1st Edition: Arab Media Perspectives

How Young Arabs are Fuelling the MENA Media Market
Authors

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Executive Summary

The Middle East and North Africa (MENA) media industry is undergoing a fascinating transformation. Cultural shifts among the region’s young people have spawned a tremendous creative energy. Untapped demand for local, Arabic content will spur regional media to grow by leaps and bounds. Accelerated adoption of mobile technology has created opportunity across media platforms. Moreover, evolutions in paid and digital media have created new rationales for investment.

These changes provide regional media players with an opportunity to reset their business models and explore investments in high-quality local content, and offer global players in particular a reason to reevaluate their presence in the region. To succeed in this evolving landscape, it is important to understand how these changes are playing out in the industry today, and in particular in three growth areas: gaming, audiovisual content, and e-commerce.

However, simply understanding the changes isn’t enough. Regional and global players must bring their attention and expertise to four areas for the media sector to reach its full potential:

- Education, including preparation for digital careers in a variety of learning environments
- Talent, incorporating on-the-job training in areas such as gaming development, animation, and movie production
- Infrastructure and work environment, including both the high-quality facilities available in media cities and the corporate cultures that will attract the digital generation
- Financing, to bridge gaps in existing regional funding models

The regional industry challenges of limited revenue opportunity and high costs, which had previously made it difficult for global players to justify a business case for investment, are rapidly evolving. With improved sector economics and an emerging talent base, the MENA region merits a fresh look.
A New Talent Base

When young Emirati filmmaker Ali F. Mostafa was unable to find any realistic depictions of life in the United Arab Emirates (UAE) on the big screen, he decided to create one himself. Shot on location in the UAE, his 2009 film, City of Life, used an international cast to illustrate the diversity of the UAE, with representations of three ways of life that rarely intersect. “I had this intense need to showcase the UAE on a global level. It was almost like my duty to do it,” he said. “And one of Dubai’s biggest strengths is its mix of people from different cultures and continents. Everybody living in the UAE will be able to identify with the film.”

Mostafa’s latest film, From A to B, opened the Abu Dhabi Film Festival in October 2014 — the first locally produced film to do so. He is just one member of the burgeoning network of creative young media producers who are transforming the industry in the Middle East and North Africa (MENA) region.

Young people are both driving and fulfilling demand for local, targeted content, in a media market that has shown steady growth in recent years. The market is now on the brink of the next evolutionary leap forward, with substantial increases in both advertising and paid media on the horizon. To propel that next step, however, large regional and international players need to combine the creative energy of the Arab youth with their institutional structure and support.

Supporting this new talent base of Arab youth in the region is a media market poised for growth. The challenges of limited revenue opportunity and high costs that made it difficult to justify a business case for investments in media are rapidly evolving. The growth potential of the media market should provide the commercial impetus required for global players to harness the region’s booming creative energy. The digital economy is also reaching critical mass, allowing niche projects and proposals to achieve profitability. These changes give regional players an opportunity to reset their business models and explore investments in high-quality local content, and offer global players in particular a reason to reevaluate their presence in the region. With improved sector economics and an emerging talent base, the MENA region merits a fresh look.
The Emerging Opportunity in MENA Media

The favorable demographic changes under way in the MENA region are well known, and represent a growth opportunity for nearly every industry sector. The overall population is expected to grow 1.9 percent in the next five years, from 317 million in 2014 to 349 million in 2019. Consumer expenditure should see even more dramatic growth during the same period, increasing 10.6 percent from US$1.2 trillion to nearly $2 trillion.

In several countries in the region, growth in consumer spending per capita exceeds the global growth average of 5.9 percent, including Egypt (11 percent), Morocco (8 percent), Saudi Arabia (7 percent), and the UAE (7 percent). Moreover, the Middle East media market will benefit from a relatively younger demographic: People under the age of 34 constitute 68 percent of the population in the region.

Other changes will have a positive impact on the media sector in particular. A more literate population paves the way for greater media consumption, and youth literacy rates are substantially higher than adult literacy rates; youth literacy rates in the region range from a low of 82 percent to nearly 100 percent in several countries, compared with adult literacy rates of 66 percent to 98 percent.

Technology adoption is also prevalent: In the MENA region’s three largest markets, the use of laptops and smartphones is widespread, while the use of tablets is mixed (see Exhibit 1). In particular, smartphone adoption is rapidly increasing, nearing the levels of PCs and laptops, especially in the Gulf Cooperation Council (GCC). Mobile subscriber penetration, at 131 percent in 2014, exceeds the global average of 101 percent. Fixed broadband penetration still lags behind the global average, but the gap is narrowing: By 2019, the region is expected to have fixed broadband penetration of 26 percent, compared with the global average of 42 percent. Moreover, six countries in the region rank among the top 50 in the World Economic Forum’s Networked Readiness Index, including the major media markets of Saudi Arabia and the UAE.
**Exhibit 1:**
Technology adoption is increasing, particularly in the youth population

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**ELECTRONIC/COMMUNICATION DEVICES USAGE (PERCENTAGE OF RESPONDENTS, 2013)**

<table>
<thead>
<tr>
<th>Device Type</th>
<th>Egypt</th>
<th>Saudi Arabia</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile phone (without Internet connectivity)</td>
<td>44.0% 49.0% 68.0%</td>
<td>19.0% 26.0% 40.0%</td>
<td>13.0% 13.0% 9.0%</td>
</tr>
<tr>
<td>Desktop computer</td>
<td>52.0% 60.0% 74.0%</td>
<td>25.0% 36.0% 38.0%</td>
<td>30.0% 65.0% 36.0%</td>
</tr>
<tr>
<td>Smartphone (with Internet connectivity)</td>
<td>45.0% 37.0% 21.0%</td>
<td>61.0% 69.0% 62.0%</td>
<td>87.0% 79.0% 82.0%</td>
</tr>
<tr>
<td>Laptop/Netbook computer</td>
<td>60.0% 61.0% 35.0%</td>
<td>49.0% 62.0% 64.0%</td>
<td>83.0% 88.0% 65.0%</td>
</tr>
<tr>
<td>Tablet (iPad, Galaxy Tab, etc.)</td>
<td>16.0% 11.0% 7.0%</td>
<td>29.0% 30.0% 31.0%</td>
<td>45.0% 50.0% 37.0%</td>
</tr>
</tbody>
</table>

**Note:**
- Arab National Generation (ANG) — This demographic cohort was born between 1948 and 1964 (ages 49 to 65). The key socioeconomic event that shaped this era was the rise of Pan Arabism, which was built on the idea of a united Arab nation bound together by common linguistic, cultural, and historical heritage. It was also a time when governments emerged as key economic agents.
- Arab Regional Generation (ARG) — Born between 1965 and 1977 (ages 36 to 48), this group grew up during the expansion of oil wealth in some countries, especially in the 1970s and 1980s, leading to the distribution of wealth across the Arab region and the rise of regional economic blocs such as the Gulf Cooperation Council (GCC), which was established in 1981.
- Arab Digital Generation (ADG) — Born from 1978 onward (though our research includes only those ages 15 to 35), this age cohort experienced the onset of digital technology, along with economic globalization.

**Survey Question:** Which of the following electronic/communication devices do you use personally in your daily life?

**Source:** Strategy& Arab Generational Divide Survey, 2013; Strategy& analysis

The effect of these changes on the sector will be substantial. The media market in the region is expected to show a 7 percent compound annual growth rate (CAGR), from $15.5 billion in 2014 to $21.5 billion in 2019 (see Exhibit 2).\(^{12}\)
Exhibit 2:
The MENA media market is set to expand rapidly, with strong growth in digital commerce and games.

From a geographical perspective, Egypt, Saudi Arabia, and the UAE are the major markets in the region, contributing more than 50 percent of the total media and entertainment market. The Levant, representing 10 percent of the total MENA market, is expected to witness a growth rate of 6.8 percent from 2014 to 2019.13

In terms of specific media segments, digital media and audiovisual content are poised for the most growth, whereas regional print players are starting to feel the pressures that have affected their global counterparts for the last decade.
Digital media — which includes apps, infotainment, gaming, e-learning, e-commerce, and social media — is reaping the benefits of ubiquitous smartphones and mobile broadband. Social media is an important driver within digital as, in line with global trends, social networks in the region are becoming the new town squares. They are evolving from a platform for social interactions and becoming a connection to the marketplace, with users networking and doing research that leads to purchase decisions. According to a recent Strategy& survey, nearly two-thirds of social media users in the region regularly use social networks to seek recommendations on products and network for job opportunities. The older generations are not far behind young people in their participation on social networks, allowing marketers to harness social media to target the full gamut of consumers across demographic segments.

Gaming is another key driver in the digital space, expected to grow from 19 percent to 22 percent of the digital segment. E-commerce is important as well, with strong growth projected in the coming years. New players are entering the digital field: Apps companies are capitalising on the emergence of connected TV ecosystems, which allow users to view digital content on a variety of screens, while regional and global companies offering digital services, such as search engine optimisation, are recognising the region’s inherent opportunities. Finally, government investments in e-learning are providing a boost to the media companies that create content for these initiatives. The growth opportunities within e-learning are expected to come primarily from the business-to-government and business-to-business segments for the next several years, but we expect they will be followed by a boom in consumer-led demand.

In TV, a number of trends are converging. Time-shifted viewing and video on demand are on the rise, though not to the same degree as in some other markets; premium Arabic dramas are more prevalent; high-definition TV is making inroads; and the industry is benefiting from richer data about viewers and their habits, thanks to the introduction of the People Meter in the UAE, as well as the data available from Internet protocol television (IPTV) and “over the top” delivery platforms. Although satellite distribution still accounts for over 80 percent of the market, including both paid TV and advertising, and IPTV and OTT contribute less than 20 percent, the latter segments are expected to grow at a faster rate in the coming five years.

Finally, increased penetration of IPTV in select markets such as Qatar, Saudi Arabia, and the UAE is creating local, digitally connected TV communities, opening up opportunities for improved distribution and monetisation of local content. All of these trends are combining to create a better experience for viewers, with more local, targeted content (see “Audiovisual Content: New Trends, From Smartphones to the Big Screen,” page 24).

Print media is experiencing declines that can be tied to progress in digital. In contrast to global markets, MENA print media prior to 2014 had remained relatively immune to the declines in ad spending common for newspapers and magazines; advertisers that wanted to target local rather than regional markets had few other options. In fact, until recently, print accounted for more than 40 percent of the total local advertising spend in most GCC markets.
That is no longer the case, as news readership is gradually and steadily shifting to digital platforms. On these platforms, print players face an extended set of competition from not only their traditional competitors but also TV broadcasters, Internet giants, and other digital startups. In Saudi Arabia, for instance, digital news provider Al Sabq garners 10 times the viewership of any other news website, including the Web counterparts of print publications.

Social networks are also making inroads on news, and are increasingly emerging as a first point of access for news and a key source of referral to professional news websites for a substantial portion of the Arab Digital Generation. Print players will need to invest significantly in digital capabilities while simultaneously rationalising their traditional cost structures. The good news is that MENA print media companies have an advantage over their global counterparts because they have had such strong profitability while their peers around the world suffered through rapid change. They can craft their futures based on local content; high-quality, premium editorial; ad sales staff with deep local penetration; and relationships with direct advertisers.

Finally, the MENA advertising market is overdue for a correction. Advertising spend per capita in the region is low — in Saudi Arabia, for instance, it was $38 in 2014, compared with $520 in the U.S. and $313 in Japan (see Exhibit 3).
Exhibit 3:
Advertising spend per capita in the main MENA markets is rising from a low level

The difference is that whereas growth in advertising spend has slowed in mature markets, it is on the rise in the MENA region. Between 2014 and 2018, ad spend per capita is forecast to grow 2.8 percent in Saudi Arabia, 6.2 percent in Egypt, and 2.7 percent in the UAE — compared with just 2.5 percent in the U.S., 1.7 percent in Japan, and 1.4 percent in Germany.20

Overall, the MENA advertising market is expected to enjoy a 6 percent CAGR from 2014 to 2019, from $5.6 billion to $7.6 billion,21 compared with 4.4 percent for the global advertising market (see Exhibit 4).22

Exhibit 4:
Digital is expected to account for one-fifth of the MENA advertising market by 2019

One important shift to watch will be the rebalancing in ad spending among different types of media (see Exhibit 5). Newspapers, for example, account for 32 percent of advertising spend, but just 9 percent of time spent on media. By contrast, digital media accounts for 27 percent of time spent by consumers, but only 9 percent of advertising spend. With investment in high-quality ad platforms and capabilities in the region, digital advertising should increase substantially. Additionally, the increased penetration of IPTV in a few GCC countries offers marketers the potential to increase the efficiency of their TV advertising. This could potentially accelerate the shift of advertising away from newspapers and magazines in these markets.

MENA ADVERTISING MARKET (IN US$ BILLIONS & CAGR %, 2014–2019)

Source: Strategy& analysis and forecasts
Exhibit 5:
Digital advertising has considerable potential in key MENA markets

TIME SPENT ON MEDIA VERSUS ADVERTISING SPLIT (BY PLATFORM, 2013)

<table>
<thead>
<tr>
<th>Platform</th>
<th>Time spent</th>
<th>Advertising split GCC</th>
<th>Advertising split MENA</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>31%</td>
<td>29%</td>
<td>32%</td>
</tr>
<tr>
<td>Radio</td>
<td>13%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Newspapers</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Magazines</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Digital</td>
<td>27%</td>
<td>10%</td>
<td>9%</td>
</tr>
</tbody>
</table>

1 Bahrain, Egypt, Jordan, Lebanon, Qatar, Saudi Arabia, Tunisia, and the UAE. Time spent on the Internet refers only to usage at home.
2 Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE, Yemen, and pan-Arab advertising.
3 Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, the UAE, and Yemen.

Source: Strategy& analysis
Unique Growth Characteristics of the MENA Media Market

The demographic and usage data out of the MENA region paints a compelling picture of changes in progress. When considering the future of the industry, however, it is useful to look at growth through the lens of four trends:

• The rise of the Arab Digital Generation
• The demand for local content
• The ubiquity of mobile
• The shift to paid media

These trends play out across the media landscape, and in particular in three areas that will be discussed in greater depth: gaming, audiovisual content, and e-commerce. Each underscores how increasingly unlikely it is that global players will be able to succeed in the region without investments in local content development and production.

The Rise of the Arab Digital Generation

The cultural values that have defined the Arab region are slowly changing. A recent Strategy& survey\(^{24}\) has shown that the traditional values of the region — identified as “hospitality,” “generosity,” and “dignity” — are being complemented by a gradual rise in “individualism.” This is especially true among those ages 15 to 35, whom we call the Arab Digital Generation.

This shift manifests in young people’s belief in their right to pursue their own goals, to be more self-expressive, and to value independence and self-reliance. Why does this matter to media players? Because all of these traits are changing the way young people consume — and create — media.

Young people are increasingly seeking personalised content as opposed to content that has been repackaged for the region. They want content that speaks to their lives, their experiences, their perspectives — and when they have not been able to find it, they have made it themselves. This impulse — and the ease of access offered by digital media — has led to an assortment of content including user-generated videos on YouTube; small-budget, award-winning feature films; and a variety of games with a local flavor.

The Demand for Local Content

One of the defining attributes of locally produced content is how much of it is in Arabic. This is true across media, including not just TV and movies but digital content and games. Young people’s preference for Arabic content greatly outweighs that for English content, and it is clear that this demand is not being met. Although Arabic speakers account for 5 percent of Internet users worldwide,\(^{25}\) less than 1 percent of websites are in Arabic.\(^{26}\)

Even more than Arabic content, media consumers want local content: In Saudi Arabia, for instance, the supply of American and Egyptian television exceeds demand, as viewers are eager for more Gulf content. This is a challenge for media players, as the creation of local Arabic content requires the availability of local talent, consistent and sustainable content funding, a wide range of financing models, and a high level of brand credibility and trust.
The Ubiquity of Mobile
The mobile market is one of the fastest-growing media segments in the Middle East. Smartphone penetration in Saudi Arabia and the UAE has surpassed 75 percent of the population, with more than 55 percent of users accessing the Internet every day on a smartphone. More important, perhaps, the number of mobile broadband users already exceeds the number of fixed broadband users in the region. Particularly for those who are growing up with mobile media, this has long-term implications for consumption habits.

Already, consumers are more likely to play games and access social networks on a mobile device than a laptop or desktop computer. For other media activities, such as accessing news or browsing websites, levels of usage on smartphones are also fast approaching those on laptops or desktop computers.

Finally, uptake of video consumption on mobile has been prolific. With the regional apps market geared toward games and productivity/utility apps (such as Google Docs and Dropbox), we can expect a broader range of activities to take place on this platform (see Exhibit 6).

Media players operating in the region should make mobile an integral part of their strategy and accelerate the development of mobile-centric propositions. At the same time, marketers should consider integrating mobile into their advertising campaigns to enhance effectiveness, reach, and engagement.
Exhibit 6:
The mobile market is one of the region’s fastest growing media segments


<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCC</td>
<td>626</td>
<td>685</td>
<td>701</td>
<td>741</td>
<td>830</td>
<td>920</td>
</tr>
<tr>
<td>North Africa</td>
<td>762</td>
<td>854</td>
<td>901</td>
<td>977</td>
<td>1,103</td>
<td>1,233</td>
</tr>
<tr>
<td>Levant</td>
<td>120</td>
<td>149</td>
<td>172</td>
<td>199</td>
<td>223</td>
<td>247</td>
</tr>
</tbody>
</table>

**TOP MOBILE APPS BY CATEGORY (PERCENTAGE OF TOTAL DOWNLOADS, 2012)**

- **Productivity & utility**: 39%
- **Games**: 36%
- **Social networking**: 17%
- **Other**: 17%

**Note:** North Africa consists of Algeria, Egypt, Libya, Morocco, and Tunisia. The Levant consists of Iraq, Jordan, Lebanon, the Palestinian Territories, and Syria. The GCC consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE, and Yemen.

**Source:** Strategy& analysis and forecasts

**The Shift to Paid Media**

Historically, the proportion of paid media has been low in the region, owing largely to the dominance of free-to-air satellite channels, the absence of theaters in Saudi Arabia, and lack of a “cinema going” culture in other populous Arab states. Spend on leisure activities represents only 2.4 percent of total consumer expenditure, compared with 9 percent in the U.S.²⁸

However, consumer spending on leisure and recreation activities in the Middle East is expected to grow at a rate of 10 percent annually, significantly higher than that in most developed markets.²⁹ This will drive a rapid growth in paid media. The proliferation of digital content, demand for on-the-go content, and increased focus on premium local content are supporting its growth.
The rise of localised, targeted, and measurable content is a boon on two fronts. It creates a better experience for consumers, supporting their propensity to pay for content — which is already higher in the MENA region than globally. In particular, growth in media spend per capita is higher than in many developed markets (see Exhibit 7). Advertisers are also able to reach consumers much more effectively, particularly with digital content.

Again, the Arab Digital Generation is at the forefront of this trend. They are the first adopters of subscription-based OTT sites, the primary demographic adopting e-commerce in the region, and the primary consumer of paid games. And as noted, this is a generation that wants local, Arabic content — and which will likely be the primary beneficiary of this trend.
Exhibit 7:
Consumer spend on media in the MENA region remains low by global standards

GROWTH IN MEDIA SPENDING PER CAPITA VERSUS MEDIA SPENDING AS A PROPORTION OF CONSUMER SPENDING (2014 FORECAST)

Note: Media spending excludes business-to-business.
A Deeper Look at Three Media Segments

To understand how the four dominant trends in Middle East media are playing out in practice, it is helpful to take an in-depth look at the current state of gaming, audiovisual content, and e-commerce.

Playing Games in the Middle East

The gaming segment of the media market offers an illustration of the opportunities available to global players. Gaming in the region is growing faster than the global average, exceeding even other fast-growing emerging markets such as Russia, China, and South Korea. Gaming is also the fastest-growing media segment in the Middle East, expected to nearly triple in size in the coming years — from $1.6 billion in 2014 to $4.4 billion in 2022 (see Exhibit 8). During this period, growth in boxed games will slow, while growth in online and mobile games will soar thanks to:

- Increased broadband penetration
- Increased smartphone penetration
- Increased Facebook penetration
- Ease of purchase through mobile app stores
Exhibit 8:
The size of the gaming market is expected to nearly triple

In some countries in the MENA region, including Saudi Arabia and the UAE, more than 30 percent of the population plays electronic games on personal computers, smartphones, or tablets (see Exhibit 9). In particular, the mobile opportunity in gaming is substantial. Although console games lead the market today, mobile should become the dominant platform, taking the largest share of the market by 2018. Tablets will also make a significant contribution and should represent up to 20 percent of the mobile market within a year or two.
Exhibit 9:
Gaming has high penetration throughout the region, but the platform varies by country

**ELECTRONIC GAMES PENETRATION**
(% of total population, 2012)

- Bahrain: 41%
- Jordan: 40%
- Saudi Arabia: 38%
- Kuwait: 38%
- UAE: 31%
- Egypt: 17%

**ELECTRONIC GAMES CONSUMPTION, BY PLATFORM**
(% of gamers, 2012)

- Personal computers
  - Bahrain: 54%
  - Jordan: 59%
  - Saudi Arabia: 71%
  - Kuwait: 69%
  - UAE: 68%
  - Egypt: 71%
- Smartphones
  - Bahrain: 38%
  - Jordan: 38%
  - Saudi Arabia: 45%
  - Kuwait: 8%
  - UAE: 11%
  - Egypt: 8%
- Tablets
  - Bahrain: 9%
  - Jordan: 1%
  - Saudi Arabia: 8%
  - Kuwait: 11%
  - UAE: 8%
  - Egypt: 1%

Source: Ipsos, “Meet the Screens in MENA”; Strategy& analysis

The shift in platforms is attracting new consumers who might not have used a console but will spend time playing games online or on a phone or tablet because it is convenient to do so. "While users of casual games would not call themselves ‘gamers,’ they end up spending more time playing than hardcore gamers," said Yannick Theler, managing director of Ubisoft Emirates. "This is the future direction of growth in this space." The online market is split between massively multiplayer online games (MMOGs), action, casual, and social, with MMOGs (such as World of Warcraft and Second Life) and social (such as Farmville and Words with Friends) taking slightly larger shares.

The evolution in platforms is also good news for the monetization of gaming: Average revenue per user (ARPU) is higher among tablet users than users of any other platform. However, even across platforms, ARPU for paying gamers is estimated at $15 to $27 per month, which is considerably higher than ARPU for the OTT video sites in the region. As such, we expect the total gaming segment size to mirror the size of the TV market in seven to eight years.
To date, global games from international developers have captured the lion’s share of opportunity: Global games make up roughly 90 percent of the Arab market. However, local games and global games that have been localized for the market are expected to drive growth and should constitute more than 15 percent of the market within three to five years.36 "In the past, only the most elite games made money," said Vince Ghossoub, co-founder and CEO of Falafel Games. "Now we’re seeing more and more fragmentation in terms of categories of games and types of users. There will be a little niche for everybody, outside of the sensational hits that are really a special breed. There will be a middle class of profitable companies in which some bet on showing something foreign to the user, some bet on showing something local to the user, and some bet on taking a foreign game and localizing it. In particular, the increasing maturity of the gaming industry in the region would allow for increased investment in local games."

Given the demand in the region across segments for local content, we see two trends emerging to meet that demand.

First, international players will increasingly "Arabize" their content to appeal to the MENA market (see “Ubisoft: Finding opportunity in Middle East gaming,” page 23). For instance, Electronic Arts recently launched an Arabic version of its FIFA game — and it also features Arab football stars.

Second, regional developers are localizing global games and creating original games for the local market. Examples include Jordan’s Maysalward, which put out Trix, Tarneeb, and Dominoes, and Lebanon’s Wixel Studios, which released Little Heroes and Survival Race.

However, regional developers are not limiting themselves to local markets — several have found international success with locally developed games. For instance, a group of young Lebanese developers created Birdy Nam Nam, an Arabic version of Angry Birds, in 2011. It reached iTunes’ top 10 list in the Middle East and Russia, the top 30 in France, and the top 100 in the U.S. Another example is Pou, a mobile game for BlackBerry, iOS, and Android from Lebanese indie developer Paul Salameh. It is somewhat similar to Tamagotchi in that players must care for a simulated creature — in this case, a triangular brown potato. Pou hit number one in the iPhone children’s games category in approximately 90 countries and ranks among the top 10 paid iOS games in countries including Brazil, Finland, Germany, Indonesia, Mexico, and Spain.37

It’s important to note the role of the Arab Digital Generation in driving the growth of gaming, both as consumers and as the talent base that will grow the industry in the region. On average, people between the ages of 18 and 24 in the region spend eight hours per week playing games; in many local markets, including Saudi Arabia, more than 50 percent of Internet users play games online. Young people’s digital facility, especially in the mobile environment, is a critical consideration in the positioning of the Middle East as a gaming development hub. “Developing mobile games requires young talent with new expertise, less production time, and different business models, whereas boxed games depend on seasoned professionals and take longer,” said Theler. “The Middle East surely has the raw potential talent for developing mobile and casual online gaming.”
Ubisoft: Finding opportunity in Middle East gaming

When global entertainment company Ubisoft decided to launch a development center in the Middle East, it was a vote of confidence that the region could be more than just a market for the company’s video games. Yannick Theler, managing director of Ubisoft Emirates, explained that the Middle East has a significant talent base as well, thanks to the large population of young people who have grown up in a mobile and video game environment.

Ubisoft clearly understands the importance of talent: With 29 studios on six continents, the company has the world’s second-largest in-house development staff. Ubisoft has over 15 franchises, with over 9,200 team members in 28 countries, and more than 85 percent of employees are dedicated to game development. However, Ubisoft’s local presence in many markets notwithstanding, it is very much a global player. Each studio develops games for global distribution, and the company’s Abu Dhabi studio is no exception. After coming online in 2011, Ubisoft Emirates developed “CSI: Hidden Crimes,” released in 2014. “Everything was done in Abu Dhabi, from the concept design to the production, the development of technology, and the graphics and artistic work,” noted Theler. The game, which has generated more than 15 million downloads worldwide, is available on tablets and smartphones.

Mobile is an important new market for Ubisoft, and one of the reasons the company was interested in the Middle East as a development center — the region has adopted mobile technology more quickly than other markets.

All about the people

One of the most important regional priorities for Ubisoft in the coming years will be continuing to develop the talent base. The Abu Dhabi studio currently has 40 employees, and Theler aims to reach 100 in the next few years. The current staff have very diverse backgrounds — in their 20 nationalities and in their professional histories. The studio has spurred innovation and creativity by hiring people with a wide range of experience, including those who have worked in console gaming as well as those who have worked outside the gaming industry.

Many employees are programmers and artists who might not have experience in game development, and thus require a few months of training. Ubisoft is working with Tadreeb, the training arm of media company twofour54, on training courses in gaming, and selects interns and employees from among those who have finished the coursework.

Ubisoft’s Arab future

As gaming becomes more popular in the Middle East, Ubisoft will also be targeting the region’s consumers in two ways.

First, more and more global games will include Arabic among the languages available at launch. For instance,
Audiovisual Content: New Trends, from Smartphones to the Big Screen

In some ways, the evolution of audiovisual content — including video viewed in theaters, on televisions, online, and on mobile devices — mirrors the larger trends in the media market. Demand for local, Arabic content, driven by the Arab Digital Generation, is spurring new production in the GCC, outside the traditional production centers in Egypt. In the film industry, for example, independent filmmakers are tackling subjects that speak directly to the reality of contemporary life in their countries, winning critical acclaim both within and outside the region. In television, producers are experimenting with more liberal themes as they are able to target what is acceptable in various markets, rather than producing the more conservative viewing necessary to reach the region as a whole. As the TV segment evolves, YouTube content producers such as UTURN Entertainment and Telfaz11 compensate for the traditional lack of local, niche, and demographic content on free-to-air (FTA) satellite TV.

Although a variety of screens for viewing content are currently available, TV still reigns supreme in the region, and the trends that are having an impact on its evolution provide a good overview of the changes under way across audiovisual content.

The most significant of these trends is the transition to paid media. The proportion of TV that is paid is increasing more quickly than ad-based TV, and will soon exceed it. Pay TV is forecast to grow at 10.3 percent per year, compared with ad-based TV’s 7.8 percent growth rate (see Exhibit 10). Satellite TV continues to dominate the sector, accounting for more than 95 percent of TV distribution. However, IPTV has had strong success in Qatar and the UAE in recent years, and is likely a harbinger of change in the rest of the region.
Exhibit 10:
Pay TV is growing faster than TV advertising


<table>
<thead>
<tr>
<th>Year</th>
<th>TV Advertising</th>
<th>Pay TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.1 (38%)</td>
<td>1.9 (62%)</td>
</tr>
<tr>
<td>2015</td>
<td>1.3 (39%)</td>
<td>2.0 (61%)</td>
</tr>
<tr>
<td>2016</td>
<td>1.4 (39%)</td>
<td>2.2 (61%)</td>
</tr>
<tr>
<td>2017</td>
<td>1.6 (40%)</td>
<td>2.4 (60%)</td>
</tr>
<tr>
<td>2018</td>
<td>1.7 (40%)</td>
<td>2.5 (60%)</td>
</tr>
<tr>
<td>2019</td>
<td>1.9 (40%)</td>
<td>2.7 (60%)</td>
</tr>
</tbody>
</table>

CAGR 2014–2019

Pay TV: +10.3%
TV Advertising: +7.8%

Note: Market excluding OTT and digital video advertising.
Source: Strategy& analysis

Digital delivery, including IPTV, OTT video sites (such as icfli, Istikana, OSN Play, Shahid.net, and Telly), and pay TV platforms for Arabic drama (such as OSN Ya Hala), offers a number of benefits. Advertisers will be able to target consumers more effectively than they can currently via the pan-Arab advertising available from FTA satellite channels. In this way, digital video and TV create an advertiser base for niche, local content, which never found a foothold on regional FTA channels; in the GCC, for instance, most TV content is still pan-Arab (see Exhibit 11). Moreover, the emergence of OTT services on digital platforms is creating a post-TV market that did not exist before. “There was basically no post-TV market a few years back,” said Samer Abdin, co-founder and CEO of Istikana. “You either made your profit in those first three or four runs, or you didn’t. It was a very simple equation. Now, we can bring content back to life and add another revenue stream.”
Exhibit 11:
Pan-Arab TV content still dominates the GCC

TV VIEWERSHIP BY COUNTRY AND CHANNEL ORIGIN – LOCAL, ARAB, INTERNATIONAL (% , 2013)

Note: We have assigned 70% of pan-Arab advertising to Saudi Arabia. The remaining 30% is distributed among GCC countries in proportion to their population.

Source: Ipsos, Strategy& analysis

Consumers also reap the benefits of digital platforms, enjoying more relevant content, of better quality, as well as a more personalized experience thanks to features such as time-shifted viewing and video on demand. However, these features of non-linear viewing, while especially popular among viewers under 35, are unlikely to achieve the resilience that they have in other markets. Large households that watch TV as a family ritual will keep linear viewing in play to a significant degree. “Linear viewership will not go away,” said Sanjay Raina, general manager for FOX International Channels. “Arab audiences in this region are very family-driven. They want to watch television as a cohesive unit.”
One potential barrier in the shift to paid TV is the issue of payment models. Local consumers are reluctant to use credit cards for premium subscription-based content, both due to lack of trust and to religious issues around the use of interest-bearing credit cards. Some players have tried to adopt a cash-on-delivery method, in which a potential subscriber requests access and a sales associate goes to the home with a password or subscription ticket. However, more than 30 percent of people request service and then change their minds, creating a high-cost model that eats into as much as 20 percent of revenue.40 As in e-commerce, payment models will need to continue to evolve.

Still, the rise of digital delivery is nearly inevitable, and what will really drive the success of IPTV and other digital delivery methods is the convergence of local, niche content targeting particular demographics with widespread distribution — whether satellite or IPTV. For instance, three Saudi university students founded UTURN Entertainment in 2010 with the goal of producing high-quality, local, online entertainment with a positive message. Eysh Elly, a UTURN program, reached approximately 2.2 million subscribers and 245 million views on YouTube.41 Content like this is bubbling up around the region, and it is so fundamentally unique and powerful that it will change the nature of mainstream television in the region for both viewers and advertisers. Youth-produced content is one factor that will drive the demand for and growth of Arabic content. “Young producers like those at UTURN and Telfaz11 are the first wave of what will be a regular flow of young, intelligent, and switched on independents who will showcase their talent on these platforms and make it,” said Abdin. “They’re making money, and they’re great inspiration stories. There is now a whole swath of Saudi youth who think, ‘I can do that, too.’ ”

However, independent producers are not the only ones who have seen the value of going local. International broadcasters focusing on entertainment content (such as FOX and Zee TV) are increasingly sourcing and distributing local content. For instance, Zee TV’s first Arabic channel, Zee Aflam, launched in 2008 airing Bollywood movies dubbed in Arabic. By contrast, Zee Alwan, Zee TV’s second dedicated free-to-air Arabic channel catering in particular to the Saudi market, premiered in 2012 offering original and exclusive Arabic series as well as popular Indian and Turkish series dubbed in Arabic.

Often, broadcasters manage costs by simulcasting content — sharing the cost of production in collaborative ventures with peers in other local, noncompeting markets (such as Egypt and the GCC). For instance, MBC Group in the GCC and Al Hayat in Egypt collaborate on Arab Idol, while MBC Group works with CBC in Egypt on Ala Mar Al Zaman. Because of commonalities across Arab cultures, broadcasters can often find audiences in other local, noncompeting markets (see “FOX International Channels Middle East: Tapping the power of local content,” page 29). Regional broadcasters are also producing more content than ever in the region, especially variety shows that may use an international format, such as a popular singing competition, but are rendered local when they are produced in Arabic with local contestants (see Exhibit 12).
Exhibit 12:
Variety shows are gaining in popularity

<table>
<thead>
<tr>
<th>Medium</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.3%</td>
<td>16.2%</td>
<td>14.4%</td>
</tr>
</tbody>
</table>

Note: Supply measured in number of series, demand measured in gross ratings points by series.
Source: Ipsos; Strategy& analysis and interviews

The next evolution for audiovisual content will be the adaptation of content for different screens, especially mobile. “Mobile and TV are very important viewing platforms, and I think desktop is getting less and less so,” noted Abdin. Media companies are starting to make inroads in this regard, but some have made more progress than others. In markets such as Saudi Arabia, which has the world’s highest per capita rate of video consumption on smartphones, players that can create effective content for mobile channels will have a significant advantage.
FOX International Channels
Middle East: Tapping the power of local content

If there is one thing that FOX International Channels (FIC) has learned in its expansion around the globe, it is that repackaging one market’s entertainment for another is not a winning strategy. That’s why it has established a full entertainment division in the Middle East, with local production and dedicated channels — one of the only global broadcasters to do so.

“If you go to markets like Southeast Asia, India, or the Middle East, or even parts of Europe like France, there is an insatiable demand for local content,” said Sanjay Raina, general manager, Fox International Channels. “When it comes to mass consumption, it is local content and nothing else that works.”

FIC Middle East initially launched the FOX Movies channel, which aired in English with Arabic subtitles. Even with subtitles, however, it never gained mass regional appeal. FIC Middle East decided to move away from a pure movie channel and create a semi-general entertainment channel that incorporates series content, format content, and movie content. For instance, it began airing a locally produced version of *So You Think You Can Dance* as part of its expansion into general entertainment.

In addition to creating original local content, FIC Middle East works with other Arabic channels, broadcasters, and production companies that don’t compete with them in MENA markets. Raina explained that FIC Middle East might work with a broadcaster or a production company in the markets around in Middle East and share the local version on a territory wise basis with a broadcaster picking up the Lebanese rights, someone picking the Egypt/North Africa rights, and FIC taking the GCC rights — and it works well for all. He noted that there are only a few cases in which international series are reproduced locally. “TV series have to reflect local culture,” he said, noting that there are many local stories with the potential to be turned into series.

Beyond the TV screen

Despite its dedication to local content, FIC Middle East is following global trends in one regard: It creates content that can live on multiple platforms and screens while acknowledging the uniqueness of each screen. An hour-long drama that is appropriate for a TV screen would not work as well on a mobile platform, where successful content generally includes videos that are a few minutes long. Raina noted the importance of taking this perspective early in the development process; when broadcasters are at the conception stage for new content, they should be thinking about how it will be distributed and consumed, and optimizing it for the platform.

The proliferation of screens — and the digital means to deliver content on those screens — is supporting the business case for production in local markets. Platforms including IPTV, OTT, and mobile make it easier for broadcasters to monetize content. FIC Middle East currently has relationships with OSN, Etisalat, du, icflix, Integral, and other TV providers and OTT players to make sure its product reaches critical mass.

“There is significant untapped value in the Middle East market,” Raina said. With FIC Middle East’s successful focus on local content and paid media, it may not remain untapped for long.
E-commerce: Opening the Online Mall

E-commerce will be one of the critical areas of digital growth in the coming years; it was worth $2.3 billion in sales in 2014 and is expected to grow 13 percent per year between 2014 and 2019 (see Exhibit 13). Saudi Arabia and the UAE are the dominant markets, and will continue to represent 39 percent of the total market by 2020. Average online spending per user in the region ranges from $140 to $325 per year.

E-commerce includes:

- Physical goods — such as clothing, appliances, and electronics — purchased from online retailers, marketplaces, and flash sales, not “click and mortar” stores
- Downloadable media content bought online, such as music, movies, video games, e-books, and magazines
- Tickets sold on online platforms, including event tickets
- Coupons bought on group deal sites, for items such as beauty products or spa treatments, to be used for discounts at offline locations
Exhibit 13:
Regional e-commerce is set for substantial growth

MENA ADDRESSABLE E-COMMERCE MARKET VALUE¹
(IN US$ MILLIONS, CURRENT PRICES, 2007–2015, MAJOR MENA MARKETS)

Some of the trends driving the growth of e-commerce are the same as those driving growth in other digital segments. Faster connectivity and the ubiquity of smartphones are playing a role: As in the rest of the digital space, mobile capabilities are increasingly important. Mobile commerce is expected to reach 20 percent of e-commerce revenue in 2015, up from 7 percent in 2011.⁴⁵ "In some GCC markets, a significant majority of business comes from mobile," said Eddy Farhat, chief strategy officer at MarkaVIP. This is good news for e-commerce players, because mobile platforms have a much higher return on customer acquisition costs; mobile users have a higher average number of transactions than online customers, with a greater percentage of repeat sales. In a recent survey, 48 percent of

¹ Click and mortar, airline tickets sales, and retail banking are not included. Sales data is attributed to the country where the consumer is based.

Source: Strategy& analysis and forecasts
Saudi consumers reported that they would be very likely to make online purchases in the future if websites were better optimized for mobile.46

Similarly, the region’s demographics are a critical element of e-commerce growth: Increasing numbers of young people who prefer to move many of their activities online are contributing to e-commerce revenues. Forty percent of Internet users ages 15 to 35 made an online purchase in 2012, compared with 34 percent of those ages 36 to 48 and 22 percent of those ages 49 to 65.47 The most popular purchases for the Arab Digital Generation are mobile phones, other consumer electronics, and fashion; flash sales in particular have benefited from young people's focus on fashion, given the lack of discount fashion stores in the region. Meanwhile, older generations are less likely to buy clothing online, but more likely to buy jewelry and watches.48

However, barriers to e-commerce still exist. First, a widespread lack of trust in online shopping persists. The top five reasons for not shopping online, given in a 2013 Strategy& survey, were:

1. Prefer to deal with an actual person
2. Prefer to purchase using cash
3. Worries about fake websites
4. Prefer to see/feel actual product
5. Worries about the quality of products and services49

Payment models are a second issue; in addition to obstacles related to trust, some consumers prefer for religious reasons not to use interest-bearing credit cards, and debit cards have yet to make significant inroads in the region. E-retailers predominantly work on a cash-on-delivery model, which accounts for 90 percent of deliveries. However, as much as 20 percent of customers refuse to accept the goods they have purchased, undermining profits substantially.50 For most flash-sales sites, logistics is the biggest expense after cost of goods sold, driving up per-unit economics.

Third, there is a shortage of talent with the ability to nurture this growing sector. Aside from the managerial and technical ability required for e-commerce in general, e-commerce in the region also requires the ability to adapt to local constraints as well as address the diversity of consumers and behaviors in the region. The few people who have these capabilities are rarely willing to move into a field that is still fairly nascent.

Regulation is a fourth problem: There is a lack of government regulation of e-commerce at the country level, which would provide some of the assurance that consumers are looking for in the form of protections. Even more challenging, the regulations that do exist vary by country, leaving companies to deal with various legal structures, border controls, import duties, and tax structures.
Finally, local infrastructure makes the back end of e-commerce difficult: most countries do not use physical addresses, transport conditions are inconsistent, and deficiencies in local postal systems means e-commerce retailers are overly dependent on a few private players for deliveries.

Despite these obstacles, there is too much opportunity in e-commerce for global and regional players to overlook the potential. E-retailers that want to have an impact in the industry should consider focusing on after-sales support. After-sales support gives the hands-on assurance that regional customers are seeking, by allowing them to ask questions via phone or online, or track shipments and returns. It gives customers the sense of security that lets them feel comfortable about buying online.

Although most existing e-commerce companies grew out of technology startups, future players could come from a variety of disciplines: technology, content, product, and infrastructure. It is clear that initiatives from all over the industry will have room to succeed, given the level of unmet demand. "The entrepreneurial system is not developed enough to meet the potential for e-commerce," said Farhat. "A few years ago there was no e-commerce for fashion. The opportunity was there but it wasn't being captured. The readiness of the market outstripped the readiness of businesses to take the opportunity." Today, other categories wait for entrepreneurs that are ready to seize the early-mover advantage.

Finding the Way Forward

Clearly, the media sector in the Middle East is in the early stages of a significant evolution. But regional and international players will need to focus on four areas for the sector to reach its full potential: education, talent, infrastructure and work environment, and financing.

Education: Bridging the Skills Gap

The burgeoning media industry in the region offers employers and governments the chance to mutually meet their distinct needs: to grow the sector, and to provide career paths for the sizable youth population. Many emerging media careers are especially suited to the strengths and interests of the Arab Digital Generation, given their focus on flexibility and innovation.

Because so many of these potential career paths are new to the region, however, they will require recognition and support from governments, particularly in the area of education. A number of jobs in the media space did not exist a decade ago, and schools in the region are generally not offering students the background they need to pursue these careers.

As a result, there is significant untapped demand for digital media programs. These could include a four-year program for undergraduates, or a one-year intensive course for professionals looking to expand and upgrade their skills — for example, for an IT programmer who is interested in becoming a gaming developer. Because many digital media skills are well-suited to small- and medium-sized enterprises, these programs could include coursework that teaches skills around entrepreneurship [such as business planning and risk management] for those who want to use their skill sets to start their own business.
Many such programs exist already in countries with more mature media markets, and could provide good examples and insights for the region to consider.

**Talent: Harnessing Creative Energy**

In addition to education, on-the-job training is a critical component of growing the talent base and tapping the members of the Arab Digital Generation who are already creating content in some fashion. The existing talent landscape is in flux: For the last two decades, one major barrier to entry for the MENA media market was the difficulty of accessing local talent and resources. State-run media companies had a grip on the small talent pool and offered limited opportunities for joint venture (JV) partnerships. International media companies that wanted to go into regional production would have had to build the operation from the ground up.

However, as young people have become more determined to express themselves, they have built a homegrown media industry. The raw talent that is springing up in the region, out of a youthful need for self-expression, can provide locally focused insights, ideas, and creativity. But this market will benefit from seasoned professionals using the state-of-the-art tools that can translate into high-quality content. By harnessing talent in an institutional environment, with training in technologies such as movie production, 3-D effects, gaming development, and others, companies can vastly increase the productivity of small-scale media producers.

For instance, Sky News Arabia is a 50-50 joint venture between Abu Dhabi Media Investment Corp. and British Sky Broadcasting. The Sky News Arabia Programme (SNAP) was developed in conjunction with universities in the UAE to identify promising Emirati students in the fields of media, journalism, IT, and graphic design. The program gives students hands-on experience via workshops and internships, with the possibility of a job after graduation. Similarly, both Ubisoft and Cartoon Network are partnering with Tadreeb, media company twofour54’s training academy, to offer hands-on practical courses in gaming and animation, respectively. Those who complete the programs are considered for internships or other roles with each company (see "Ubisoft: Finding opportunity in Middle East gaming," page 23).

**Infrastructure and Work Environment: Building a Workplace That Benefits Everyone**

The growth of the media sector will also demand changes that make it easier for both individuals and companies to create high-quality content. The rise of economic zones and incubators in the region in the last 15 years has made it much simpler for global media companies to quickly ramp up operations in the region. The availability of studio space, state-of-the-art technology, and high-speed broadband translates into limited setup costs for companies that want to begin production. Media cities also offer a favorable regulatory environment, with incentives such as tax relief, and facilitate processes such as visa applications to cut down on red tape.

In addition to the physical structures and streamlined processes that media cities can offer, large players that hope to establish a presence in the region should consider what kind of working culture they will need to create in order to attract members of the Arab Digital Generation. Like many of their counterparts worldwide, young people in the
MENA region are inspired by innovation. They value flexible employment options, including the ability to work from anywhere, in ways that let them maintain a work–life balance. They seek out flat and open organizations that offer equal opportunities for men and women. Incoming companies have the chance to create a new work environment, and they can build them with an eye to attracting the talent they need.

**Financing: Bringing New Models to the Market**

Although media cities do offer some access to advantageous financing, the MENA region has not yet reached the level of structured access to financing that exists in developed markets. International investors may want to consider these gaps as the MENA media market continues on its growth trajectory.

One unique aspect of the Middle East media landscape is that most producers of series and movies are not funded by broadcasters. Unlike more developed markets in Hollywood and Bollywood, where the vast majority of projects are commissioned by broadcasters, Middle East producers create content in the hopes that it will get purchased. Moreover, with pay TV and digital distribution platforms improving producers’ potential for monetization, it is more important than ever that they find the funding necessary to create series and movies to meet the skyrocketing demand for local content. However, there are currently few sources of external funding. Financing programs that could be successful include:

- **Equity financing**, in which investors own shares of the copyright
- **Slate financing**, in which investors agree to finance all of a producer’s series or films in a given time period for a percentage of the profits
- **Debt financing**, including pre-sales distribution, negative pick-up deals, and gap/deficit financing (mezzanine)
- **Product placement**
- **Crowdfunding**, which is popular with independent producers

Additional financing options are needed at the company level, as well. First, medium-sized to large media conglomerates need growth capital that will help them unleash the burgeoning opportunities in the region, such as localization of content. Many media companies have received funds from angel investors, but this form of capital is inconsistent and unreliable. This is where private equity investment is critical, in the transition period for companies as they grow large enough to access capital markets. Similarly, venture capital needs to be more developed in the region, as there is currently very little VC dedicated to the media sector. Given the inherent opportunity in gaming, e-commerce, digital advertising, and mobile services, dedicated venture capital is a logical evolution.

Both of these gaps present opportunities for foreign direct investment.
Conclusion: Seize the Opportunity

The MENA media market is in the midst of a fascinating transformation. Cultural shifts among the region’s digital generation have spawned a tremendous creative energy that would benefit from the structure and expertise of global players. Untapped demand for local, Arabic content will spur regional media to grow by leaps and bounds. Accelerated adoption of mobile technology has created opportunity across media platforms. Moreover, evolutions in paid and digital media have created new rationales for investment. As international media companies and investors consider their global expansion strategies, the MENA region warrants new consideration.
Endnotes


2 For this study the MENA region is Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates, and Yemen

3 Countries include Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the UAE, and Yemen; population: Euromonitor International from national statistics/UN; Strategy& analysis; August 2014

4 Countries include Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, the UAE, and Yemen; consumer expenditure: Euromonitor International from national statistics/Eurostat/UN/OECD; Strategy& analysis; August 2014

5 Consumer expenditure: Euromonitor International from national statistics/Eurostat/UN/OECD; Strategy& analysis; August 2014

6 Countries include Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, the UAE, and Yemen; source: Euromonitor International from national statistics/UN; Strategy& analysis; August 2014

7 World Bank, August 2014

8 Strategy& Arab Generational Divide Survey, 2014

9 Countries in the Middle East include Bahrain, Egypt, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE; global average includes 67 countries; Ovum (WCIS), June 2014

10 Countries in the Middle East include Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Syria, the UAE, and Yemen; source: Ovum (WBIS), August 2014

11 World Economic Forum 2014 Global Information Technology Report

12 Strategy& analysis

13 Strategy& analysis

14 Strategy& analysis

15 IPTV involves delivering TV over broadband

16 OTT involves using the Internet to stream content directly to handheld devices, game consoles, and TV sets connected to broadband

17 Strategy& analysis

18 Strategy& analysis

19 Excluding B2B advertising [e.g., trade shows and advertising in trade magazines]; PwC, “Global Entertainment and Media Outlook 2014 – 2018”; Euromonitor, August 2014; Strategy& analysis

20 Ibid.

21 Strategy& analysis

22 PwC, “Global Entertainment and Media Outlook 2014 –2018”

23 “Media Use in the Middle East, An Eight-Nation Survey,” Northwestern University of Qatar; Strategy& analysis
Countries include Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the UAE, and Yemen (list of Arabic-speaking countries based on InternetWorldStats); Euromonitor, August 2014


GCC telecommunications regulators
Countries include Algeria, Bahrain, Egypt, Jordan, Kuwait, Morocco, Qatar, Saudi Arabia, Tunisia, and the UAE; Euromonitor, August/October 2014; Strategy& analysis

Countries include Algeria, Bahrain, Egypt, Jordan, Kuwait, Morocco, Qatar, Saudi Arabia, Tunisia, and the UAE; Euromonitor, October 2014; Strategy& analysis

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“PayPal Insights: E-Commerce in the Middle East, 2012–2015”; Strategy& analysis

“PayPal Insights: E-commerce in the Middle East, 2012–2015”; Real Opinions Middle East online panels

Strategy& Arab Generational Divide Survey, 2013


Strategy& Arab Generational Divide Survey, 2013

Strategy& interviews

Strategy& interviews

“Understanding the Arab Digital Generation,” Strategy&, 2012