

# **BUSINESS MODELS FOR DIGITAL ARABIC CONTENT**

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# Content

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# Introduction

- DAC production has a number of challenges
- It is large pillar of future economic growth in the post-oil economy
- DAC has increased tremendously in past years
- The population (specially women) prefer DAC on PC & Mobile
- Great potential for a sustained growth in the future specially in **Government, Inclusion, Culture, Business, Science, Health & Entertainment**
- DAC producers more oriented toward the International markets than Arab market

# Technology Advancement, Trends & Market Overview ...

## Technology Advancement and Trends

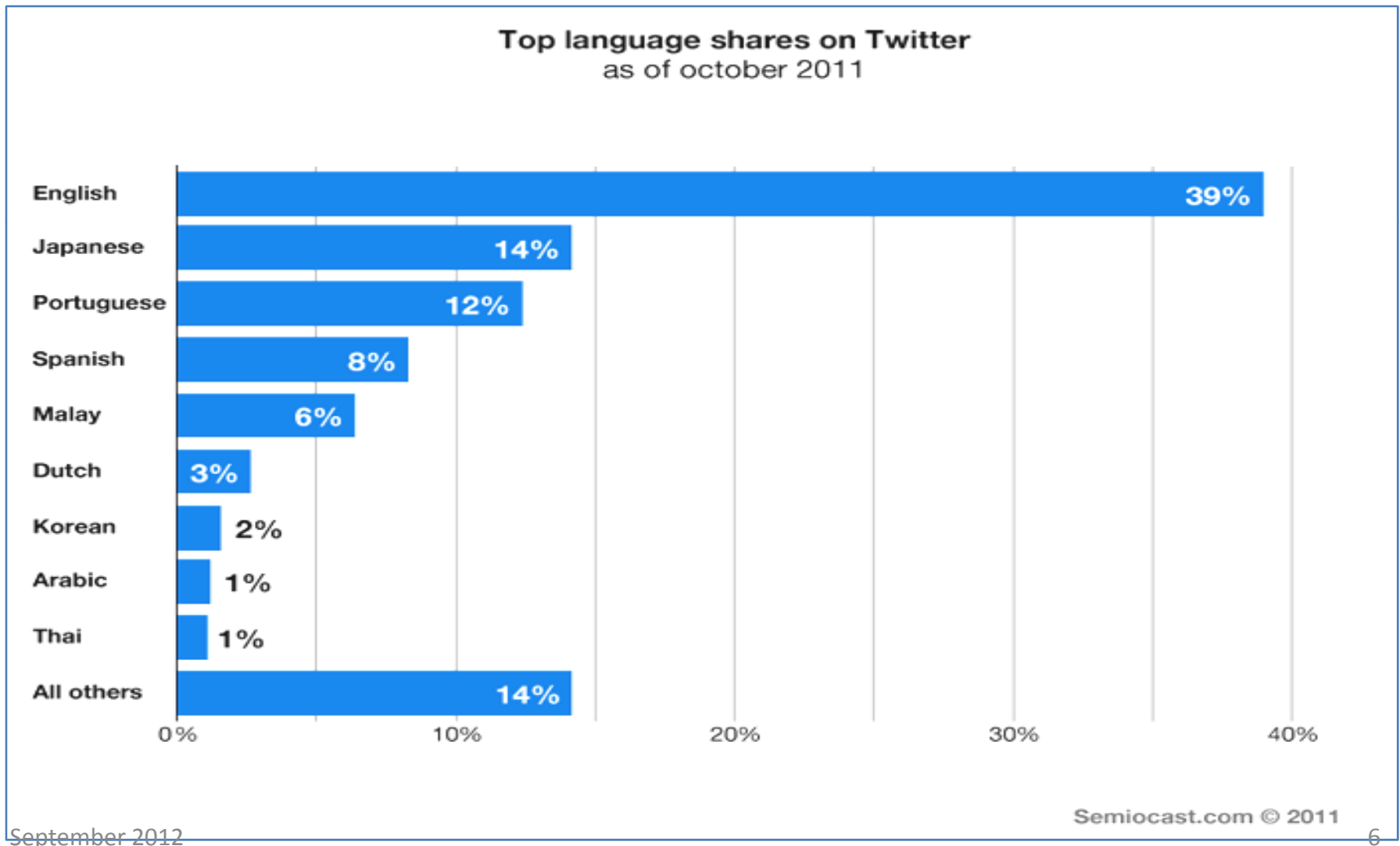
- Technology advancements are progressing at a high pace
- Infrastructure, Cloud & High Speed Broadband increasing content reach
- Online Utilities Improving the quality, efficiency, relevance and wealth (richness)
- Social Media & Social Networks
- Mobility, Smart Phones and Apps becoming more and more the name of the game
- User generated content making journalists out of ordinary people

# Technology Advancement, Trends & Market Overview

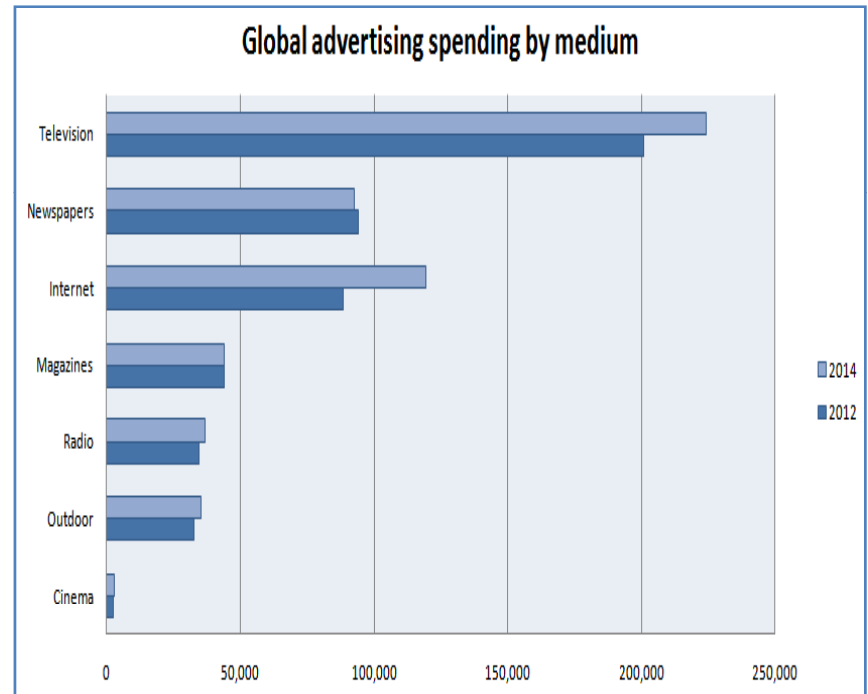
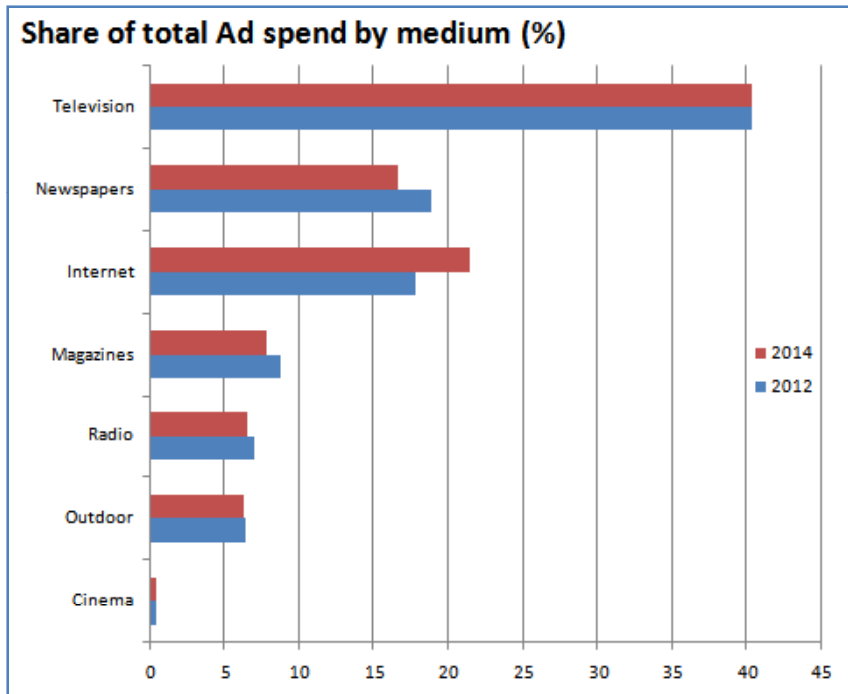
## Market overview

- Worldwide market for digital goods will increase from \$16.7B in 2009 to \$36B by 2014 (around 56%).
- Advertising remains the major source of revenue
- Many software developers and game publishers are collecting revenues from the direct sales of content
- Social media is a major driver:
  - Facebook with almost 1 billion users with a good share for the Arab countries
  - Qatar, Palestine, Jordan and Lebanon show a penetration of over 100% in the connected population.
  - Twitter is handling traffic of 200 million original tweets a day

# Technology Advancement, Trends & Market Overview



# Technology Advancement, Trends & Market Overview



# Technology Advancement, Trends & Market Overview

<b>Most Popular App Categories - July 2012</b>	
Games	17.62%
Entertainment	9.99%
Education	9.67%
Books	9.43%
LifeStyle	8.52%
Utilities	6.03%
Business	5.14%
Travel	5.09%
Music	3.91%
Reference	3.38%
Sports	2.85%
News	2.67%
Productivity	2.66%
Healthcare & Fitness	2.48%
Photography	2.24%



# Technology Advancement, Trends & Market Overview

	2011	2012	2013	2014	2015	2016	CAGR
Social media	\$1,590	\$2,119	\$2,760	\$3,453	\$4,217	\$4,995	26%
Email Marketing	\$1,510	\$1,694	\$1,875	\$2,066	\$2,262	\$2,468	10%
Mobile marketing	\$1,652	\$2,777	\$4,238	\$5,697	\$7,057	\$8,237	38%
Display advertising	\$10,949	\$12,860	\$16,085	\$19,783	\$23,919	\$27,600	20%
Search marketing	\$18,756	\$21,553	\$24,613	\$27,515	\$30,433	\$33,319	12%
<b>Total</b>	<b>\$34,457</b>	<b>\$41,003</b>	<b>\$49,571</b>	<b>\$58,514</b>	<b>\$67,888</b>	<b>\$76,619</b>	<b>17%</b>
Percent of all as spend	19%	21%	25%	29%	32%	35%	

# Technology Advancement, Trends & Market Overview

<b>Social Climber</b>	<b>AD SPENDING 2011</b>	<b>REVENUE GROWTH</b>	<b>CPM</b>
<b>Google</b>	\$36.9	24.5%	N/A
<b>FaceBook</b>	\$3.8	104%	\$3.80
<b>Television</b>	\$60.5	2.5%	\$14

# Digital Arabic Content outlook, initiatives & Success Stories

## Outlook

- No clear indicator as per the size of DAC
- No standard parameters to measure DAC
- Infrastructure, education, financing, censorship are still news
- Micropayment models are absent for most of the Arab region
- Use of Arabic online has increased 2500% since 2000
- On Wikipedia Arabic content accounts only for 0.007%
- While Arabic content is around 2 to 3% across the Web
- In KSA 90% of users prefer Arabic ads on their smart-phones
- In the Gulf and Egypt 33% of e-commerce customers are comfortable with mobile purchasing

# Digital Arabic Content outlook, initiatives & Success Stories

## Educational Challenges

- Education system in most Arab countries is still at a stage of infancy
- The number and value of Arab publications compared to much smaller and poorer countries (Ireland, Poland, Finland and unfortunately Israel) is still low
- Despite the seriousness of some private universities, the major educational intake is still lacking some components to become a world-class attainment: Communication skills, Respect of the Deadlines, Respect of the Customer, Team Work, Creativity and Scientific curiosity, Profit Oriented Attitude
- The youngsters are not responsible but rather the system

# Digital Arabic Content outlook, initiatives & Success Stories

## Financial Challenges

- In all stages of content development, the availability of cash is crucial
- From R&D to early stage to growth to exit all phases should be properly financed
- Availability of financing is not there at all stages of the DAC development
- Almost all startups have struggled to ensure the vital minimum
- The most difficult part of the financing process is the one related to communication, marketing and establishment of sales channels
- Arab Financiers not used to creativity and innovation projects
- Governments, University or research labs, should have aggressive financing policies very early in the creative process to unleash the young generation potential at a national level
- A solid legal system for the protection of patents and copyright should accompany innovation at all stages.
- Original ideas are the real assets of a nation and the real capital of the young generation.

# Digital Arabic Content outlook, initiatives & Success Stories

## Initiatives

- **Taghreedat** – Arabization of Twitter
- **Taghreedat** – Arabization of Wikipedia
- **Google** – Local Offices and Ambassadors
- **Yahoo** - acquisition of Maktoob, partnership with ictQATAR Incubation center, development of 2020 Doha Olympic Bid portal
- **twofour54 tadreeb** a unique partnership with “UbiSoft” Level Design course
- The **Connect Arab Summit** that was held in Doha on March 5-6 2012, witnessed an aggressive initiative from ITU:
  - Memory of the Arab World (MAW) Phase II, Egypt (budget: \$3.15 million). Documenting and connecting Arab heritage.
  - Arab Civilization Virtual Museum, Egypt (budget: \$5 million)
  - Documentation of Arab heritage books, Egypt (budget: \$5 million)
  - Documentation of Arab handcrafts, Egypt (budget: \$2million)

# Digital Arabic Content outlook, initiatives & Success Stories

## Success Stories: **Rubicon**

- Rubicon is about immersive storytelling
- It is using talented veteran storytellers combined to the new generation of geeks
- A team of over 300 employees in Amman, Los Angeles, Manila and Dubai
- Rubicon is achieving over 100 million US\$ of turnover.
- The main business model is the merchant model. Products are sold against a license fee.

# Digital Arabic Content outlook, initiatives & Success Stories

## Success Stories: **Dermandar**

- Started as a website where users can upload photos to create 360° panoramas
- Moved the concept to the iPhone and Android
- Funded by Berytech Fund with aggressive investment plan taking 35%
- Over 3 million downloads today, expected to become a global player
- California VC has recently acquired a 15% stake
- Business Model is based on the merchant model. (App at \$1.99)
- Natural exit is to be sold to a bigger player (Google, Facebook, Microsoft)



# Digital Arabic Content outlook, initiatives & Success Stories

## Success Stories: **Cinemoz**

- Aggregated and curated Digital Arabic Content addressed mainly to Egypt and Gulf
- VoD service aggregating prime Arabic feature films, documentaries & short movies
- Business model is based on revenue sharing among owners of movies and platform
- Free to users, exclusively funded by advertising placed in the video
- The service has exceeded 1,000,000 views per month
- Expecting 10 million views per month in three years with 8,000 to 10,000 titles

# Ecosystem and Enabling Environment for DAC Industry

- Integration of technology and Internet concepts in all sectors of education
- Better focus on cooperation, interactivity and collaborative work among students
- Powerful broadband infrastructure including FTTH and reduced costs of connectivity
- Establishment of a legal framework (IPR, Patent office)
- Access to capital at all the levels of the life of a startup
- Establishment of a Creativity and innovation fund geared toward R&D
- Partnerships between research institutions and the industry
- Creation of a system of metrics, to assess the progress and the success of the initiatives

# Business Models for DAC Industry

- The business models discussed are those published by Michael Rappa in 2004 and updated in 2010
- They are numerous which often reflect the evolution of e-commerce during the years of the dot-com bubble, while taking into account the problems of reach, traffic and electronic payments.
- Business models are almost all known.
- The trick of course would be to choose the right model, or the right combination of models and ensure it is successfully implemented in order to provide the company with **several revenue sources** that will ensure its sustainability.

# Business Models for DAC Industry

- Brokerage
- Advertising
- Infomediary
- Merchant
- Manufacturer (Direct)
- Affiliate
- Community
- Subscription
- Utility

# Business Models for DAC Industry

## Brokerage Model

- Marketplace Exchange (Orbitz, ChemConnect, Monaqasat.com)
- Buy/Sell Fulfillment (CarsDirect, Respond.com, delivery.com)
- Demand Collection System (Priceline.com, kayak)
- Auction Broker (eBay is the most glaring example)
- Transaction Broker (PayPal, Escrow.com)
- Distributor (souq.com, La Redoute, 3 Suisses)
- Search Agent (BizRate)
- Virtual Marketplace (zShops and Merchant Services at Amazon.com)

# Business Models for DAC Industry

## Advertising Model

- Portal (Genome from Yahoo!, Maktoob, Arabia Online)
- Classified ads (Monster.com, Craigslist)
- User Registration (NYTimes, Le Monde, MediaPart)
- Query-based Paid Placement (Google, Yahoo)
- Contextual Advertising / Behavioral Marketing
- Content-Targeted Advertising (Google)
- Intracommercials (CBS MarketWatch, Zite, Flipboard)
- Ultracommercials (Salon in cooperation with Mercedes-Benz)

# Business Models for DAC Industry

## Infomediary Model

- Advertising Networks (AdSense, DoubleClick)
- Audience Measurement Services (Nielsen//Net-ratings, SemioCast, SocialBakers)
- Incentive Marketing. (Coolsavings, Groupon)
- Metamediary (Edmunds)

# Business Models for DAC Industry

## Merchant Model

- Virtual Merchant (Amazon.com, Adab wa Fan, Al Rifai Nuts Online)
- Catalog Merchant (Lands' End, La Redoute)
- Click and Mortar (Barnes & Noble, Antoine online)
- Bit Vendor (Apple iTunes Music & Apps Store)



# Business Models for DAC Industry

## **Manufacturer (Direct) Model (Dell Computer)**

- Purchase
- Lease
- License
- Brand Integrated Content

# Business Models for DAC Industry

## **Affiliate Model** (Amazon.com, Antoine online)

- Banner Exchange
- Pay-per-click
- Revenue sharing

# Business Models for DAC Industry

## Community Model

- Open Source (Red Hat)
- Open Content (Wikipedia)
- Public Broadcasting (The Classical Station (WCPE.org))
- Social Networking Services (Flickr, Facebook, Google+)

# Business Models for DAC Industry

## Subscription Model

- Content Services (Listen.com, Netflix, hulu, CineMoz)
- Person-to-Person Networking Services (Classmates)
- Trust Services (Trustee)
- Internet Services Providers (America Online)

# Business Models for DAC Industry

## **Utility Model (Slashdot)**

- Metered Usage
- Metered Subscriptions

# Business Models for DAC Industry

## Venture Capital-Fast Growth-Exit Model

- Focusing on consolidating a user community and by driving traffic
- Financial survival by various rounds of VC investment
- Exiting before selling any product or service and without generating any advertising revenue
- The most striking example is “Instagram”, the photo-sharing company that operated for a year and a half without generating a dime and sold to Facebook for \$1 Billion

# Recommended areas for development & proposed Business Models

## General Recommendations

- Align with the worldwide trends in technology and business
- Take into consideration the lacks in DAC and the overall socio-political and economical environment
- Take into consideration the consumer behavioral patterns
- Replicate experience of International successful projects
- Making a difference in DAC is a result of the work of traditional content producers:
  - **broadcasters, film makers, writers, journalists, news makers, cultural and entertainment organizations, game publishers, governments, education sectors, health and medical sectors, labs and science organizations and the commercial and trade community**

# Recommended areas for development & proposed Business Models

## Quality & sustainability of DAC

- Relevance
- Quality
- Reach
- Financing



# Recommended areas for development & proposed Business Models

## Talent and Personal Competence

- Innovation, Creativity and Scientific curiosity
- Structured thinking, eloquence, relationship management and communication skills
- Quality of service, quality standards, customer respect and SLAs
- Team Work, negotiation and conflict solving skills
- Eagerness to deliver and respect of the deadlines
- Entrepreneurship, risk taking, profit oriented mind-set and financial skills

# Recommended areas for development & proposed Business Models

## Global trends

- Advertising is still generating the highest revenues online with a huge potential on the mobile
- Social Media (especially Facebook) is becoming the de-facto standard for reaching targeted audiences based on their profile, interest and behavioral patterns
- Ad revenues on Social Media are growing faster than any other medium, and mobile ad revenues are still untapped
- Add revenues on traditional media (Print media) are declining but television ad revenues are most likely to sustain until 2016
- Large community Social Networks are generating substantial growth in business
- The sales of good quality digital content is on the rise
- Mobile will take over the TV
- Mobile apps market (\$10 billion) has a yearly growth rate of 100%.
- The global spend on education is estimated at \$4450.9bn and will grow at 7%.
- The e-learning market (\$90bn) will grow to \$166.5 bn in 2015 and \$255 bn in 2017 (23% CAGR between 2012 and 2017)
- Global online gaming revenue will increase by more than +10% annually from 2010

# Recommended areas for development & proposed Business Models

## Recommended Areas for development

- We consider that five areas are worth developing as far as DAC is concerned:
  - Education & Learning,
  - Content Aggregation & Curation,
  - Public Services,
  - Entertainment & Gaming
  - Social Media.

# Recommended areas for development & proposed Business Models

## Education and Learning

The learning and educational topics are numerous but the following directions are to be considered:

- Classic Arabic language and regional dialects with social media integration
- Literature, Poetry and Philosophy with social media integration
- History, geography and natural sciences
- Gastronomy, traditional food, mores, lore and social behavior with social media integration
- Management, marketing and finance
- Computer use, technology and productivity tools

# Recommended areas for development & proposed Business Models

## Content Aggregation and Curation

The following areas are to be considered:

- News and Information aggregation services with Social Media integration
- Local Weather and Regional news
- Traditional Music, Pop Music Video aggregation service with Social Media integration
- Video archives, Drama, SitComs, TV Games and Competition with Social Media Integration
- Branded Content and imbedded advertising (branded items such as cars, clothing, F&B, places etc are used inside the drama, sitcom or video and mentioned inside stories and texts)

# Recommended areas for development & proposed Business Models

## Information Services

We consider the following areas to be worth developing:

- Health and medical assistance
- Healthcare and wellbeing with social media integration
- Sports and fitness with social media integration
- Community of practice/Community of interest with social media integration
- Real estate, construction and home & building accessories
- Dating, matchmaking and marrying including wedding planners with social media integration
- Catering, receptions and events organization and planning with social media integration
- Comparative Banking, Insurance and other financial services
- Comparative car and accessories market with social media integration
- Complementary governmental and public services processes explanation and simulation with social media integration

# Recommended areas for development & proposed Business Models

## Entertainment & Gaming

The Entertainment & Gaming topics are numerous but the following directions are to be considered:

- Tourism, leisure and vacation planners with social media integration
- Mobile and Social Games with In Game purchasing features
- Mobile Cultural, Tourism, Lifestyle applications with Social Media integration
- eBooks and Edutainment with Social Media integration
- Music & Video production and Web & Mobile TV with Social Media integration
- Web Drama, short SitComs, Competitions and Quizzes with Social Media Integration

# Recommended areas for development & proposed Business Models

Figures for the Arab market are not available but:

- a) Mobile gaming will take over social gaming as mobile growth will surpass social growth,
- b) In game purchases already surpass applications purchases, most of the gaming companies are adopting the “freemium” approach (basic is free, premium is paid) which is a combination of known business models with multiple revenue streams of different proportions.

The numbers in the attached table are showing the importance of “In Game purchase” and its future opportunity.



# Recommended areas for development & proposed Business Models

<b>Freemium Approach</b>	<b>2012</b>	<b>2015</b>
Paid Download	37%	17%
In Game Purchases	55%	62%
Advertising	6%	14%
Other (Subscription, ...)	4%	7%

# Recommended areas for development & proposed Business Models

## Social Media

We suggest the following directions:

- Education, learning and micro-learning
- Gaming and entertainment
- Enhanced user Profiling, Data Gathering, Polls and Public Opinion statistics
- News and information aggregation

Barriers to entry in social media (especially gaming) are huge. Some analysts consider that the individual developer will better buy a lottery ticket than build an app for the social media if he's looking for a big payoff

We highly recommend that any development for the social networks should be done with an acquisition by a big player in mind.

**Thank You**