

STREAMING VIDEO SERVICES IN MENA:

RIDING THE NEW PREMIUM CONTENT WAVE

AS CONSUMER CHOICE EXPANDS,
HOW CAN REGIONAL MEDIA COMPANIES
CAPITALIZE ON GROWTH OPPORTUNITIES



With opportunities for going global, partnering local, creating direct access, and moving messaging from mobile devices to in-home TV screens, the Middle East and North Africa region (MENA) offers a thriving and dynamic market in which to operate for content, streaming providers, and distributors.

What is stimulating growth? What is the current context? And most importantly, what comes next, and how can TV and over-the-top (OTT) services innovate to fuel growth? We asked video executives from across the area to weigh in on how far MENA video services have come, and where they're headed.

THERE'S A LOT TO GET EXCITED ABOUT:



Big investments in Arabic originals, technology, and workflows to scale services



Emerging efforts to protect premium content



Rising quality across services, streaming delivery, and experiences



Unlocking Sharia-compliant online payment simplification



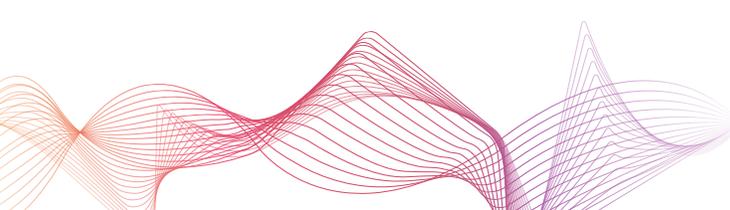
Diversified business models are creating differentiation and consumer choice

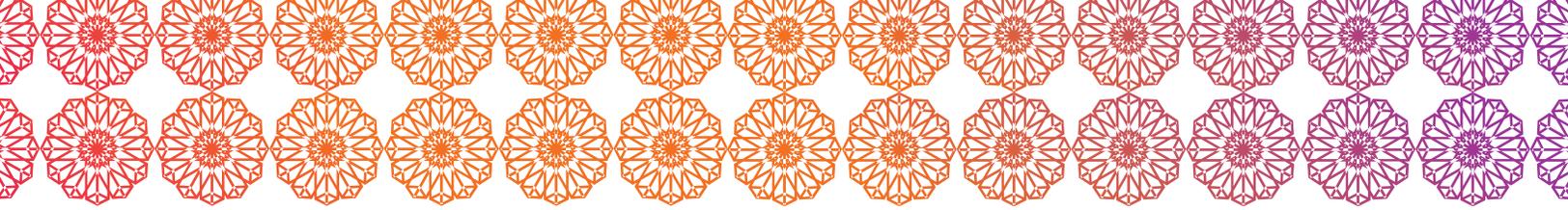


Investments in end-to-end frictionless experiences



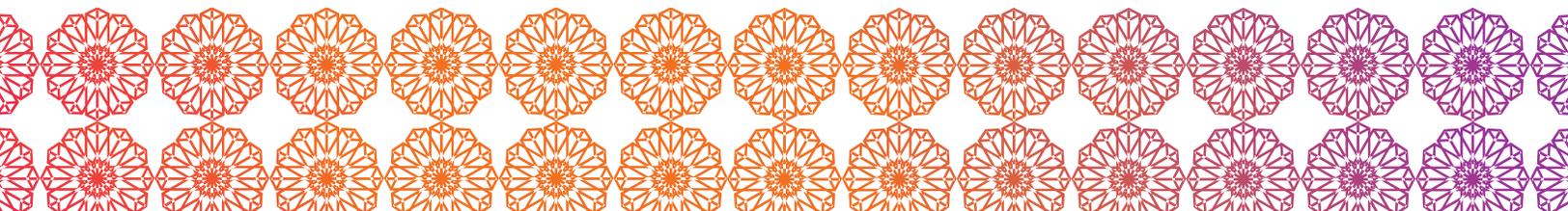
Handling challenges and continuing to innovate





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WHAT'S STIMULATING MENA GROWTH?

Entertainment has been a bright spot during COVID-19 lockdowns — especially video-on-demand (VOD) platforms. In the MENA region, some services saw tenfold surges in trial and subscription adoptions in the last year, amounting to well over one million paying customers.¹ Four key factors are stimulating growth:

ORIGINAL, HIGH-QUALITY ARABIC CONTENT ATTRACTS LOYAL AUDIENCES

“*The types of programs that have been produced in this region for the last 30–40 years have been mainly conservative or traditional dramas. Some viewers have indicated a desire for more edgy or modern content. Some players are adopting and launching originals that are far from what has been traditionally produced. It is where demand is, and this new wave of content is what consumers want.*”

— LUIS DURAN, FORMER CCO, SHAHID; GM AT HBOMAX LATAM, WARNERMEDIA

Every major TV or OTT service provider is investing in local Arabic originals as well as content distribution deals to grow their library and have points of differentiation.

International competition is locking in worldwide rights and local players are actively responding. STARZPLAY secured \$25 million for originals, OSN is doubling originals to 40% of its streaming content by the end of 2021, and streaming platforms such as SHAHID and Jawwy are making significant subscription video-on-demand (SVOD) first-run originals.^{2,3}

An Arabic originals boom of +383% growth happened in 2020 within Saudi Arabia, a key focal market after an over 35-year absence in entertainment. Saudi Arabia is expected to make further investments as part of the kingdom's Vision 2030 to support the film industry.⁴

Distribution costs and regional changes are driving the differentiation through content offerings, right along with viewer choice: The historical source of Egyptian programming distributed across the region is moving to WATCH IT!, a new platform run by the Egyptian government and resulting in a content gap for other TV and OTT services. Also, SVOD content licensing costs have also risen, in some cases, overtaking the cost of free-to-air (FTA) satellite television licensing costs across the Gulf region.

“*The right plan, the right sequence of events with business prioritization, and COVID-19 made it a great time to be in streaming.*”

— ADRIAAN BLOEM, HEAD OF DIGITAL INFRASTRUCTURE, SHAHID

¹ “Interview: A Lot Can Happen in a Year, Says SHAHID Exec Jakob Mejlhede Andersen,” Arab News, March 12, 2021

² “Dubai's STARZPLAY strikes \$25m debt financing deal to boost Arabic content,” Arabian Business, February 3, 2021

³ “OSN looks to major investment in original content,” Arab News, April 2, 2021

⁴ “AlUla opens new department to help film industry,” Arab News, April 24, 2021

NEW STREAMING EXPERIENCES ARE WINNING MENA LIVING ROOMS IN A BIG WAY

A focus on TV technologies and getting streaming services into more smart TV brands with solid, quality streaming experiences has fueled higher consumer engagement, more binge-watching, and longer viewing hours via televisions.

Most senior executives interviewed across the region highlighted that viewing habits on streaming platforms have significantly changed in the last couple of years. Viewing on mobile devices remains a huge portion of the market, but social-distancing restrictions and lockdowns due to the COVID-19 pandemic drove massive growth in smart TV consumption. Prior to 2020, smart TV viewing accounted for less than 20% of streaming content consumption. At the peak of COVID lockdowns, smart TV viewership skyrocketed to as much as 70% of total consumption. The beginning of 2021 saw smart TV streaming still exceeding mobile, but closer to a 50/50 split.⁵ Local Arabic programs being released as first-run originals were fueling binge-streaming.

Although the viewing habits of 2020 were outside the norm, the shifts in consumption continue to be deeply felt across the world, not just in the Middle East. It underscores the fact that the whole industry is changing as it always has — in response to how consumers choose to watch. New business models and fresh experiences seek to strengthen revenue streams on TVs where the historical reliance was almost solely on FTA programming funded by advertising.

With the monthly subscription rates increasing in the region to between \$8–14/month, the average revenue per user (ARPU) for SVOD has become more attractive.⁵ In addition, cloud TV technologies are proving more cost-effective technological solutions for more complex businesses with historical on-premises equipment and hardware. The combination of stronger ARPU and lower capital expenditures adds up to a compelling growth equation for MENA media brands.

“ **A single copy in the cloud [of an asset] with multi-distribution programming and distribution logic to serve multiple people, is significantly cheaper, from an infrastructure point of view and significantly more efficient... hardware is out.** ”

— DOMINIC FARRELL, CTO, SHAHID

MIX AND MATCH CONTENT, USER INTERFACES, AND LANGUAGES ARE NOW ENABLED, ALLOWING BUSINESSES TO SCALE QUICKLY WITH MORE COMPLEX LOGIC

Streaming platforms, historically supported by catch-up advertising-based video-on-demand (AVOD) TV content from broadcasting parent companies, were often working with acquired content that had been edited to meet local cultural and censorship guidelines that came with the dubbed audio burned into the asset.

This is changing.

With the growth of local Arabic originals, audio and visuals are decoupled at the production level allowing for local streaming platforms to immediately support and program end-to-end workflows to match service delivery needs for multi-language capabilities — whether subtitles, dubbed, or having user interfaces in English, Arabic, or French along with language dictionaries for metadata.

This experience is relatively recent for multi-language platforms and helps open opportunity and growth outside the region with Arab expats or second-generation Arabs who may speak and understand Arabic but perhaps need English or French user interfaces to navigate.

⁵ Executive interviews, Laura Chaibi, 2021.

EFFORTS TO BETTER PROTECT PREMIUM CONTENT ARE EMERGING

“ To really have a premium model, you need premium sports content that is protected. ”

— DOMINIC FARRELL, CTO, SHAHID

Some important factors that are helping shift premium protection include:



More content is digital rights management (DRM) protected as the premium value of assets warrants higher protection, while most back catalogs have not implemented DRM.



Originals have global rights, and more importantly, worldwide takedown rights. Geo-programming content and content fencing helps protect streaming providers' content value and reach diverse audiences in the Middle East and beyond with exclusive content propositions and distribution deals. In the past, if the content was licensed to the Middle East and the pirate content was outside the region, the original content owner would need to pursue the takedown. Direct ownership gives total control worldwide and speed to react.



The Saudi Arabian government is also actively pursuing IP infringements with a new IP enforcement campaign and closed over 200 pirate websites in 2020.⁶ This signals a much-needed commitment toward content protection that will help build back confidence in taking risks with higher production value programming for worldwide distribution.

“ Producing quality Arabic content can cost six to seven times more than international titles. If you are producing a \$2.5–3M title in Arabic, the cost to pass on is higher if the title is sold on to several other platforms compared to an international content producer who might pass on the cost to more than a dozen distributors across TV and VOD. Innovation and regulation to protect content more and more will be a big gain by the industry. ”

— TONY SAAB, VP CONTENT AND PRODUCTION, INTIGRAL

⁶ “Saudi Begins Piracy Crackdown After BeoutQ Criticism,” World Intellectual Property Review, January 25, 2021

HOW DOES VIDEO GROW IN MENA? GREAT CONTENT + RELIABLE QUALITY

The overall media environment is greatly improving, and over the course of 2020, streaming delivery capabilities, experiences, and payments have become more simplified.

WHY ARE MENA VIDEO EXPERIENCES NOW BETTER THAN EVER?



5G growth is helping improve the quality of service

Countries within the Gulf Cooperation Council (GCC) with 5G are readily delivering higher quality experiences with back-end system workflows set up to autodetect best playback quality automatically over the network and minimize latency and buffering issues.



Quality of delivery is a solid playback experience

The COVID-19 pandemic helped most local SVOD platforms grow their paid services. Consensus among senior executives interviewed is that current technology and cloud-based infrastructure held up well under the higher demand coming from higher resolution smart TV screens.



Better experience is as much about high-end quality as it is about meeting the needs of low bandwidth markets

Having all the VOD and live content workflows in place is key to meeting the diverse needs across the MENA region, including ensuring advertising content is also programmed and responsive to the end user's bandwidth.

“The focus in the region is not only on higher quality, but also on maximizing smaller files and delivering higher experience improvements. Networks max out at 1080p on 3.5MB/second connections, the service can be relatively decent, and in North Africa, we are aiming to serve for 512KB/second lines at 144p to 480p to improve quality —[helping] buffering and start times to feel seamless.”

— DOMINIC FARRELL, CTO, SHAHID



Payment simplification is arriving with more changes to come

Payment methods in the Gulf have lagged, with consumers in Saudi Arabia unable to use their debit cards to pay for things online after banking hours. Direct carrier billing is a common payment method through mobile operators.

The entire ecosystem has had a telco dependency for payments...until now.

In April 2021, the Saudi Government launched “sarie,” a Sharia-compliant instant payment system to enable real-time debit card transacting and reconciliation between banks 24x7.⁷

Simplifying payment issues and reconciliation is a key priority for most OTT platforms. Legacy systems and historical low credit card ownership that held back seamless direct-to-consumer billing experiences should subside as consumers become better equipped with payment options and more familiar with transacting online.

⁷ “Saudi Payments Launches Instant Payments System ‘sarie,’” Saudi Gazette, April 24, 2021

CONSUMERS ARE WINNING — MORE CHOICES, GREATER CONTENT VARIETY, BETTER WAYS TO KEEP WATCHING

Diversified business models have all the conditions for success in place to experiment with new propositions mixing AVOD, SVOD, transactional video on demand (TVOD) and premium video on demand (PVOD), live, on demand, catch up, and programming logic that supports this along with advertising innovation.

MENA providers are using smarter tactics to win the hearts and eyes of viewers.



Same day and date release:

STARZPLAY was first to focus on this, ensuring that U.S. programming has the same day and date release in the Middle East as part of its licensing agreements.⁸ This is a draw for subscribers interested in certain shows.



Bundling live with on demand:

SHAHID, backed by MBC Group, has access to the live broadcast channels now available on SHAHID VIP SVOD, along with other local TV broadcaster channels.⁹



Aggregate:

Jawwy is focused on aggregating the best content locally and globally for its customers, including its own original programming.^{10, 11}



Leading with originals:

OSN Streaming and SHAHID VIP, to name a few, are creating originals that are exclusive, made for SVOD, and air before TV or Cinema, ensuring the pipeline of new titles is consistent enough to keep audiences as part of their strategies, with SHAHID VIP going after international markets.^{12, 13}



Onboarding premium sports:

STARZPLAY is experimenting with live streaming sporting events such as live UFC fights, available as a TVOD service, while SHAHID VIP streamed Saudi league football.^{14, 15}

All of these services require more complex infrastructures at the back end and having technical integration within the end-to-end ecosystem is key.

⁸ "Company," STARZPLAY

⁹ "MBC Group to bring Rotana Media's channels and content to SHAHID VIP," Arab News, July 2, 2021; "MBC launches Cartoon Network Arabia on SHAHID VIP," Broadcast Pro, July 9, 2020

¹⁰ "Intigral elevates the Jawwy TV experience to the next level," Zawya, February 16, 2021

¹¹ Jawwy TV

¹² "OSN to double investment in Arabia content and original productions with OSN Originals," Middle East campaign, November 17, 2020

¹³ "Interview: A Lot Can Happen in a Year, Says SHAHID Exec Jakob Mejlhede Andersen," Arab News, March 12, 2021

¹⁴ "UFC," STARZPLAY

¹⁵ "Saudi Sports Company contracts MBC Group to broadcast sports competitions," Arab News, July 22, 2021

WHAT'S THE BIGGEST FOCUS FOR MENA SERVICES? FANTASTIC END-TO-END EXPERIENCES WORTH WATCHING — AND WORTH PAYING FOR

Content is the next key milestone, particularly for streaming businesses integrating partner content, mixing live and on-demand services together, and having multiple consumer propositions in one service. With many dependencies on third-party services and partners, the integrations need to create a better consumer experience.

“ **The ability to execute in the MENA region and have integration with partnerships needs to become smoother; from payments, reselling, hard bundles, and being able to clearly communicate consumer-led benefits to the right audience in the right market at the right price point and with the correctly identified available content specific to the location.**

Integrations may appear easy, however, the consumer journey to signing up, signing in, and playing content is where improvement is needed. Bundled services should have a one-step authentication process, not five steps.

— LUIS DURAN, FORMER CCO, SHAHID; GM AT HBOMAX LATAM, WARNERMEDIA



SMART TVS NEED TO GET SMARTER

Smart TVs, for example, look great on the front end for the consumer. At the back end, it is harder to build deep user datasets, and the player API and security (i.e., DRM) may be incompatible with the smart TV, causing edge cases. Overall, recommendation engines and content curation control on a smart TV is harder.



COLLABORATION IS KEY TO SIMPLIFYING MENA'S COMPLEXITIES

Business units and their vendor partners must work together to serve a truly frictionless experience for consumers. End-to-end programming logic across multiple systems is needed.

Area for coordination across streaming services

1	Asset management logic	9	Partner authentication logic (across bundled or cobranded services)
2	Country of payment and country of service access logic	10	Payment logic — billing cycles, recurring billing, and ad hoc, add-on services as well as reconciliation are needed, and this lies with the payment provider's core software
3	Currency logic	11	Player and playback logic and authentications
4	Customer care logic	12	Regulatory logic
5	Distribution logic	13	Service delivery logic — load bearing on the network
6	Experience logic, including languages and permissions	14	Subscription management logic
7	Legal/contractual logic	15	User logic — smart TVs and telco billing being identified as the most difficult
8	Marketing logic	16	Bringing multiple sources of metadata together

With the streaming players owning parts of their solution and partnering with various vendors (some having over 50 partners and vendors in their ecosystem), edge cases of technical integration issues become resource intensive and slow innovation.



REGULATION IS GOING TO BECOME MORE COMPLEX — NOW'S THE TIME TO PREPARE

“ *For some cloud TV/VOD platform operators — depending on the jurisdiction, data sovereignty, and data domicile matters — it needs to be onshore for many operators and support law enforcement and lawful interceptions for auditing.* ”

— BEN HAYLOCK, FORMER MANAGER OF STB, beIN MEDIA GROUP

Regulation and legislation regarding where data sits will have a direct impact on vendor services, particularly where first-party data needs to be stored.

Key things to consider:

- Prepare to handle and program for more complex single-country regulations, and single-country privacy policies and nuances.
- If working across Saudi legislation, prepare for programming to be Sharia-compliant regarding censorship, along with the necessary arrangements on the jurisdictions of the commercial deals.
- Building logic into the solutions, including what can be stored in the cloud and where the cloud is based, will matter.
- Consider costs associated with being audited for compliance and how to minimize them.
- Managing added layers of complexity to comply with ever-changing regulations.
- Choosing strong vendors that can handle deepening complexity and program and innovate workflows to accommodate and simplify processes will be a business advantage.



STANDARDIZATION WILL HELP OVERCOME INDUSTRY-LEVEL CHALLENGES

At present, there is no GCC-wide initiative, let alone MENA-wide standardization, to make streaming service regulations more simplified, such as those that exist in the EU.

This means vendors will need to innovate with workflow integrations that can handle the ever-changing policies at a country level in an agile way and tightly manage commercial and technical agreements to accommodate these changes.

Unlike the rest of the world, a decree (policy) impacting services can come overnight, resulting in operators scrambling to react. Working in the Middle East means being aware of and accepting this reality, as no one can really be prepared for it.



NEW INNOVATIONS ARE COMING — QUICK ADOPTION WILL BE CRUCIAL

A key difference in Middle East regions now, as compared to a few years ago, is that technology leaders have a better understanding of where their pain points lie. With that understanding comes an urgent need to prioritize effectively — knowing where to focus on innovation and where to put the technology in place that will make it easier to adopt future advancements. The unique challenges of operating a premier TV and streaming service in MENA regions will reward forward-thinking technology choices that poise businesses for success in a market under enormous change.

“ *Better purchasing power for content uploading, content delivery, origin server, delivery points is only a matter of time.* ”

— TONY SAAB, VP CONTENT AND PRODUCTION, INTIGRAL

LOOKING TO THE FUTURE — PREPARING FOR TOMORROW'S INNOVATIONS TODAY

Successful services in an increasingly advanced MENA market will take new technology adaptations, mindsets, skill sets, and even cultural changes to execute. Technology executives highlighted a multitude of points to prepare for, such as:

- Enhanced caching and network optimization (i.e., low traffic times like middle of the night) to preload content around live programming where broadband connections are not good enough
- Voting integrated into live streaming
- Real-time live streaming replay
- Multi-camera viewing that lets viewers choose alternative replay angles for big moments like sports replay highlights
- More immersive and interactive experiences with value-added in-app purchases within the content, such as buying products featured in a movie

AS REGIONAL CAPABILITIES PLAY CATCH-UP, PROVIDERS WILL BE READY TO OFFER MORE

The following innovations were highlighted as already existing in other markets but not yet in the MENA region due to being cost-prohibitive or requiring client-vendor partnerships to innovate and explore how to bring them into the market.



1. **Mixed-reality programming** and new ways to serve consumers with content-driven entertainment beyond traditional TV productions



2. **Full 360-degree viewing** for goal scoring during sporting events, with live playback, pause, and interaction



3. **Innovation around family accounts and sub-account permissions** to handle the bigger household compositions in the Middle East (Saudi households often have between five to eight people) and the ability to expand to wider household family tiering and technology programming to reassign accounts between household members, especially as a reward mechanism for kids



4. **Payment innovation** covering pre-pay in micro units — one hour, one evening, one day — to support binge consumption or the single “catch-up episode” that went behind a paywall



5. **Running code/computing in the cloud** closer to the last mile (in the local telco network) rather than on public international clouds (i.e., to Ireland/France/Netherlands/Germany)



6. **Remote cloud editing** to provide live cloud TV with a five-minute delay for censorship editing on the fly, for example — there is no cloud presence in the region to be able to do this



7. **Programming production** innovation and logic to support shows

THE FOUNDATION OF THE MIDDLE EAST'S MEDIA FUTURE IS BEING BUILT NOW

Whatever developments occur, the MENA region is on the cusp of change, and local players are making long-term strategic decisions at the leadership level to support streaming and cloud TV services and position these platforms as the future mainstream media technologies.

Partnerships to deliver will continue to be an important part of the end-to-end technology solutions, whether focusing on incremental and/or transformational changes, to bring the best streaming TV services to market in the Middle East.

RESEARCH METHODOLOGY AND ACKNOWLEDGEMENTS

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Findings and quotations from these interviews are used throughout this paper. All interviews have been attributed to interviewees only when they have provided permission. The views expressed within this paper are solely those of the author and do not necessarily represent the views of the interviewees and contributors. The author has also drawn upon and synthesized research and analysis from a wide range of industry sources. All sources have been attributed.

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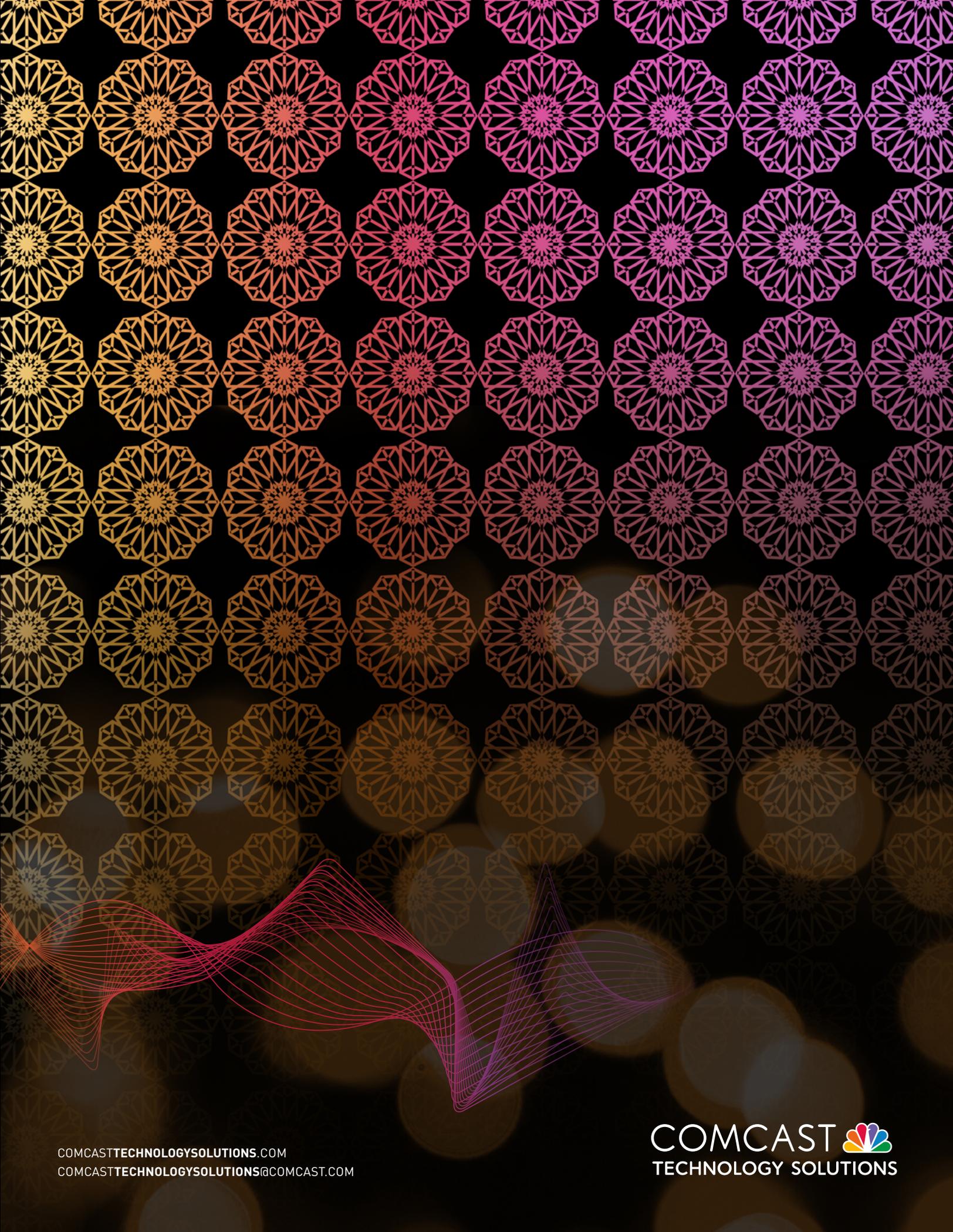
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