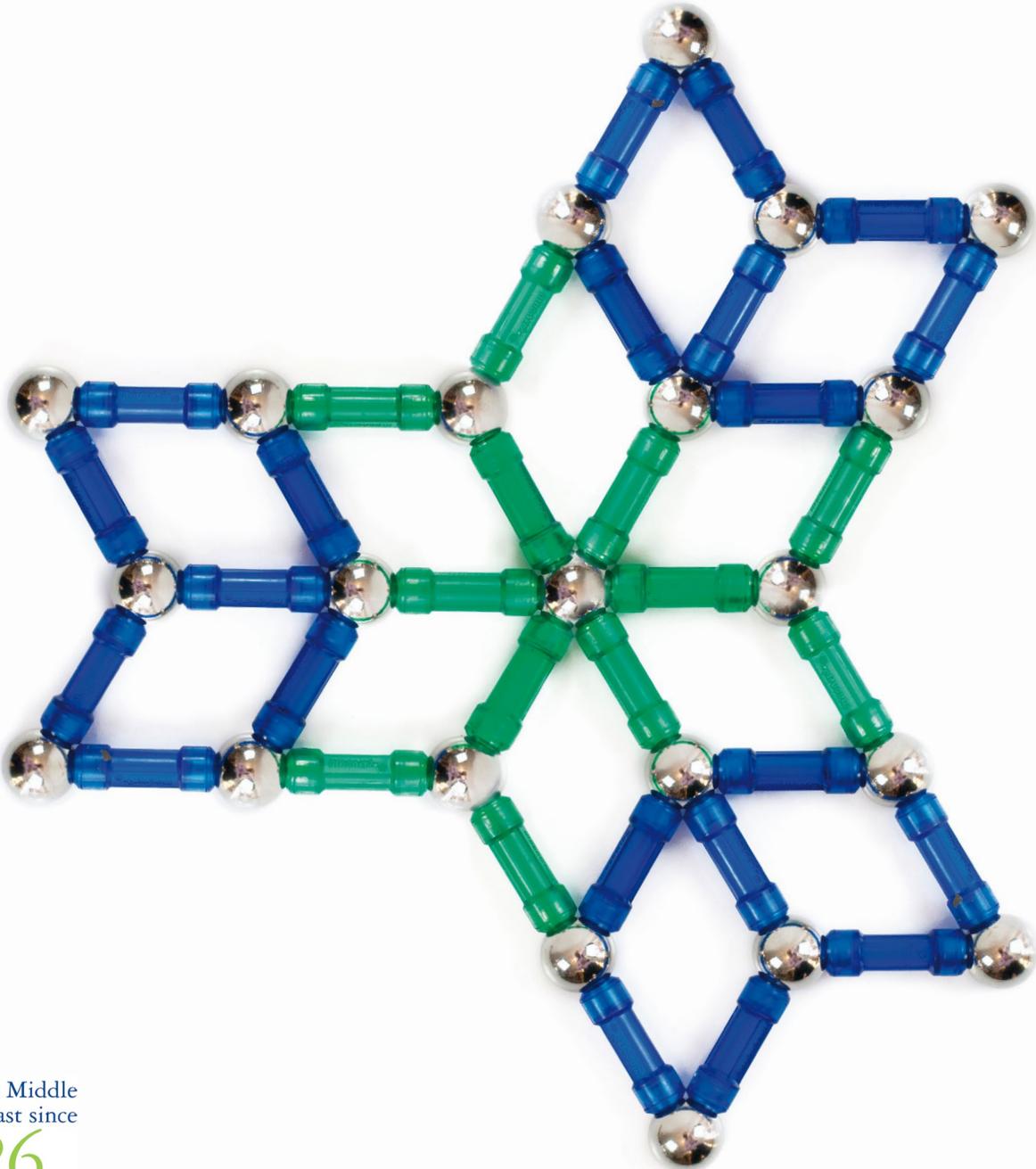


Technology, Media &  
Telecommunications  
Predictions 2014 Summary  
Middle East



This year's second **Middle East Technology, Media & Telecommunications (TMT) Predictions report** reveals the latest trends and emerging issues shaping the TMT industries across the region in the year ahead and beyond.

Deloitte's TMT predictions are built around hundreds of discussions with industry executives, analysts and commentators, along with tens of thousands of consumer interviews. The predictions are also tested with clients, industry analysts, conference attendees and leverage Deloitte's international and regional TMT project experience in the months leading up to their release.

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The Middle East report consists of predictions covering the technology, media and telecommunications industries across the region. A summary of this year's TMT predictions to impact the marketplace in 2014 includes:

#### **Technology**

- The \$750 billion converged living room: a plateau approaches
- Wearables: the eyes have it
- One became many: the tablet market stratifies
- Massive Open Online Courses (MOOCs): not disruptive yet, but the future looks bright
- eVisits: the 21st century housecall
- SME adoption of ICT services: catching up but still a long road ahead...

#### **Media**

- Doubling up on pay-TV
- Television measurement: for better and worse
- Broadcast sports rights: premium plus
- Performance rights lift recorded music revenues

#### **Telecommunications**

- Short messaging services versus instant messaging: value versus volume
- Phablets are not a phad
- The smartphone generation gap: over-55? There's no app for that
- 'Ruggedized' data devices at \$250: reinventing the business case for mobile field force

# Technology

## **The \$750 billion converged living room: a plateau approaches**

Global sales of smartphones, tablets, PCs, TV sets and videogame consoles will exceed \$750 billion in 2014, up \$50 billion from 2013 and almost double the 2007 total. However a plateau appears likely: sales are expected to continue growing, but at a slower rate than over the past 10 years, with an estimated ceiling of about \$800 billion per year.

## **Wearables: the eyes have it**

Globally, smart glasses, fitness bands and watches should sell about 10 million units in 2014, generating \$3 billion in revenues. The Middle East, often viewed as highly conservative and private relative to the rest of the world, has seen a remarkable shift towards the adoption of new technologies. This trend is expected to continue as smart glasses become commercially available in the region. However, smart glasses' relatively high price point may only be accessible to a wealthy niche. Corresponding smart glass affordability and uptake by the wider Middle East consumer base should therefore be more gradual over the longer term, where slowly but surely, Arab eyes will have it.

## **One became many: the tablet market stratifies**

The installed base of compact tablets (with screens smaller than 9 inches) will surpass the base of classic tablets (9 inches and larger) for the first time. By the end of the first Quarter, we expect the base of compact tablets to be 165 million units, slightly ahead of the classic tablet base, with 160 million. The surge in compact tablet sales is accompanying a stratification of the tablet base, similar, but possibly ultimately more profound to that experienced in the smartphone market in the last two years.

## **Massive Open Online Courses (MOOCs): not disruptive yet, but the future looks bright**

Student registrations in Massive Open Online Courses (MOOCs) will be up 100 percent compared to 2012 to over 10 million courses, but the low completion rates mean that less than 0.2 percent of all tertiary education-equivalent courses completed in 2014 will be MOOCs. The growing awareness of online education will force educational institutions to increase investment in this area, drive more acceptance of online education as it becomes accredited, and increase adoption by corporate training groups. Over the next few years, the Middle East could see the rise of the Arabian MOOC (AMOOOC). New local platforms, in partnership with local professors and universities, may emerge to launch new localized AMOOOCs, attended by more Arab users than in 2013.

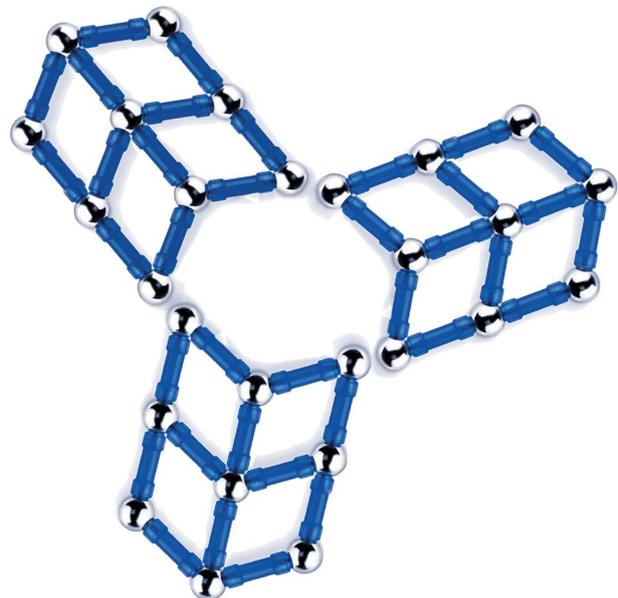
## **eVisits: the 21st century housecall**

There will be 100 million eVisits globally, potentially saving over \$5 billion when compared to the cost of in-person doctor visits and representing growth of 400 percent from 2012 levels. The total addressable market for eVisits in the GCC is about \$2-3 billion and could increase by as much as \$230-310 million this year. Although eVisit usage will likely be greatest in North America, where there could be up to 75 million eVisits in 2014; in the Middle East, usage will be more gradual as implementation of national eHealth programs in countries such as Saudi Arabia is planned over a ten-year period. In the meantime, fast developing mHealth will emerge as a more disruptive force in the region's healthcare systems.

## **SME adoption of ICT services: catching up but still a long road ahead...**

Small-to-medium sized enterprises (SMEs) in the Middle East will increase their expenditure on information and communication technology (ICT) services by over \$2 billion to \$22 billion, 10 percent over 2013. In 2014 SME share of ICT spending in the region will be just over 23 percent, driven by ongoing expansion in the number of SMEs and their needs for key ICT services, such as web-presence, e-commerce and cloud computing.

The digital economy of the Middle East is expanding, offering SMEs in the region a better platform for development. A number of economic and SME sector indicators suggest that SMEs across the region represent significant growth opportunities in general and in their ICT needs, especially if provided with the right support. As SMEs acquire and build up their web presence, e-commerce and cloud computing capabilities, they will stimulate the region's economic growth going forward.



## **Doubling up on pay-TV**

By the end of 2014 up to 50 million homes around the world will have two or more separate pay television subscriptions, with the additional subscriptions generating about \$5 billion in revenues globally. Over the coming years, the number of households with multiple subscriptions should continue rising, as more content owners make their content portfolios available via subscription video-on-demand (SVOD) delivered 'over-the-top' using broadband connections. The pay-TV market in the Middle East is quite small but growth reflects a developing appetite for pay-TV in the region. The fact that viewers in the region, with sizeable online streaming and YouTube penetration levels, have adopted online video in addition to conventional television shows a market potential for SVOD as a secondary viewing service.

## **Television measurement: for better and worse**

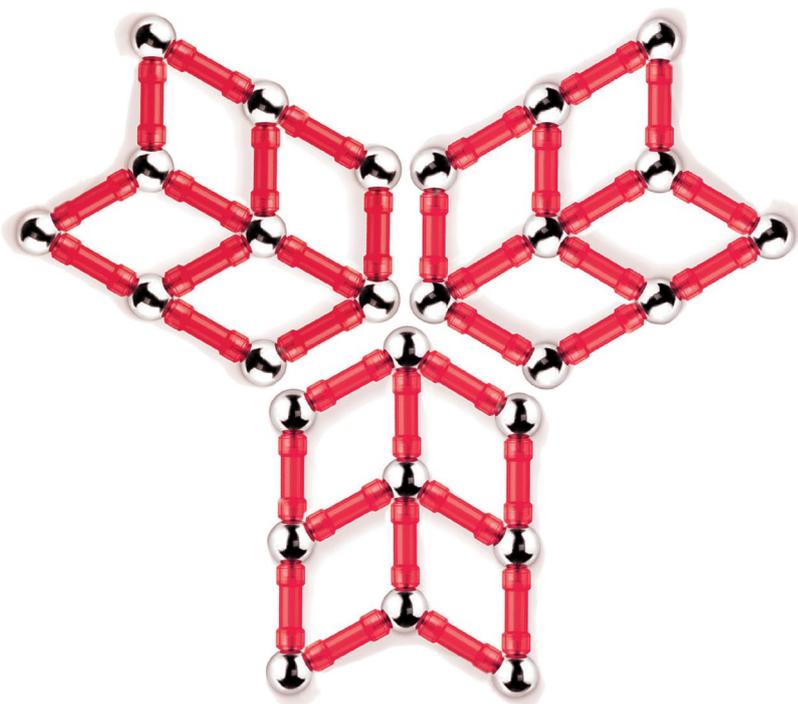
Measurement of viewing of domestic television programs should become more accurate for tens of millions of viewers, thanks to the introduction of hybrid measurement, which enables the inclusion of viewing taking place on PCs, tablets and smartphones. Without this additional measurement, TV consumption, particularly for the younger age groups that are more likely to watch TV on these devices has almost certainly been under-counted, with a possible knock-on impact on advertising and subscription revenues.

## **Broadcast sports rights: premium plus**

The value of premium region-specific sports rights in the Middle East will increase by at least 15-20 percent, exceeding the 14 percent rise of all premium sports rights predicted globally. Premium sports rights from region-specific sports will outgrow those from American and European leagues in percentage terms. Although American and European leagues will maintain most of their overall share of the Middle East's premium sports rights in terms of value, they will no longer drive overall growth as they traditionally did in the past. With very limited room for Middle East broadcasters to profitably exploit the broadcast rights of top international leagues, we are approaching an important turning point in the region's sports rights market. Region-specific sports properties are now growing faster, but compared to their European and American league counterparts are still significantly undervalued. Now with higher growth prospects, local leagues will bridge part of this gap.

## **Performance rights lift recorded music revenues**

Revenues from performance rights, a license payable for the right to play music to the public, should exceed one billion dollars for the first time in 2014. Over time, performance rights revenues should reach \$2 (£1.2) billion, although the timing for this is uncertain. Collectively we listen to broadcast music trillions of times a year, on the car radio, in the hairdresser and elsewhere: in 2014 the global collective license fee for this is likely to be under \$3 (£1.8) million per day.



# Telecommunications

## Short messaging services versus instant messaging: value versus volume

Instant messaging services on mobile phones (MIM) will carry more than twice the volume of messages sent globally via a short messaging service (SMS). Despite the burgeoning volumes of messages carried over MIM platforms, globally SMS will generate more than \$100 billion in 2014, equivalent to approximately 50 times the total revenues from all MIM services. In the Middle East, the adverse impact of MIM on operators' SMS and MMS revenues will be in the range of 5 to 6 percent in the next five years as higher smartphone penetration makes MIM more ubiquitous in the Middle East than anywhere else in the world. Coupled with increased multimedia sharing in the region, MIM is a stronger driver for data consumption and can expand new revenue streams for Middle East operators.

## Phablets are not a phad

Shipments of phablets, smartphones with 5.0-6.9 inch screens, will represent a quarter of smartphones sold, or 300 million units. That is double the 2013 volume, and 10 times 2012 sales. But after initial rapid consumer success, 2014 may mark a 'peak phablet' year, as only a (sizeable) minority of smartphones users will want to handle such a large device.

## The smartphone generation gap: over-55? There's no app for that

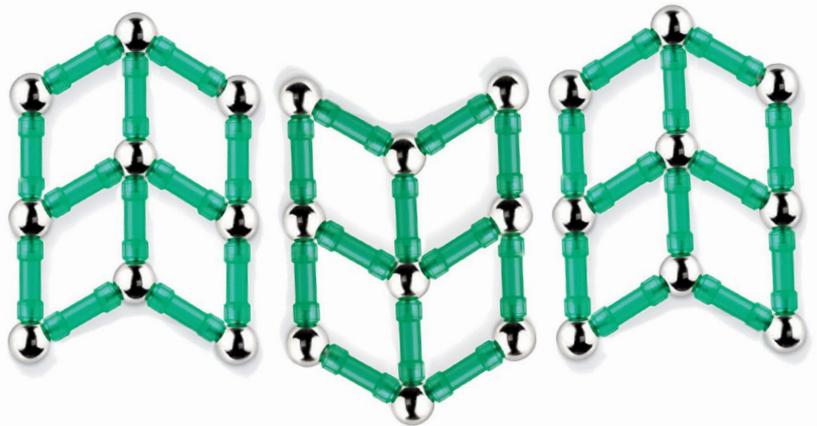
The highest year-on-year increases in smartphone penetration in developed countries will be among the over-55s. Ownership should rise to up to between 45-50 percent by year-end, still significantly lower than the over 70 percent penetration rate for 18-54 year olds, but an approximate 25 percent increase from 2013. Over the coming years, the gap should steadily narrow, and should be negligible by 2020.

But while the difference in smartphone penetration by age may disappear, in 2014 there will likely be substantive differences in the way in which smartphones are used by age group.

## 'Ruggedized' data devices at \$250: reinventing the business case for mobile field force

The entry price for a ruggedized, connected data device that can be used by some field force workers, and used to undertake tasks such as car rental check-in inspections, inspecting highways or delivering packages, will fall to \$250. We expect incremental annual sales of almost 10 million units in 2014, effectively increasing the size of the entire rugged data device market by almost 50 percent to over 30 million units in 2014.

The main driver for this fall in price will be a shift in approach, from only deploying data devices that are built to be rugged and capable of withstanding rough handling, exposure to dust and moisture, and the occasional fall on hard floors, to purchasing a standard consumer smartphone or tablet with a toughened screen, and further protecting it by adding a rugged case.



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