TOWARDS TOMORROWS

THE EMERGING MARKET
DIGITAL CONTENT PANORAMA –
THEN, NOW AND IN THE FUTURE

TABLE OF CONTENT

More people have access to mobile phones in developing countries than clean drinking water, electricity, secondary school education, or even sanitation. With data becoming accessible and affordable, more people are consuming digital content than ever before.

At first glimpse, the numbers are staggering to say the least.
A typical day in the life of the internet is the sum of

186 million Instagram photos	**152** million SKYPE calls	**36** million AMAZON purchases
803 million tweets	**4.2** billion Google searches	**207** billion e-mails sents	**8.8** billion You-Tube views

And this demand for digital content will only grow in the future as income level rises and the lives of the people gets more finely ingrained with digital developments across the world.

The millennials are leading the charge, like they are elsewhere. Highly individualistic and dissatisfied with status quo, the millennials want to experiment with new story formats, form factors and payments mechanisms.

Of course, millennials' yearning for social connectedness is based on good storytelling. But, in today's context, it is not enough to tell any story. Content has to be hyper local, delivered on the user's mobile at the time and place of their choosing.

And who better to deliver content than the operator, with their reach, capability and understanding of the customer?
In this emerging market study, we have considered content delivery and consumption, key challenges, and the way forward to building a robust and growing contend ecosystem.

INTRODUCTION

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KEY HIGHLIGHTS

THE BIG PICTURE

By 2020, it is expected that mobile phone penetration will be greater than

50%

in most emerging markets, with **Latin America leading the way with 78%**, followed by **Asia Pacific(74%), Middle East North Africa (61%)** and **Africa (60%).**

The growing emerging market app economy is a **good indicator of the health of digital content ecosystem**, as it leads to better user experience as well as monetization opportunities.

Social is fast becoming the first choice for consuming video, instant articles, images and music.

Content from some countries travel better than others. Curating content from these countries could very well make the difference, especially if they are distributed by operators with operations in multiple regions.

Content piracy has emerged as a big threat in emerging markets. For example, **70%** of LATAM and **61%** of APAC admits to pirating content, compared to **35%** in America. In Middle East North Africa, content piracy ranged from **59%** in Egypt to **53%** in GCC countries.

With so much of content available to the consumer, it is important to stand out from the crowd.

CONTENT SHOULD BE VIEWED AS A SERVICE, WHICH IS BUILT AROUND EXPERIENCES.
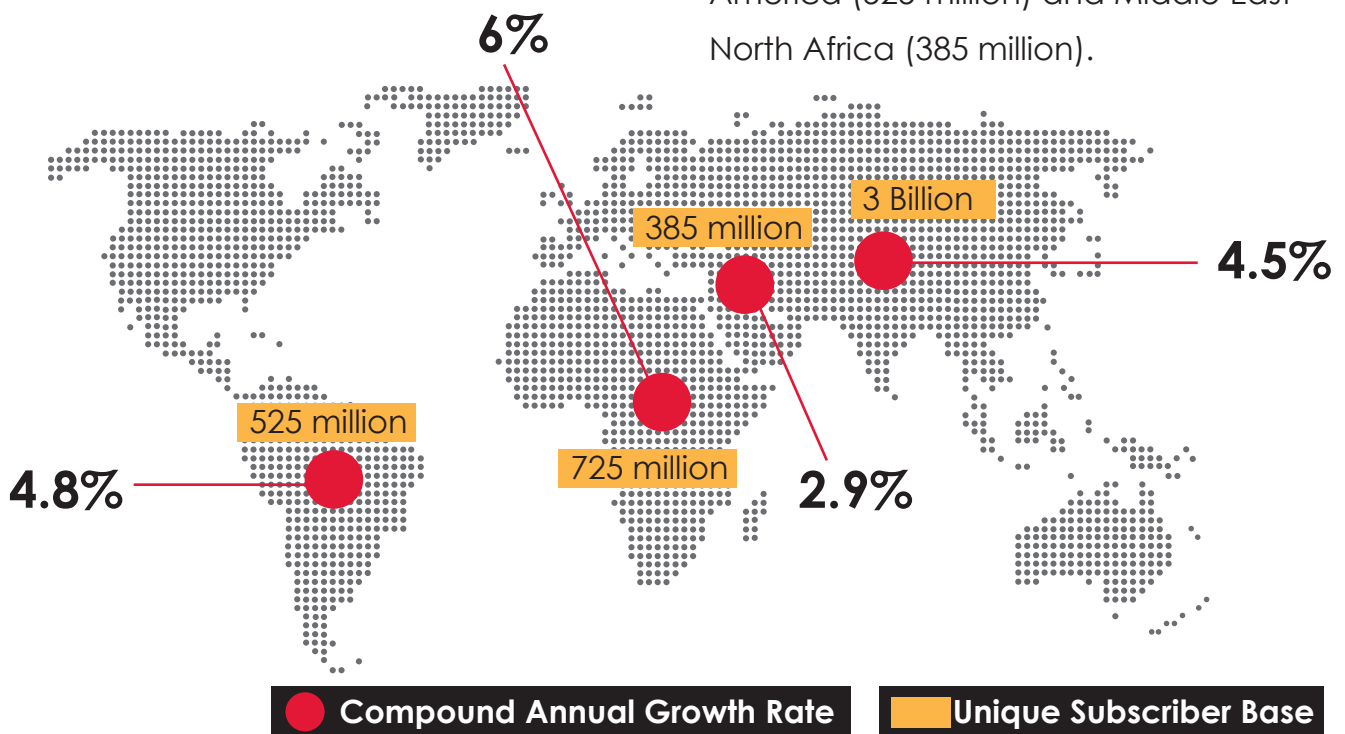
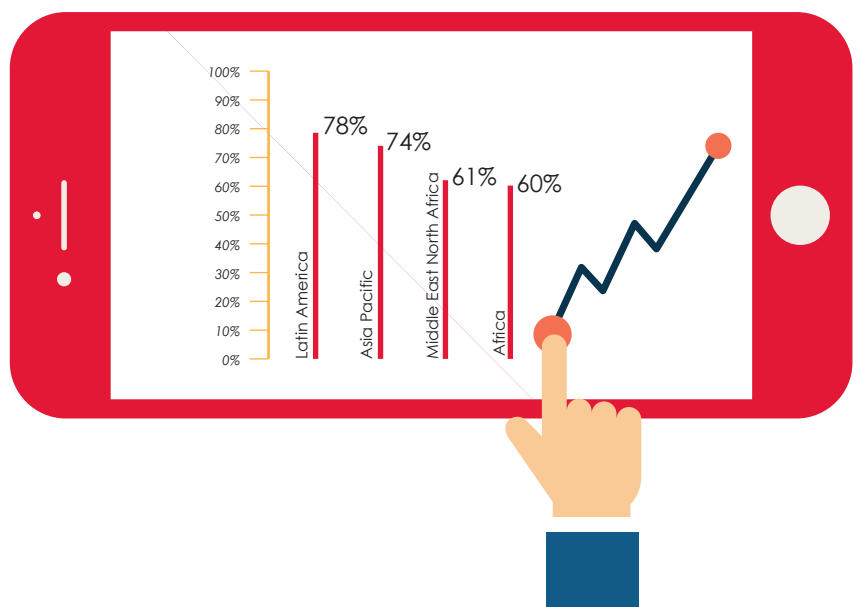# TRENDS EFFECTING MEDIA AND CONTENT DELIVERY IN EMERGING MARKETS

MOBILE PENETRATION AND GROWTH OF SMARTPHONES

Mobile will continue to scale rapidly in the emerging markets. Going by GSMA's report on the state of the Mobile Economy, the total number of mobile subscribers in APAC, LATAM, AFRICA, and Middle East North Africa will grow to 4.6 Billion by the year 2020.

Africa is forecasted to lead the emerging market segment with a CAGR of 6% followed by LATAM (4.8%), Asia Pacific (4.5%) and Middle East North Africa (2.9%). However, in absolute terms, ASIA PACIFIC is far ahead of the field, with a 3 Billion unique subscriber base by 2020, followed by Africa (725 million), Latin America (525 million) and Middle East North Africa (385 million).

6%

385 million

3 Billion

4.5%

525 million

4.8%

725 million

2.9%

● **Compound Annual Growth Rate**   ▬ **Unique Subscriber Base**

By 2020, it is expected that **mobile phone penetration will be greater than 50%** in most emerging markets.

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

78%
74%
61%
60%

Latin America
Asia Pacific
Middle East North Africa
Africa

THE GROWTH OF SMARTPHONE MOBILE BROADBAND – 3G/4G/LTE

In most markets, smartphone penetration will be driven by device affordability. A good example is India, which is adding new smartphone manufacturers every quarter to the more than 150 brands that are already selling their device in the country.

As expected, Asia Pacific will remain the leading player in emerging markets, with the number of smartphones in the region increasing from 1.3 Billion to 3 Billion by 2020. Africa's smartphone market is burgeoning too, and it is expected that the region will have 720 Million smartphones by 2020. LATAM with 577 million and Middle East North Africa with 467 Million will make up the rest.

Middle East North Africa
467
Million

Latin America
577
Million

Africa
720
Million

Asia Pacific
3
Billion

Number of smartphones 2020

The generational shift to mobile broadband is happening now, as the number of smartphones in the region increase. In Asia Pacific, connectivity is forecasted to rise from 45% in 2015 to 70% in 2020. 79% of Latin America will be connected by 2020 followed by Middle East North Africa (61%) and Africa (60%).

In many of the markets in the region, mobile devices have leapfrogged desktop as well as laptop as the primary device for accessing digital content. The increasing sophistication of smartphones and 4G/5G Networks will also change how content is produced, distributed as well monetized.

RISE OF SOCIAL

Social media is fast becoming an important facet for content distribution. Facebook Live, Facebook Instant Articles, Instagram Stories, Snapchat Stories, Snapchat Memories are some of the recent innovations in the field of content.

The popularity of social can be estimated by the fact that 37% of the world or 2.8 Billion of its population are social media users.

In emerging markets, social media adoption are similar to global average, with Latin America 39%, Asia Pacific (36%), and Middle-East (38%), and only Africa (14%) below the average. Interestingly, the Middle- east has some of the highest concentrations of social media users, with Brunei, UAE and Qatar in the top five lists of social media users.

Instagram and Snapchat are very popular in the Middle East, especially in the richer GCC countries. Whereas, in Asia Pacific region, western platforms like Facebook, Messenger, YouTube, Twitter coexist with regional platforms like Line, WeChat and weibo.

Social media usage

Latin America	39%
Asia Pacific	36%
Middle East	38%
North Africa	14%*

* Below Average

In Africa, mobile social usage is similar to smartphone penetration, growing 60% in 2016. In Latin America, Facebook is set to reach 39.0% of the total population — equivalent to 69.5% of internet users and a dramatic 93.0% of social network users. Social and content are strongly correlated. According to the 2016 State of Social Media in Latin America report from Shareablee, total video actions (likes, comments, shares and retweets for video content posted by brands) went up by 56% in Latin America between January and November 2016. Interestingly, the biggest growth for video was with Twitter at 373%, but there was also solid growth with Facebook (55%) and Instagram (50%).

Social is fast becoming the first choice for consuming video, instant articles, images and music. Not only that, with new services like Facebook Live and Instagram stories, social media uses can now script their own stories whenever they want.

DIFFERENT TYPES OF AUDIENCE – MASS OR NICHE

On one hand there is Free to air (FTA) and local SVOD offerings, and on the other hand there is premium content, such as Netflix.

Income, education levels, infrastructure, regulatory bodies will play a big role in the future. For example, in Latin America countries, the government patronage to FTA and local media organization is the main reason behind their dominance in the region.

Essentially, premium content, such as Netflix caters to pockets of affluence, basically English speaking audience looking for original programming in content.
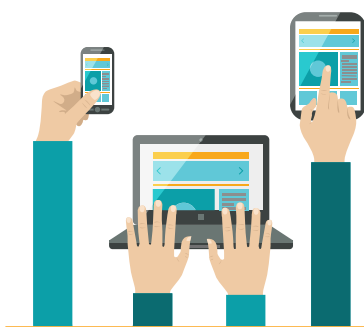
TRENDS EFFECTING CONTENT CONSUMPTION IN EMERGING MARKETS

RISE OF **MILLENNIALS**

Millennials are very individualistic, tech savvy and quick to adopt new technology trends. They are the first generation to have grown up online, and mobile device has become their favourite channel for online viewing.

According to TNS Global, Millennials in the APAC region are spending the equivalent of almost a day on social media. In Africa, as well as LATAM, millennials are cutting the cord to their TV, and using social media for all their information.

57% of the millennials saying that they are consuming content on their smart-phones while they are watching TV.

MULTISCREEN BEHAVIOUR

MILLENNIALS PREFERENCES

Africa — Social networking, Gaming, Banking/finance, Instant Messaging, Health & Fitness, Education

Latin America — Snapchat, Facebook, Spotify

Social networking apps, gaming, instant messaging, banking/finance, education and health & fitness apps suite are very popular in Africa. In Latin America Millennials prefer Snapchat and Spotify in particular, with facebook also high in popularity.

RISE IN DEMAND FOR **APPS**

Apps are in demand in Middle East North Africa. Almost 85% of the mobile internet users have downloaded an app. Top apps include email, social networking, news and weather, sports news and hobbies. In a demographic split, female mobile internet users were found more likely to use photo and video streaming websites, while their male counterparts favoured gaming websites.

According to **Flurry Report**

3 largest app users in Latin America*	Most downloaded apps categories
Brazil	Utilities and productivity apps
Mexico	Sports apps
Argentina	Messaging apps
	Games apps

*Smartphone category

The app economy in Africa is also buzzing with home grown apps finding good traction. Local messaging apps, food takeaways, courier services, coupons and deals are also finding favour with the locals.

The ASIA Pacific Region leads the app economy

Largest share smartphone users

Almost **800 million** of the 1.4 Billion apps installed*

*Year 2016

The growing app economy is a good indicator of the health of digital content ecosystem, as it leads to better user experience as well as monetization opportunities.

LOCAL CONTENT IS IMPORTANT

Latin America

There is a **burgeoning market of local content**

Portals like **YouTube are providing a platform for budding local talent**, like Hola, Soy German, in Chile and Yuva in Mexico, who are reaching out to millions of fans in the region

New **YouTube vide**o verticals emerging **in sports, news and education**

Math2me is an online tutorial which has become **hugely successful within a short span of time**

Africa

Start-ups have created a niche for themselves in the market, despite the presence Netflix, Deezer, Spotify

Focussing on creating an Africa rich content in

Movies | Music | Gaming | Emojis

These companies have an edge over their international counterparts because they have a better understanding of the market

Asia-Pacific

Netflix's **one-size-fits all approach does not work**

More than **35 streaming services** catering to local markets*

Local platforms are involved not just in producing movies and TV shows, but **in developing talent and user-generated Web content**

TechCrunch

Middle East North Africa

The **wealthiest and the influential prefer local content in Arabic**, but there is a **low willingness to pay for local content**

Arabic speakers account for 5% of the internet speakers worldwide, **only 1% of the websites are in Arabic**

Creation of local Arabic content requires

- The availability of local talent
- Consistent and sustainable content funding
- A wide range of financial models
- High level of brand credibility

Finally, some content travels better than others. In Africa, Nigeria, South Africa, Ghana, Kenya are some of the countries that come in this category. Other markets like Ethiopia are also substantial but don't travel well due to language issues. South Africa and Nigeria (Nollywood) have a big market – both domestic as well as overseas. This template can also be used in other regions, such as LATAM with Spanish content, the Middle East (Arabic) and Asia Pacific (Hindi, Mandarin) that travel well.

Curating content from these countries could very well make the difference, especially if they are distributed by operators with operations in multiple regions.

KEY CHALLENGES FOR BUILDING ROBUST CONTENT
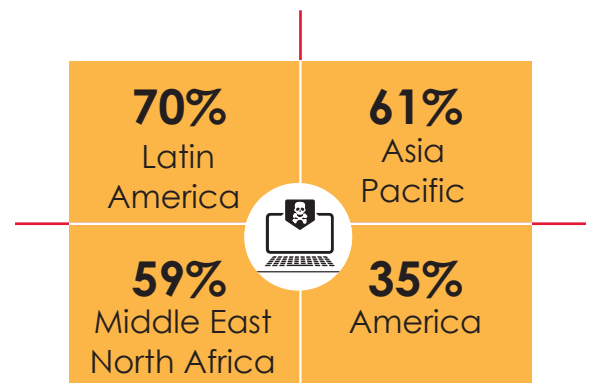
CHECKING PIRACY OF CONTENT

Content piracy has emerged as a big threat in emerging markets

70% of Latin America and 61% of Asia Pacific admits to pirating content, compared to 35% in America. In Middle East North Africa, content piracy ranged from 59% in Egypt to 53% in GCC countries. The full scope of content piracy was not available, but analysts put the figure around 50%.
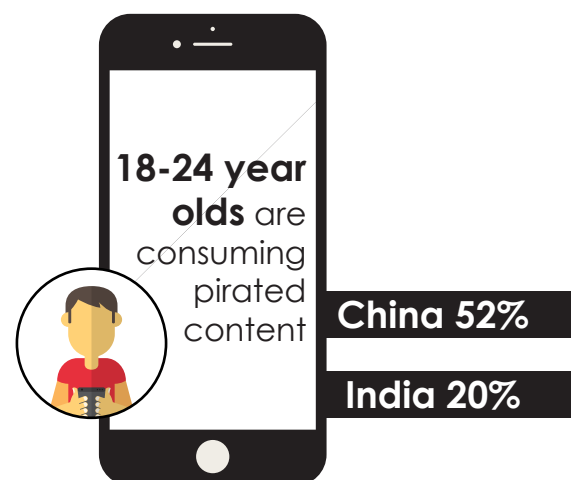
Many 18-24 year olds are consuming pirated content on their mobile devices. The GCC countries lead the trend with more 18-24 year olds consuming pirated content on their mobile phones followed by China (52%) and India (20%).

In Africa there is a growing demand for US and European content and piracy has increased because this demand is not being met. Also, the content that is being produced locally also needs to be protected, especially with the huge market for local content overseas. Movies currently showing in cinemas are the most pirated, with illegal streaming of sports programming also on the rise.

In the GCC countries, **22%** of the surveyed admitted to pirating sports content.

70% Latin America

61% Asia Pacific

59% Middle East North Africa

35% America

CONTENT PIRACY

18-24 year olds are consuming pirated content

China 52%

India 20%
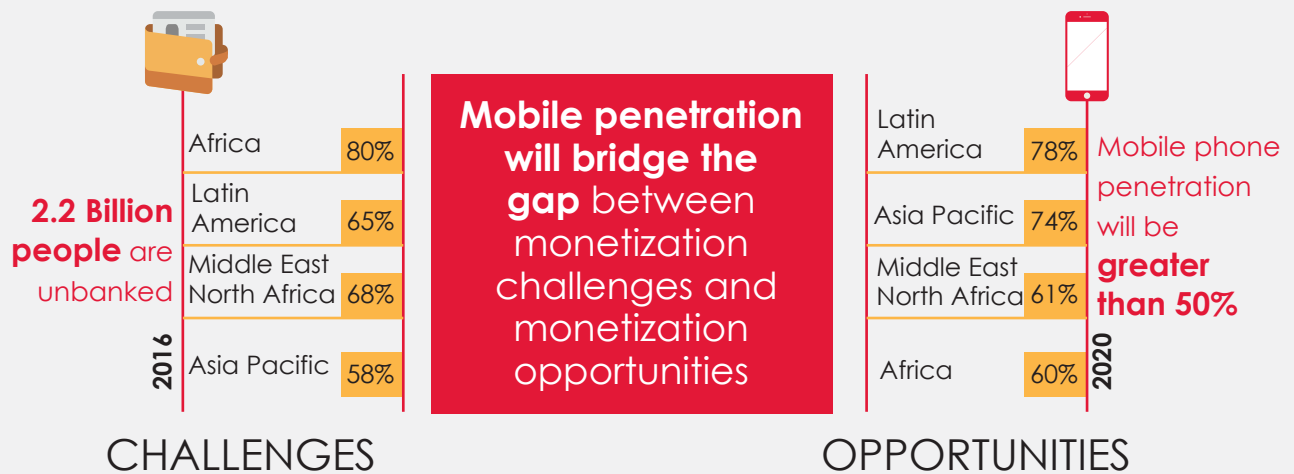
However, the good news is that **there is a willingness to stop** once there is an increased awareness on pirated content.

MONETIZING CONTENT

More than 2.2 Billion people are unbanked in Asia Pacific, LATAM, Middle East and Africa. In Sub Saharan Africa 80% of the population are unbanked, compared to only 8% in richer OECD countries. It does not get better in the other regions, with 65% unbanked in LATAM, 68% in the Middle East and 58 % in South Asia.

2.2 Billion people are unbanked

2016

Africa	80%
Latin America	65%
Middle East North Africa	68%
Asia Pacific	58%

CHALLENGES

Mobile penetration will bridge the gap between monetization challenges and monetization opportunities

2020

Latin America	78%
Asia Pacific	74%
Middle East North Africa	61%
Africa	60%

Mobile phone penetration will be **greater than 50%**

OPPORTUNITIES

Also, in the Middle East, interest bearing cards are looked down upon due to prevailing religious and trust issues. Similarly, card penetration is low in LATAM because of trust issues.

In many countries, the income levels are very low, which poses further challenges to content monetization. So there is a need to create new strategies to monetize the low income segment.

CUSTOMER EXPERIENCE

With so much of content available to the consumer, it is important to stand out from the crowd. Content should be viewed as a service, which is built around experiences. For example, a user should be able to shift from one device to another, starting off from where he left while he was using the last device. Omni-channel experience is fast becoming an integral part of the content landscape. Similarly, the user should have total control over the content they are viewing. Finally, the consumption of content should be seamless, with the highest possible QoS.
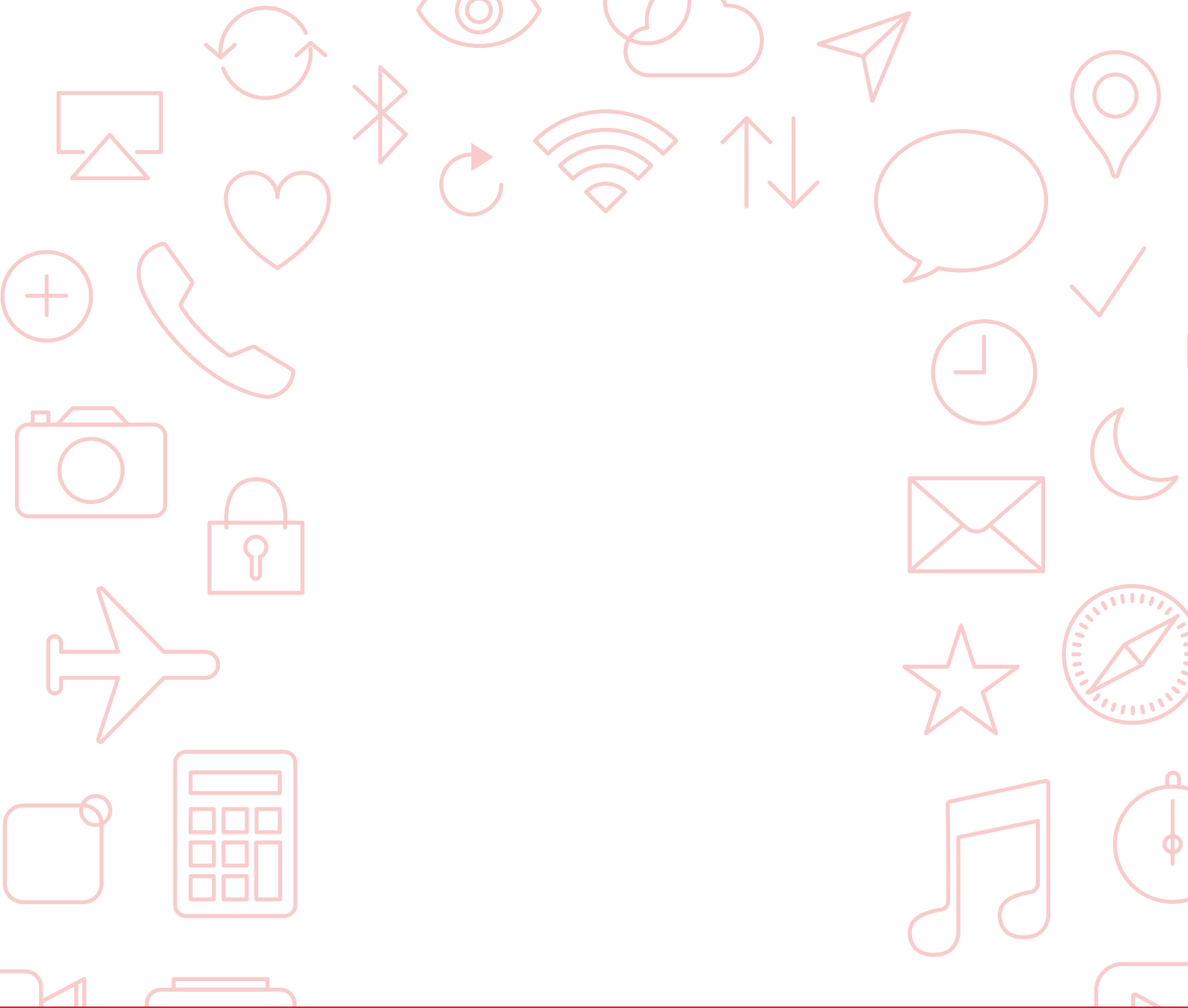
KNOWN FUTURE – OPERATOR LED

The growing mobile and data revolution in Asia Pacific, Africa, Latin America and Middle East North Africa have changed the rules of content production, distribution and monetization. We think that Operators will have a critical role to play as they have the control over the networks, the user base, and the billing infrastructure needed for distributing and monetizing content.

Operator's primary strategy should focus on converged content and service offerings to drive demand for content and thus mobile broadband services. For example, bundling budget smartphones (running on Firefox OS) with post-paid subscription is an example of this strategy.

For regions with poor connectivity, operators could offer offline viewing combined with user-selectable bandwidth capping function that allow users to reduce data consumption by selecting a lower streaming video quality level.

Sponsored data is another operator strategy to reach out to the low income segment. Indeed, it will be very interesting to see how the entire net neutrality debate pans out in the future, as it will have define enterprise digital engagement with customers.

And finally, MNOs have to play an important role if not central role in the development of digital entertainment by opening up their APIs to third party developers. Mobile operator APIs such as messaging, billing, location and mobile money will provide a significant opportunity for digital content to scale to a broader customer base.

CONCLUSION

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THE BUSINESS OF TOMORROWS

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