MENA Entertainment & Media Outlook 2020-2024

COVID-19 has accelerated the shift towards digital revenues, requiring companies to change their business models to capture the growth in on-demand content.

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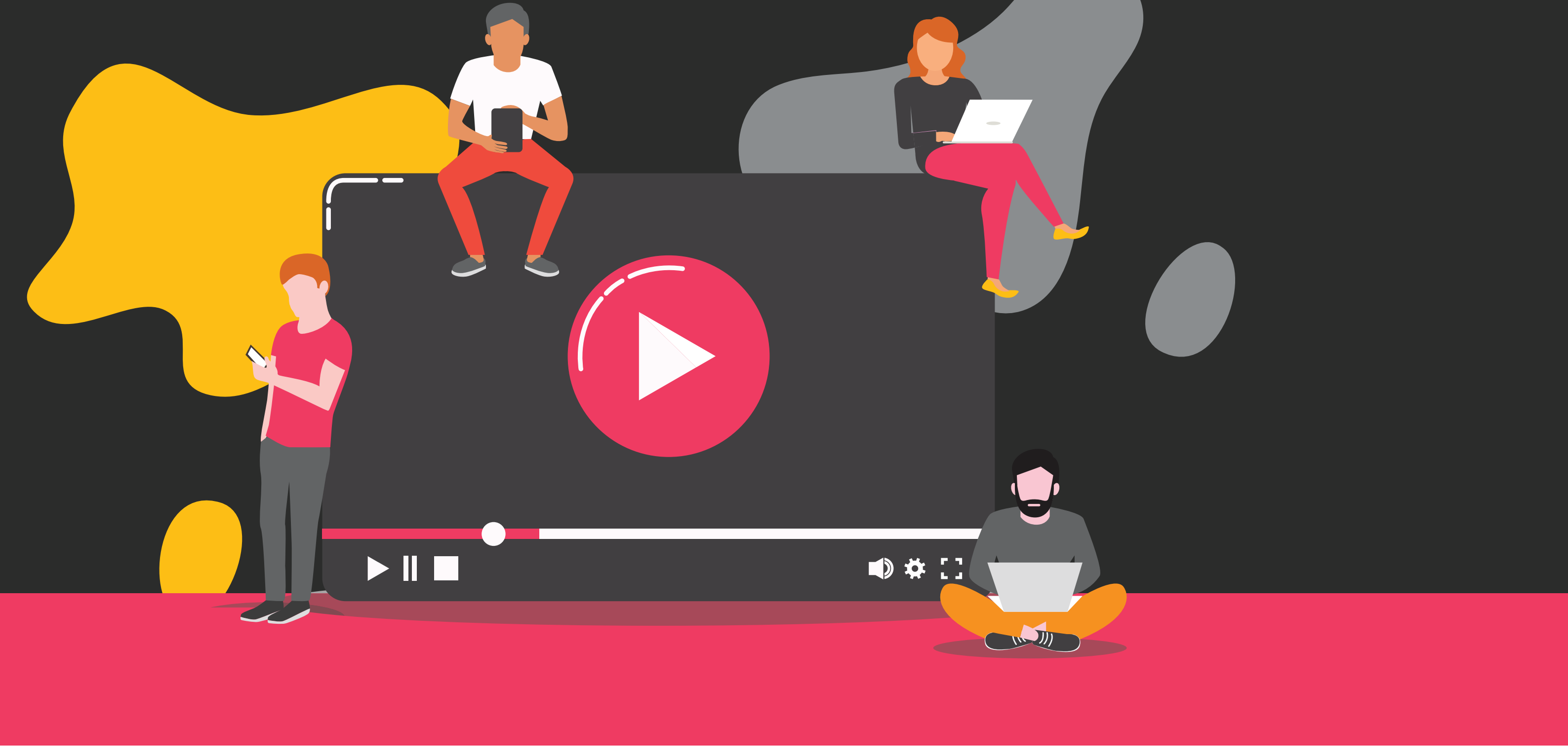
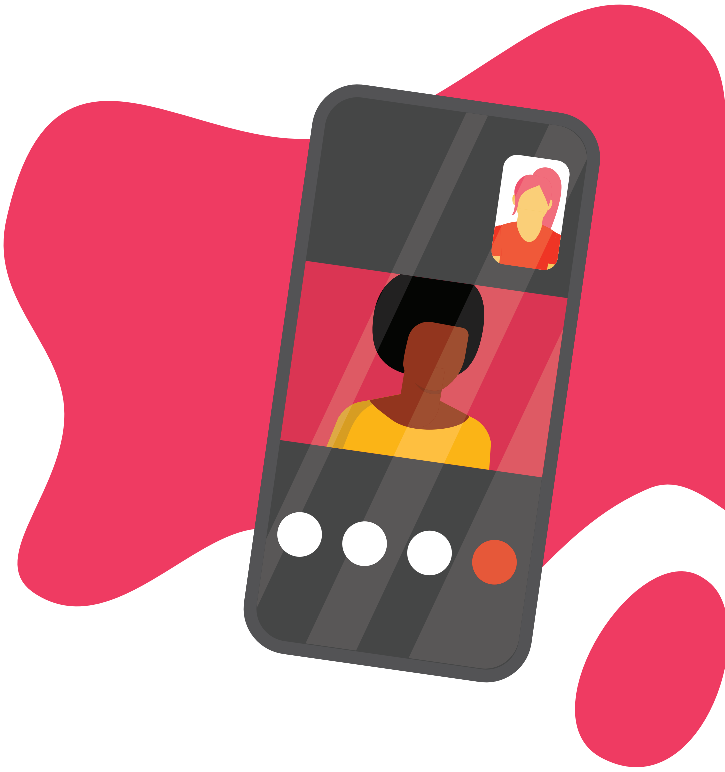


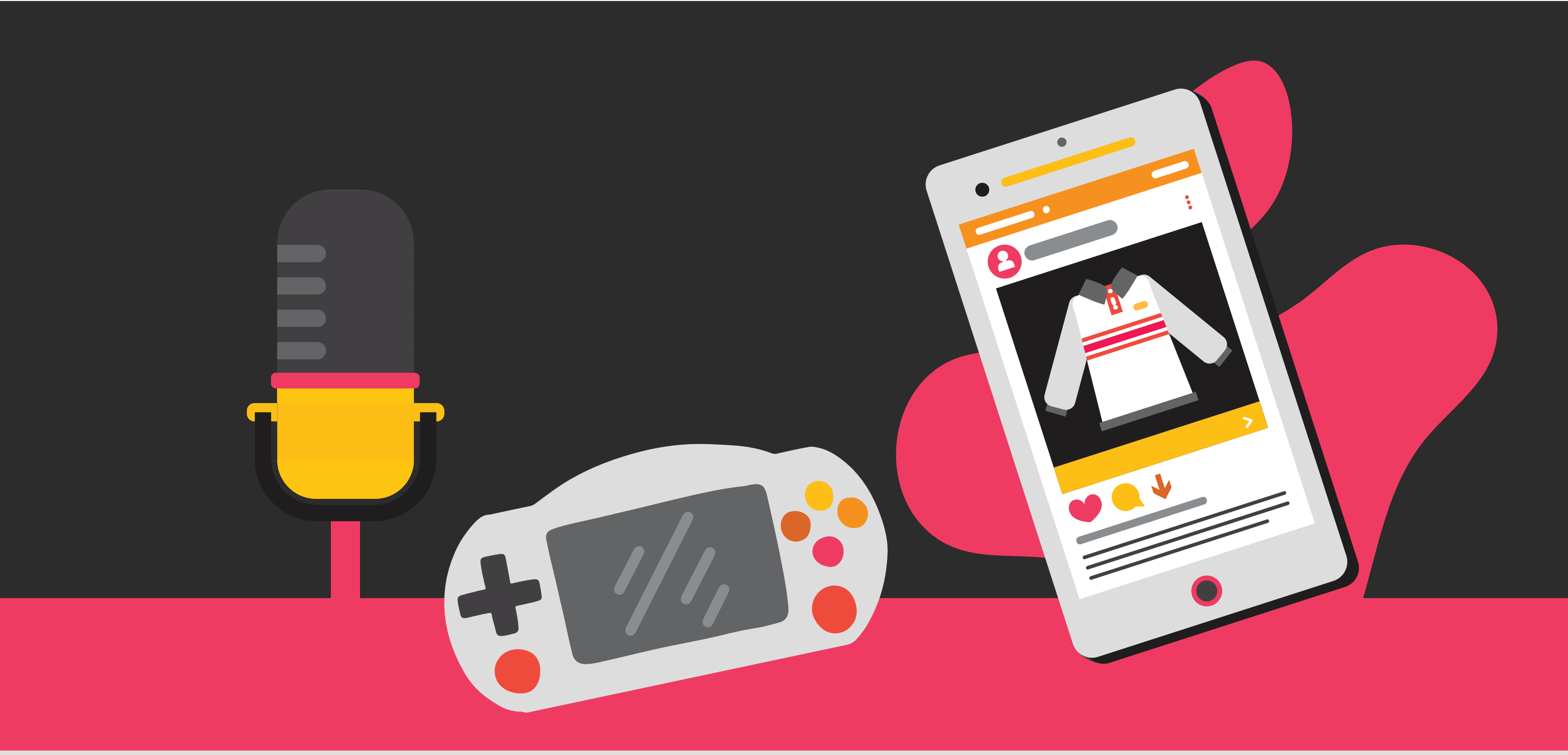
Methodology

Our outlook for the Middle East and North Africa (MENA) region is based on revenue data gathered as part of the Global Entertainment & Media Outlook 2020-2024, PwC's flagship five-year forecast covering 14 industry segments across 53 territories worldwide. We also carried out further data analysis to understand audience behaviour in the region and globally. In this report, the term MENA represents Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia and the UAE.

Data from 2020 onwards are estimates that will be reconciled in the next edition.



All MENA data source: Strategy& Analysis



Executive summary

COVID-19 has had an extraordinary impact on entertainment and media revenues[1] and patterns of consumption in the Middle East and North Africa (MENA), just as it has across the world. The damage to physical media spending – from cinema box office takings to concerts, corporate events and newspaper and magazine advertising – means revenues in the region are expected to fall by 8.3% to $19.7bn this year[2].

We expect spending to gradually recover to 2019 based on a successful COVID-19 vaccine being widely available in the region, and to continue to grow from 2022 onwards. Overall, we expect entertainment and media revenues to increase by 3% in the region between 2019 and 2024, exceeding the 2% rise forecast globally[3].

To a large degree, COVID-19 and its after-effects have pulled the future forward, as consumers in the region take more control of their own media consumption, faced with an ever-expanding range of channels and content. As a result, we expect a K-shaped recovery, with the industry split between areas that return to growth quickly and others that go through a lengthy downturn. Digital entertainment led by OTT video ('over the top' or streamed video services such as Netflix, Shahid and Starzplay), gaming and digital music will grow at an accelerated pace to 2024, while in-person events will continue to suffer until restrictions to curb the spread of the virus end, and physical newspaper and magazine sales will decline more steeply than pre-pandemic.

Crucially, these changes in consumer behaviour require media companies in the region to consider new digital business models such as subscriptions, leveraging direct relationships with consumers and monetising content rather than relying solely on advertising as they have done in the past. And while MENA already has some of the highest mobile phone usage in the world, with 4G accounting for a third of mobile connections[4] and 5G already launched in some markets, governments must work to expand digital infrastructure such as high-speed broadband access, public and private clouds, data centres and content delivery networks to enable content streaming and new content consumption experiences at home and on the go.

In this report, we will look in more detail at the shift to digital entertainment and paid content, the new business models and infrastructure required to support this change, and what governments and regulators can do to support the evolution of the industry.

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[1] The industry segments covered by the GEMO are: traditional TV and home video; OTT video; internet access; newspaper and consumer magazines; out-of-home (OOH) advertising; business-to-business; video games and esports; virtual reality (VR); TV advertising; cinema; consumer books; music, radio and podcasts, and internet advertising.
[2] Global Entertainment & Media Outlook. 2020 - 2024. PwC
[3] Global Entertainment & Media Outlook. 2020 - 2024. PwC
[4] https://www.gsma.com/mena/resources/role-of-wireless-backhaul-in-enabling-5g-in-mena

1

The shift to digital: OTT, gaming and audio

Digital revenue is expected to make up 42% of total entertainment and media revenue in MENA in 2020, up from 37% last year, and then to grow steadily to reach 46% of revenues by 2024. Globally, digital spending will account for the majority of revenue for the first time this year, reaching 51% of total revenue.

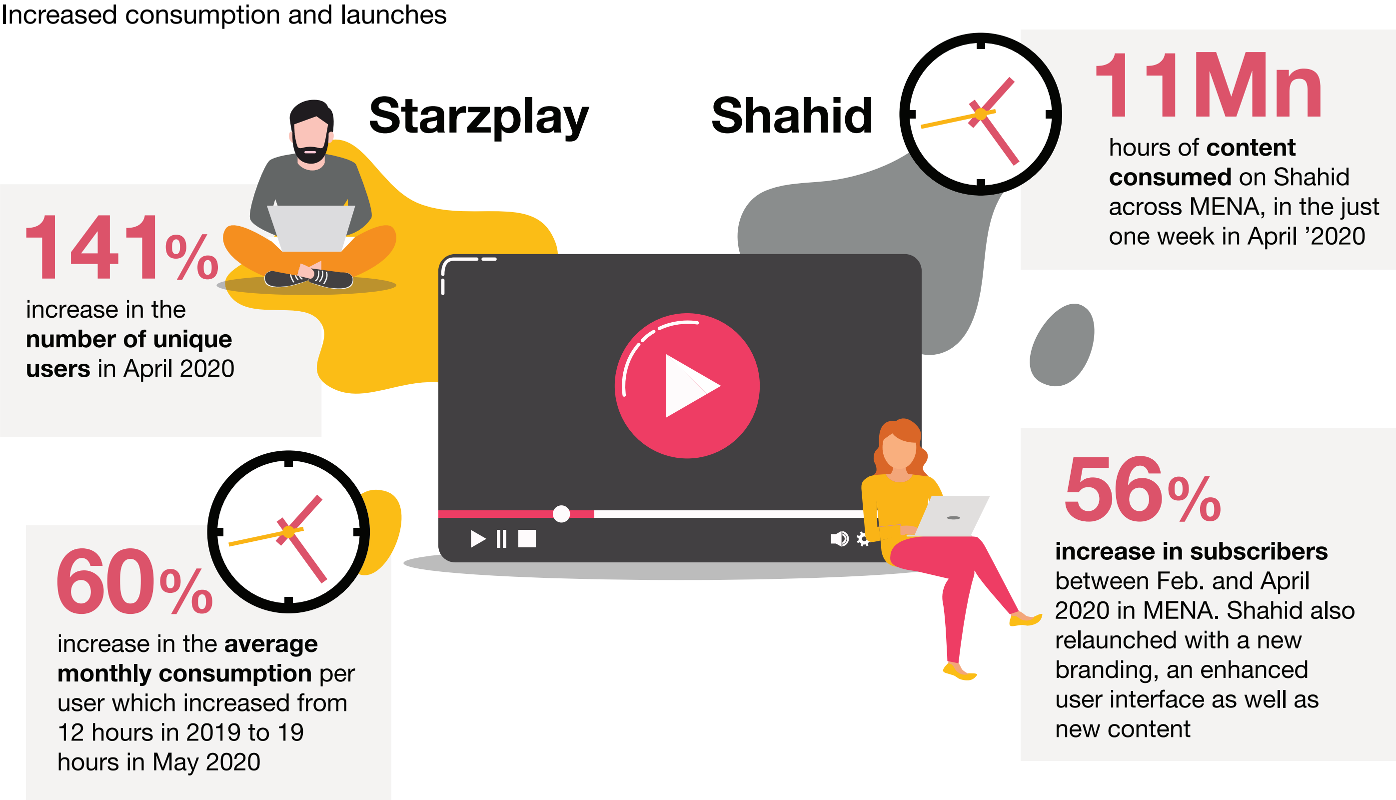
The pandemic has accelerated the adoption of streamed video content (OTT video) and music in the region, and boosted the popularity of online gaming even further. Between February and March, when national lockdowns began, 50% of OTT video subscribers increased the amount of time they spent watching, for example[5].

Subscription services such as Netflix, Shahid (owned by MBC) and Dubai-based Starzplay Arabia have added more local content as unique user numbers and hours spent watching both increased between 2019 and 2020.

This is creating a virtuous circle - OTT video revenues are expected to grow by 12.3% CAGR between 2019 and 2024, spurred by greater choice on both regional and international OTT video platforms. This also means OTT video services taking share from the pay-TV market, which is forecast to grow by just 0.6% in the same period.

MENA OTT developments

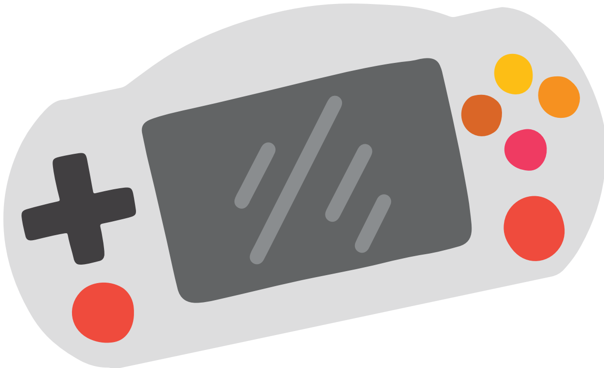
Increased consumption and launches



Source: Strategy& analysis

[5] Campaign Middle East edition

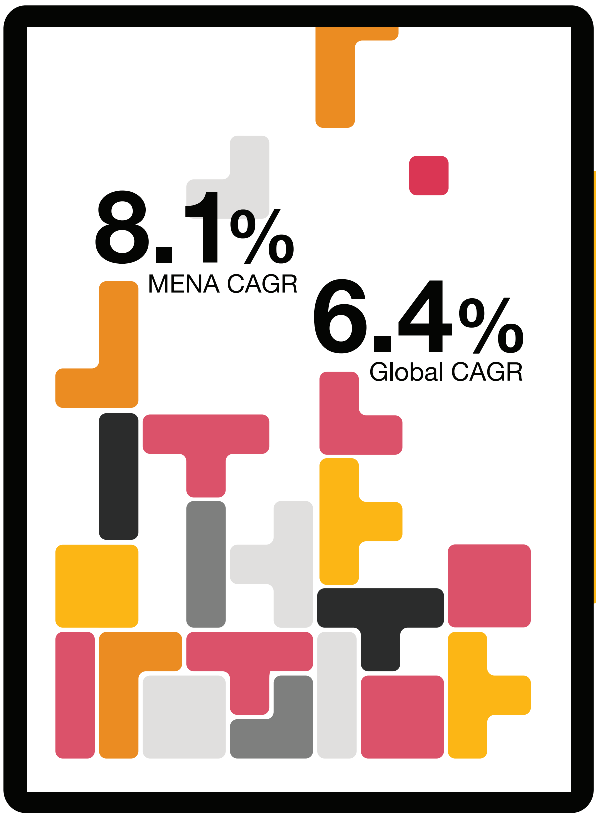
Gaming reaches new heights



Online gaming enjoys tremendous popularity in the region, where people aged 24 and under make up close to half the population[6], and lockdowns have given the industry a further boost. Gamers in MENA have spent 24% more time playing in 2020 than in 2019, compared with an 11% increase globally.

As a result, video games revenue will increase by 8.1% CAGR in MENA between 2019 and 2024 to an estimated $4.1bn, outpacing the global increase of 6.4% CAGR and becoming the largest segment of the entertainment and media market in the region. Online and downloaded games continue to account for the vast majority of revenue, and are set to increase their market share from 83% in 2019 to 91% in 2024.

E-sports is still a very small part of entertainment and media spending, and during the pandemic the fledgling sector has been impacted by the absence of live events, at which audiences get together to watch star players battle it out. However e-sports revenue is expected to grow by 23.3% CAGR between 2019 and 2024 in the region, driven by increases in media rights, sponsorship, and digital advertising.



Video games revenue will increase by 8.1% CAGR in MENA between 2019 and 2024 to an estimated $4.1bn, outpacing the global increase of 6.4% CAGR.

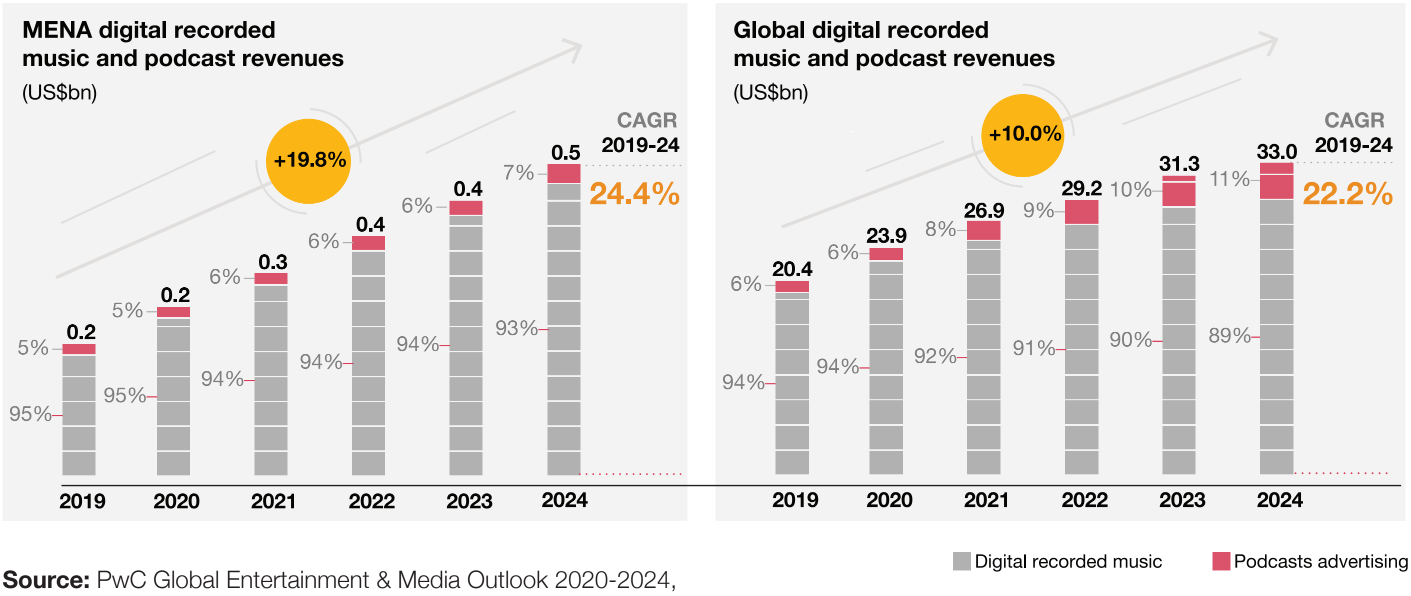
[6] Unicef, "MENA Generation 2030," April 2019: https://data.unicef.org/resources/middle-east-north-africa-generation-2030/

Digital music and podcasts

Digital audio – both streamed or downloaded music and podcasts - has been another beneficiary of captive lockdown audiences. In 2020, Anghami reported a 25% increase in music listeners, compared with 2019. Parallely, the number of podcast listeners is expected to increase 30% between 2020-2021.

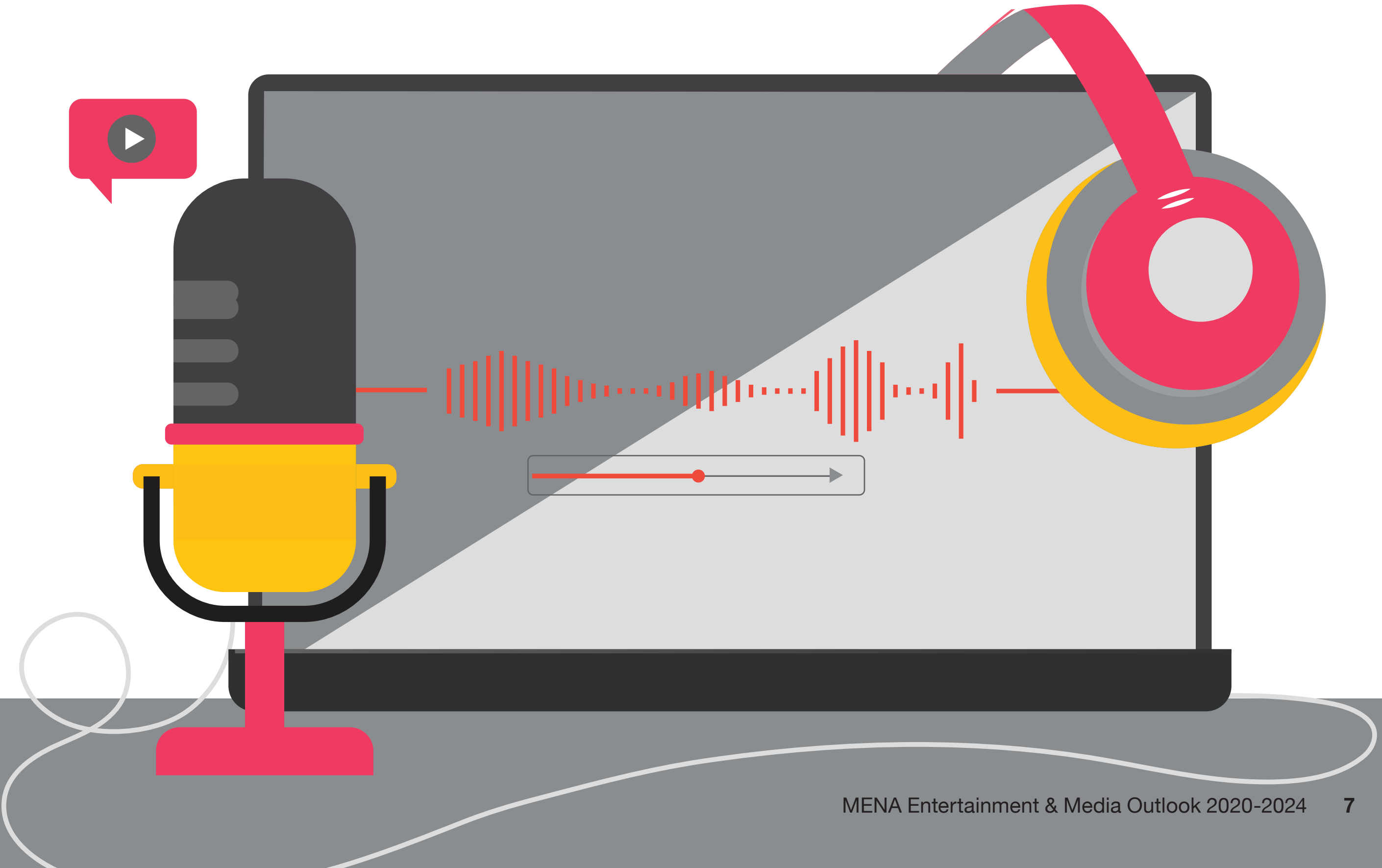
Digital audio revenues will increase by 19.8% CAGR in the region between 2019 and 2024, although they will still account for a smaller share of the overall music market (32% by 2024)[7], compared with physical audio, driven by radio. Podcast advertising is at a very early stage in the region, but we expect it to show rapid growth of 24.4% CAGR to 2024.

Podcasts advertising is a rapidly emerging revenue line in digital audio



Source: PwC Global Entertainment & Media Outlook 2020-2024, www.pwc.com/outlook

[7] The overall music market includes recorded music, radio and podcasts



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New business models and more infrastructure required

In light of these changes in consumer habits and spending, entertainment and media companies in the region must adapt their business models to capitalise on areas of higher growth. The advertising market is expected to grow at 1.4% CAGR to 2024, while consumer-paid revenues will grow by 3.5% CAGR over the same period.

Within ad spending, 42% of revenues will come from digital ads by 2024. Mobile advertising is already one of the most widely used channels in the region, because of the high levels of mobile phone use.

Key considerations for media companies:

Review and test new content distribution channels to keep pace with consumer habits, e.g. newspapers offering podcasts hosted by popular columnists.

Build scale through geographic expansion across the region as well as a robust local content inventory to remain competitive against global digital media players. Scale is needed to offset the ongoing rise in content costs.

Reduce reliance on purely advertising-funded media by building a direct-to-consumer platform that can either be subscription-based or a mix between advertising and subscription content (e.g. Shahid by MBC). Consumers have adopted paid-content models at an accelerated pace during COVID-19 lockdowns.

Deploy acquisitions and strategic partnerships to build the required skills in the fastest growing and emerging revenue streams.

Work closely with and support local governments to design relevant digital regulations and define the role of industry in their execution.

A strong digital backbone

An essential enabler to support the growth of digital media and entertainment is sufficient digital infrastructure to allow consumers to watch, play and listen to online content from anywhere. Some countries in the region have already made significant investments in this area – in Saudi Arabia, the government and private sector has spent $15bn on ICT infrastructure since 2017 and as a result, the entire country has internet coverage. Saudi Arabia was also one of the first countries to offer commercial 5G services[8].

Across the region as a whole, high-speed home broadband coverage is low, ranging from 3% of the population in some countries to 40% in others (excluding the UAE and Qatar where the proportion is higher). The lack of coverage has been offset by widely available, high quality 4G and new investments in 5G. However, investment is still required to provide high-speed broadband to the broader population at affordable prices and expand coverage in rural areas. Improving distribution capabilities, upgrading service providers' system capabilities, and expanding content distribution networks are all necessary to support the growth of digital media and entertainment services.

[8] https://www.pwc.com/m1/en/publications/lessons-from-lockdown-new-ways-remote-working-in-sa.html

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Cinema revenues will continue to shine

In contrast to the global outlook, cinema box office revenues are a bright spot for the region – revenue is expected to grow by 4% CAGR to $1bn in MENA between 2019 and 2024, compared with a 2.4% decline worldwide. This is mainly due to Saudi Arabia lifting its cinema ban in 2018, which has created a sizable new market.

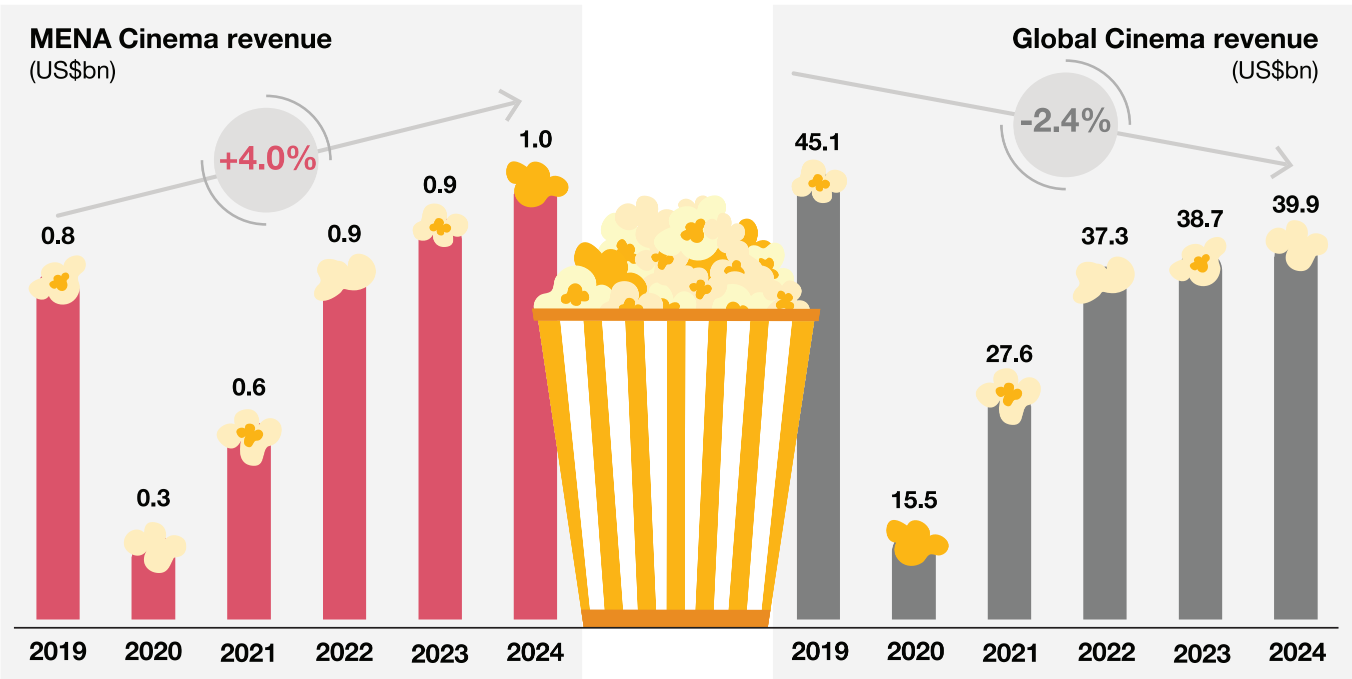
COVID-19 has of course caused a decline in 2020 - cinema admissions in the region dropped from 120 million to 48 million between 2019 and 2020 as a result of lockdowns and social distancing[9]. However box office revenue is expected to recover by 2022 and to continue to grow.

We see the potential for 2,600 cinema screens in Saudi Arabia by 2030[10], and expect box office revenue in the country to reach $180m by 2024[11]. International chains including AMC, Cinépolis and Vox are already establishing a presence there.

The Kingdom has the potential to absorb up to 2,600 screens in 2030

The Kingdom's cinema box office market could be USD 180 million in 2024

...it will continue to drive MENA's cinema growth story vs. global markets, despite the setback from COVID



Source: PwC Global Entertainment & Media Outlook 2020-2024, www.pwc.com/outlook

[9] PwC Global Entertainment & Media Outlook 2020-2024
[10] https://www.pwc.com/m1/en/publications/documents/cinemas-in-saudi-arabia-opportunity.pdf
[11] PwC Global Entertainment & Media Outlook 2020-2024

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Calls to action

The generational shift in the entertainment and media landscape in favour of digital content has been accelerated by the COVID-19 pandemic and its impact on consumer habits. This requires media and entertainment companies, both local and international, to transform their business models to keep pace with new audience expectations and to consider developing an optimal mix of ad-funded and consumer-paid revenues. It also requires government and regulatory support to expand the necessary digital infrastructure, and to ensure regulation protects consumers without stifling innovation.

The key actions for each group of stakeholders are:

Regional media companies

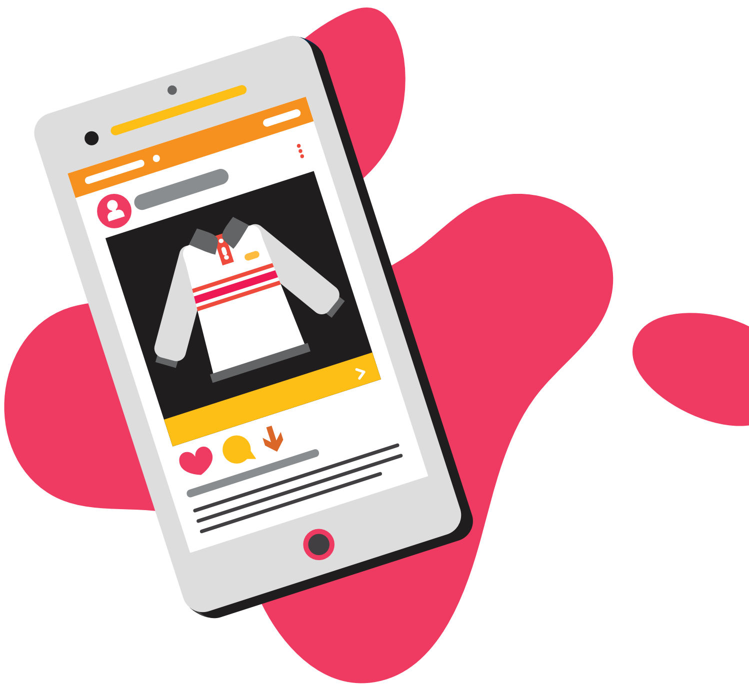
Develop and evolve digital business models, and leverage the opportunity to build direct-to-consumer relationships. The first step is to identify and develop the digital competencies they need, and assess the optimal ways to scale these - that may be through acquisitions or partnerships. In a crowded entertainment landscape, local media companies have the opportunity to differentiate themselves through local content and insights that require strong competencies in consumer data and analytics. Whether they buy or build expertise, they also need to consider how they will fund the investment needed to launch their digital business.

Multinational media companies

For multinational media and entertainment companies, MENA can be an attractive growth market with a large, young population. To succeed, they must first recognise that while the region is sometimes perceived as one entity when viewed externally, it is composed of widely divergent markets with varying degrees of economic development, regulatory environments, and content preferences. Prioritising markets by their potential and ease of entry is key, as is navigating the content production ecosystem and working with regulators to understand their obligations.

Telecom operators

Telcos have long harboured ambitions to diversify into the media sector to tap new sources of growth and increase average revenues per user (ARPUs). Their distribution capability, ability to invest, consumer data and direct billing relationships position them well to serve the ever-growing appetite for digital content. Acquisitions and partnerships are viable routes to growing their presence in the media sector. Yet the two sectors have significant organizational culture differences that must be acknowledged to achieve a successful outcome.



Government and regulators

Governments and regulators in the region will have a role to play in ensuring the benefits of the shift to digital forms of media and entertainment are available to the greatest number of citizens, and that potential harms are minimised. Their primary role will be deploying the right digital infrastructure to allow audiences to access new channels and forms of content. They can also support innovation and the creation of local content.

They can help grow the media and entertainment sector in the region through simplified and transparent content regulation, including protection for intellectual property (IP), as well as data protection regulation. Governments should also ensure simplicity in overseeing regulation - having a multitude of institutions involved will result in a lack of clarity for media companies. To define reliable metrics, they can support studies that provide industry data and measurement using widely accepted methodologies.

The principal aims should be to ensure customer data is protected, markets are driven by healthy competition and that content is appropriate and does not break with societal norms. Governments should also assess the optimal level of self-regulation for the sector, to allow a business-friendly environment and better reflect the rapidly evolving consumer and cultural landscape.

Finally, governments can play a key role in supporting the development of digital production infrastructure and ecosystems. This could include backing innovation through funding and incubator projects supported by venture capitalists (VCs) and other investors.

Consumers

As consumers adopt digital services, media and entertainment companies will be responsible for far more personal data than in the era of analogue/ broadcast content consumption. Consumers will expect media companies to safeguard this data and not misuse it.

Consumer data will continue to be an engine for growth in the sector, as companies are able to provide superior value and more relevant content. New digital channels will also expand consumer choice, and just as pay-TV services today bring together multiple sources, viewers and listeners are likely to look for aggregators that can simplify their digital entertainment landscape through enhanced discovery and streamlined payments.

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