet Media's president and CEO, Joseph Hundah, discusses this year's launch of Kwesé TV and talks about the company's ambitious multi-platform expansion plans. Andy McDonald reports.

This year has seen the introduction of a major new player to the African pay TV space. Kwesé TV started to roll out its direct-to-home (DTH) satellite offering in January, taking on incumbent MultiChoice with a flexible TV package aimed at middle and upper middle class customers.

Kwesé lets viewers opt for three-day, seven-day or monthly pay TV packages and its DTH service complements both free-to-air sports, and over-the-top and mobile offerings, the latter of which is still being developed.

Launched by Econet Media, a subsidiary of global telecoms provider Econet Wireless, Kwesé TV targets both the growing African pay TV market and Africa's huge youth audience. However Kwesé's route to market has not been entirely smooth, and its first launches came more than a year Econet Wireless owner, Stive Masiyiwa, announced plans for a sub-Saharan TV service that would offer a range of sports and entertainment, including to mobile users.

Building credibility

Econet Media president and CEO Joseph Hundah explains that the journey the company went on for the launch of Kwesé TV started "almost three years ago" and admits that 2017 has been "a difficult year for many reasons".

While the timing of Kwesé's rollout "couldn't have been better", it was not necessarily deliberate, says Hundah. "As you know it really takes a long time to get the right people in place, the right amount of content, [and] building up some credibility in the market," he says.

Kwesé TV initially launched at the start of this year in a handful of smaller African markets such as Rwanda, Lesotho, Zambia, and Ghana. However, its full launch plans had to be revised after the company entered into a strategic transaction that "didn't work out". Though Hundah won't go into details, he says that this episode caused delays that put its subsequent launches back by about six months.

Fast-forward to the latter part of September and Kwesé started to go live in more markets, including some of its biggest territories. Services in Kenya, Zimbabwe, Nigeria, Botswana and Uganda are all now live and by the end of November Hundah estimates that Kwesé TV will be available in about 15 markets across the continent.

At the time of this interview, the only holdouts were Tanzania and Ethiopia. Tanzania is the only market Econet Media is yet to secure a licence – though Hundah is confident it has met all the necessary criteria – while Ethiopia, he says, is "quite a difficult market to enter in general".

"For us, it has really been almost a whole year we've spent refining and testing our business, based on the markets in which we were in," says Hundah. "But I believe that we've now entered into the markets that we will see real growth. This is the high-population markets with good penetration of TV households."

Hundah says that while the 2017 launch may not have been deliberate, it was nevertheless good timing, as a number of sports and content rights fell into their renewal phase in 2016 and 2017. This allowed Kwesé to snap up free-to-air rights to high-profile sports like English Premiere League football, NBA basketball and NFL American football and launch the fully free-to-air sports channel, Kwesé Free Sports. This started broadcasting last year and preceded all of Kwesé's pay TV rollouts. As a result, sport has become key to establishing the Kwesé brand.

Kwesé Free Sports now broadcasts in some 10 countries across Africa and it has affiliations in another 20, meaning it provides programming blocks to partner channels. "Our intention was to become the biggest free-to-air channel in Africa, and we've achieved it," says Hundah, claiming that the channel rules the African free-to-air space in terms of both viewership and geographical reach.

Hundah explains that the channel has served a tactical purpose by introducing the Kwesé brand to a much wider audience than the pay TV subscriber base it is now targeting. "The brand is out there and people understand and associate Kwesé with quality," he says. "As we are launching our pay TV business, we are finding that the penetration of the market is much easier, because the brand is already well known in the market. I think from that perspective we have achieved what we wanted to achieve with our Kwesé Free Sports platform."

Outside of sports, Kwesé TV's content line-up has focused on a relatively slim offering of channels, compared to the hundreds of networks offered by many its pay TV counterparts in western Europe or North America. Hundah says that by the end of November, Kwesé will offer roughly 75 channels, of which around 30% will be exclusive. With the launch of two new family-oriented channels it will also have over 10 branded channels covering movies, kids content, lifestyle programming and more.

"As you know, in pay TV, the more exclusive channels you have, the more traction you are likely to have in terms of acquiring subscribers," says Hundah. "We're happy with the balance of our bouquet. It's not large – deliberately so. We're quite comfortable with our 75 [channels], and we believe that we are better off with more quality than having quantity. That's what we planned for, from a channels-spread perspective."

Kwesé TV's content line-up includes Turner channels like CNN International, Cartoon Network and Toonami; Scripps Networks Interactive networks like Travel Channel and Fine Living; Trace-branded channels like Trace Africa and Trace Gospel; two Zee Entertainment Enterprises channels adapted for the African market, Zee Bollymovies and Zee Bollynova; and a version of the AMC Channel. It offers a host of news channels including BBC World News, Sky News, Africanews, France 24, Al Jazeera and Bloomberg. On the kids front it has Boomerang, CBeebies and Jim Jam. It is also the exclusive African home to Revolt TV – the US multi-platform TV network owned by US rapper, producer and businessman Sean 'Diddy' Combs.

Vice Media announced in January that its Viceland channel would launch exclusively in Africa with Kwesé TV and at MIPCOM this year the two companies expanded their partnership by launching Kwesé Vice. This joint venture will focus on developing, producing and distributing local content and original video programming – both for Kwesé Vice's channels and third party platforms. The venture is due to launch in 2018 and will involve the establishment of a new bureau and production studio in Johannesburg, South Africa.

From its own branded channel stable, Kwesé's line-up includes Kwesé Info, Kwesé Prime, Kwesé Stories, Kwesé Know, Kwesé Kids, three Kwesé Movies channels, and two Kwesé sports channels on top of its free sports offering. For these, it has active plans to make its own original productions. "I'm fully of the belief that without local content, competition is going to be difficult," says Hundah. "We've already commissioned about eight shows that will go into our owned content portfolio, and we've tried to cover all genres."

"We've done two dramas, we've got some lifestyle shows, some entrepreneurship shows. Our next step is probably to do something with shiny-floor [studio entertainment] formats. But local content is absolutely key in Africa and our strategy has to include how we develop that part of our business quite quickly."

For the free-to-air Kwesé Free Sports channel, Hundah says that the plan is to completely customise by country so that it has local content in markets such as Kenya, Botswana and Zambia. On the general entertainment front it will take a different approach, focusing on creating local shows for larger markets first.

"Our intent is not to go local in every single market – it's just not viable," says Hundah of the local entertainment plans. "Sometimes you have to start something and learn your lesson before you perfect it. We certainly are taking it easy initially, because we want to get it perfected with the local productions unit and how they operate. Then from there we will proceed to rapidly expand."

Kwesé TV launched its DTH pay TV offering in a number of African markets in January.

Multi-platform focus

Kwesé is a pay TV operator that is taking various routes to market. Kwesé Play is its over-the-top streaming service primarily aimed at a high-end demographic – owing to the fact it relies on users having uncapped broadband connections.

Currently available in South Africa, Hundah says the service should be available in some 10 markets by the end of the year and that the next phase of its growth will involve partnering with the major African internet service providers. Hundah says that allowing them to offer Kwesé Play to their broadband subscribers will help create "stickiness and traction".

Kwesé Play is available with the backing of some high profile partners. The Kwesé Play box is provided and powered by Roku, as part of a 'Roku Powered' deal between Econet Media and the streaming platform provider. "The reason why we partnered with Roku was because they have most of the online streaming services already integrated into their box," says Hundah, claiming this made it "so much easier to launch".

While Roku supports more than 2,500 streaming services, Hundah explains that for Kwesé Play it decided to launch with a curated line-up of roughly 100 channels – with the notable inclusion of Netflix as an 'anchor tenant' on the platform. "It has taken us two years, but eventually we've signed a distribution deal with Netflix for the African continent," says Hundah. "We're still very much in our infancy, but the plan is obviously to add more services on the pay side of the platform."

The Kwesé Play line-up includes services like TED, Red Bull TV and YouTube and was based around the idea that Kwesé should not launch its own VOD offering for the platform. "I think if Netflix do what they do in terms of creating local content, they will win the space along with Amazon and there could be one or two more," says Hundah. "It didn't make strategic sense for us to compete with them. However, what we decided to do was to partner with them."

Hundah believes "there's a good future for this part of the business". Expanding with the help of ISP partners will help Kwesé Play to gain traction, especially with the price of connectivity in Africa "dropping quite significantly on an annual basis" as LTE and cable rollouts continue.

Kwesé also has a mobile plan in the offing. This will be based around a mobile-specific app, targeted at the youth market. Econet already has a wide footprint across the continent and Hundah says that Kwesé has signed deals with other major mobile operators working in Africa – including Vodacom, Vodafone, MTN and Tigo – to supply them with content.

"We are still refining the mobile strategy, but we intend to launch the mobile product, probably by the middle of November if everything goes well," says Hundah. "In essence the idea is to give this content to our mobile network operator partners for them to exploit, because obviously they're looking at ways to increase data usage and we are looking for ways to target a market that we think might never own a satellite TV subscription."

According to UN data, Africa has the youngest population in the world, with the median age just 19.7 years old. Hundah says that Kwesé's aim is to reach this mobile-centric audience with short-form, mobile-optimised content – including sports highlights. He says Kwesé is "working aggressively towards" realising these plans.

Hundah concedes that competing against MultiChoice, which has had more than a 20-year head start in the African market, will be tough. But he believes Kwesé has built a strong product and has made strong progress in a short space of time. By targeting an affluent audience of young Africans aged 15-39, Kwesé is carving out a compelling proposition.

"We are cognisant of the fact that the population is a young population," says Hundah. "We're trying to build a product for the future." ●

irdeto

Q&A: Steeve Huin, Irdeto

Steeve Huin, vice-president of strategic partnerships, Irdeto, talks about the rise of OTT, new methods of pay TV content delivery and the challenges and opportunities for pay TV operators.

How significant overall is the evolution of OTT TV technology for mainstream pay TV operators and do you expect them to adopt OTT as their principal way to reach subscribers?

The growth in demand for OTT services shows no signs of abating, with predictions suggesting that global OTT revenues will reach US$65 billion by 2021. This is largely being driven by the increasing uptake and global expansion of services like Netflix, which launched in the Middle East and Africa last year. However, mainstream pay TV operators are also getting involved in OTT as they see consumer attitudes changing.

As demand continues to grow in the Middle East and Africa, there are three trends which are set to continue: consumers want OTT services on devices of their choosing, they continually expect more value for their money, and, they want customised experiences. While traditional methods of pay TV delivery will maintain their importance in the region for many years to come, operators know that these trends cannot be ignored.

What are the principal challenges faced by operators in securely delivering content to managed and unmanaged devices without duplicating costs and effort?

Operators now face the challenge of the higher security demands of new technologies like 4K UHD, combined with the undeniable consumer shift towards viewing on unmanaged, connected devices. MovieLabs' Enhanced Content Protection (ECP) requirements around premium content are upping the ante for delivery to unmanaged devices. Many of these requirements we've come to expect in managed devices, but they have also raised the bar for OTT services to unmanaged devices, meaning they must have similar security levels to the STB. Defining a solid hybrid strategy that meets both security requirements and business needs is therefore critical to ensuring cost and effort is not duplicated.

What are the challenges in opening up traditional pay TV platforms through partnerships with OTT TV providers such as Netflix and what technology requirements are associated with this?

A recent report from IDATE predicted that the number of pay TV subscribers will almost double in the next five years in the Middle East and Africa. This, combined with the growth in OTT, signals a clear demand for quality content through both broadcast and OTT. Therefore, the main challenge for operators is to navigate this converging ecosystem and ensure that consumers can receive premium content securely, and with the best possible user experience, however it is delivered.

This has led to increasing collaboration or strategic coexistence, rather than competition, between traditional pay TV operators and OTT players. Many operators today are looking for ways to collaborate with such services as Netflix, or even non-traditional TV platforms.

What do operators need to think about in building a hybrid platform that combines mainstream pay TV services with OTT offerings and delivery of services to multiple screens?

The common approach to achieve this collaboration is for operators to offer a hybrid set-top box (STB) with linear TV and OTT services – be it their own or from partners. This way the operator controls the HDMI 1 and gets consumers to pay attention to their content instead of the OTT apps on the smart TV.

An option for operators that want to launch a hybrid set top box quickly, with low development and operational costs, is Android TV. By leveraging the built-in features of Android TV, operators can add their broadcast service in six to nine months, or shorter if they leverage a pre-integrated solution from a security partner. Android TV also brings an exciting app ecosystem that consumers have come to expect.

What are some of the newer methods of delivery of pay TV content aside from set-top boxes?

The Global Pay TV Revenue Forecasts report from Digital TV Research estimates that pay TV revenues sub-Saharan Africa will surge by 57% between 2016 and 2022.

Despite this continuing high demand, pay TV operators must still look to capitalise on new methods of secure delivery of their broadcast content, to serve consumer convenience and make the sign-on process easier and cheaper. Irdeto's partnership with home and professional appliance manufacturer, Vestel offers pre-integrated pay TV security capabilities within a TV. This means that consumers can now have the best of both worlds – instant access to their favourite pay TV service, on the big screen without extra equipment. For operators this has the potential to make subscriber acquisition easier, by providing consumers with frictionless instant-access pay TV services on a new TV that they purchase.

In addition, Irdeto recently announced a partnership to offer a CI plus 2.0 USB CAM – another cost-effective way for operators to provide consumers access to pay TV without a set-top box. This will enable operators all around the world to leverage a trusted and proven standard-based technology that was until now mostly limited to Europe.

Trace on track

With the recent launch of streaming service Trace Play and the forthcoming launch of an MVNO and new channels, urban music and culture specialist Trace is in the midst of a period of frenetic activity. Co-founder, chairman and CEO Olivier Laouchez took time out at MIPCOM to talk to Stuart Thomson about his plans.

Afro-urban music and entertainment provider Trace is in the midst of a period of heightened activity. The urban culture-themed content provider recently launched streaming service Trace Play – its biggest digital move to date – and is also forging ahead with the launch of new regional channels and a mobile virtual network operator.

Trace Play is now available on multiple platforms across some 200 territories, using a platform built by Trace's technology partner for the project, Simplestream. "This has been the most complicated project we have ever done, I must confess. The technological dimension has been complex," says Olivier Laouchez, co-founder, chairman and CEO of Trace, speaking to *Digital TV Europe* on the Trace yacht at MIPCOM. "We learned a lot during the journey. It was more complicated than we expected, especially because of multiple territories, language rights, platforms, type of content and so on."

Laouchez says that Modern Times Group-owned Trace will begin to market the service commercially in November, with a focus on Africa, France, the UK and the US as its core target markets. Currently the service has "a few thousand" subscribers, each paying €2.99, or the dollar, sterling or local currency equivalent.

In Africa in particular, Trace has focused on bundling Trace Play with mobile services, especially deals that include a zero rating for data used to view the service. Laouchez says that Trace is likely to close "six or seven" significant distribution deals before the end of the year, including a deal already concluded with Orange. The service is also available on streaming devices including Roku, Apple TV and Amazon Fire TV as part of the Amazon Prime line-up.

Laouchez says that Trace Play use has been concentrated on music and, primarily, on linear consumption. He says that "90% of usage is somehow music-related" and that linear TV accounts for 65-70% of usage, with radio accounting for 20% and on-demand consumption the balance.

He says that Trace Play will give users a "broader choice than you can find on any one operator", where typically Trace will distribute three or four channels as opposed to the complete line-up available on the player.

"In many countries we think we will have a dual audience – of people just interested in urban music alongside the different diaspora audiences who can find content on Trace Play that the they can't find anywhere else," he says.

While the distribution mechanisms for Trace content are many and various, Laouchez is adamant that the key to success for Trace Play will be a clear focus on its core proposition – urban culture and music. "We put all our content budget into reinforcing our music offering. We also do live concerts. We are producing some musical content. We don't buy any content from American studios, because we don't think we can make the difference there," he says. Recent scripted shows on the platform include Nigerian productions *Wives on Strike* and *Crazy, Lovely, Cool*. Trace has also put money into UK-produced comedy show *Brothers with no Game*.

Live content will remain central to the proposition, however. Laouchez points to the fact that Trace is not only a broadcaster but an organiser of more than 200 major live events this year alone. The company has a partnership with the Afropunk series of events and is also organising a Trace Roots event in South Africa on November 4, while in Côte d'Ivoire it has teamed up with mobile operator MTN to sponsor a live festival in December. He says that Trace is creating a dedicated section of Trace Play for live events in order to stream coverage of them.

Finally, says Laouchez, Trace is working on a plan – still at an early stage – to potentially launch a Portuguese version of Trace Play, with expansion into the Brazilian market in mind.

Trace Play is not the only new major initiative from the company this year. Trace also has plans to launch its own MVNO in South Africa as well as plans for the launch of new regional channels.

Plans for the MVNO are already at an advanced stage. Trace Mobile will launch in November on the Cell C network, building on an existing branded mobile resale offering. MVNO-enabler MVN-X is providing technology. Trace Play will be an integral part of the MVNO offering. While the online service will be available to all Cell C customers, Laouchez says that "there will be a benefit" for customers that access it through Trace Mobile.

Laouchez says that Trace is hopeful of being able to launch Trace Mobile in other parts of Africa in the near future, with a target of "five or six" markets to see launches next year. He adds, however, that the MVNO concept is still relatively new for Africa's major mobile operators, so it will take time for them to "see how it works". For Laouchez, a Trace-branded telecom service is just one part of his overall mobile strategy. Bringing content and exclusive experiences drawing on Trace's media and event activities is what will ultimately differentiate the MVNO offering, he says.

Trace is also making moves to extract greater value from its content IP and reach in the African market, launching a new distribution arm – Trace Content Distribution – headed by former France Télévisions and Lagardère Studios executive Betty Sulty-Johnson. "It is expensive to produce content so you need multiple distribution partners," says Laouchez.

New channels

Regionalisation of content meanwhile remains a top priority for the company. Trace recently launched Trace Prime, its new channel for the US. Laouchez is hopeful of striking a carriage deal for the service, which will also be available on OTT TV, soon.

Laouchez says that the company is looking to create more programming blocks featuring underground artists in order to differentiate it from more mainstream music offerings. In France, Trace plans to launch a Trace Hip-Hop block on its flagship Trace Urban channel that will air for up to six hours during the night "so we can connect with this more edgy and picky audience".

Trace also plans to launch a new channel targeting the Indian Ocean. Within the Trace portfolio, the region's musical currents have hitherto been served by its Trace Tropical offering, which is primarily targeted at the Caribbean market, despite the fact that the two regions have distinctive musical cultures.

The new channel, Trace Vanilla, will launch at the end of this year or the beginning of next, says Laouchez.

Trace Play streams Trace's portfolio of linear channels and on-demand content.

"We are seeing the emergence of new talent from the Indian Ocean…and there is not one professional channel that covers all this music and culture," says Laouchez.

Regionalisation of its offering has long been key to Trace's strategy where "it makes economic and also cultural sense", he says. "You attract more advertising and investment because you are more relevant for the region."

Trace's biggest current localisation project is, however, a new channel that spotlights the culture and music of Africa's biggest country, the Democratic Republic of Congo (DRC). Trace Kitoko, which is set to launch at the end of this year or the beginning of 2018, will be versioned in the Ngala language that is spoken both in the DRC and neighbouring Congo-Brazzaville. The primary target market for the channel is the 90 million-strong population of the DRC, together with the five-to-six million of Congo-Brazzaville and a global diaspora of up to 10 million – over 100 million in total.

"The DRC is the biggest French-speaking country in the world," says Laouchez. "Because of the civil war most international journalists don't go there [but] the reality – and I was in Kinshasa a few weeks ago and saw this – is that this is a country where everybody is not just passionate but crazy about music. The big artists there are superstars."

However, Trace Kitoko is likely to have a broader appeal, given the popularity of artists of Congolese origin in France. "Half of the biggest hip-hop artists in France are from the DRC."

Trace already took a step to enhance its presence in the DRC in August, striking a deal with mobile player Africell to carry Trace Play and for Trace to acquire radio station AfriRadio.

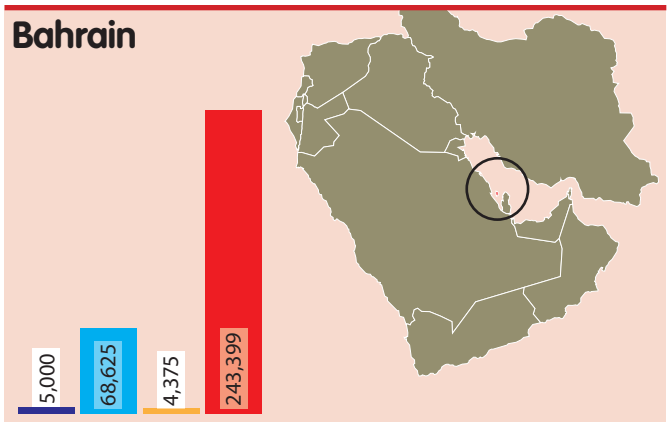
Laouchez says that Trace Kitoko will be distributed in the DRC via partners but will be available globally via Trace Play. He says one of Trace's missions is to bring different musical cultures together via its channels and digital platform. Localised channels typically comprise 70-80% local content supplemented by material from other parts of the globe.

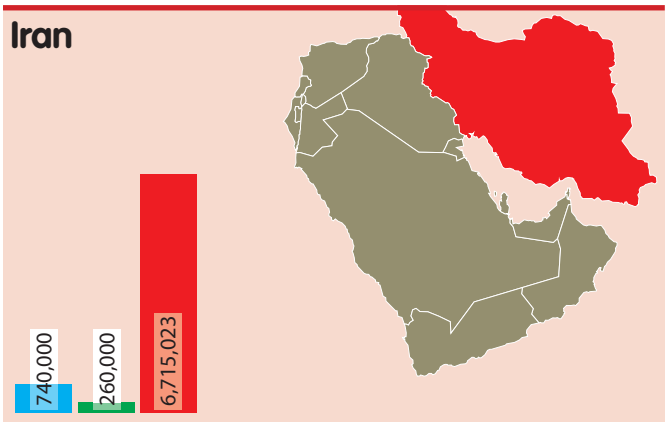
Laouchez is also mulling the launch of a new international channel "taking the best from each region" in which it operates. He hopes this global hits offering will be ready in time for Trace's 15th birthday next year.

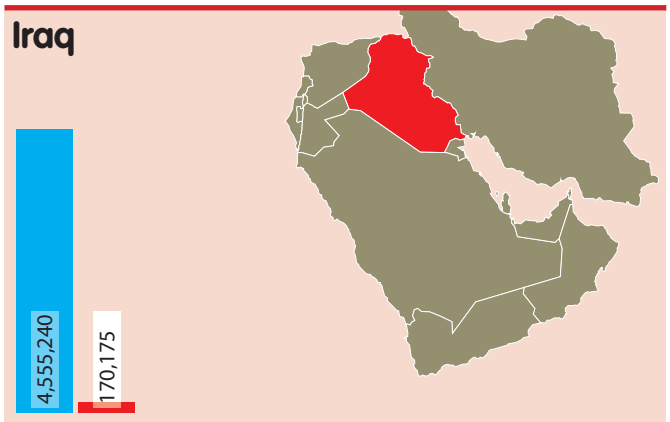
"We want Trace to be a bridge between all countries with a strong urban identify and populations of African descent because this is what unites all the countries where we are have a strong presence," he says. ●

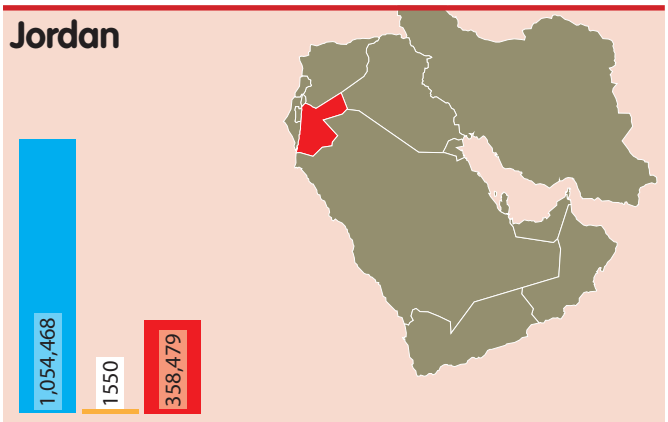
Middle East: the big picture

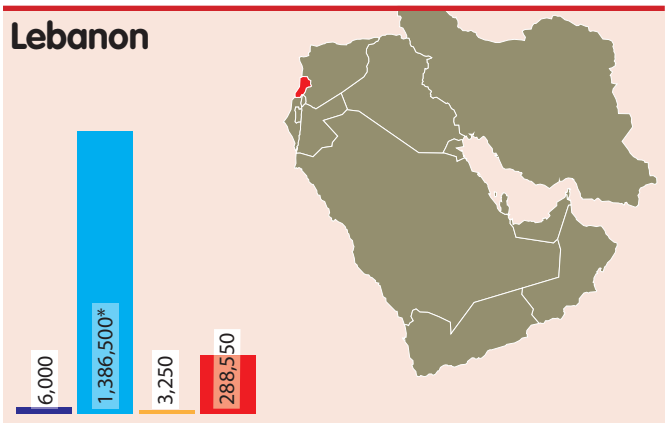
Satellite remains the primary TV distribution technology in the Middle East, with free-to-air viewing still predominant, but growing broadband penetration is providing an opportunity for new OTT TV players as well as existing pay TV providers.

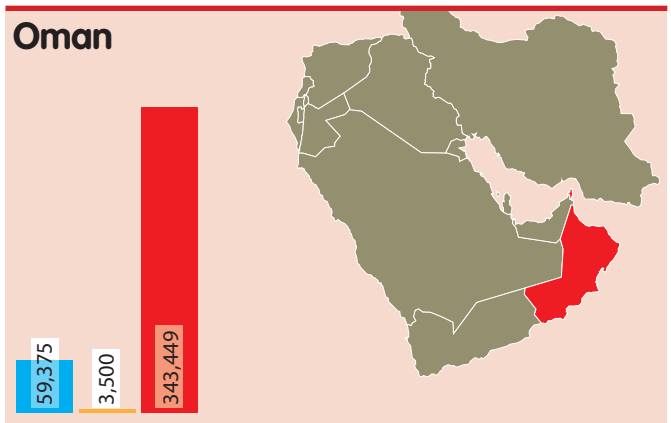


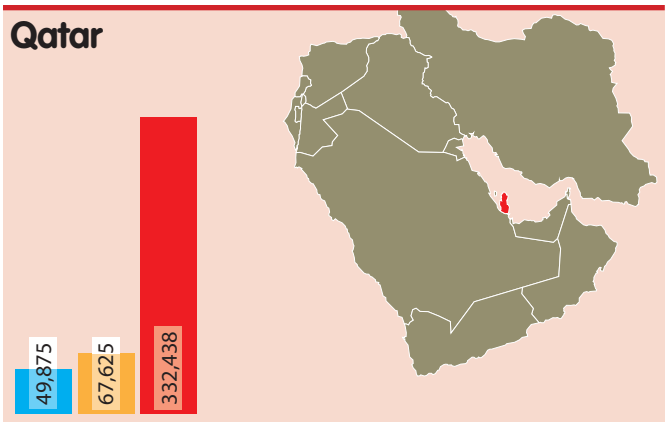


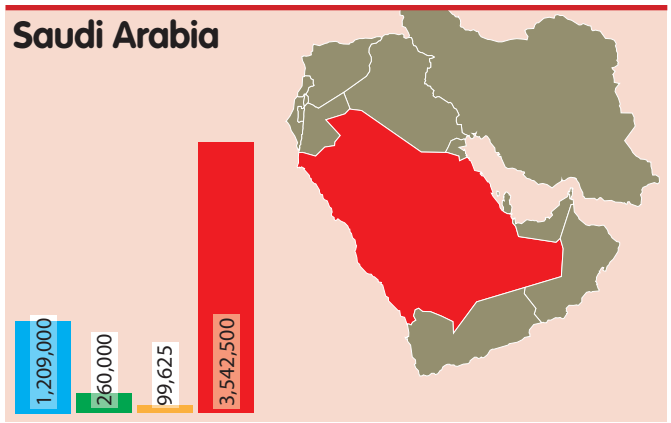


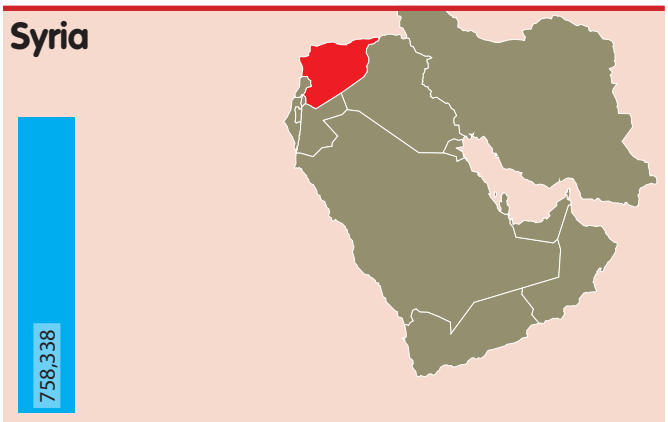


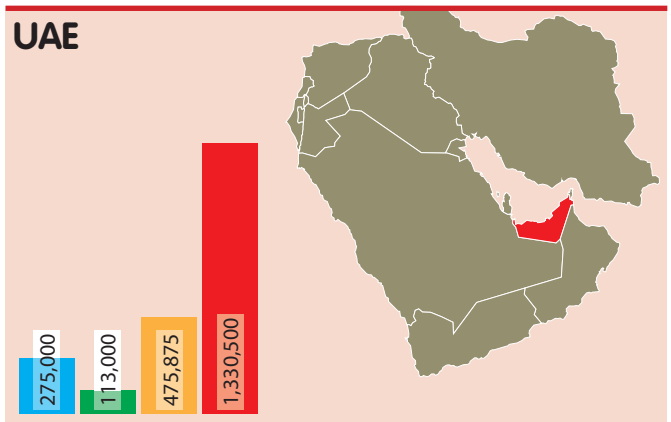


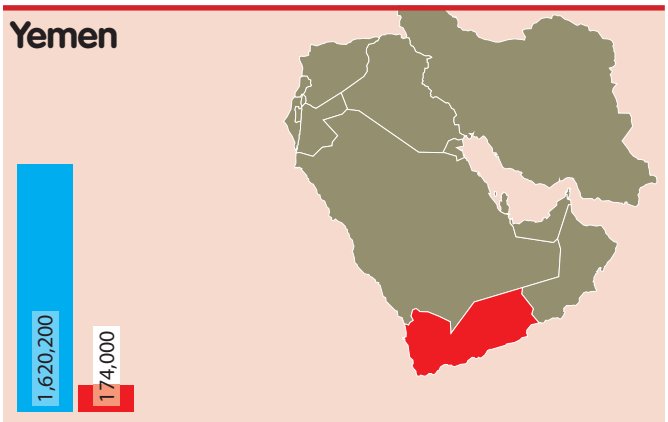












Key

Cable | DTH | DTT | IPTV | Broadband

Notes:
* Q2 figures
Source: Ovum/WBIS

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Q&A: Charles Dawes, TiVo

Charles Dawes, senior director, international marketing at TiVo, talks about the emerging need for sophisticated content discovery in the African market.

TiVo is a well-known brand around the world but hasn't operated in Africa until now. Tell us more about your plans.

Yes, TiVo is an extremely well-known brand in the media and entertainment space having launched the first commercially viable Digital Video Recorder (DVR) in 1999. The word 'TiVo' became synonymous with recording TV. Since then, the company has continued to innovate and stay at the forefront of helping consumers discover and consume their favourite entertainment content. In fact, just this month, it launched its new TiVo VOX product range in North America that combines its latest TiVo Experience 4 user interface with its class-leading conversational voice-led discovery services.

TiVo has, in fact, been operating in the Africa market for many years under the Cubiware brand. However, in 2016, the company consolidated all of its brands into the new TiVo to give a clear, consistent message to its customers, as it helps them to deploy the ultimate entertainment experience; something that it will be bringing to the African market in due course.

Many of the emerging digital services in the African market are looking at the mobile video opportunity. To what extent does content navigation and discovery on mobile devices differ from TV?

You're right, the market dynamics across Africa means many of the emerging services are aimed at the mobile sector. In the content discovery space, the foremost difference is the screen real estate that is available on a mobile device; this means you have to be smarter with how you display content to the customer. With smaller screens, knowing your customer becomes more important, along with having the ability to implement newer technologies such as content predictions and recommendations. Additionally, voice-based input can help overcome some of the form factor limitations that exist.

TiVo's product set is already mobile ready and can be deployed either as a stand-alone service or in conjunction with a more traditional, set-top box based deployment to deliver a more advanced set of integrated services.

What solutions does TiVo provide that you think would be particularly relevant for the African market?

TiVo has been active in the market with its discovery products for many years and this is an area where it can bring a robust offering to its customers to help them grow their pay TV businesses across multiple levels of consumer.

From basic DTT (digital terrestrial television) services, to DTH (direct to home) services with Push VOD (video on demand), to fully hybrid solutions with integrated OTT (over-the-top) services like Netflix, TiVo has the right level of product to help operators grow their presence in their market. TiVo has a wealth of experience when it comes to deploying both single market and complex multi-country products that meet the needs of operators in the region.

To what extent do you think content discovery in general will undergo a major shift over the next couple of years and what technological innovations will have the greatest impact?

Content discovery continues to evolve as we see more and more entertainment choices for the consumer. Around the world access to content from OTT providers like Netflix has meant that consumers can face overwhelming choice. Recent TiVo surveys have revealed how over one third of consumers have stopped watching shows they love because it became too difficult to find them [1], as well as how consumers still spend an average of 19 minutes a day looking for content [1], with over 50% of them sometimes getting frustrated with their experience [2].

Technological innovations including the next generation of recommendation and accurate predictions that TiVo is already delivering, along with new input methods like Conversational Voice will mean an improved experience that will lead to more satisfied consumers enjoying the content they love.

[1] ***2016 TiVo Consumer Survey:*** http://bit.ly/2ySir2C

[2] ***Q2-2017 TiVo Quarterly Survey:*** http://bit.ly/2xp6Bd0

MENA: the big picture

Free-to-air TV has long dominated distribution in the Middle East, and pay TV services have struggled to gain traction outside a few affluent pockets. But analysts predict that a young tech-savvy population and growing broadband penetration will give a fillip to SVOD services, albeit from a small base.

The dominance of free-to-air satellite as the primary video distribution technology has been a constant theme in coverage of the industry of the Middle East and North Africa for years. However, broadband penetration – and, more specifically, mobile broadband – is growing fast in many of the countries across the Middle East. As a result, online and mobile video consumption is also increasing, which has helped fuel the launch of multiple OTT TV services over the past couple of years.

However, a note of caution is necessary. There is in fact still a long way to go before the region becomes a broadband powerhouse. A recent report by Ovum highlighted the fact that, while investment in broadband in the UAE and Qatar put both countries in its global top 10 in terms of their level of development, overall the Middle East excluding North Africa only ranked fifth out of eight world regions measured in the analyst group's Broadband Development Index.

Nevertheless, says Ovum, the Middle East as a whole has a young-skewing and increasingly tech-savvy population that is enthusiastic about consuming content on mobile devices. The analyst group cites Google's revelation that Saudi Arabia has the highest use of YouTube per person in the world.

Ovum estimates that mobile broadband will account for 90% of mobile subscriptions in the region, excluding North Africa, by 2022, while fixed broadband penetration will grow relatively slowly, penetrating just over half of homes in the Middle East in the same time frame.

OTT TV service providers

These trends account for the rapid growth in interest in the region from OTT TV service providers, including Iflix, Starz and Netflix. A number of Middle East telcos have launched IPTV services, notably in the Gulf. However, IPTV penetration overall remains low – held back by the perception that it is costly, by a lack of fixed broadband infrastructure and by a general unwillingness to pay for content in a region where a large number of free-to-air channels are available and piracy is rife. Kuwait-based Zain, which does not offer fixed services in its home market, has meanwhile teamed up with Malaysia-based SVOD service Iflix to tap into potential demand for OTT TV offerings. Iflix's new regional service features Arabic and English-language TV shows and movies, and the company has made a commitment to produce its own Arabic content.

Iflix's entry into the region followed that of Middle East SVOD pioneer Starz Play Arabia, which forged partnerships with Qatar's Ooredoo and other distributors, and of course Netflix, which has so far had a limited impact in the region in the view of most analysts.

The general preference for free content notwithstanding, broadcasters in the region have begun to invest in premium digital services. The region's prime free-to-air pan-Arab broadcaster, MBC, has invested in digital service Shahid, including a premium option featuring shows without commercial breaks and some premiered content. Leading pay TV provider OSN has meanwhile launched OSN Play and Go, a multiscreen OTT TV service that is also available to non-OSN subscribers. In August it also launched Wavo, a new streaming service with a mix of live and catch-up TV, movies series and a western and Arabic content targeted at young, mobile-centric consumers.

While numerous digital services are therefore now available, forecasts about the growth of OTT TV services vary widely.

Ovum predicts that SVOD subscriptions in the Middle East, excluding North Africa, will double from the 5.4 million it estimates for the end of last year to about 10.4 million by 2022. It also expects Netflix to be the market leader with 3.9 million subscribers by 2022.

Pay TV penetration, by comparison, is expected by Ovum to rise only by about 11% over the next five years, more or less in line with the growth in TV households generally.

Digital TV Research, meanwhile, predicts a more bullish 17.27 million SVOD customers across the MENA region by 2022, up from an estimated 3.74 million at the end of last year. Digital TV Research also expects Netflix to be the biggest single player, with 3.26 million paying subscribers by 2022. The research outfit predicts that Icflix will have two million subscribers and Starz play a further 1.6 million.

SVOD base

Both Ovum and Digital TV Research include Turkey in their overall figures for the Middle East, which skews the results considerably, however. IHS Markit, by contrast, estimates that SVOD services will only reach 1.3 million subscribers for the MENA region by the end of 2017, with Netflix and Amazon together accounting for just one fifth of the total, but predicts that the overall SVOD base will grow to 4.2 million by 2021.

For IHS, low income levels in much of the region outside the Gulf, together with low bank-card penetration, are likely to hinder the development of SVOD beyond a relatively small elite, even if its predicted compound annual growth rate of 35% for such services seems impressive. IHS expects that international players with strong localisation strategies such as Starz Play Arabia, Iflix and Viu, and homegrown offerings such as Icflix, Seevii, Wavo and Shahid Plus will contribute significantly to growth. ●

Rebecca Hawkes assesses the changing face of pay TV broadcasting in the MENA region at a time of transition as new OTT TV services enter the fray and political crises disrupt the market.

Lines in the sand

Pay-TV operators in the Arabic-speaking world have long aimed to transcend both the dominance of free-to-air TV and the blight of content piracy. Now, being liberally added to the competitive mix is a dose of digital disruption.

New sources of online entertainment are being lapped up by the growing digital-savvy, youthful population of an increasingly internet-connected Middle East and North Africa. In the space of just a few years, the region's video-on-demand market has gone from sparse to distinctly crowded.

The first regional over-the-top video players such as Icflix, Istikana and Starz Play Arabia were joined, in 2016, by US giants Netflix and Amazon Prime Video. Then, in April 2017, Asian subscription video-on-demand service Iflix, backed by western pay-TV giants Liberty Global and Sky, entered the fray – in partnership with Bahrain-based telco Zain.

By the end of this year, research analysts at IHS Markit forecast that MENA's OTT video players will have a combined total of 1.33 million subscriptions, with the sector accounting for US$80 million (€68 million) in revenues. Yet, by the end of 2021, these figures will have escalated to 4.2 million subscribers and standalone revenues of US$360 million.

Indeed, the compound annual growth rate for MENA's OTT sector will be 35% between 2016 and 2021, says IHS. The CAGR for the regional pay TV sector during the same period is forecast to be just 6%.

Gaining ground

Lionsgate-backed Starz Play Arabia, which launched its Hollywood-rich SVOD service in April 2015, announced in July it had attracted 700,000 paying subscribers – in large part through localising its offering and teaming up with local telecommunications companies for mobile and IPTV distribution and direct billing. In addition, it has priced its services according to the market, at US$7.99 in the Gulf, and US$4.99 in Maghreb countries such as Morocco.

Starz Play's CEO, Maaz Sheikh says the MENA-wide platform is now aiming to finish the year with over a million paying

subscribers. "We are holding the leadership position in the market now and are on course for this but it's still a challenging, competitive market," he says. "We have areas that are performing better than expected at this point [of service development] such as the number of paid subscriptions, consumption and user engagement. However churn is higher than predicted, which is challenging."

Half of Starz Play's UAE subscriber base also subscribes to Netflix, says Sheikh. "In the UAE Netflix's premium western content is relevant to the large western expatriate population. However, when you go into North Africa, Netflix's proposition is not so relevant to the local population," he says. In North Africa Netflix is also priced more expensively than its competition, with its region-wide tiered price tag of between US$7.99 and US$11.99.

Constantinos Papavassilopoulos, senior analyst at IHS Markit, agrees that while the US streaming giant remains a threat to the regional players, Netflix is not the leading SVOD service across the whole of MENA. Netflix itself does not publish regional subscription figures.

"The price is high for most of the population living outside the Gulf, and the service is not yet localised, which is also hampering its growth," explains Papavassilopoulos. "It also doesn't have many direct billing agreements with local mobile telecommunications operators, like its competitors, and credit card penetration is low in MENA."

Indeed, rival platforms Icflix, Starz Play and MBC's paid streaming service Shahid Plus have been very effective in this area, securing more than 40 deals between them with regional telcos. Netflix currently has an arrangement with Batelco in Bahrain, and Amazon is yet to announce any local partnerships.

Shining Stars

Starz Play is hoping to maximise its early-mover advantage, particularly in North Africa. For example, a recently announced strategic partnership with Orange Egypt will see Starz Play now bundled with the mobile operator's 4G service, in what remains a lucrative market for content providers.

CEO Sheikh also points to a growing subscriber base in Jordan, Morocco, and in Algeria where the launch of Starz Play bundled with Ooredoo Algeria has proved "very successful". The platform is now offering 2,500 hours of Hollywood content in French, with prime content such as the latest *Walking Dead* shows airing on the same day as the US with French subtitles for Maghreb viewers.

Diversifying its content further, Starz Play has also recently tied-up with YuppFlix to provide subscribers with 1,500 hours of South Asian movies. Subtitled in Arabic, the films are proving popular with both the large Indian diaspora and Arab audiences. "Our Bollywood consumption is, as expected, highest in the Gulf but it is also performing well in North Africa," says Sheikh.

Netflix, meanwhile, recently unveiled what is expected to be the start of its original Arabic content push. In October, it announced development of a stand-up comedy special with Lebanese comedian and actor Adel Karam. Produced by Creative Arab Talent and filmed in Beirut's Casino du Liban, the show will stream to Netflix subscribers worldwide in 2018.

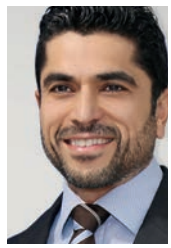
Given its stated aim 'to become a leading producer of quality localised content from all over the world', similar announcements from Netflix are expected to follow. Netflix's director of technology and corporate communications EMEA, Yann Lafargue, says that "one of our desires in the region is to find a great scripted series for the Middle East and this remains the case".

"With a US$6 billion budget for content production alone this year and US$7 billion for next year we are actively seeking to expand our Netflix audience base both in MENA and around the world through varied content offerings," he says.

Lafargue adds that in order to do so the company would look to "experienced creators with great stories to tell from all over the world, including the Middle East".

Adding locally produced content to predominantly western fare is a desire shared by Starz Play Arabia, which hopes to enter the local production market in 2018 with a strong Arabic drama series – both to attract subscribers and bring down the operator's churn rate.

> **"We are holding the leadership position in the market now and are on course...but it's still a challenging, competitive market."**



Maaz Sheikh, Starz Play

One regional SVOD operator with a head start on local co-productions is Icflix, whose Moroccan film *Burn Out*, directed by Noureddine Lakhmari, celebrated its theatrical release on October 11 2017.

CEO Carlos Tibi says that Arabic content has been the "key differentiator" for Icflix, over the past 18 months: "We [also] co-produced our first Tunisian feature *Chbabek El-Jenna* (*Borders of Heaven*) and launched our first animated TV series *Dunia*, introducing the first Arabian teen female superhero."

In addition, Icflix has produced the original Arabic social comedy *WOH!* in Tunisia.

Since the Dubai-based MENA-wide SVOD service launched in 2013, it has registered 1.5 million users, says Tibi, to a service priced –

Content like Moroccan film *Burn Out* has given Icflix a head-start in local production.

like Starz Play – at US$7.99 in the Gulf and US$4.99 in the Maghreb.

Tibi adds: "We have taken on board the many lessons learnt during the last four years of operation and have renewed our focus on original Arabic content as opposed to the over priced Hollywood films and series. With this strategy, we expect the company to move to profitability within 18 months to two years."

Asian influence

The most recent SVOD entrant in the MENA market, Iflix, is also looking to local and regional content to fuel its success as it expands, from its home base in South East Asia, into emerging markets around the globe.

Arriving in MENA this year, Iflix is now available in Kuwait, Saudi, Bahrain, Jordan, Iraq, Lebanon, Sudan and Egypt. In the territories where its telco partner Zain operates, Iflix is bundled for free with the mobile service. It is also seeking further telco partnerships in markets such as Egypt where Zain does not operate.

Iflix is also offered to consumers direct online or as an app, at a monthly price of US$4 in the Middle East or US$3 in North Africa.

"There is no lock-in period as we didn't want people to be afraid to try Iflix," says Nader Sobhan, head of Iflix MENA. "Pay TV is still expensive for the mass market. The complexity of receiving content also alienates a large number of people from trying it. We want to democratise content."

The company, which was founded in 2015 by Malaysia's Catcha Group and Evolution Media Capital, focuses on markets where, typically, pay TV penetration is low, data costs are high, there is little or no credit card penetration, and the need for ultra-compression and watching content offline is key. This makes MENA well suited to the service, which has already cut its teeth in Asia's developing markets, says Sobhan.

"I respect the industry we are in, which provides an amazing choice for the consumer but we're not just targeting the elite, we are working in a mobile-first environment. This is not what anyone else [in MENA] has focused on," says Sobhan. "Our model works...we have a data driven approach to content."

Rather than focusing on rival SVOD brands, the competition Iflix says it most fears in the region is piracy. Content theft is rife in MENA and although the quality and viewer experience is poor, pirates continue to attract viewers. "We need to design something that cannot be replicated. [To be successful] the experience must continue to be better and more engaging than that offered by pirates," says Sobhan.

On top of that, Iflix is placing teams on the ground to absorb cultural preferences and acquire local and regional content that is relevant to each part of the wider region.

"We are a global player with local roots," says Sobhan. "We can also apply our experience in Asia, knowing what content works, for example in the Philippines and Pakistan, and can apply that to the diaspora living in MENA."

Enduring providers

Although the region's OTT sector is moving at pace, it would be wrong to suggest that MENA's established pay TV players are being pushed out of the picture.

Indeed, premium pay TV operator OSN, which was born of the Orbit/Showtime Arabia merger in 2009, has been very active this year. Through aggressive pricing, packaging, and a revamped and renamed OTT service, it has now, says IHS's Papavassilopoulos, "stopped the bleed of subscribers" witnessed in recent years.

Long considered too expensive for much of the region's population, OSN this year introduced flexible pricing, with a basic pack of 32 channels starting at US$20 in the Gulf and even less in North Africa. This has also enabled it to better compete with SVOD services offering slimmer packages of more affordable content.

OSN's "transformational strategy... reflects the ground realities of a growing population of young, tech-savvy consumers, seeking relevant exclusive content across multiple platforms," explains CEO Martin Stewart. "Our strategy has been to recalibrate key parts of our business to ensure we align with the digital era, to ensure we achieve our short and long-term goals."

Doing this has meant becoming more "customer-centric" Stewart concedes. And by improving content delivery options and enlarging its subscriber base, OSN is also creating more value for the pay-TV platform's stakeholders – a key factor in maintaining exclusivity deals with content studios.

"One of the greatest challenges to the success of MENA's pay TV sector remains penetration, as broadcasters continue to seek to improve both their subscriber and revenue market share," says Stewart. "At OSN we address this by offering quality content, across various platforms, which caters to the diverse demographics in our region."

Other than Warner Bros, which is shifting its content to rival MENA pay TV platform beIN Media, OSN has retained regional content deals with the leading Hollywood studios, including Disney, Paramount, HBO, Universal and 21st Century Fox. Coupled with these western jewels, it has been amassing a treasure trove of Arabic, Pinoy and South Asian content.

With attractive content and new flexible ways of consuming it, IHS senior analyst Papavassilopoulos believes there are now "huge opportunities in North Africa and the Levant for OSN to grow their market share by offering these slimmer subscription packages with lower pricing".

Stewart agrees these markets provide increased opportunities for pay TV operators, particularly as mobile penetration remains about 50% in North Africa and the Levant, compared to the 100% 4G penetration rate in Saudi Arabia and the UAE.

While refusing to disclose subscriber numbers, Stewart confirms both OSN's linear and digital platforms have recorded

"There is tremendous opportunity for digital content while demand for linear TV is growing as customers become more specific about their preferences."

Martin Stewart, OSN

"consistent growth" this year. Currently its major markets are Kuwait and Saudi Arabia (home to OSN's two shareholders KIPCO and Mawarid Holding), along with the UAE, where it is based.

The implementation of the new pricing and packaging model has "significantly scaled up our subscriber base" and the August launch of the operator's revamped OTT service WAVO has been "another big win for us this year", says Stewart.

Political repercussions

More broadly, for MENA's TV sector as a whole, 2017 has not been as buoyant a year as anticipated.

Regional advertising revenues were squeezed as a result of tumbling oil prices and fiscal consolidation. Then, in June 2017, Saudi Arabia, Bahrain, UAE and Egypt severed all diplomatic and economic ties with Arab neighbour Qatar.

As a result, the four countries involved have banned the reception of Qatar's Al Jazeera Media network and sister pay TV platform beIN Media.

While beIN Media has since been reinstated in the UAE, new subscriptions to the pay TV platform remain forbidden and existing ones non-renewable in the huge TV markets of Saudi Arabia and Egypt, as well as in the smaller Gulf state of Bahrain.

As a result, IHS's Papavassilopoulos forecasts that "this is the first year since 2010" where there will be a drop in subscribers to pay TV services in MENA.

"My estimate is that 2017 is a lost year, with a drop of 25% of subscribers because of political tensions in the region. We had estimated that there would be 5.6 million pay TV subscribers in MENA at the end of the year, but this figure is now revised to 4.2 million," says the analyst.

If regional political tensions continue, beIN Media could experience a 40% drop in its subscription base, believes Papavassilopoulos.

"There has already been a significant commercial and financial impact on beIN and we could see a lasting affect on its image, particularly among Saudis and Egyptians," he adds.

OSN may inadvertently benefit from the migration of ex-beIN subscribers. However, content pirates also look to gain from Qatar's economic isolation.

Sports fans in countries affected by the

Producing the goods: content creation in MENA

The Arabic production sector has, like many regional industries, faced diverse and often severe challenges lately. Syria's production output has been crippled by war, while currency devaluation had a knock on-effect on operations in Egypt. Production in the Gulf is, however, on the increase, with state-of-the-art facilities and talent already present in the UAE. Saudi Arabia too plans to build a media city by 2023 and traditional media hub Lebanon has once again played host to key free-to-air TV productions in 2017.

Across the board, more investment is expected in Arabic content from a less traditional source, thanks to the entrance of SVOD players with deep pockets, such as Netflix, Amazon, and Iflix.

"The local content industry has been developing at a rapid pace over the past three to four years, especially in the Gulf. The free-to-air TV market is so strong in MENA that the whole industry has been conditioned by it and the type of content it requires. But this will change," says Maaz Sheikh, CEO, Starz Play Arabia.

Another believer in change, Nader Sobhan, CEO of Iflix, says: "The creativity that was there in the Arabic production market has been stifled by the Ramadan model. Arabic production is locked into making drama and comedy series often for that particular period – though the fall in ad revenues has slimmed down some of the big Ramadan productions."

He says Iflix is now looking at producing content in the 'off-Ramadan' season, as well as playing with different episode lengths, and with mini-series, and different genres – a break from what has been the regional norm. The SVOD platform, for example, has already acquired horror series *Al Rahbus* – not a common genre in the history of Arabic productions.

Ultimately, Sobhan says: "Local producers are actively embracing us. Producers are always happy when there's another buyer in the market."

Starz Play has aspirations to enter local content production market too "but the project has to be right; it has to different in the market and to wow our audience," says CEO Sheikh.

Netflix is yet to reveal its full hand, however, it has staged events in the UAE "and got Arabic content providers excited," says Sheikh. Commentators await to see the results of regional tie-ups, but none doubt the US streaming giant will produce local content before long.

OSN, meanwhile, remains committed to the local production industry. It has "both strategically and financially invested in the creation and facilitation of exclusive quality Arabic content for its customers across the region," says CEO Martin Stewart.

This year OSN has developed an all-new localised Arabic show called *WWE Wal3ooha* for OSN Sports, and is now airing the locally produced *Qalb Al Adala* (*Justice*), the UAE's first ever legal drama (below). "We also exclusively premiered the first Saudi weekly series, *Bashar*, which features Saudi actors," adds Stewart.

Ultimately, investment from the region's entertainment platforms gives, "the [local] content makers a platform and opportunity to express their art and creativity and allow them to grow and exist in the market," says Iflix CEO Carlos Tibi.

Flying free-to-air: broadcasters look to diversify in tough market

It has not been a smooth year for MENA's free TV sector, with the erosion in advertising budgets to digital competition proving troublesome for the region's free-to-air players.

"We entered 2017 cautiously optimistic but the year has proved more challenging than we were expecting, in terms of both revenues and content consumption," says MBC's official spokesman and group director commercial, PR and CSR, Mazen Hayek. "Home-grown turbulence linked to oil prices, government spending and consumer spending" have all made for a bumpy ride in 2017, he adds.

While the company "remains cash-flow positive and the most lucrative, profit-making media group in the Arab world," Hayek says MBC is now vigorously exploring other commercial avenues to absorb the fall in advertising. Just over a decade ago, advertising provided 90-95% of MBC's revenues. Now Hayek claims 80% of the broadcaster's revenues come from advertising and 20% from other sources – including branded content, and increasingly deals with telcos to distribute MBC's HD channels on various paid mobile, satellite and IPTV platforms.

Following the February launch of a dedicated channel for Ooredoo TV subscribers in Qatar, MBC announced a similar distribution partnership with Etisalat. MBC's portfolio of 17 HD channels is now available exclusively in the UAE to subscribers of Etisalat's E-Vision IPTV platform, and a new joint channel is under development. This is in addition to E-Vision carrying MBC's subscription video-on-demand (SVOD) service Shahid Plus.

Shahid Plus has grown "big time" and is now "400 times bigger year-on-year", says Hayek. MBC is working to improve the interface of this revenue-generating over-the-top product, which is also available to subscribers around the world.

In another effort to offset the drop in ad revenues, MBC has also cut production costs, for both its flagship shows and drama series, this year. However, the broadcaster continues to invest in major productions, with another season of *Arab Idol* aired in 2017. Among its other popular localised formats, production is underway on season 4 of *The Voice* and the second seasons of *Project Runway* and *Top Chef*.

Its key Ramadan drama this year, *Black Crows*, about women in the terrorist organisation Daesh, was shot in Lebanon and made by MBC's production company O3. MBC claims it was the most-watched drama in the region during Ramadan and had global recognition. "Next year we will try to join forces with top networks around the world to produce compelling content to follow this," says Hayek.

It is an initiative Hayek says is close to his heart. "It is time to be proactive, for media networks to produce content to show 'enough is enough'. It is time to use the power of entertainment to change perceptions and to show

the criminal reality of villains who portray themselves as heroes," he says.

As well as generating strong content and a healthier ratio between ad and non-ad revenues, keeping on top of technology and of the competition posed by the global digital players is now key to MBC's future success, says Hayek: "We are not thinking as a TV company anymore... The game is practically set vis-á-vis traditional TV players, but now digital competition is key – Netflix, Facebook, Google, social media. Whoever captures eyeballs and ad revenues is a threat. And Facebook and Google capture half of the digital ad market in MENA."

There is a balance to be struck, nevertheless. "You want to play the business of the future [but ultimately] it is content that matters. As long as you have people who want to watch, to consume, then you are relevant," he says.

MBC is hoping for improvement in the region's advertising market in 2018. For example, its renewed partnership with Arabsat, which delivers MBC's Pro Sports and HD channels via satellite exclusively from 26º East, now allows for more targeted content and advertising divided between the Gulf, the Levant and North Africa. This makes the channels a more attractive commercial proposition than when they were carried on just one beam covering the whole of the Arab world.

Another technological boost will come with the arrival of 5G, which will boost digital content delivery and help expand bandwidth capacity in the region. Yet, through lessons learned in 2017, MBC will budget cautiously for the coming year. "I wouldn't say 2018 is going to be a period of growth but hopefully of stability," says Hayek.

beIN Media ban are now reliant on pirates to access hugely popular premium content such as English Premier League football, for which beIN holds the exclusive regional rights.

Without a resolution to the political turmoil in sight, IHS estimates there will be a 16% drop in the region's overall pay TV revenues in 2017 from the US$2.5 billion it had forecast to a total of US$2.1 billion.

In spite of difficulties posed by the year's events – both political and commercial – OSN CEO Stewart believes the future of pay TV in MENA remains bright.

"Although the mobile revolution in MENA may be among the fastest in the world, overall broadband infrastructure and digital readiness is disparate across the region," says Stewart. "There is tremendous opportunity for digital content while demand for linear TV is growing as customers become more specific about their preferences."

Ultimately, all those providing entertainment in MENA would agree with Stewart's analysis: "The old formula of 'one size fits all' is not relevant anymore; operators have to provide content that is sought-after and relevant to the audience." ●

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In search of global appeal

Middle East content creators at the recent MIPCOM in Cannes argued that producers need to think more internationally and highlighted Netflix's *Narcos* as an example of what can be done. Stuart Thomson reports.

Creators of original content in the Middle East need to think more internationally, according to a panel of Arabic producers and broadcasters at MIPCOM. Netflix's *Narcos* was cited as an example of a show that was culturally specific, but was filmed partly in English and had broad international appeal.

About 100 channels broadcast Arabic drama, Turkish series localised in Arabic, formats and entertainment programmers across the MENA region. However, Talal Adnan Awamleh, CEO of Jordan's Arab Telemedia Group, said that, in reality, few channels in the region could support and fund big dramas. "We have to start thinking globally and more internationally. The market is really based on five to eight channels. Previously the costs [of producing drama] were lower. Now, with the political instability in the region, broadcasters can't figure out what should be produced, and TV productions need forward planning. What we propose is to bridge the world of finance and production, creating some funding mechanisms and choosing stories that can fly outside the Middle East for more international audiences," he said.

Talal said that Arab Telemedia is trying to create hybrid language productions in Arabic and English if the story can support it. He highlighted *Narcos* as a template. "Our mission is to find relevant stories. To do this you need higher standards and more detailed development of the storylines and more international talent. You also need different distribution and marketing mechanisms."

Talal said that there is a need for better partnerships between broadcasters and producers to create a streamlining of production. "We are not moving as fast as we should be," he said. "We can see shows coming out of the States and Europe more strongly than ever. We need to do things in a better way."

Fadi Ismail, MBC group director of drama and general manager, 03 Productions, cited comedy show *Selfie*, hard-hitting Daesh drama *Black Crows* and Lebanese drama *Al Hayba* as recent scripted shows that had made an impact in the region. Ismail said that "the ascendancy of pan-Arab drama" was shown by the exceptionally high ratings for shows like *Black Crows* and *Al Hayba*.

Fadi Ismael: producers need to think about shows with international appeal.

He said that advertising remains key to financing content and the region is too small to grow its high-quality output. The answer, he said, is to think about the international appeal of shows. "We don't need anything [extra] to create content that can travel," he said, in terms of the quality of stories and the types of drama series being created.

Joseph Husseini, head of channels, MTV Lebanon, highlighted *Al Hayba* as a show that could have international appeal. "*Narcos* has succeeded worldwide. It is a story based in Colombia. *Al Hayba* is like *Narcos* but with a Lebanese subject," he said, adding that the show had huge ratings even in traditionally non primtetime slots. Husseini said that Lebanon is "a little bit different from the Middle East" in that dramas could premiere all year round, not just during Ramadan.

Khulud Abu Homos, CEO, Arab Format Labs, said that innovation in formats could stimulate content creation. The Saudi Arabia-based company's analysis of the market matches up international formats with gaps in the regional market. She highlighted Entertainment Experience, a new multi-platform user-generated content project, as an example. "This will launch in Saudi Arabia, Egypt and the Emirates."

She said there is also a lack of kids content in the region. She highlighted *Red Band Society*, a teen drama about a kid in a coma, which she has bought the rights for.

Other Arab Format Labs projects include: one taking Spanish prison drama *Locked Up* (*Vis a Vis*) to create a series based on real stories from Guantanamo Bay; docu-series *I am a Muslim*, about the views of artists, scientists and other creative people about Islam; *Safari: the Empty Quarter*, a search for 'the Altantis of the Sands' in Saudi Arabia's Empty quarter; *Let's build!*, a format promoting social responsibility and engagement where 50 volunteers make over the facilities of schools and clinics in rural areas across the region; *Parenthood*, a new Saudi-Gulf comedy drama following the lives of a multi-ethnic family; and *The Cage*, a football talent format from Saudi Arabia.

Amalia Martinez de Vlasco, SVP, entertainment brands, southern and eastern Europe, Africa and the Middle East, Viacom International Media Networks, highlighted Comedy Central, launched in the Middle East a year ago in partnership with OSN. She said the channel had produced *Comedy Central Presents*, a standup series launched in February this year. Comedy Central is working with comedians to help them perfect their acts through workshops in Amman, Beirut and Cairo. "In the coming seasons we will tape approximately 70 comedians, including some women," she said. Other local versions of TV formats include *Ridiculousness* and a popular web series, *Bad Snappers*.

Martinez de Vlasco said she also wants to give local talent international exposure. ●