The African market for satellite services

By Arie Vered

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The African market for satellite communications has experienced a feeding frenzy over the last few years as international players vie for the lion's share of a market that has undergone liberalisation and is attracting massive interest from external investors.

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This article will provide a bird's eye view of the emerging trends in the satellite broadcast market and examine some of the remaining challenges to overcome for the African broadcast industry. However, the momentum is already underway as liberalised regulatory regimes have opened up markets in Africa that previously posed significant challenges for operators and service providers and the African market, the second largest continent in the world after Asia, is open for business.

The honey pot that is attracting all this attention is the vast potential of a relatively untapped market which until recently experienced a shortage of satellite capacity. The African satellite market is estimated to have grown in the last few years by more than double the global average of 6-7% and all the signs point to a further escalation in the coming decade. According to Digital TV's sub-Saharan Africa report, households (which numbered 148 million at the end of 2011) will rise by 20 million over the next six years bringing it close to the total number of Western European households. However, currently only a quarter of homes own a TV and the number of households owning a TV is set to increase to 50 million by 2017, representing 30% of all households.

Move to digital

Certain regions like Nigeria and South Africa will make up a disproportionately high percentage of the region's TV households, posed to represent a quarter and 15% of the total respectively by 2017.

Other salient factors include the predominance of analogue TVs, which currently comprise three-quarters of households. This percentage is due to drop over time as digital TV begins to take off; with a meteoric rise predicted over the next few years, rising from a quarter to 54% of homes by 2017. This trend will undoubtedly be spurred on by the undertaking from all African states to move to digital by June 2015, yet the reality is that - with a few exceptions, such as Ghana, Guinea and Nigeria who are blazing a trail in this area - most other countries are deterred by the cost and many have yet to even begin the policy work required to facilitate the transition.

Another key opportunity for broadcasters is the anticipated growth of Pay TV, as Pay TV subscribers are expected to increase from 7.2 million today to 14.1 million by 2017, with DTH comprising 8.2 million and pay DTT (pay and FTA combined) 5.2 million.

Within this figure South Africa and Nigeria will have a disproportionately high share of the Pay TV market, as South African Pay TV penetration will rise from 4 million in 2011 to 5.1 million in 2017 and Nigeria will climb from 1.2 million in 2011 to 3.1 million in 2017.

Three key opportunities

For independent teleports like SatLink, which offer Playout and satellite services for global content distribution, the African market offers three key opportunities: Firstly the ability to deliver international TV channels from around the world to the African market. Secondly, the chance to help broadcasters inside Africa to expand coverage out to rural communities as well as into other African countries. The third opportunity is to bring channels out of Africa to deliver them to the diaspora of Africans living and working abroad.

Early in 2012 SatLink launched its AMOS-5 Satellite platforms on Ku band for DTH and contribution, allowing broadcasters to reach the African home viewer or their satellite/cable/DTT/IPTV's Pay TV partners in land. The two separate Ku-Band platforms on 17o East are also allowing broadcasters to distribute video content easily to the French speaking and English/Portuguese speaking central African regions maximising SatLink's own playout centre to adapt the programmes to suit local market demands while distributing their content to emerging broadcast markets like Nigeria, Kenya, Tanzania, Ghana, DRC (Democratic Republic of Congo), Mozambique and Uganda.

Offering transmission services also via the pan-African C-Band on AMOS 5, SatLink is already allowing several major broadcasters to provide an array of entertainment, religious, news and sports channels to Africa's Pay TV users and local distributors.

Drive for diversity

The digital market offers massive opportunities for broadcasters and consumers bringing with it as it does the opportunity to expand beyond the city boundaries into rural communities.

Currently the impetus for private broadcasters to extend beyond a few urban centres has been lacking, as advertisers have mainly focused their attention on the more affluent city dwellers and only public broadcasts have touched the rural communities.

Digital broadcasting offers the chance for governments and regulators to make television universally accessible to the African populace. The extra channels available will also make room for more diverse content and support for more languages beyond the existing English, French and Portuguese options, which in turn will attract more viewers and further stimulate the African broadcast industry.

Since fibre is restricted only to the major cities and microwave is only feasible in urban areas, satellite is the only practical means to distribute these channels into the rural townships. Internet remains unstable and costly and capacity is largely limited to a maximum of 2Mbps, making internet TV unfeasible in the near future and also limiting the use of mobile devices largely to calling and texting without the option for video due to the bandwidth restrictions.

An understanding of the challenges

Doing business in Africa requires an understanding of the challenges still facing the region. With finance still an issue companies need to be willing to offer flexible financial terms. The region is also keen to create its own buoyant broadcast sector and skilling up local workers is also an important ingredient for success.

Companies looking to do business in the region need to be able to offer a full end-to-end service, consisting of more than just satellite capacity to include uplinks, playout, installations, understanding and contacts with equipment suppliers and even access to content providers through their own partnerships.

Nonetheless, the potential rewards from the African market place are immense and - as international businesses spring up in the region - the potential for these, not to mention the extensive opportunities from the rocketing demand for mobile backhaul, will continue to make the region a magnet for satellite companies.

Substantial challenges still exist. The march to liberalisation of the whole region and the lack of infrastructure and internet bandwidth will continue to halt the pace of change.

These factors, together with the social and political turbulence that continues to affect the region, are likely to deter some investors, but the opportunities for those that dare to venture in are immense and only likely to escalate over the coming decade as the young, increasingly affluent population, drive the African economy into a future full of promise.

ABOUT ARIE VERED

Arie Vered is Sales Director for Africa at SatLink Communications. Recognised as a pioneer in global satellite communications services, SatLink is among the world's 15 top independent teleports and a leading provider of transmission solutions for Global Content Distribution over Satellite Platforms, Fibre and IP.
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