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BUSINESS MODELS FOR DIGITAL ARABIC CONTENT

**Project: Promotion of the Digital Arabic Content Industry –
Phase II**

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I. Introduction

Discussing Business Models for the development of Digital Arabic Content (DAC) can present significant challenges.

In comparison to business models practiced throughout the world, Arabic digital content production has a number of additional inherent challenges. These challenges are specific to conducting business within Arab countries. The digital Arabic content industry is considered by many to have the most potential for future economic development in some Arab countries, and in many cases the foundation for building a post-oil economy for others.

The question of whether the Arabic language is appropriate for digital content was posed as a result of previous surveys. Although there is no clear answer to this question, there are several elements inherent in the region outlining the difficulties of producing content using the Arabic language. Contrary to this, the study Arab Media Outlook 2011¹ reports that the majority of the Arab population, particularly women, prefers Arabic content on their devices. As an example, they would prefer mobile applications to present functionalities in their original languages. This demonstrates the potential for development and growth of digital Arabic content.

It is commonly believed that Institutions which teach science, technology and management in the Arab world are doing so using a foreign language, such as English or French. By contrast, other comparable countries such as Iran,

Turkey, China and Japan are using their own languages for such education. This is probably due to the fact that those countries are producing knowledge in their own languages and that they have an internal market (economy of scale) that favors such sustainable business ventures.

One of the main reasons for the lack of development of DAC (despite various initiatives), is that the target market for startups and established companies in that field, are more oriented towards international markets and not the Arabic market. Two speculations are implied by behavior. First, whether interactivity and use of the Internet is at a low level of maturity in the Arab market Second, whether people in the Arab world are educated enough to comfortably use content and applications in other languages.

If Arabs want to develop their presence on the web and mobile platforms from a cultural and political point of view, they need to undertake huge concerted efforts. Such efforts include providing substantial incentives to content producers in order to create good quality, original content in Arabic, something unique and new that does not exist in any other language. This is only possible if the overall Arab cultural and political agenda starts taking the development of web technologies, mobile platforms and technology at large into account. This will ensure positive socio-economic impact and a more prominent role in the globalization process.

The categories which are most likely to see natural development and growth in the Arab world are: government applications, education, participation and inclusion, culture and entertainment, selected business applications,

¹ Arab Media Outlook 2011 – 2015 – Dubai Press Club, Deloitte.

some aspects of science, health and entertainment.

Whatever the potential importance of the digital Arabic content industry, and by extension the knowledge industry, it is inconceivable to consider oneself on the sideline of globalization, in the twenty first century. This is particularly relevant when considering global technology trends and Internet and mobile trends with respect to digital content.

How can it be possible to imagine preserving ones language, civilization and affectively a nation, without significant presence and activity on information networks and social media?

A community's strength, presence and capabilities are now measured by their level of engagement and online activities on social networks and other online mediums. Democracy itself and indicators of good governance are also measured through two-way communication, public interaction and pluralism in public opinion, by advocacy groups, pressure groups, minority groups, youth and the general public through social networks and through social media.

II. Technology Advancement, Trends and Market Overview

1. Technology Advancement and Trends

Several technology advancements have contributed to the exponential growth of global digital content, including the Arab world.

Development and trends in content are progressing at a pace which observers and producers are having difficulty keeping up with. The availability of high speed broadband infrastructure is giving simple and easy access to end-users and a rapid means for producers to disseminate and deploy their content.

Modern tools are improving the quality, efficiency, relevance and wealth (richness) of online services. These tools include search engines, online productivity and collaboration applications, information aggregation and curation environments, online payment and micro-payment facilities. In addition, innovative entertainment applications are changing the lives of millions and making content innovators wealthier.

The growth of social networks is changing the way people are interacting and socializing with one another, congregating in communities of practice, and even changing collective movements and revolution. The emergence of user generated content is making journalists out of ordinary people and changing the paradigm of the internet, creating a major shift in consumer behavior.

Mobility and accessibility is increasingly becoming centre-stage. The growth of smart phones, mobile apps and a variety of smart operating systems, presents opportunities at all levels of content creation.

The market for digital content is continuously evolving. Despite the recent economic confusion and turmoil surrounding global markets, the market for digital goods is set to increase from \$16.7 billion in 2009 to \$36 billion by 2014 (around 56%)². Such figures are very

² GigaOMPro - Monetizing Digital Content - <http://pro.gigaom.com/2010/03/paid-content/>

promising, especially for digital Arabic content producers.

Major revenues are generated by advertising, which remains the main source of revenue in the digital content market. However, many software developers and game publishers are collecting revenue from the sale of content to consumers. In the case of corporate applications, there are news and social games which have a traffic based business model. In such situations revenue is generated in a more complex manner and its success is very likely set to stay for a long time.

The phenomenon of social media and its impact on industry trends is closely related to the future of digital content. As an example, Facebook has 900millionactiveusers per month, constituting one of the largest online communities. This forms the basis for user generated content but also highlights the potential for content consumption, as applications and services are accessible through one single channel.

The share of Arab countries utilizing Facebook is quite substantial. Figures show an increase in its use since the beginning of the Arab Spring. Countries such as Qatar, Palestine, Jordan and Lebanon have a penetration of over 100% in the connected population³. This can imply that some Internet users in these countries possess more than one Facebook account and in some cases more than two. Having a Facebook community of around 40million people in the Arab countries is a potential advantage. It provides a solid client base for products, applications and services in Arabic offering, in many cases, real-time and immediate access with a tremendous potential for growth. Twitter

recently announced that it was handling on average 200 million original tweets of traffic a day. Semiocast has analyzed 383 million Twitter profiles created before 1stJanuary 2012. Of the 107.7M accounts created before 1stJanuary, 2012, the United States now merely represent 28,1% of those Twitter users. The social network remains extremely active in its home country. In December 2011 alone, about 5.6M new accounts were created from the United States. In terms of other countries, Brazil superseded Japan in terms of user accounts. However, there are still more messages per account from Japan. 30% of Japanese accounts have posted a message between 1stSeptember 2011 and 30thNovember 2011, compared to 25% for Brazilians accounts, the global average for that period is 27%. Japanese remains the second most used language on Twitter, after English. Arabic has the highest growth while representing only 1% of total users, Use of the English language stabilized below 40%.

From the proliferation of social networks, to the rising supremacy of smart-phones, several technology advancements have contributed to the growth of global digital content. These advancements have a direct impact on the Arab region and have been described in further detail in the following sections.

(a) Infrastructure and Cloud

The availability of high speed broadband and state-of-the-art infrastructure allowing 'Cloud Computing', through powerful Tier3/Tier4 data centers spread all over the globe. This has provided simple and easy access to end-users and a rapid means for content producers to deploy their content.

³ Facebook Statistics per Country - source Social Bakers

(b) Online Utilities

Online utilities have improved the quality, efficiency, relevance and wealth (richness) of online services such as:

- Search engines i.e. Google, Yamli, Yahoo, AOL etc.
- Online productivity and collaboration tools i.e. Google Docs, Google Translate, Google Earth, Yamli, Dropbox, iCloud and many others. These tools are often free or inexpensive, with a business model based on user traffic and advertising.
- Information aggregation and curation environments and applications with a cumulative effect i.e. YouTube, Flipboard, Zite etc. There is more and more 'curated' content offering choices that respond rapidly and specifically to the user's needs.
- The commoditization of online payment facilities i.e. PayPal, M-PESA etc.
- Innovative entertainment applications: creative, appealing and addictive games are now available from game publishers such as Zynga (TexasHold'm), Rovio (Angry Birds), Chillingo, etc.
- The availability of multiple business models.

(c) Social Networks

Exponential growth of social networks due to several reasons, such as:

- the availability of more appealing tools and simple intuitive interfaces,
- the desire for people to gather in online communities, connected by mutual interests and other social reasons.
- The role of user generated content such as news reporting, citizen journalism and entertainment.

This growth of online communities (i.e. more people connected to social media through Facebook, Twitter, Youtube, etc.) is changing the paradigm of the Internet and creating a major shift in the development of consumer

applications such as games, productivity tools, business applications etc...

(d) Mobility: Smart Phones and Apps

Growth of smart phones and mobile applications has been catalyzed by several factors, such as:

- The availability of affordable hardware (i.e. desktop, laptop) and the emergence of tablets devices.
- Highly competitive smart phones (i.e. iPhone, Samsung, HTC, Motorola, Nokia), offering a variety of smart operating systems (i.e. iOS, Android, Windows 8) and a drastic drop in the ordinary mobile phone market.

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%

While not definitive, some value can be obtained by examining popular categories of applications on the Apple Store. Gaming applications are in first place. What is particularly interesting is that 'education' is in third place, closely following 'entertainment' in second and followed by 'books' in fourth.

⁴ Source: Statista - <http://www.statista.com/statistics/166976/popular-categories-in-the-app-store/>

Similar data is not available for the Android platform, but it is believed that these figures provide a realistic overview of the mobile apps market. The trends show a clear indication that consumers have an interest for learning and culture (education, books, lifestyle). This is consistent with our initial perception and understanding of the market.

2. Market Overview

Despite gains in selected countries, many countries in the Arab region continue to struggle with providing reliable broadband and accessible ICTs.

In some Levantine countries for example, broadband Internet speeds are limited. While in other countries, education is an issue.

Many social media applications are experiencing rapid growth in the Arab Region.

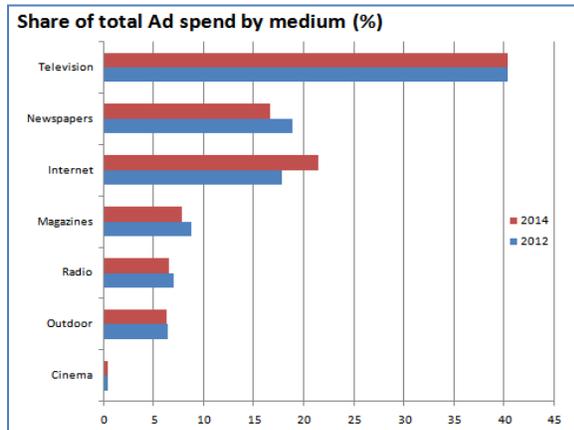


Figure 1: Share of total advertising spend by medium⁵

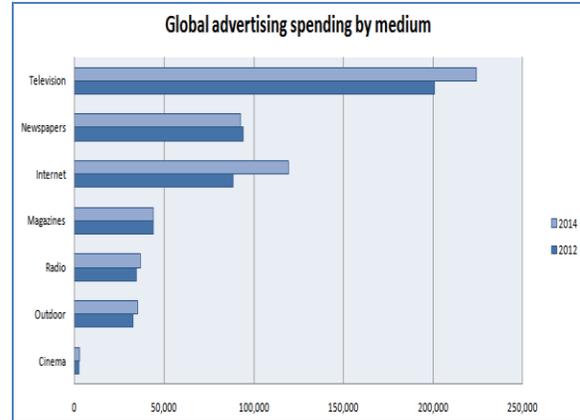


Figure 2: Global advertising spend by medium⁶

Both figures 1 and 2 show that spending on print media advertising is set to decline while spending on television advertising is set to increase, with spending on Internet advertising is set to increase the most. As shown in figure 3, Forrester Research states that by 2016 advertisers will allocate around 35% of their advertising spending to the Internet, in comparison to 19% in 2011. Furthermore, that total online spending for advertising will reach around \$77 billion of an overall \$220 billion in 2016.

In order to understand market trends and recommend areas of growth for digital Arabic content developers, it is necessary to further analyze online expenditures on advertising.

Source: Zenith Optimedia

⁶ Source: Zenith Optimedia

	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%
Total	\$34,457	\$41,003	\$49,571	\$58,514	\$67,888	\$76,619	17%
Percent of all as spend	19%	21%	25%	29%	32%	35%	

Figure 3: Interactive Marketing Forecasts (US) 2011 - 2016⁷

As shown in figure 3 (figures for the US), ‘search marketing’ and ‘display advertising’ are the top areas of spending on marketing. The highest compound annual growth rate (CAGR) is for ‘mobile marketing’ (38%) followed by ‘social media’ (26%).

Figure 4 further highlights the growth of advertisement spending on social media (global figures). Although Facebook shows spending far lower than Google and television, its spending growth is between 4 and 40 times higher than both Google and television respectively. Analyzing these spending habits brings to light two trends that will help define the development of digital content in the future. These trends are in mobility and social media, and more specifically the supremacy of Facebook within social media.

Despite these increasing numbers, Facebook has struggled to monetize mobile applications. As the global mobile advertising market shows substantial growth, Facebook and other digital content producers potentially have a ‘goldmine’ to tap into in terms of assurance for future revenues from mobile advertising. With the high growth rate of 104%, Facebook will undoubtedly be an advertising challenger in the next few years.

⁷ Source: Forrester Research

III. Digital Arabic Content Industry Outlook, Initiatives and Success Stories

1. Outlook

It is becoming evident that Arabic digital content is currently below expectations of the region⁸. There is no clear indicator for the size of the DAC industry or any standard parameters to measure it. Furthermore, there are no universal standards for the quantity of digital content for a certain language, country or subject. As an example, even the number of Arabic and English articles on Wikipedia cannot be compared, as the size of an average article is much bigger in English than in Arabic.

However, despite the digital and content divide, online marketing in the Arab world is an active and up-to-date business. Online marketing professionals include online communities in their campaigns through tools such as social media. This is particularly important as those environments provide a ready client base with profiling information, for targeted campaigns.

Online purchasing behaviors in the Arab region are unique in several ways. As an example, the question “How often do you buy items online?” was posed in a report by Arab Media Outlook. The answers gathered from four Arab countries shows some interesting results.

⁸ ITU Report on Arabic Digital Content – March 2012

How often do you buy items online?	UAE	KSA	Egypt	Morocco
Never	84%	99%	97%	97%
At least once in my Life	16%	1%	3%	3%

Figure 5: How often do you buy items online?⁹

The results in Figure 5 may come as a surprise to those who regularly shop online, but provide an insight into online shopping in the Arab world. The results highlight a clear difference in expected or ordinary consumer behavioral patterns of Arab citizens. It is worth noting that the results for the UAE may be a slightly unrealistic view of the Arab cross-section, due to the large number of expats, which is in fact much higher than the local population, and could affect the results of a survey significantly.

While defining the approach for engagement through digital content, it is worth considering business models that are compatible with the purchasing patterns of Arab societies. In order to develop, maintain and ensure the success and sustainability of such projects in the Arab region it is also essential to study the business models of DAC and take the whole value chain into consideration.

The history of the Internet shows that it took 30 years for 2 billion people to come online. But in the next 4 years, an additional 1 billion are forecasted to join those already online¹⁰.

The relationship between affordable access, available content and growing usage rates implies that advertisers in the Arab world can expect to see growth in the DAC market as these benchmarks improve.

As an indication of this increase in Arabic space, in a recent poll in Saudi Arabia, 90% of users said they preferred Arabic advertisements on their smartphones¹¹.

There are also opportunities in the Arabic mobile advertising space (especially mobile e-commerce) in the region. Almost 33% of e-commerce customers in the Gulf and Egypt claim that they are comfortable with mobile purchasing¹².

2. Initiatives

(a) Taghreedat

⁹ Source Arab Media Outlook - 2011, 2015

¹⁰ Source: Smartling's overview of the multilingual web

¹¹ Source: "Plus7", reported by "Media-ME" and "The Next Web"

¹² Source: Aramex

Case study 2 – Cinemoz

Cinemoz is an interesting example of aggregated and curated digital Arabic content. It is a video on demand service that aggregates prime Arabic content ranging from feature films, documentaries and short movies. It is aiming to become the “hulu” of the Arab World. Cinemoz’s business model is that of Hulu’s. It is based on a revenue sharing model among owners of movies and platforms.

Cinemoz is a free content to user, the site will be exclusively funded by advertising, placed in the video (there will be no banner). The main markets targeted by the new platform are Egypt and Gulf countries. It will face competition from niche players that engage in this space, mainly the Jordanian Istikana and the Saudi shahed.net owned by MBC.

With 1,000 titles available today (June 2012), Cinemoz is witnessing 5,000 views per day. The service is expecting 250,000 views during the month of Ramadan 2012. The projections of Cinemoz are promising; they are expecting 1 million views per month starting December 2012 and over 10 million views per month in three years with 8,000 to 10,000 titles. As an independent media publisher, Cinemoz is offering a platform to Arab producers for the GCC and North Africa market. It is planning to start producing its own original content to become a prime platform for original video content.

Today with a few thousand viewers and a few million views in the Arab World, Cinemoz relies mainly on capital investment. It is possibly seeking to attain the threshold to make it attractive to larger international players such as Hulu and Netflix. This may lead to a merger or takeover bid as expected by the founders and investors.

The Taghreedat initiative is helping to build a community and meaningful spaces for digital Arabic content. The initiative extends to ten Arab countries and seeks to build concrete projects to enrich digital Arabic content in all its forms and manifestations. The initiative’s first project was the ‘Arabization’ of Twitter, which was launched in October 2011. A large community of volunteers participated in the Arabization process, including bloggers from Saudi Arabia, college students from Egypt, journalists from the BBC, grassroots activists from the #Lets Tweet In Arabic campaign, linguists with an academic background and teenagers from Lebanon. The Taghreedat initiative will continue to adopt projects that will be executed by volunteers.

Taghreedat launched another initiative aimed at bridging the gap between Arabic and English content in social media and technology. Gulf News reported that over 2,500 volunteers from 28 countries were in the process of putting together a dictionary of technological and social media-related terms¹³. This seems particularly relevant due to the emergence of words such as

“spam”, “re-tweet” and “phishing” with no equivalent in Arabic. In many cases, people often write such words in either Latin characters or simply transliterated into Arabic. The final product of this initiative will be available online as a free downloadable application, and will feature social media and cyber security terms. This initiative is financially supported by “Twofour54ibtikar”, the innovation arm of “Twofour54” investment group. Twofour54 is a large organization affiliated with the Abu Dhabi Media Company (ADMC), specialized in the development of Arabic media content, production and training. In addition to this initiative, other products are available online aiming at facilitating the use of Arabic amongst native Arabic speakers. Yamli, the highly popular transliteration product, is a good example of such a tool. With over 77 million Internet users and an average penetration rate of 35.6 % in the region, there is an increasing need for such initiatives, and a Web 2.0 dictionary may just be the perfect tool.

(b) Wikipedia

While some may consider the Arabic content gap to be closing, the available evidence may suggest otherwise. For example, on the date of this publication, the Arabic version of Wikipedia only has 150,000 articles, even though Arabic is

¹³<http://thenextweb.com/me/2012/04/29/2500-volunteers-across-the-middle-east-are-compiling-a-web-2-0-dictionary-in-arabic/>

the fifth most common language in the world and has around 400 million speakers globally. While in contrast, the Japanese version has a significantly higher number of articles with around 800,000, for 130 million speakers worldwide. The English version has around 3.8 million articles. Recently, Wikipedia announced an initiative year that will boost the amount of digital Arabic content and increase Wikipedia's reach in the region. Wikipedia is launching a pilot project in Cairo where students, under the guidance of their professors, will edit and write for the site as part of their class assignments. A selected number of students across seven classes at Ain-Shams University and Cairo University, will generate new content for the Arabic Wikipedia site or translate original content from various other languages into Arabic. Wikipedia is looking to the Arab World as a potential target market for increasing its audience by millions, increasing the number of visitors to the online encyclopedia site¹⁴. With 19 million articles already in over 270 different languages, Wikipedia is the sixth most popular website in the world, according to the Traffic research firm Alexa¹⁵.

(c) Google

Google has doubled its workforce in the region since its launch in 2010¹⁶. It has stated that in 2011 its greatest growth has been achieved in markets such as the UAE. Google has also launched independent initiatives focused on educating the market (youth, entrepreneurs and women in particular). Google has appointed twenty five ambassadors to operate in the region, engaging and providing feedback on

¹⁴http://outreach.wikimedia.org/wiki/Cairo_Pilot_%E2%80%93_Final_Report

¹⁵<http://www.alexa.com/topsites>

¹⁶<http://www.thenational.ae/business/technology/google-aims-to-raise-its-profile-in-mena-region>

regional markets¹⁷. It has launched 'Google days' in Egypt, Jordan and Lebanon with two sessions (one focused on entrepreneurs/developers and the other on students/universities), as well as the 'women entrepreneurs' conference.

(d) Yahoo

Yahoo has identified the Arab region as a 'high priority' region strategically. After its acquisition of Maktoob, the Arabic online community portal in 2009, Yahoo has established content deals with Al Jazeera, Rotana, Saudi Publishing and BBC Arabic. Yahoo has also adopted an indirect approach to targeting women through the 'women thought leaders' forum. Yahoo recently entered into a partnership with ictQATAR's incubation center to develop the digital media and content ecosystem. This initiative is believed to focus on the development of Arabic content and nurture entrepreneurship, by engaging with small companies. Through its partnership with ictQatar, it is developing the 2020 Doha Olympic Bid portal, it is also engaging with youth in generating ideas, and partnering with the Qatar digital media cluster (DCC).

(e) Twofour54

"Twofour54 tadreeb" is the training arm of the Abu Dhabi based media organization. Last year it announced the launch of a unique partnership with UbiSoft (the international gaming giant) and SAE institute (the renowned worldwide multimedia training institution). The partnership is to provide a 16 month (5 days a week, 8 hours a day) level design course to those who are planning to start a career in games development or trying to enhance their skills in the entertainment business. This

¹⁷<http://demotest.amwalalghad.com/en/investment-news/internet-news/8320-google-launches-second-student-ambassador-program-in-mena.html>

initiative is the second of its kind in the region after the Nintendo gaming academy that was launched in 2000, in Lebanon, in conjunction with the Université du St Esprit Kaslik (USEK). While the Nintendo initiative was unfortunately closed after the 2006 war, the Twofour54/UbiSoft initiative brings a new perspective to the region and renewed hope for the younger generation in terms of gaming design and development.

(f) Connect Arab Summit and ITU

The Connect Arab Summit was held in Doha on March 5-6 2012. It witnessed an aggressive initiative from ITU aiming at implementing projects in the Arab World that would create a paradigm shift in the connectivity and production of digital Arabic content. The Summit was organized by the International Telecommunication Union (ITU) in partnership with the League of Arab States (LAS), and was hosted by Qatar's Supreme Council of Information and Communication Technology (ICTQatar). It discussed the initiative in question and set several priorities for the region, with digital Arabic content being one of them. The Summit concluded that it is important to preserve the heritage of the Arab civilization, particularly because of its wealth in archaeology, architecture, arts, science, culture,

music, manuscripts, folklore etc. The projects submitted by ITU will use state-of-the-art technologies such as virtual reality to create virtual museums, e-market places, cultural places and objects, digitized books etc. All the suggested projects will be executed in Egypt, including:

- Memory of the Arab World (MAW) Phase II, Egypt (budget: \$3.15 million). For 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 handicrafts, Egypt (budget: \$2million).

IV. Business Models for DAC Industry

There are many business models utilized in the digital content industry. Some are applicable in the context of the Arab world and some are not. Whichever business model is adopted, the prerequisites for a successful digital content project remain the same. These include the quality and relevance of content, accessibility and reach. It is therefore of paramount

Case study 1 – Dermandar

Dermandar started as a website where users could upload photos to create 360° or wide-angle panoramas with photographs from any camera. Founders told "The Next Web" that moving the concept to the iPhone and Android would provide users with a very easy solution to create and share a panorama on the Web in seconds, with a few clicks. It all comes down to a complex mathematical process that stitches photos together in a very efficient and timely manner. The speed is obtained by highly optimized routines that take advantage of the hardware itself.

Almost a year ago, while Dermandar was at its infancy, Berytech Fund approached the company with an aggressive investment plan taking 35% in equity with the aim to speed up development and reach of International markets. This investment, based on the confidence of the investors and the quality and vision of the founders, succeeded to propel the young startup to the International scene, at a time when digital panoramic imaging is experiencing dynamic growth. Today with over 3 million downloads, Dermandar is expected to become a global player in this area. Capitalizing on this success, a California VC has recently acquired a 15% stake in the company.

Dermandar started by putting the app at no charge on the AppStore, and spent time and money on marketing and press. When it reached the million downloads it was put at 1.99\$ which slightly affected the download flow (3,000 downloads per day). Today and for a limited amount of time, the app is both free, and ad-free, and the intention is to keep it this way for as long as possible, with a paid upgrade for real estate professionals in the works.

importance to understand the basic characteristics of good quality content, that will ensure loyalty and create traffic as a result. Repetition generates behavioral patterns and enables targeted advertising. In terms of business models, loyalty favors the membership model and the direct model (selling products directly). All the business models that will be reviewed are primarily based on generating traffic, creating a community and sustaining loyalty. Some variants do exist but these are the conventional requirements for any business model to succeed.

The business models discussed are those published by Machael Rappa in 2004 and updated in 2010. The variety of available business models reflects the evolution of e-commerce during the years of the dot-com bubble, while taking into account the challenges of reach, traffic and electronic payments. While these business models are familiar and well known, the real trick is apply one or a combination of models to a company. By choosing the right model, or the right combination of models, and successfully implemented them, an organisation can create several revenue sources for itself, ensuring its sustainability.

The basic categories of business models discussed below include:

Brokerage

This involves bringing buyers and sellers together. Brokers facilitate business transactions and are then considered as market-makers. One example of such a model is eBay.

Advertising

This includes website banners/impressions or services like emails, instant messages and blogs.

The online advertising model remains one of the biggest revenue generators for digital content, whether Arabic or international. In this case, the web site becomes the broadcaster and the digital content provided becomes the material that will support the various advertising approaches. Although content is very often provided for free, other productivity and/or collaboration services such as email, calendar, instant messaging, shared documents and blogs are integrated with advertising communication. This integration can occur in multiple forms including banner ads, search results, mail campaigns, tickers etc. A broadcaster might not be the producer of content themselves, they may be gathering information from multiple sources and presenting it in one unified environment. This can create a unique user experience, generating traffic for individuals, a specific community or for the public at large. Pinterest is an effective example of this type of application. In this type of approach, the advertising model is often most effective, its efficiency is proportional to the volume of viewers and uniquely catering to their level of interest or specialization.

Sophisticated sales offerings are available in the advertising model such as 'cost per click'. Complex formulas are used to optimize the revenue of the broadcaster and the advertiser alike, thus providing a cost effective model that will achieve higher impact.

Infomediary

Short for information intermediaries, are rewarded by referrals. Infomediary companies assist buyers and/or sellers in understanding a given market, product or service, by gathering all relevant information.

Merchant

Is a wholesaler or retailer that provides goods and services online. A sale of real products is based on list prices or on auctions. One example of this model is Amazon.

Manufacturer

Also known as the 'direct model', the manufacturer uses the power of the web to directly address customers. By doing so, manufacturers who are the original producers of products can reduce the sales cycle. Examples include Dell, Sony and Apple.

Affiliate

By contrast to the standard portal which aims to drive traffic to one site only, the affiliate model aims to allow purchasing opportunities at the locations where people are surfing. Incentives for sales are provided for partnered affiliate sites, to sell products from 'distribution' sites specialized in certain lines of products. The affiliate site provides purchase possibilities by clicking through items that will redirect users to the merchant. Examples include Amazon.com and Antoine online.

Community

The feasibility of the community model is related to user loyalty. As users invest time and energy in community related content, the model may propose the sale of auxiliary products and services or ask for donations.

Subscription

This model primarily applies to premium content that is not accessible by other means, such as business applications, business intelligence, market surveys, intellectual property rights (IPR) based content etc. Users are charged a periodic subscription to access the service. Examples include sales force, hulu, pandora etc.

Utility

The utility model is also referred to as the 'on-demand' model. It is based on measuring usage, or 'pay as you go' services.

Venture Capital-Fast Growth-Exit Model

Since the beginning of the dotcom bubble, a certain number of entrepreneurs have made substantial profits, even before their businesses started to generate revenue, or when income was low and the operation was not sustainable. A number of well-known global examples have operated for months and sometimes for years, without selling any products or services and without generating any advertising revenue.

By focusing only on building a community and by driving traffic, those who adopt this model can secure their survival. The most striking example in recent months is 'Instagram', the photo-sharing company that operated for a year and a half without generating any capital.

When Instagram was acquired by Facebook for the approximately one billion USD, it was only assessed by investors at \$500 million and had raised a fund of \$50 million against 10% of its shares. The shareholders were enriched overnight in an almost astronomical way, without generating a penny from the sale of any product or service.

By focusing solely on generating traffic and building a strong and loyal community of users (50 million users in a year and half), Instagram became a very serious threat to Facebook, which saw this company of 12 employees as a formidable competitor.

An inspiring example for young entrepreneurs in the Arab world is the case of Maktoob. Maktoob was bought by Yahoo for over 150 million dollars in 2009, after 10 years of

struggling operation. Maktoob repositioned itself several times in the market, through multiple rounds of financing and changes to its business model. Yahoo saw a strategic platform for penetrating the Arab region through Maktoob, which in the opinion of many analysts is a region with a great potential for growth.

It is advisable to utilize a combination of multiple business models, as part of a general online strategy. The advertising and subscription models are often mixed for news driven applications while advertising and direct sales are also often combined. Some models are quite simple, such as a company that produces goods and services and sell to its customers.

Other models may be more closely intertwined. The broadcast business is a good example. Traditionally, radio and television were freely broadcasted over the airwaves. Anyone with a receiver could have access. This approach worked well for much of the past century. The broadcaster is one part of a complex network of distribution, including content creators, advertisers (and agencies) and listeners and viewers.

It is certain that Internet commerce has led to new business models. But the web is also likely to reinvent existing operational models which prove their effectiveness. Auctions are a perfect example. This method, one of the oldest forms of brokering, has been widely used around the world to set prices for goods such as agricultural products, financial instruments, and unique items such as works of art and antiques. The Web has popularized the auction model and has given it access to a wide range of goods and services.

V. Recommended areas for development and proposed Business Models

1. Overview

Recommending areas for the development of Digital Arabic Content and proposing the most appropriate business models should align with global trends in technology and business, and the various regional and global success stories. This should also take into consideration the shortfalls in Digital Arabic Content, the overall socio-political and economic environment, as well as consumer behavior patterns. In addition, taking successful applications and projects from around the world and replicating their ideas would be a good option for young entrepreneurs. In this manner, new businesses can start with proven projects and adjust functionalities, quality of content and its business model, to better fit Arab consumers accordingly. Such examples are numerous, but the major obstacle remains in financing these projects. Prospects for financing are positive for proven models yet funding for building prototypes, or providing seed financing is scarce. Funding is available to those who are already established, have fully operational applications and even have a client base.

Content producers in the Arab world are slow to utilize new technologies in the digital world. They do not seem to use interactive and multimedia tools to show case their works and their productions (publications, books, poetry, novels, arts, crafts, culture, museums, shopping, tourism, lifestyle, etc.). Budding DAC developers should seek such tools, as a source of original

content for their future developments. Making a difference in DAC on the international scene will not exclusively result from the quantity of web sites and mobile applications. It will also include existing content producers partnering with technology professionals, to transform their quality content into quality digital content. This specifically refers to broadcasters, film makers, writers, journalists, news producers, cultural and entertainment organizations and games publishers as well as the government, the education sector, the health and medical sectors, laboratory and science organizations and the commercial and trade communities. If there is no real awareness among all those layers of society of the compelling reasons to digitally transform their traditional environments, then this whole industry will continue to be the sole responsibility of technologists.

These technologists are young savvy professionals and will grow the digital content industry at the pace of their technology industries, which despite rapid growth may eventually be unfavorable to those in the traditional content industry.

2. Quality and sustainability of Digital Arabic Content

The concept of 'loyalty' is very important, meaning that a user repeatedly visits a website or uses an application. This concept is crucial in understanding the basic characteristics of good quality content, to ensure loyalty and create traffic as a result.

(a) Relevance

Relevance is the adequacy of a topic to the expectations of its target audience. It can start the moment an idea is generated in the R&D phase, relying heavily on market intelligence,

knowledge of consumer behavior, and the topic being addressed. Production of knowledge from various sectors such as culture, education, science, health, government, entertainment, history, geography, philosophy and politics, can be of great importance, and should maintain compassion, sensitivity and genuineness. Furthermore, an entire system for producing such knowledge should be put in place.

(b) Quality

Quality is related to the user's experience and satisfaction. It is about standards, technical ability, performance, attractiveness of design, ergonomics, credibility of the interface, richness of features and functionality and frequency of updates. Any system or application that does not make this a priority will be unsuccessful no matter how relevant its content is.

(c) Reach

Reach is related to awareness and accessibility within the sector. The website or application must have sufficient popularity, to be accessed or read whenever a user requires specific information, products or services. This is achieved through sustained marketing campaigns and constant branding activities on appropriate communication mediums: advertising, mainstream press, social media, a direct or indirect corporate approach (through distribution channels) and online campaigns. The site or application must be accessible, credible, popular, and reputable. Ultimately being adopted and accepted by social structures like schools, NGOs, government, political parties and various consumers.

(d) Financing

Financing is the most important element for sustainability. Cash flow is vital to any business project, and digital content is no exception. Therefore a thorough financial study is an

absolute necessity, and strong financial backing is crucial to success. Amazon is the most famous example and most recently, Youtube and Instagram.

3. Talent and Personal Competence

Competence is an important element in the success of any business model. For young entrepreneurs, these include qualifications and skills taught during academic studies. Personality traits also play an influential.

The education system is continually under scrutiny to better understand the impact of different educational approaches on young entrepreneurs. Arguably, the education system in almost all Arab countries is in need of further development. Without going into the details of each education system, one can evaluate the number and value of publications in the entire Arab education system compared countries such as Ireland, Poland, Finland and others. In those countries their education systems participate in the global production of human knowledge in proportions that are far greater than Arab universities.

In some countries like Lebanon, Jordan and Egypt, there is a belief that the education systems have international standards of quality. People in those countries sincerely believe that their children are acquiring a world-class education. By contrast, some would argue that students are only taught information but not the application of knowledge.

Despite the grades and levels that some private university students achieve, the academic intake still lacks components to be classed a world-class university. Several characteristics are missing that often have nothing to do with

the subject matter and material, which by itself is probably well taught. Some of those required and missing characteristics are:

- Innovation, creativity and scientific curiosity
- Structured thinking, eloquence, relationship management and communication skills
- Quality of service, quality standards, customer service and Service Level Agreements
- Team Work, negotiation and conflict resolution skills
- Eagerness to deliver and respect for deadlines
- Entrepreneurship, risk taking, profit oriented mind-set and financial skills

Students are not entirely responsible for all this, but rather the education system itself that bears the largest share of responsibility for such gaps. Budding entrepreneurs should take these elements into consideration when entering into any digital content venture.

4. Global trends

Below is a recap of the global figures and trends highlighted in the previous sections for the purposes of making specific recommendations:

- Advertising still generates the highest online revenues with a huge potential in mobile¹⁸
- Social media (especially Facebook) is becoming the de-facto standard for reaching target audiences based on their profile, interest and behavioral patterns
- Advertisement revenues on social media are growing faster than any other medium, and mobile advertisement revenues remain largely untapped
- Advertisement revenues on traditional media (Print media) are declining but

¹⁸ Source: Forrester Research

television advertisement revenues are most likely to sustain until 2016¹⁹

- Large community social networks are generating substantial growth in business.
- The sale of good quality digital content is on the rise²⁰
- Mobile will take over the TV²¹
- The mobile apps market is estimated at \$10 billion with a yearly growth rate of 100%²²
- The global spend on education is estimated at \$4450.9bn and is stated to grow at 7%
- The e-learning market currently estimated at \$90bn will grow to \$166.5 billion in 2015 and \$255 billion in 2017 (23% CAGR between 2012 and 2017)²³
- Global online gaming revenue will increase by more than +10% annually from 2010 to 2016²⁴

5. Recommended Areas for development

There are five areas of development with regard to digital Arabic content. These areas include: education & learning, content aggregation & curation, public services, entertainment & gaming and social media. Development of digital Arabic content should also include considerations for technology advancements and market trends immobility, cloud computing, Web 2.0 and Social Media. The business models recommended for these

¹⁹ Source: ZenithOptimedia

²⁰ Source: DBW, <http://www.digitalbookworld.com/2012/april-sales-snapshot-good-news-for-trade-books-and-e-books/>

Source: DBW, <http://www.digitalbookworld.com/2012/barnes-noble-2012-sales-results-nook-up-45-digital-content-up-119/>

Source: Digital Music Report 2012, <http://www.ifpi.org/content/library/DMR2012.pdf>

Source: Internet Retailer 2011, <http://www.internetretailer.com/2012/01/23/sales-digital-music-increase-8-2011>

²¹ Source: ZenithOptimedia

²² Source: Business Insider – March 2012

²³ Source: GSV Advisors - http://www.e-learningcentre.co.uk/Resources/Market_Reports_/2012_17_market_predictions_from_GSV_Advisors

²⁴ Source: Global online gaming report 2012 - <http://www.marketwatch.com/story/global-online-gaming-report-2012-2012-05-09>

different categories of digital content are often based on the advertising model, the merchant model and the subscription model. The brokerage and utility models do not correspond to the habits of Arab consumers, who are mainly used to consuming content free of charge. All projects should take into consideration the combination of more than one business model, in order to ensure more than one revenue stream. Furthermore the integration of technologies is a must, in order to access a wide number of users. Web, mobile, tablets and social media should be considered in a complimentary way, in order to provide services in multiple locations and scenarios, with a look & feel that suits the largest possible target audience.

These are of course general considerations and each content endeavour should tailor its own architecture, delivery channels and business models that correspond most to the specificity and direction of the endeavour.

(a) Education and Learning

Education and learning is one of the most important aspects that Arab developers should address. Education is one of the most important activities that people are willing to pay for and global trends are impressive. The eLearning market is currently around \$90 billion and will grow to \$166.5 billion in 2015 and \$255 billion in 2017. This creates space and opportunity for young developers to innovate and obtain a portion of the worldwide market share. As an example, 1% of market share in 4 years would amount to 2.5\$ billion²⁵.

²⁵ Author's own estimates.

The target audience for eLearning in the Arab world amounts to approximately 86 million, less than 25% of the 359 million Arab population²⁶.

If electronic education and learning requires a sustained effort to develop relevant and effective material (in Arabic or other languages), propose innovative cognitive techniques, and creative communication scenarios, it also requires the same creativity in the development of technological platforms to create a proper user experience. There are several issues to consider when developing content for the education sector:

- 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, and social behavior with social media integration
- Management, marketing and finance
- Computer use, technology and productivity tools

Although this niche is difficult to develop at the content and technical levels, it is simpler to implement at the business level. Quality educational content is not necessarily free. People are used to the idea of paying for education and will be ready to pay directly (merchant or subscription model) or through a national agreement with educational authorities such as ministries, schools, universities, NGOs, corporations etc. The business model can also be coupled to the advertising model to constitute an additional source of income.

(b) Content Aggregation and Curation

Currently in the Arab World, the major aggregators and curators of content are large organizations, driven by commercial profits and by traffic generation (Search engines, Portals, etc). STC, the main content channel in the KSA, as well as Etisalat and Du in the UAE, and several other examples, are playing a commercial role in order to increase traffic through their infrastructure. The amounts budgeted by such organizations are astronomical compared to the amounts invested by VC's and other funding organizations. Product categories to consider include:

- 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, places etc are used within the drama, sitcom or video and mentioned inside stories and texts)

These products should be available on PC and mobile platforms. With the arrival of new devices on the market, particularly tablets, and the advent of micro-payments, there is a large potential for the subscriptions model to serve these platforms. It is forecasted that users will also be ready to pay an extra amount for the value received from an environment that will search, choose, collect and organize relevant information related to a certain topic and present it in a way that will create exquisite valuable user experience.

²⁶ Source: Arabic speaking Internet users:
<http://www.internetworldstats.com/stats19.htm>

These models also present great exit opportunities. Projects can be sold to international information aggregators willing to penetrate the Arab region with a substantial added value, for example the acquisition of Maktoob by Yahoo!.

(c) Information Services

e-Government services are considerably developed in certain countries, particularly in the Gulf. However, other services such as consumer oriented information portals and mobile applications are not really available, and people rely on international offerings.

The lack of available information services in the Arab world is probably a result of a combination of scarcity of information and problematic business models.

There is plenty of room for innovation in the area of business models, but information services require sustained efforts to develop relevant and effective material, especially in Arabic. A sustained flow of updates and an easy-to-use multiplatform interface is required.

In addition to transactional eGovernment environments that are primarily the responsibility of governments and public administrations, information services can vary greatly, from health to real estate to event planning. 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 building with social media integration
- Real estate, construction and home & building accessories

- Dating, matchmaking and marriage 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 service processes explanation and simulation, with social media integration

People are not used to paying for general or public information. Therefore, this area should concentrate on providing relevant information to create traffic and loyalty, in order to be able to sell advertising. Nevertheless, people will be willing to pay directly (merchant or subscription model) for services with high added value (such as medical assistance or event planning). The business model can be coupled to another source of revenue such as referrals (Infomediary model), which will constitute an additional source of income.

(d) Entertainment & Gaming

Entertainment and gaming already show positive developments for Digital Arabic Content. The existing projects are either inspired by local traditional games (Tarneeb, KoutbouSittah) or by international popular games with a different twist (Birdy Nam Nam, MyBalls), not to mention the remarkable edutainment experience of Rubicon. There is a lack of original gaming concepts with a global impact, in the Arab World, despite room for innovation and creativity.

Entertainment & gaming are among the top categories for mobile application downloads generating direct sales (apps and in game purchases), advertising and traffic. The

electronic gaming market, was around \$69.9 billion in 2011 with a forecasted growth to \$111.7 billion by 2016²⁷. Mobile gaming and social gaming have both reached 2.5 to 3\$ billion in 2012 with a projected revenue of around \$10 billion by 2015²⁸. The mobile entertainment market is expected to grow to \$54 billion in 2015²⁹.

There are numerous topics in entertainment & gaming. The following directions are suggested for further development:

- 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

While specific figures for the Arab market are not available, it is worth mentioning the following two trends a) mobile gaming will take over social gaming as mobile growth will surpass social growth, b) in game purchases already surpass application purchases, most of the gaming companies are adopting the “freemium” business model which is a combination of the known business models with multiple revenue streams of different proportions. The figures in the attached table show the importance of in-game purchases and its future opportunity.

²⁷Source: bcc Research - <http://www.bccresearch.com/report/electronic-games-gaming-markets-ift052b.html>

²⁸Source: Daniel Chisholm, Business Development, SONY/Gaikai

²⁹Source: <http://www.transparencymarketresearch.com/mobile-entertainment-market.html>

Freemium Model ³⁰	2012	2015
Paid download	37%	17%
In-game purchases	55%	62%
Advertising	6%	14%
Other (subscriptions, etc)	4%	7%

(e) Social Media

The rapid evolution of social media is accompanied by a turnover of features and services that attract users. The number of social media accounts are increasing in such a way that makes it very difficult to keep up with. Mobile access to social media is a worldwide trend. This is likely to grow tremendously in the coming months and years.

Social networks will not only be able to analyze your behavior based on your profile, but they will be able to correlate all of it with your physical location thus giving marketers more precise user profiles for more targeted marketing campaigns and more expensive advertising bills.

The great dominance of Facebook, Youtube and Twitter make them the most important targets for budding Arab social media developers. What are the means of access and how does one profit from this traffic to monetize content and applications? In addition to advertising, software companies and game publishers collect revenues from their customers for content sold online or virtual goods related to that content (micro-transactions & virtual goods). There is still a lot to be made with social media, particularly the mobile aspect, which is tremendously growing with an almost untapped advertising market. The following directions have been suggested for further development:

- Education, learning and micro-learning

³⁰ Pocket Gamer Research: <http://www.pocketgamer.biz/r/PG.Biz/SuperData+Research+news/feature.asp?c=39400>

- Gaming and entertainment
- Enhanced user profiling, data gathering, statistics, polls and public opinion statistics
- News and information aggregation

It is worth noting that barriers to entry in social media (especially gaming) are huge. Some analysts consider that the individual developer would be better off buying a lottery ticket than building a game app with a big payoff³¹. It is highly recommend that any development for social networks should carefully consider this context.

³¹ Source: Industry Gamers -
<http://www.industrygamers.com/news/mobile-gaming-predictions-for-2012/>