

THE POTENTIAL OF MOBILE GAMING

Revenue Opportunities for Mobile Operators in Africa

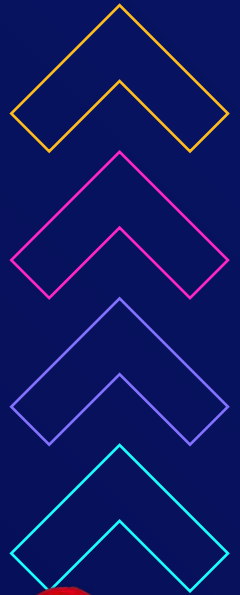


TABLE OF CONTENTS

1

**Getting to Know
the African Gaming
Landscape**

Page 02

2

**Getting to Know the
Gaming Community**

Page 07

3

**Partnering with
Gaming Influencers
for Engagement**

Page 10

4

**What Does the Future
Hold for Africa?**

Page 14

5

**New Revenue
Streams for
Mobile Operators**

Page 19





1

GETTING TO KNOW THE AFRICAN GAMING LANDSCAPE

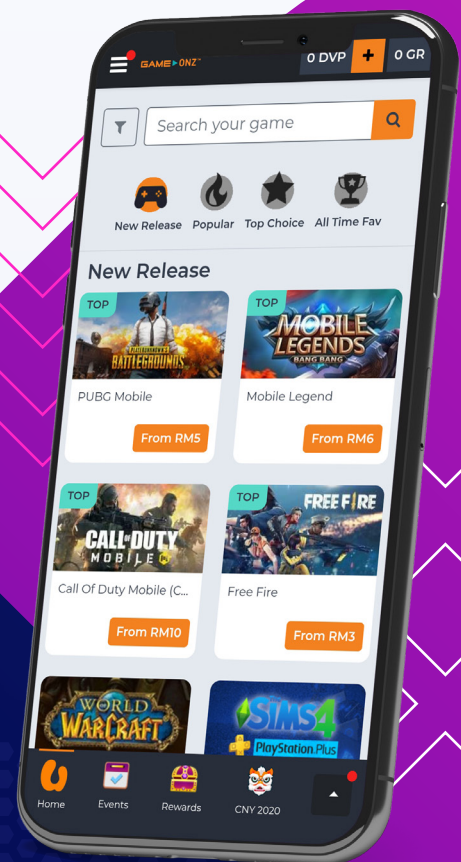
Market Overview

Video gaming is a rapidly growing market. Africa is experiencing astonishing growth, with multiple opportunities for mobile operators to tap into. This development is primarily supported by the region's sizeable youth population.

Africa is the only region in the world where the youth population is increasing. More than 200 million Africans are below 35 years old. By 2050, Africa's young, aged between 0 and 24 years old, will increase by nearly 50%.

In recent years, there has been an increasing prevalence of high-speed internet connections, which has made online gaming practical for more people across Africa's emerging economies. Combined with the proliferation of mobile technology – particularly smartphones – adoption of common digital-based activities such as gaming, social media, and online shopping have increased.

Mobile gaming generates close to half the revenue that the gaming industry gets annually. Newzoo predicts that **the consumer revenue will increase to more than USD200 billion by 2023.¹** **Algeria, Egypt, Morocco, Nigeria, and South Africa are the main markets on the rise in Africa.**



¹ Warman, P. (2017, February 14). *Esports revenues will reach \$696M in 2017 and \$1.5Bn by 2020.* Newzoo.

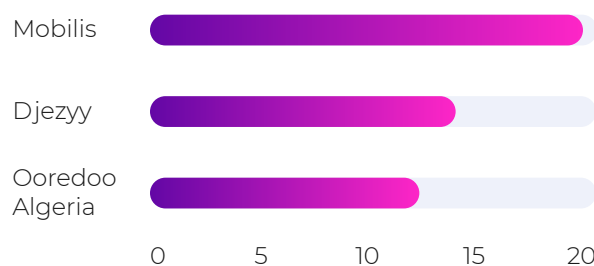
▶ Algeria

Algerians' favorite gaming genres are Action/Adventure, Racing, Sports, and Puzzle.² In 2006, Algeria was the only African country to have participated in the Electronic Sports World Cup (ESWC).

A staggering 74% of Algeria's adult population play mobile games and spend more than 3.5 hours on their mobile devices a day playing games. The top two mobile operators, Mobilis and Djezzy, accounted for 72.5% share of total mobile subscriptions in 2019.³



Total Mobile Subscribers as of Q4 2020 (in million)



Source: ARPCE

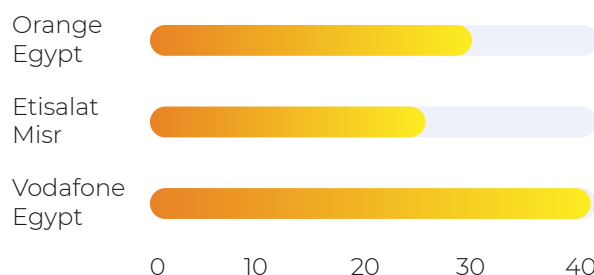
▶ Egypt

In 2018, Egypt was Africa's biggest video gaming market, having accumulated USD293 million in revenue.⁴ Barriers of entry like slow broadband speeds and high console prices have not stopped Egypt from hosting various gaming events in the past, such as Esports Summit and Insomnia.

In the MENA region, Egypt has the highest population of gamers at 68% where 14% play on consoles while 58% use a smartphone or a tablet. Majority of smartphone gamers (73%) are casual to regular players, clocking up to 10 hours a week.⁵



Total Mobile Subscribers as of Q1 2020 (in million)



Source: Companies' annual reports

²Jean. (2020, October 14). *Under The Microscope: Mobile Gaming in Algeria*. AdColony.

³*Algeria Telecom Operators Country Intelligence Report*. GlobalData Report Store. (2019, September).

⁴Clement, J. (2019, January). *Top gaming markets in Africa by revenue 2018*. Statista.

⁵*MENA gaming market grows rapidly, Egypt has largest gaming population at 68%*. Telecompaper. (2020, November).

▶ Morocco

Morocco has a growing esports environment that is supported by organizations such as World Gaming Federation Maroc, Gaming Maroc (Lgaming), Moroccan Esports Association (MESA), and Moroccan Gaming Evolution (MGE) game center chain.

In 2018, Morocco ranked third in gaming among African countries. With more than 3 million active players, the industry is valued at USD49 million, a figure which represents the transactions and micro-transactions carried out by Moroccans, paid to foreign companies.⁶

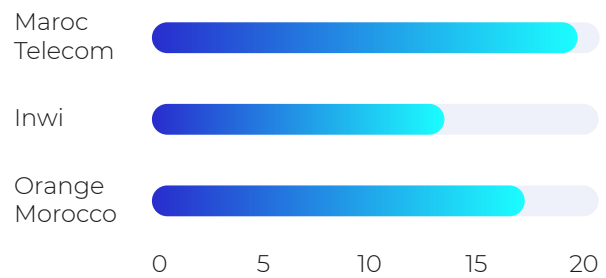
▶ South Africa

According to Newzoo, South Africa's 20.3 million gamers spent USD120 million on video games in 2019 – up 9.4% year-on-year and chiefly from mobile games. It is reported that the console market also has a high potential to climb in the next few years due to rising disposable income amongst residents.⁷

South Africa is the only African country with local servers for most major games. For example, PUBG Mobile is so popular with the local gaming population that Tencent Gaming launched PUBG servers in South Africa from late 2019 to early 2020.⁸



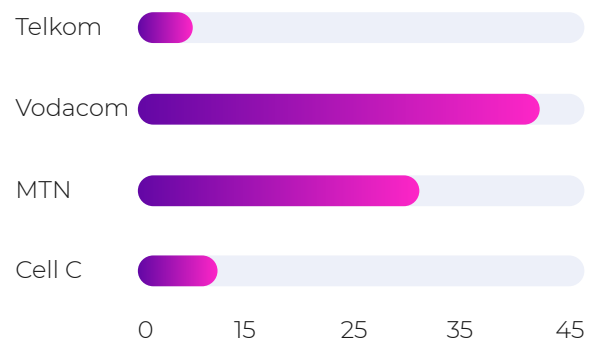
Total Mobile Subscribers as of Q4 2020 (in million)



Source: ARNT



Total Mobile Subscribers as of Q1 2020 (in million)



Source: Companies' annual reports

⁶ Vbassey, (2020, February 16). *Casablanca Gaming Expo: A first for Morocco*. Game Industry Africa

⁷ Weustink, J. (2020, July 31). *Consumer Insights: South Africa's Passion for Sports Trickles into Gamers' Playing Behavior*, Newzoo.

⁸ Olasoji, T. (2020, May 1). *Milliseconds keep African gamers from esports dominance*, The Mail & Guardian.

► Nigeria

In 2018, Nigeria was the fourth highest-earning video gaming market in Africa.⁹



Highest-earning video game market in Africa



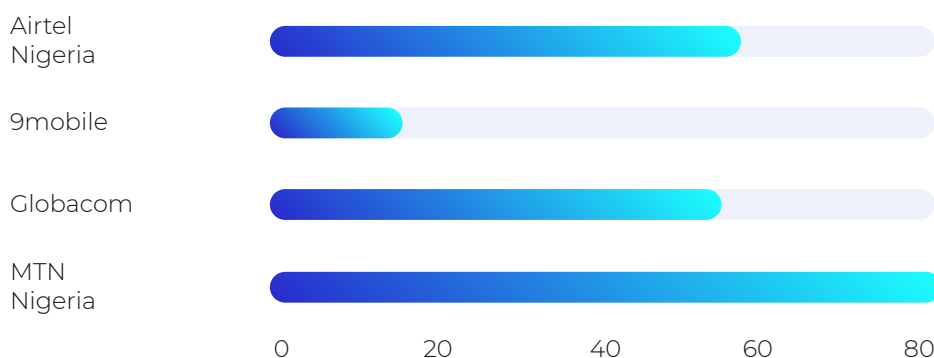
USD122
million in revenue

Currently, Nigeria still has a relatively small esports scene compared to Morocco, but it has Esports Nigeria and Nigeria Esports League as representative organizations. This is primarily due to Nigeria's strong sports betting segment. Nigeria has good growth and potential, but it has some barriers to entry, such as inconsistent internet speeds and lack of servers.

On the other hand, fortunately, due to cheap mobile devices and alternatives to large smartphone brands, Nigeria has a growing number of active smartphone users. Coupled with the fast and increasing number of gamers amongst the young population, the Nigerian market is worth looking at for mobile game and app developers.



Total Mobile Subscribers as of Q4 2020 (in million)



Source: The Federal Republic of Nigeria

⁹ Clement, J. (2019, January). *Top gaming markets in Africa*, Statista.



2

GETTING TO KNOW THE GAMING COMMUNITY



Newzoo forecasts that the global esports market revenue will reach USD1.6 billion in 2023 with approximately 646 million audiences worldwide.¹⁰



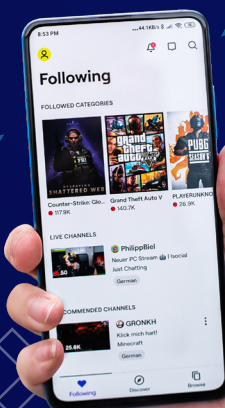
In 2019, South African gamers spent **USD210 million** on games (Newzoo, 2020)



More than **70%** of South African youth (between ages 18 and 26) have spent money on games (Statista, 2021)



Most gamers in Africa prefer **mobile games** as console prices are high



According to GSMA Intelligence,¹¹ since 2018 when the gaming industry started seeing a boom, 15 different esports partnerships, excluding sponsorship deals, have been signed by mobile operators worldwide.

▶ A few examples of mobile operators' involvement in the industry, as mentioned by PwC:

1. In 2018, Mobile TeleSystems (MTS) in Russia acquired Praliss Enterprises, parent company of Gambit Esports, which owns four esports teams.
2. Movistar Esports, owned by Telefónica España, aims to be the largest Spanish-speaking esports content provider.

▶ Some partnership models mobile operators can explore:

1. Develop partnerships with gaming companies to access game development capabilities.
2. Integrate with direct carrier billing (DCB) payment method.
3. Whitelabel an all-in-one gaming voucher platform to support monetization.
4. Join forces with other mobile operators to leverage multiple channels and expand regionally and internationally.

¹⁰Reyes, M. S. (2021, January 5). *Esports Ecosystem Report 2021: The key industry companies and trends growing the esports market which is on track to surpass \$1.5 B by 2023*. Business Insider.

¹¹Popov, *Gaming subscriptions: Models evolve in quest to monetise market*, 2021. GSMA Intelligence.

By the end of 2020, Facebook reported 630,000 gaming groups on Facebook with 230 million active members per month.¹² Gaming groups have high engagement rates as they provide a two-way communication between players, which is one low-cost way to keep in touch with users.

Official Esports Governing Bodies in Africa

1. World Esports Consortium (WESCO) – Africa

Aims to create a solid, sustainable, and regulated esports ecosystem.

2. Electronic Sports Federation of Africa (ESFA)

Advocacy group for Africa and Africans with respect to esports.

Examples of Communities in Each Countries



Gaming in Algeria

is a Facebook group for gamers in the region with 81.2K members.



Gamers Lounge

Egypt's first esports organization, aiming to leverage the MENA gaming scene.



Lgaming Morocco

is the first gaming portal in the market showing news, reviews, and others with 108k followers on Facebook.



The Nigerian Gaming Community

updates Nigerians, Africans, and the international audience about esports in the country.



South Africa Gamer

is a Facebook group for gamers in the region with 42.1K followers.

Table 1 Example of Gaming Communities in Each Countries, source: internal Forest Interactive research

Live-streaming channels are now growing in popularity, used most by professional gamers to directly connect with their fan base.

One of the most popular live-streaming platforms in Africa is Twitch, followed by Facebook and YouTube.¹³



Twitch hit a total of 4.7 billion hours from July to September 2020.



YouTube Gaming reached 1.7 billion hours in Q3 2020.



Facebook Gaming surpassed 1 billion hours in Q3 2020.

¹²Games Marketing Insight for 2021 [PDF]. (2021). Facebook.

¹³May, E. (2020, October 7). Streamlabs & Stream Hatchet Q3 2020 Live Streaming Industry Report. Streamlabs.



3

PARTNERING WITH GAMING INFLUENCERS FOR ENGAGEMENT

Building digital-first communities and tapping into online groups can be an alternative go-to-market strategy. One of the many ways to boost engagement within these communities is to collaborate with the community's favorite influencers.

Some key tips in finding the right personality for your influencer marketing¹⁴

1 Set clear campaign strategies and objectives

Ways you can collaborate with influencers include ad placements on posts, verbal endorsement through an honest review, affiliate marketing, competitions, and giveaways.

2 Research influencers relevant to your target market

When looking for the right influencer, you may also look at the type of content they regularly create. This ensures that their activities resonate with your target audience. Pay attention to the social media channels on which they are most active.

3 A large subscriber/follower count does not guarantee high conversions

This is because the higher the subscriber/follower count, the lower the engagement rate would likely be. Depending on your campaign strategy, you could explore working with micro-influencers.

4 Engage with your trusted influencers for consistent content over a period of time for a bigger impact

Instead of a one-off content with an influencer, look for a sustained Earned Media Value (EMV). When an influencer posts about the same campaign over a period of time, it helps with community retention. Strong retention is positively correlated to EMV growth.¹⁶

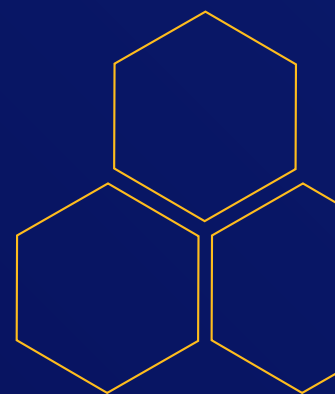
30% of consumers would prefer to buy a product promoted by a regular person¹⁵ hence brands are now looking to work with micro-influencers.

¹⁴Vides, *How Influencers can Help You Build a Community Around Your Brand*, n.a.

¹⁵Ibid.

¹⁶Kulke, *How to Build Your Influencer Community During This Uncertain Times and Beyond*, 2020.

Top Gaming Influencers in Africa 2021



Algeria

Source: Forest Interactive internal research, June 2021

Zarouta Gaming

Viper Beyaz

It's Raouf

DZ Gamer



 542K


 OUTLAST II


 RESIDENT EVIL

 284K

FIFA 



 180K

FIFA 

FORTNITE

 93.8K

CALL OF DUTY 

VILLAGE RESIDENT EVIL

Egypt

Source: Lgaming.ma, June 2021

EstubeGaming

Gaming3arabi

Domyat Trends

TARBOUN



 4.22M

 FORTNITE

MINECRAFT

 2.77M

APEX LEGENDS 

FREE FIRE

 1.76M



 1.69M





 **Morocco**

Source: Lgaming.ma, June 2021

YassPlays



 5.37M



Ali Omar



 4.21M

FREE FIRE

HEROSHIMA YT



 3.54M

FREE FIRE

WHITE444 YT



 3M

FREE FIRE

 **South Africa**

Source: Forest Interactive internal research, June 2021

MCPE Mike



 283K

MINECRAFT

Squally



 158K

**CALL OF DUTY
FARCRY5
Fallout 76**

Dragnoz



 106K

MINECRAFT

Mister Flak



 100K

**PUBG
RUST**

 **Nigeria**

Source: Forest Interactive internal research, June 2021

IAmDrSid



 25.8K

**CALL OF DUTY FIFA
MORTAL KOMBAT**

Ladi HD



 3.81K

**MINECRAFT
APEX LEGENDS
FORTNITE**

F8K



 2.97K

FORTNITE

NEL E-SPORTS



 1.41K

FORTNITE



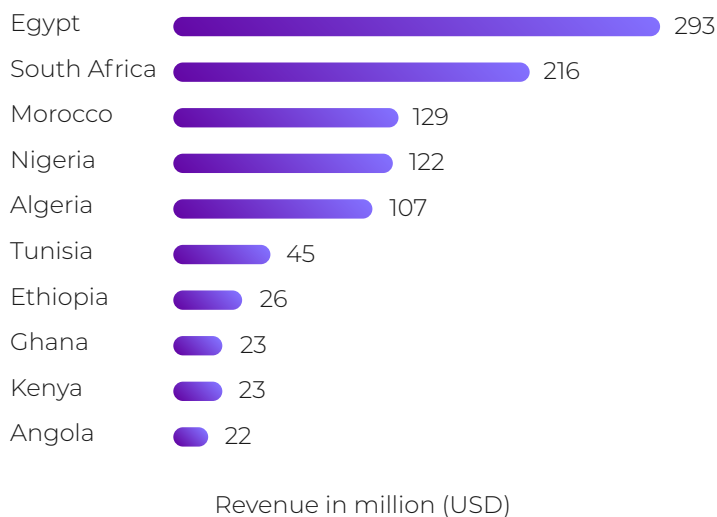
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WHAT DOES THE FUTURE HOLD FOR AFRICA?

The African Gaming Industry Is Set to Soar

Lockdown measures imposed globally have contributed to the gaming industry's spike in revenue. The African gaming industry is expected to register a CAGR of 12% over the forecast period (2021 – 2026) with the region's top game developers coming from countries like Kenya, Nigeria, and Uganda.¹⁷

Leading Video Gaming Markets in Africa in 2018, by Revenue



Graph 6 Leading Video Gaming Markets in Africa in 2018, by Revenue. Source: Statista

The video games market in South Africa specifically has witnessed strong growth in the past few years and is expected to continue in this direction.

In 2017, the total revenue generated from the industry was over ZAR3 billion, which will grow at a 15% CAGR to reach ZAR6.2 billion by 2022.¹⁸

Mobile Gaming Is Expected to Lead the Segment with Major Market Share

According to GameAnalytics, the number of mobile gamers grew from 1.2 billion to 1.75 billion per month within Q1 2020, marking an increase of 46%. Consumers spent over USD19 billion on mobile games in Q2 2020. 21% of Android and 25% of iOS apps downloaded are games.¹⁹ By 2022, it is predicted that Android games will be responsible for 56% of all mobile game revenue.²⁰

¹⁷Mordor Intelligence. (n.d.). *Africa gaming MARKET: Growth, TRENDS, Forecasts (2021 - 2026)*.

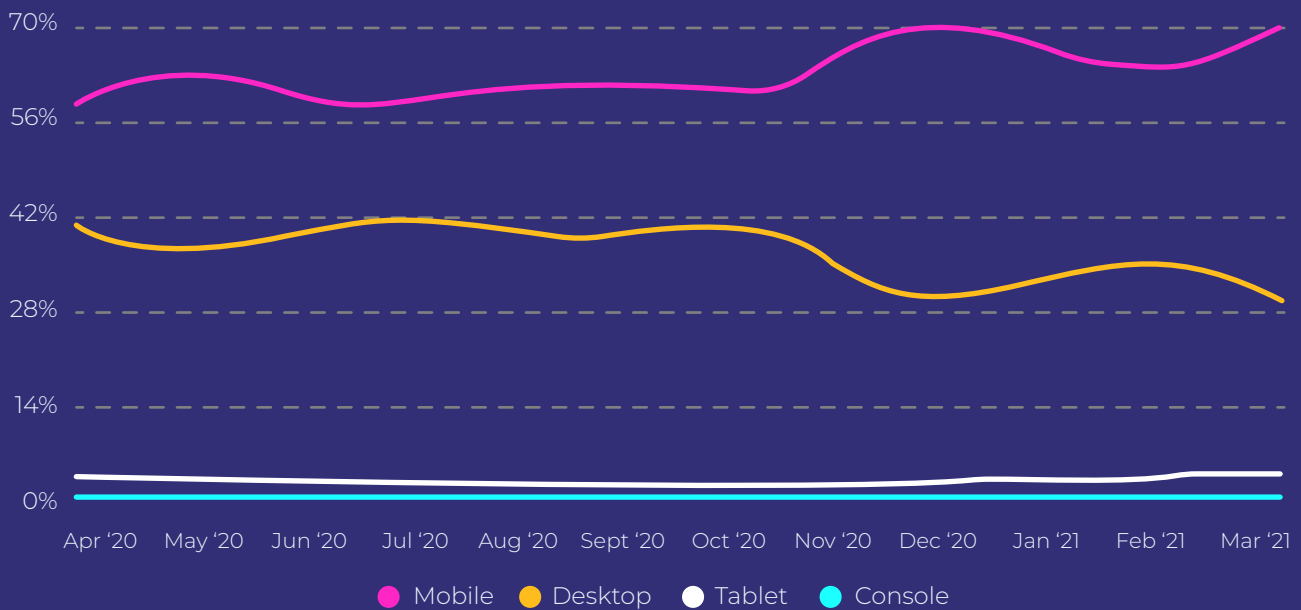
¹⁸Entertainment and media outlook: 2018-2022 An African Perspective [PDF]. (2018). PwC

¹⁹Dobrilova, T. (2021, March 29). *23+ Mobile Gaming Statistics [2.2 Billion of Us Play In 2021]*. TechJury.

²⁰Handrahan, M. (2019, September 17). *Newzoo: Android games will earn more revenue than iOS games in 2019*. GamesIndustry.biz.

Device Market Share in Africa

(Mar 2020 - Mar 2021)



Graph 7 Device Market Share in Africa. Source: StatCounter

- As seen in Graph 7, mobile accounts for 68.62% of the gaming market share in Africa as of April 2021, making it the largest segment yet. Meanwhile, PC, tablet, and console account for 28.36%, 2.98%, and 0.04% respectively.

The global games market in 2017 saw its social/casual gaming revenue outstrip the revenue from the traditional segment of specialized consoles and PC hardware.

South Africa replicated the trend as the growth of smartphone ownership provided millions of users with an accessible and affordable path into the gaming market.²¹

GSMA reported that there are over 747 million active mobile users in Sub-Saharan Africa, represents 75% of the population.

In 2020, South Africa's smartphone market reached its saturation point, but the growth will not stop there. Revenue per smartphone connection in the region is still expected to rise.²²

²¹ Entertainment and media outlook: 2018-2022 An African Perspective [PDF]. (2018). PwC
²² Ibid.

There is also a rising popularity in mobile gaming coming from remote parts of Africa, a factor worth considering as the mobile market in the region generates USD90 billion annually. With more than 200 million Africans aged below 35, the figure is expected to double in a decade, and Africa is poised to be a huge market for gaming and smartphone companies.²³



Over half of the world's mobile payments occur in Africa alone. Meaning, mobile operators have untapped potential in the market, with monetization opportunities in gaming apps like paid apps and in-app purchases.²⁴

A Promising Outlook in the African Esports Scene

Esports Revenue Growth

Global | For 2019, 2020, 2021 & 2024

\$957.5M



2019

\$947.1M -1.1% YoY



2020

\$1,084.1M +14.5% YoY



2021

\$1,617.7M +11.1%
CAGR 2019-2024



2024

Graph 8 Esports Revenue Growth. Source: Newzoo

▶ Global esports revenue is expected to grow to USD1,084 million in 2021, a year-on-year growth of 14.5%, up from USD947.1 million in 2020. The global games live-streaming audience will hit 728.8 million in 2021, growing 10% from 2020.²⁵

²³Mordor Intelligence. (n.d.). *Africa gaming MARKET: Growth, TRENDS, Forecasts (2021 - 2026)*.

²⁴Ibid.

²⁵*Global Esports & Live Streaming Market Report [PDF]*. (2021). Newzoo

- ▶ There will be over 1 billion esports and game viewers by 2025. This amount is growing from 800 million viewers by the end of 2021. While the Asia Pacific region will represent over 50% of these viewers by 2025,²⁶ Africa's esports scene — though still in its infancy — will witness increased attention from stakeholders looking to invest in sponsorships, broadcasting rights, and live event ticket sales, especially in the South African market.²⁷
- ▶ According to Newzoo, the number of players in the Middle East and Africa outpaced the number in North America in 2019. In 2022, the Middle East and Africa will have surpassed Europe's player numbers.²⁸

Market Expert Analysis : Houda Lahrichi, Country Manager at Forest Interactive Morocco

Ghana, Morocco, Egypt, Tunisia, Nigeria, and Algeria will be the top African countries that have a leading role in esports and will be the pillars of the industry. South Africa is on the list too, due to them having their own local server for multiple games and access to services that the other countries don't have.

The growth of connectivity in Africa has surpassed countries in Europe and Asia in recent years. The expansion of 4G network in the region has also contributed to the increased number of esports players. Despite the unviability of some servers, this issue did not slow down Africans. Rather, it has helped players from different countries in Africa find and connect to a joined server. For instance, now, PUBG players can choose and connect to the same game server as their friends.

A lot can be done to take the industry further. However, the gaming and esports market in Africa is a goldmine as countless efforts have been developed within the industry through associations, esports leagues, gaming centers, and gaming shops.



Houda Lahrichi
Country Manager
(Morocco)

²⁶Juniper Research, *What to Expect from Esports in 2021*, 2021.

²⁷*Global Esports industry eyes African market*. African Business. (2020, December 9).

²⁸Newzoo, *2020 Global Games Market Report*, 2020



5

NEW REVENUE STREAM FOR MOBILE OPERATORS

For most gamers, there has been little reason to be loyal to a mobile operator — until now. As the digital era continues to grow and traditional telecom services face stiff competition from OTT, mobile operators need to expand their offerings instead of focusing solely on core services to sustain revenue growth. Operators are already mimicking the strategy of OTT service providers and tapping into new audiences, targeting specific interests of their customers to retain loyalty.

Particularly, gift cards are a keen area of interest. Gift cards are a popular promotional item sold across multiple industries, becoming an increasingly preferred motivator in both the consumer and business-to-business arena. They build on the strengths of non-cash incentives by offering rewards that are more memorable and can be redeemed for goods that people desire.

The global gift cards market size was valued at USD619.25 billion in 2019 and is projected to hit USD1,992.87 billion by 2027, growing at a CAGR of 15.4% from 2020 to 2027.³⁰

Selling digital vouchers and gift cards on a digital platform is an excellent opportunity for mobile operators to open up new revenue streams in the African region. Aligning your incentive or premium program with leading industry brands by offering their gift cards can significantly increase the participation in your platform. Brand awareness is a major factor in end users' shopping experience, and by offering gift cards for brands your users already recognize and are currently shopping for, you add awareness to your program.



³⁰ Haley. (2021, January). *Gift Card Statistics 2020*. Mageplaza.

A burgeoning tech ecosystem: number of active digital platforms in Africa

Updated as of 18 January 2021



Source: GSMA Intelligence, based on Tracxn data

Leveraging the Digital Voucher Market to Boost Sales and Customer Loyalty

There are major benefits for mobile operators to establish themselves in the digital voucher and gift card realm. Operators should not expect visible incremental revenue in the short term but rather important intangible benefits with significant potential impact.

▶ Better brand positioning

Selling digital vouchers and gift cards can improve the brand positioning of mobile operators and increase the loyalty of their customers. The gaming community, in particular, has already been shown to be a captive audience. Mobile operators that choose to venture into gaming could potentially alter customer perceptions of telecom services.

By associating with gaming and offering related products and services, those perceptions could change from seeing the operator as just a seller of necessary communication-related products, to a provider of exciting and appealing customer experiences. The change in brand perception could be most significant among the digitally-adept younger population. It would make them more receptive to mobile operators' new business offerings in general.

▶ Reduced customer churn

With a notably large proportion of the African population under 24 years old, these young customers, spread out across the region, are a valuable demographic for operators to retain.

If these customers are given the attention and the right kind of products by operators to supplement their online gaming habits, then this may increase their loyalty to the brand, thereby reducing customer churn.



► Higher ARPU

51% of global gaming revenue comes from mobile gaming, followed by console games (25%) and PC games (24%).³¹ Combined with the sale of dedicated consumer gaming vouchers, mobile gaming's popularity makes it a particularly hot market to penetrate.

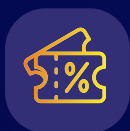
The overall video gaming ecosystem would further increase data usage, which is the main growth area among operators' core revenue streams. This development would also help to further offset declining sources of income, such as voice calls.

► Deeper understanding of customer behavior

The growth in customers purchasing gaming vouchers and gift cards generates great amounts of data relating to customer behavior.

Mobile operators will be able to adjust their targeted offerings with behavioral analytics and provide an improved customer experience. This means operators extract more value from interactions with existing customers.

The Problem: Current Challenges Faced by African Mobile Users



Absence of a one-stop platform for voucher and gift card purchase

Too many different offers are being provided by various channels. Plus, each channel only provides limited categories of vouchers. Consumers often switch to a different platform or store if they cannot find what they want.



Lack of trust from consumers for digital payments

There are still a significant number of people who are wary of online banking and its perceived security risks. The steady rise of cybercrime since the COVID-19 crisis started does not help the distrust among consumers.



Lack of reward system offered by other platforms

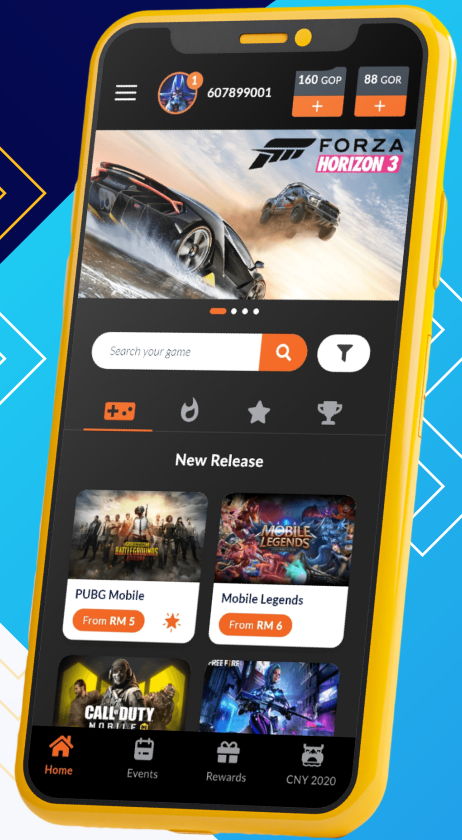
Customers are not encouraged to make big and/or continuous purchases on a platform if no incentives are provided for their loyalty.

³¹ Alfred. (2020). *Infographic: Mobile Game Market Trends 2020*. DCI. Date Accessed 23rd April 2021.

Owning Your Own Digital Voucher Platform to Increase Revenue

Forest Interactive's **Digital Voucher Platform (DVP)** is a comprehensive one-stop portal for digital vouchers, developed to help mobile operators increase revenue and gain further customer loyalty.

The global gaming community is a significant audience to target because, gaming provides ample opportunities for monetization. By using a fully functional platform such as DVP, mobile operators can save their costs from investing in new, untested platforms.



Key Features of DVP That Helps Engage Community



Reward Point System

Loyalty points feature for every transaction and activity, with the capability to tie up with mobile operators' existing reward points system.



Community Features

Effective user engagement platform with special privileges and rewards features.



Customized Local Events Promo

Timely manner customization to align with local events.



Fully Personalized Contents

Flexible product and promotion personalization with modifiable look-and-feel.



Security

All payments and transactions use PIN verification and all data communications are secured with DigiCert SSL.



Instant adaptability is a major reason why many popular platforms stand out. Besides gaming, the development of a unified platform like DVP allows mobile operators to streamline and deploy many other products quickly. Existing and new partners can also deliver their products directly to end-users by using DVP owned by mobile operators.

Through cross-selling various goods, it becomes possible to capitalise on the demand of trending products and capture a share of the revenue gains. Mobile operators can achieve so much more by leveraging DVP to get in touch with their customer's shifting preferences and get more involved in mobile commerce.

ABOUT FOREST INTERACTIVE

Forest Interactive develops scalable mobile platforms that enable mobile operators and content providers to build enriched customer experiences with highly-customizable and easy-to-use platforms. With over a decade of industry experience, Forest Interactive has expanded to include a workforce of 30 nationalities in 17 regional offices and 35 operating countries, providing innovative and comprehensive solutions to 90+ mobile operators and over 100+ content partners with the capacity to reach 1.4 billion subscribers worldwide.

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