

The State of Subscription Businesses in Mena

Microsoft for Startups

SUBS
BASE

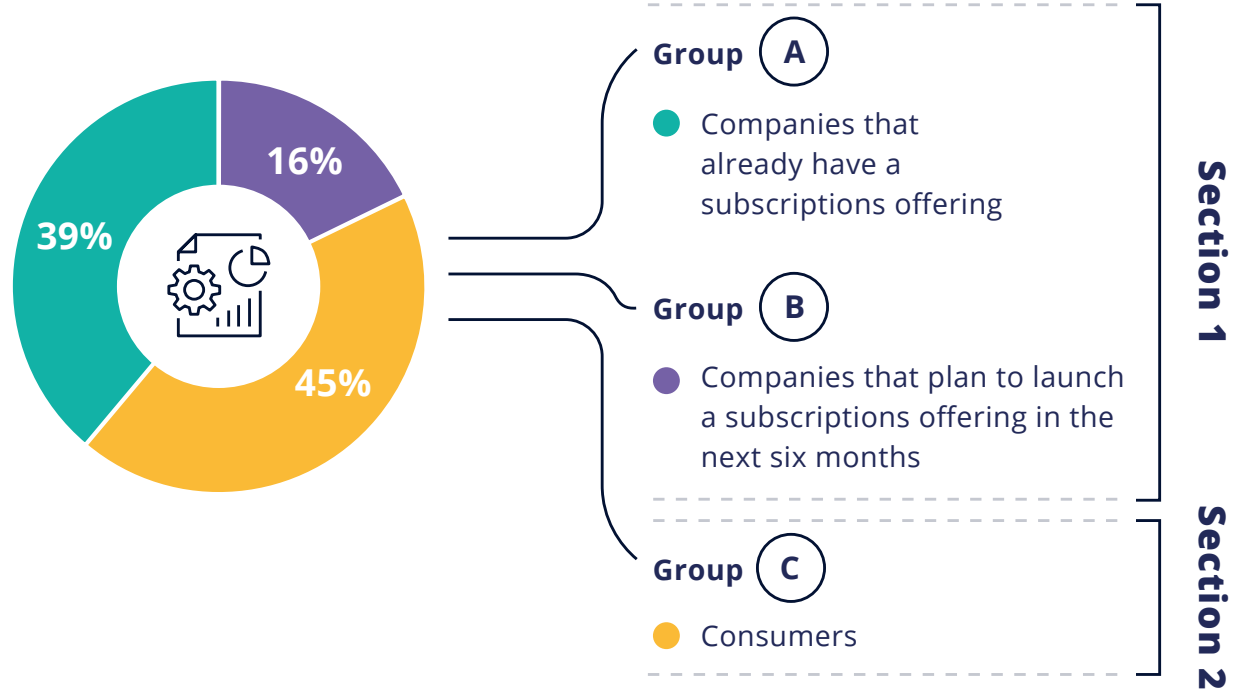
✦ wamda

Subscriptions-based businesses sell a product or service on a scheduled time basis.

There has been a notable rise in the subscription economy over the past few years across the Middle East and North Africa (Mena), driven by the growth of e-commerce and the digital payments infrastructure. The sector has enjoyed a surge as a result of the coronavirus pandemic, both in the business-to-business (B2B) space and business-to-consumer (B2C). Months of lockdown forced businesses to digitise their processes, creating a surge in demand for software as a service (SaaS) offerings, while consumers with little access to outside entertainment turned to streaming platforms, fitness programmes and meal kits to maintain some form of normality.

Many of the regional subscriptions-based businesses are based in the UAE, Egypt, Jordan and Saudi Arabia, countries with strong e-commerce markets and more advanced B2B ecosystems.

This report aims to outline the rise of subscriptions-based businesses in the region, the sectors that are most active and the challenges they face in scaling and growing. We surveyed 193 people, separating them into three groups with the purpose of understanding the state of subscription based businesses across Mena from both the startup and consumer perspective.



This report was produced by Wamda's Research Lab in partnership with Microsoft for Startups and Egypt-based SubsBase, a subscribers lifecycle management and billing platform for subscription-based businesses. SubsBase is a graduate of the Wamda X programme.

Section 1



Group A

Companies that already have a subscriptions offering

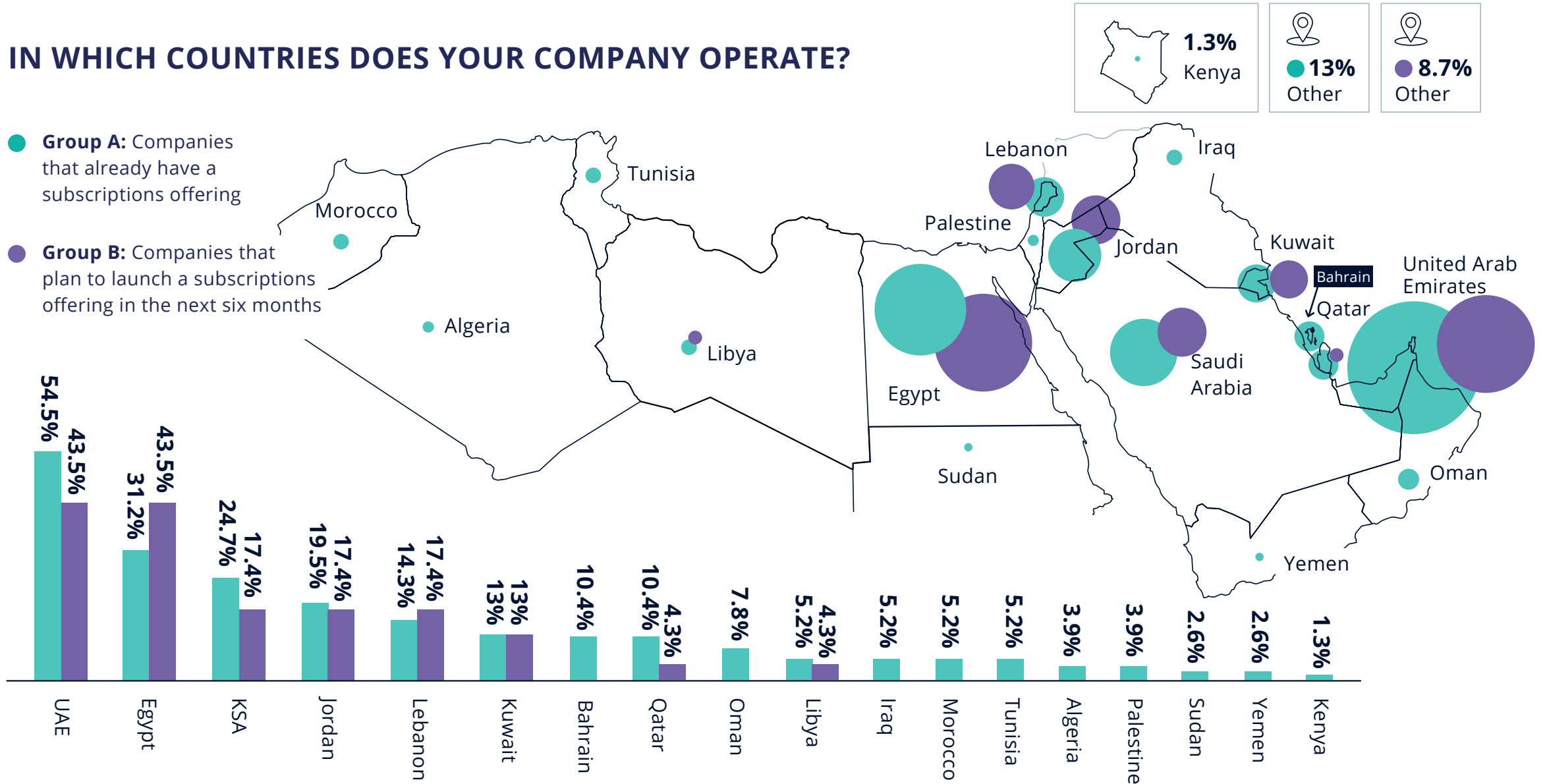


Group B

Companies that plan to launch a subscriptions offering in the next six months

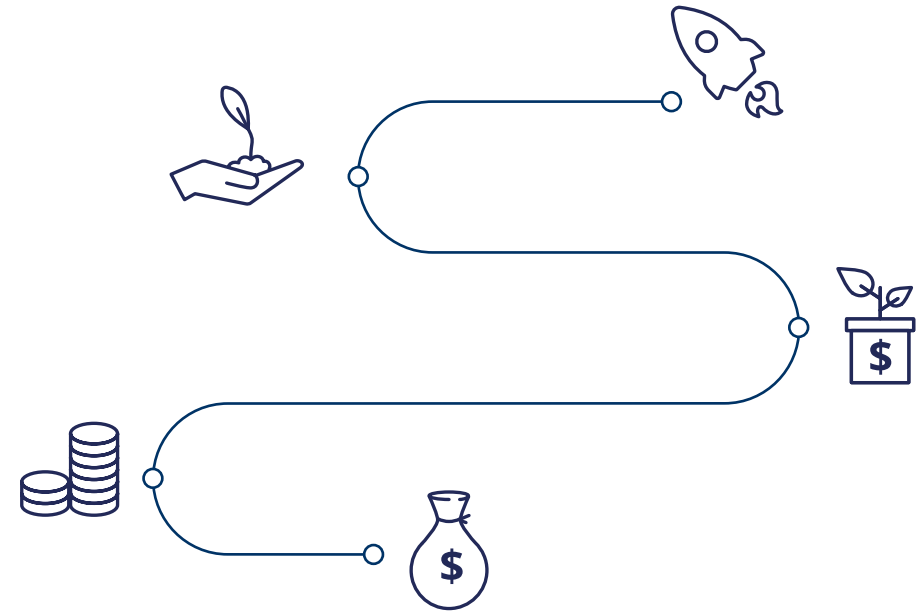
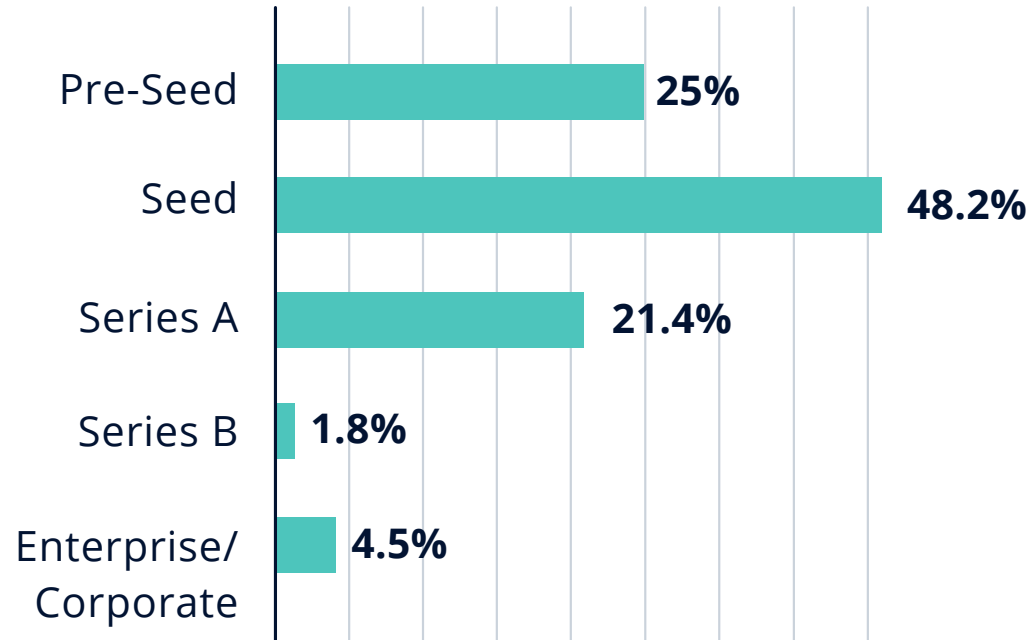
IN WHICH COUNTRIES DOES YOUR COMPANY OPERATE?

- Group A:** Companies that already have a subscriptions offering
- Group B:** Companies that plan to launch a subscriptions offering in the next six months



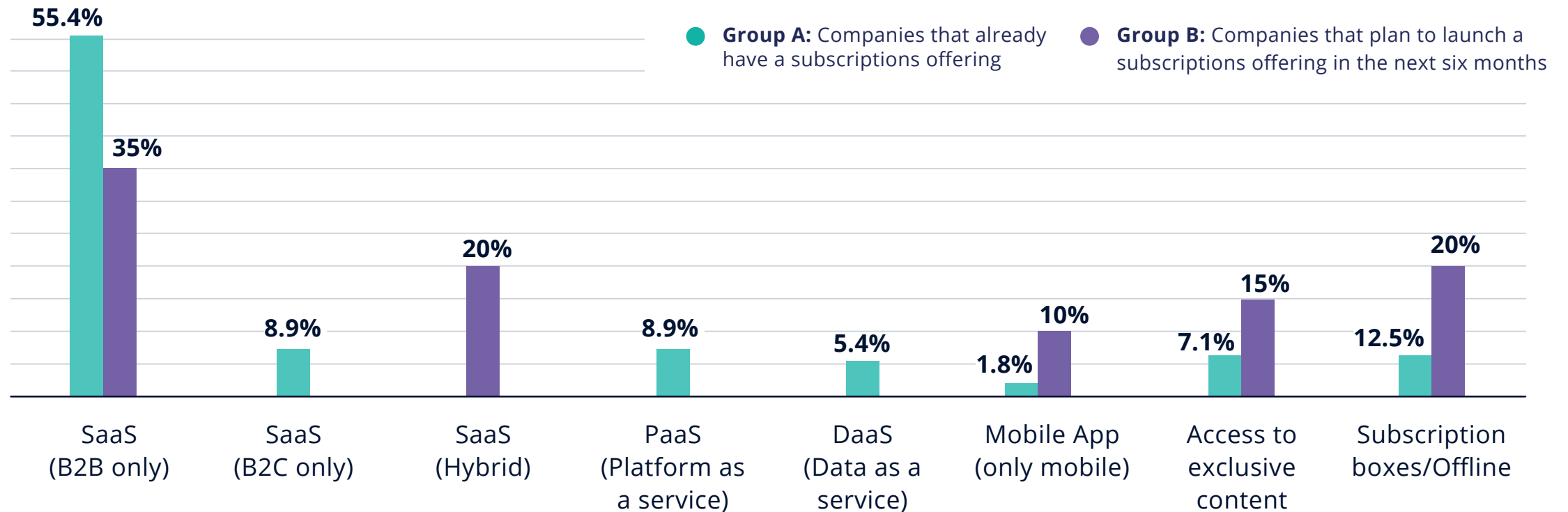
This graph is only for Group A: Companies that already have a subscriptions offering

WHAT STAGE IS YOUR COMPANY AT?



WHICH OF THE FOLLOWING REPRESENTS YOUR SUBSCRIPTION OFFERING?

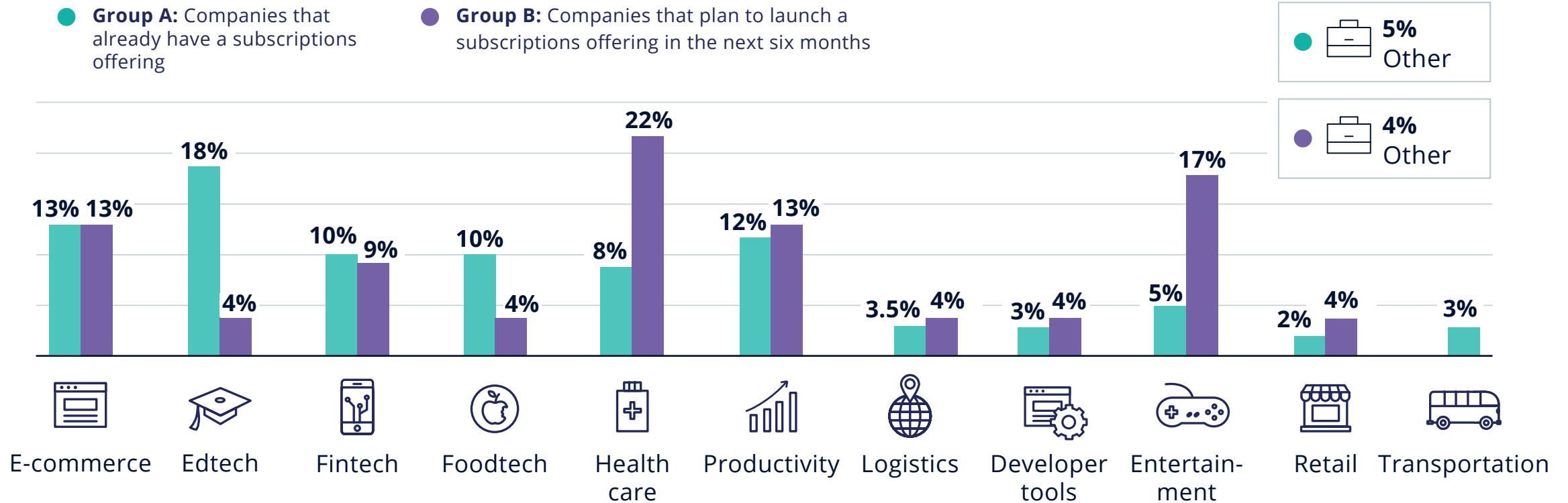
The vast majority of the companies we surveyed are in the pre-seed and seed stage, highlighting the nascent nature of the sector. The same was reflected in the answers provided by Group B, although more corporates [22%] in the region are planning to start offering a subscriptions service in the next six months.



WHICH SECTOR DO YOU OPERATE IN?

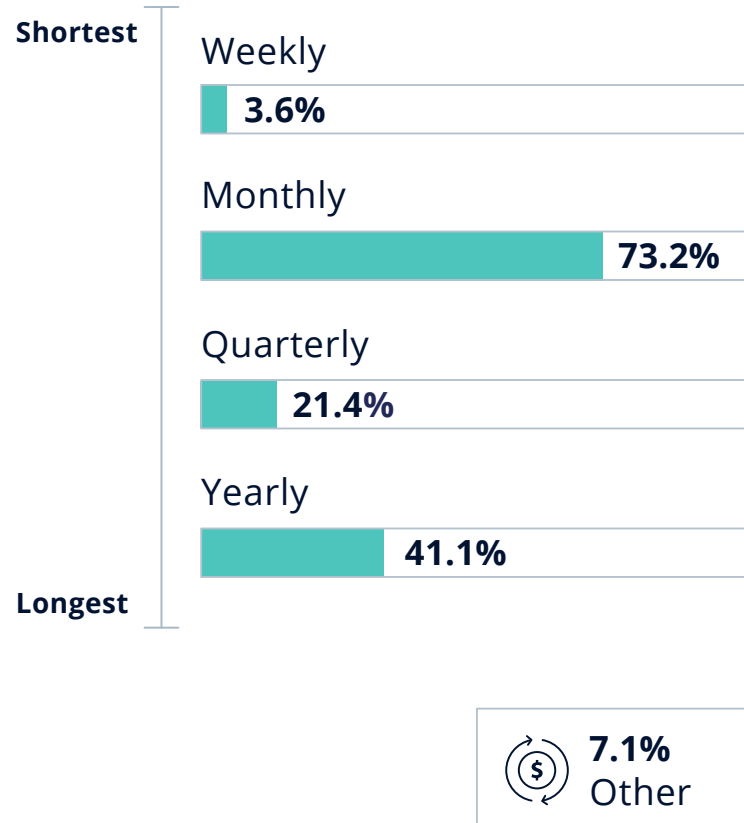
● **Group A:** Companies that already have a subscriptions offering

● **Group B:** Companies that plan to launch a subscriptions offering in the next six months



This graph is only for Group A: Companies that already have a subscriptions offering

WHAT IS YOUR CURRENT BILLING CYCLE?

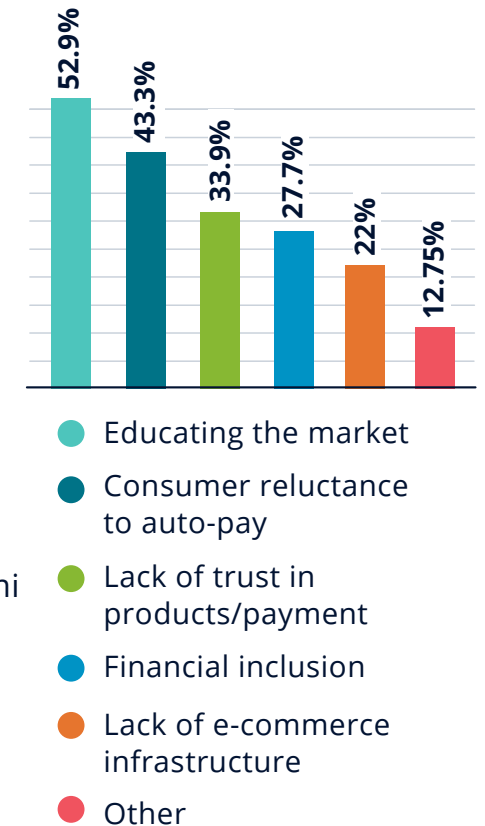


This graph is a combination of Group A and B: Companies that plan to launch a subscriptions offering in the next six months

WHAT ARE THE MAIN CHALLENGES YOU FACE IN ADOPTING A SUBSCRIPTION-BASED BUSINESS MODEL FOR YOUR CUSTOMERS?

A lack of education or understanding of the subscriptions model is still the main challenge for both the B2B and B2C companies, particularly for the latter. Services like Netflix and Shahid have helped raise awareness and trust levels among consumers, but the prevalence of Cash on Delivery (COD), a result of a lack of consumer trust in purchasing goods and services online and the lack of financial inclusion is still holding the sector back in the region.

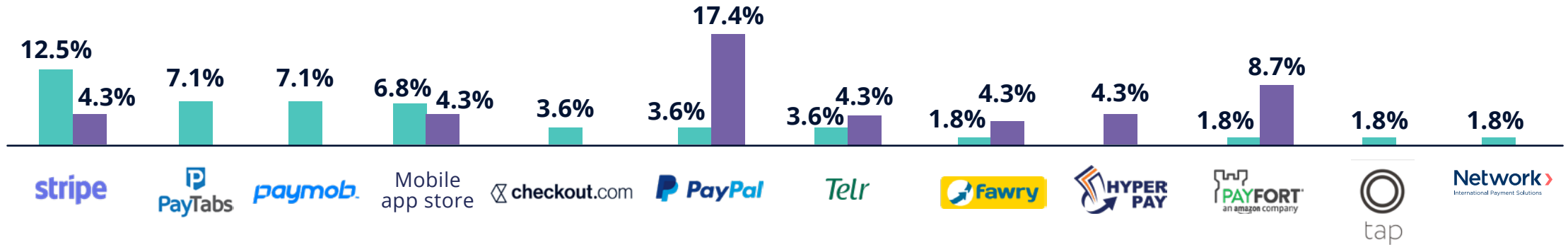
One way that B2C companies like Anghami are circumventing these challenges is through direct operator billing where users are charged for the service as part of their mobile phone package.



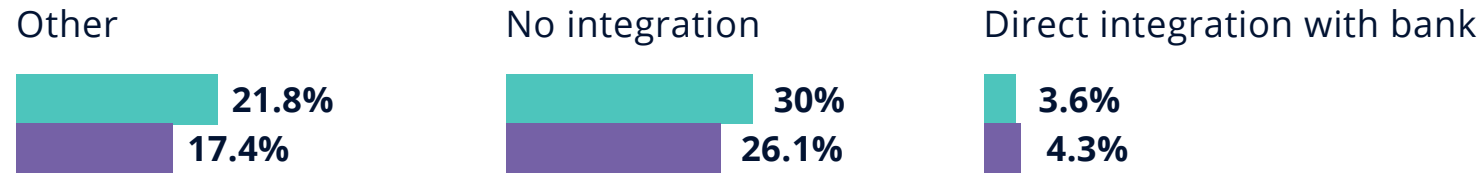
WHICH OF THE BELOW PAYMENT GATEWAYS DO YOU INTEGRATE WITH?

- **Group A:** Companies that already have a subscriptions offering
- **Group B:** Companies that plan to launch a subscriptions offering in the next six months

With payment gateways:



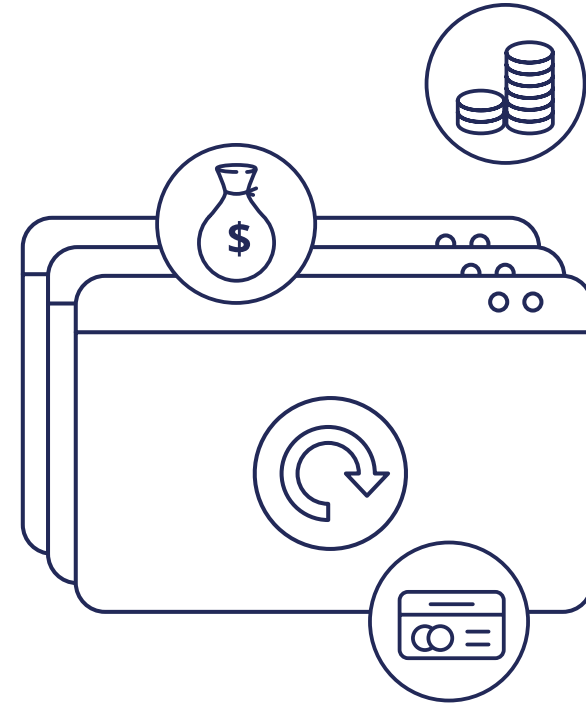
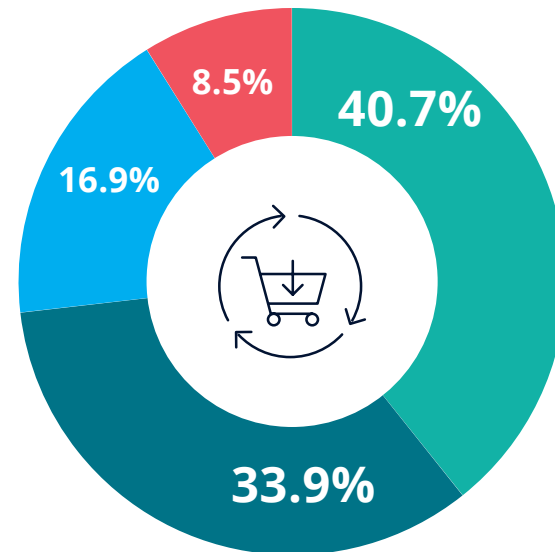
Without payment gateways:



This graph is only for Group A: Companies that already have a subscriptions offering

HOW DO YOU MANAGE THE COLLECTION OF SUBSCRIBERS' FEES AND RECURRING TRANSACTIONS?

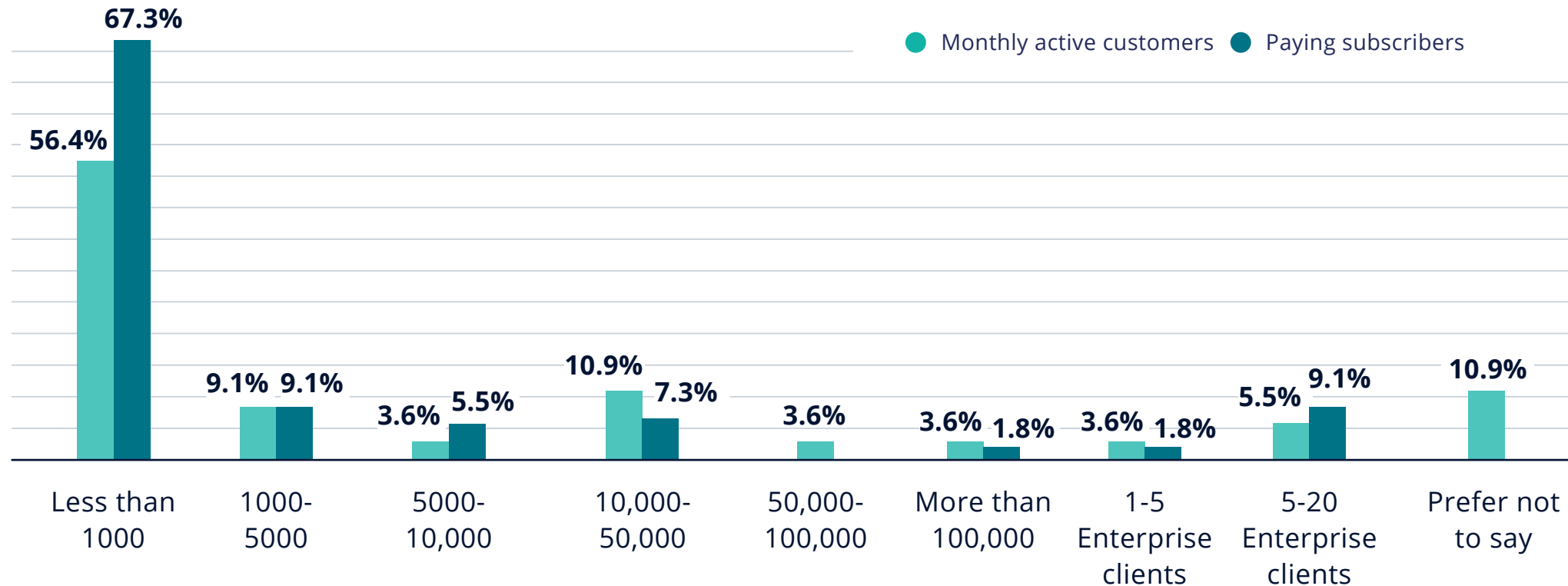
- Internally developed solution
- Manually / Spreadsheets
- 3rd party subscription management solution
- Other



This graph is only for Group A: Companies that already have a subscriptions offering

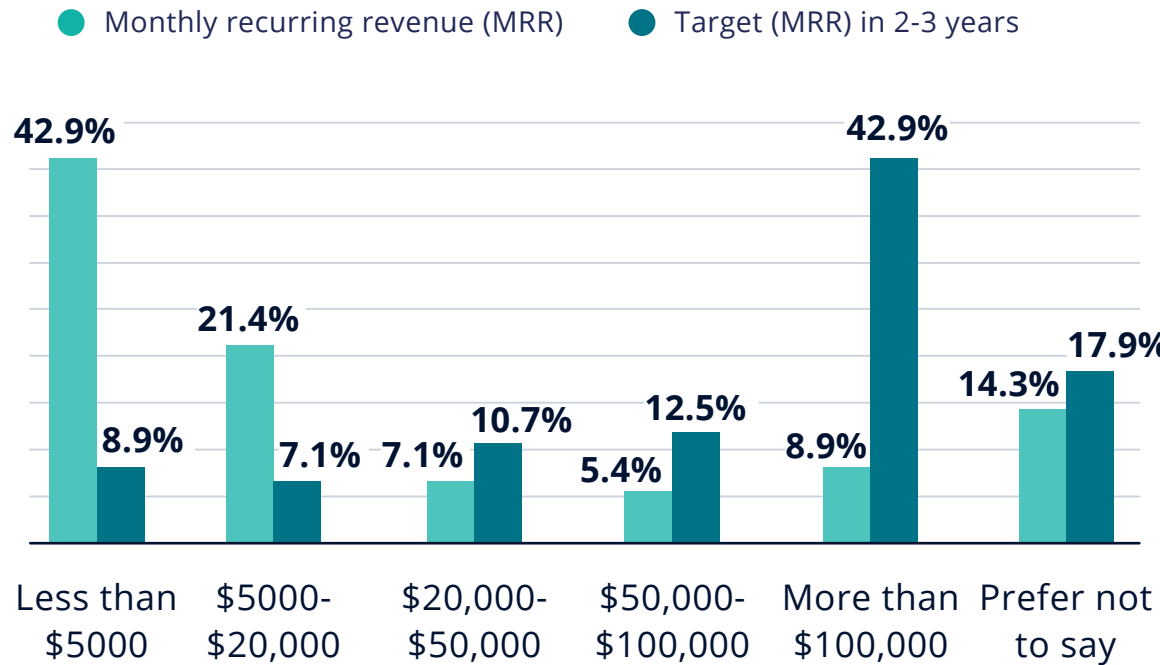
HOW MANY MONTHLY ACTIVE CUSTOMERS AND PAYING SUBSCRIBERS DO YOU CURRENTLY HAVE?

Reflecting the still-nascent state of the sector, the majority of subscriptions-based businesses have fewer than 1000 subscribers of which 30% are paying \$1-10 per month and 24% are paying \$11-20 per month. About 43% of the businesses we surveyed are expecting to achieve monthly recurring revenues of more than \$100,000 within the next two to three years.

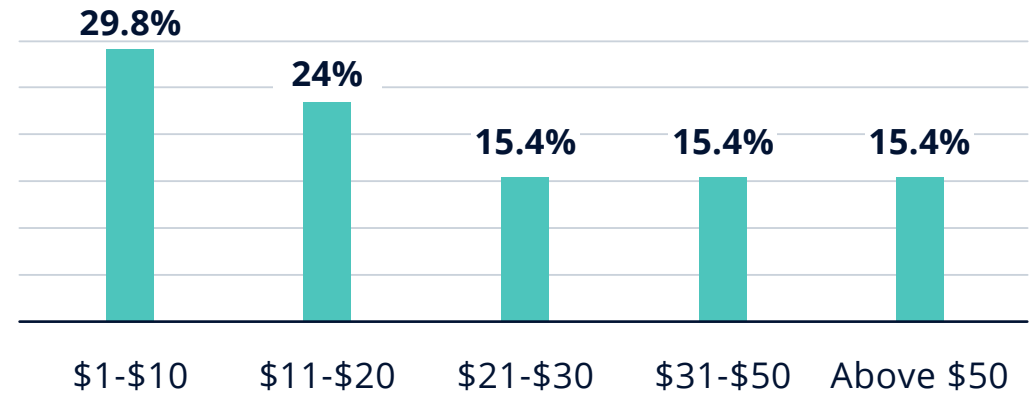


This graph is only for Group A: Companies that already have a subscriptions offering

WHAT IS YOUR CURRENT MONTHLY RECURRING REVENUE (MRR)? AND WHAT IS YOUR TARGET MONTHLY RECURRING REVENUE (MRR) DURING THE NEXT 2-3 YEARS?



HOW MUCH ARE YOU MONTHLY PAYING FOR YOUR SUBSCRIPTIONS (ON AVERAGE)?



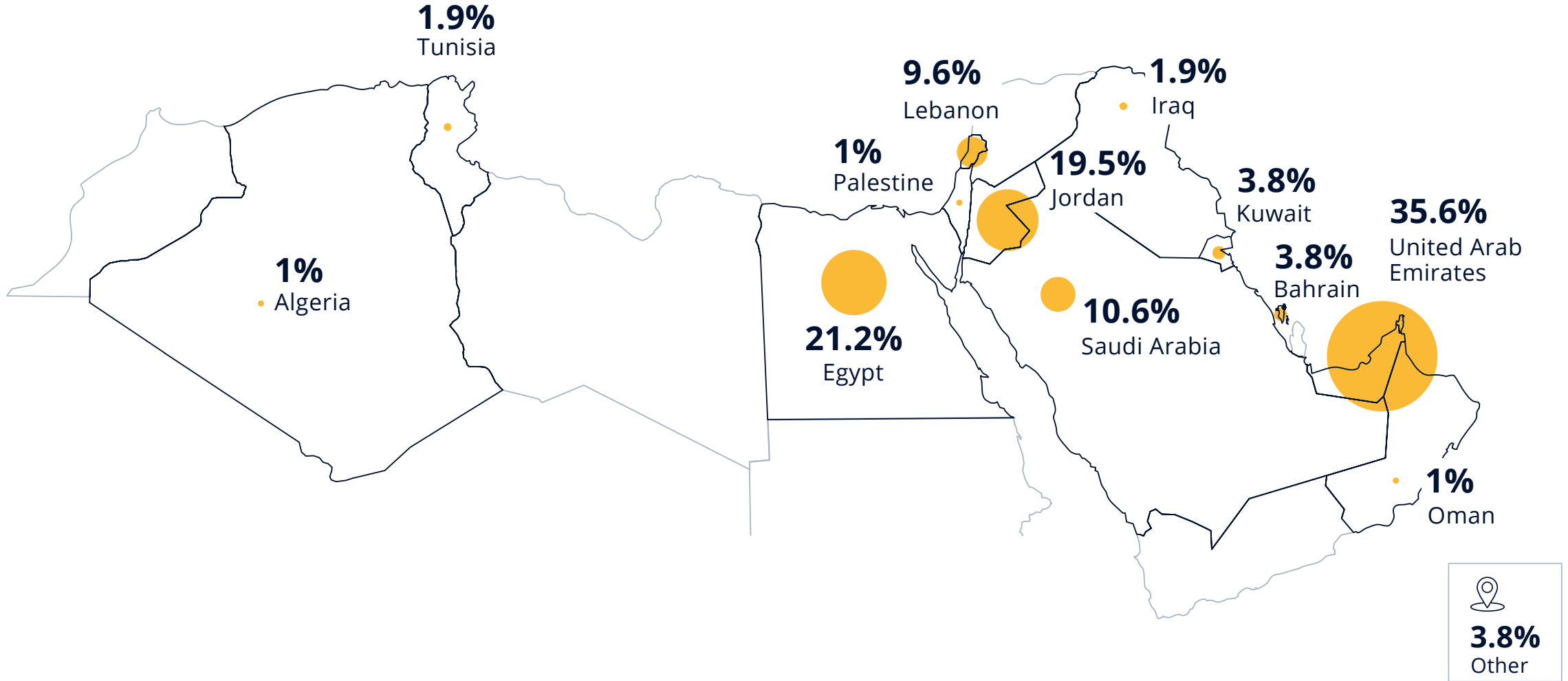
Section 2



Group C

The Consumer

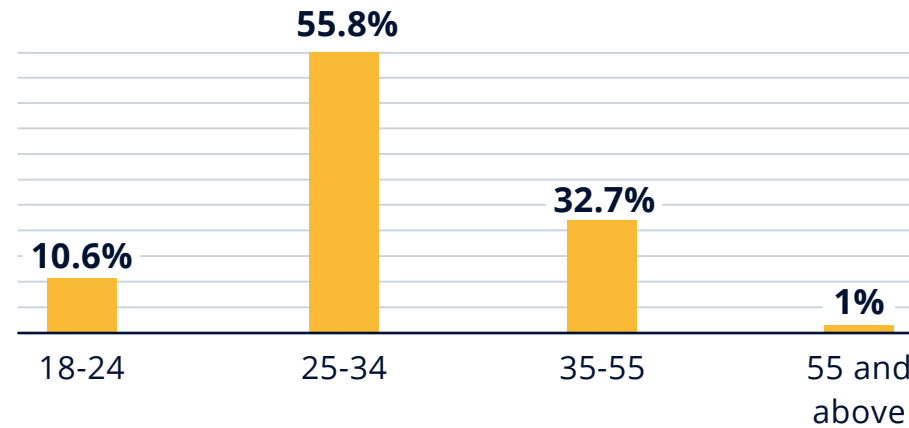
WHERE ARE YOU BASED?



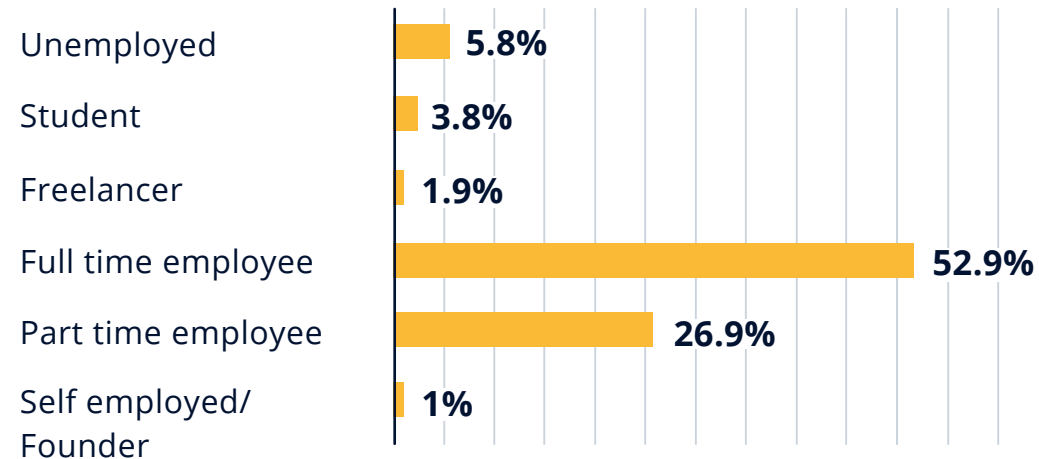
To get a better understanding of what is driving these trends, we surveyed 107 consumers from the region, mostly in the 25-34 year old age group.

The services that consumers have subscribed to are reflective of wider global trends that have emerged as a result of the coronavirus pandemic. More than 64 per cent are currently using a trial plan for Netflix with 62.5% planning to continue subscribing or plan to subscribe to the video streaming service over the next year. Other streaming services that are doing well are Spotify, Anghami, and Shahid, while business tools like Microsoft 365, Zoom and Dropbox are expected to enjoy steady growth in line with continued work from home and remote working policies.

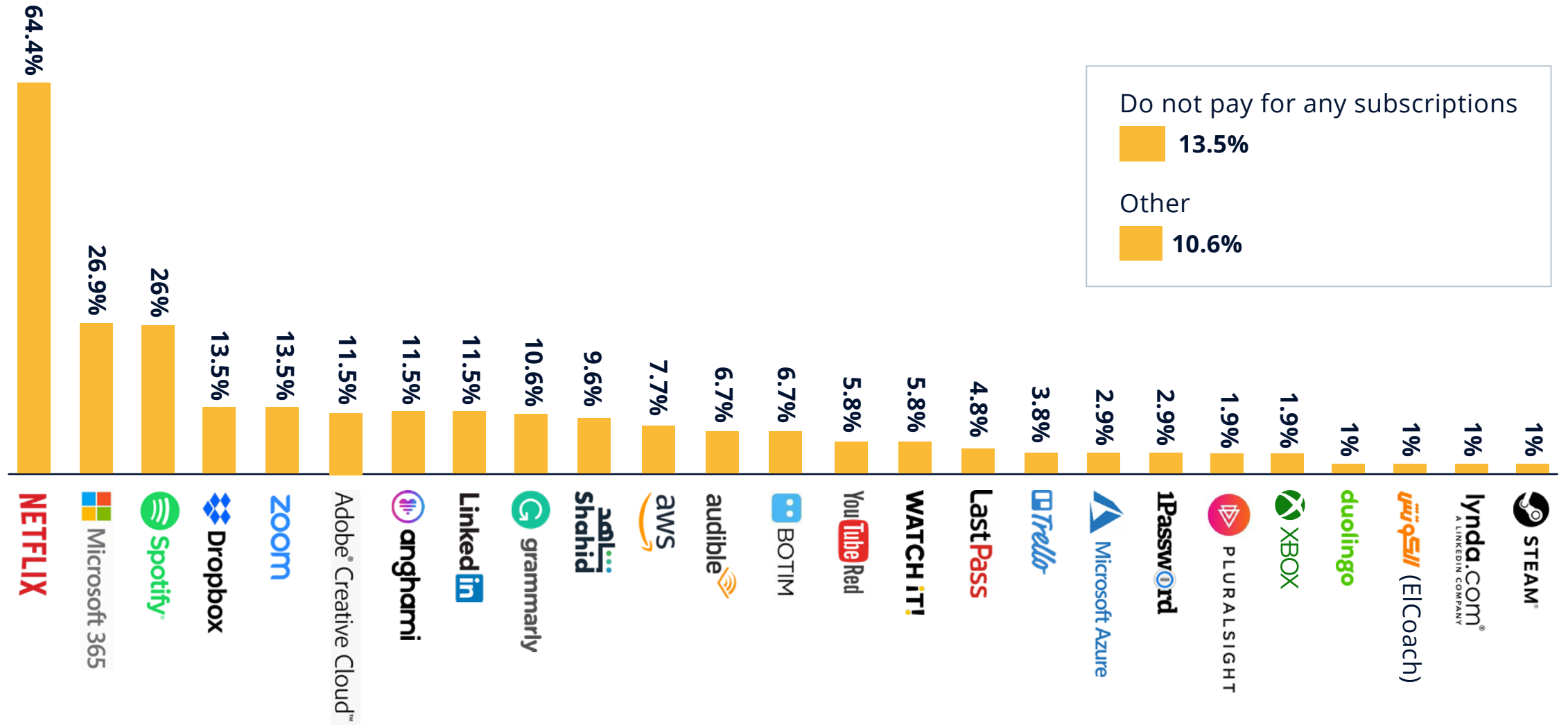
HOW OLD ARE YOU?



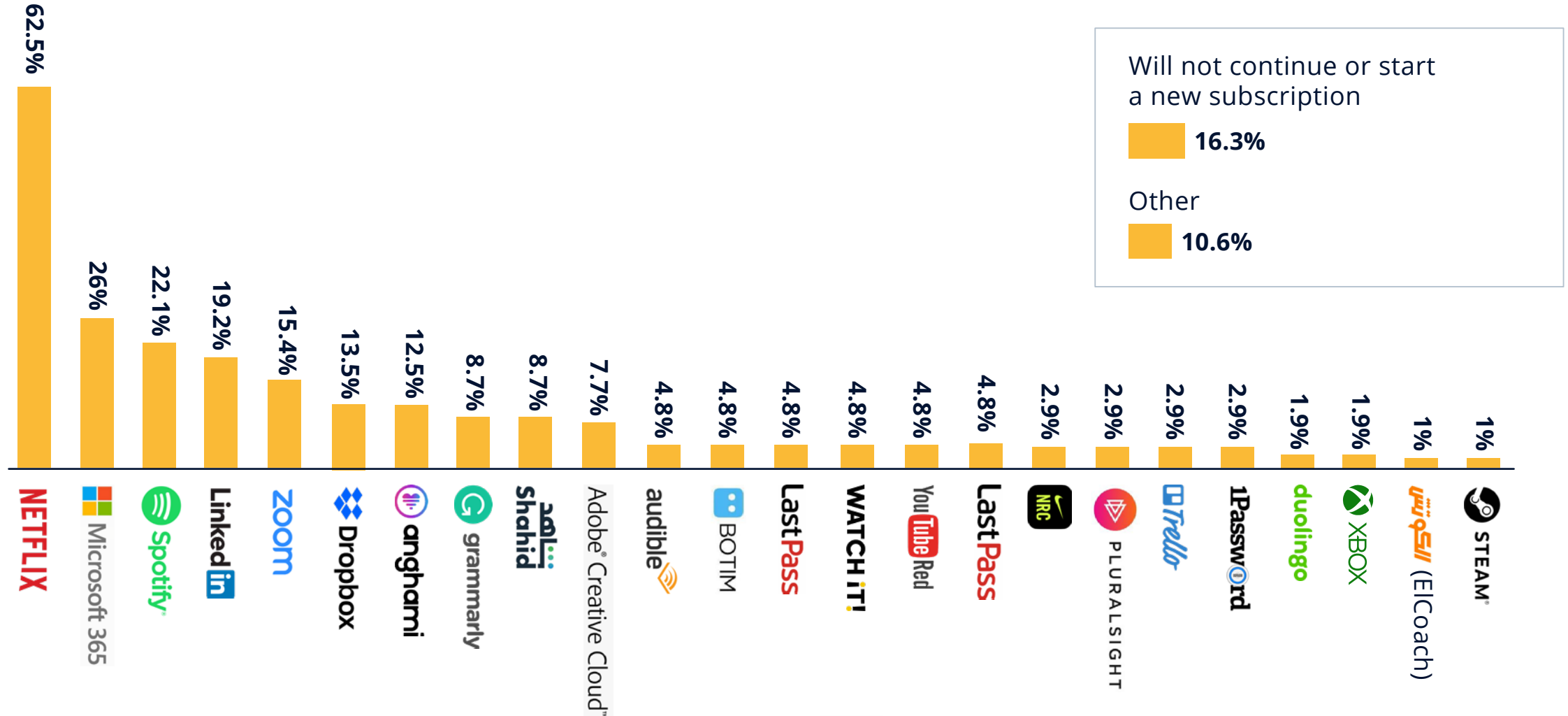
WHAT IS YOUR EMPLOYMENT STATUS?



WHICH OF THE BELOW TOOLS DO YOU, CURRENTLY, USE A FREE OR TRIAL PLAN?



WHICH OF THE BELOW WILL YOU CONTINUE SUBSCRIBING, OR PLAN TO START A NEW SUBSCRIPTION, DURING THE COMING 12 MONTHS?



WHAT OTHER SUBSCRIPTIONS ARE YOU PAYING FOR?



I do not subscribe to any services



Medical services (Insurances/treatment of chronic diseases/medication/etc)



Entertainment and travel



Sports (Gyms/training/club)



Home rent



Transportation



Insurance (car/life/assets)



Home cleaning services



Other





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