ARAB MEDIA OUTLOOK 2011 • 2015

4TH EDITION

ARAB MEDIA: EXPOSURE AND TRANSITION

FORECASTS AND ANALYSIS OF TRADITIONAL AND DIGITAL MEDIA IN THE ARAB WORLD

نادي دبي للصحافة
DUBAI PRESS CLUB

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Maryam Bin Fahad
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FOREWORD: DUBAI PRESS CLUB

It is our distinct privilege as the Dubai Press Club to present the fourth edition of the Arab Media Outlook 2011- 2015. The Arab Media Outlook is the most comprehensive publication on the Arab Media Industry and represents one of the key knowledge development initiatives of the Dubai Press Club. The report serves as a reference point of the media industry in the region highlighting media trends across 17 markets and providing both breadth and depth of coverage for the benefit of various industry stakeholders.

This edition of the report builds on the strong foundations of the previous editions while expanding its coverage to include two markets i.e. Iraq and Libya for the first time. We have strengthened our analysis through market research conducted across four markets, i.e. Egypt, Morocco, Saudi Arabia and the UAE. The inclusion of the market research results from markets which were also covered under the previous edition, provides opportunities to analyse changing consumption patterns, shifts in behaviour and changes in preferences across these very diverse markets. Apart from the aforementioned markets, as with previous editions our analysis covers the media landscape across Bahrain, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Syria, Sudan, Tunisia, and Yemen.

The current edition of the report is set against a period of great turbulence across the region. The combination of a weak global economic environment and political instability across several regional markets makes it more challenging to assess the impact on the media landscape in the near term. In several markets directly affected by the political uprisings, the structure of the media industry is virtually being overhauled with a significant break from the past. The pace of media reform in these markets is likely to be gradual as the medium term agenda focuses on pressing economic and political issues. Our analysis considers the economic and political environment of each of the markets covered in the report, nevertheless there could be potential downside risks given that the media industry in some of these markets is in a rebuilding phase. On a positive note, despite the immediate impact on advertising revenues, the recent events have had a positive impact on Arab media raising the bar for the quality of news reporting, accelerating the engagement with digital platforms and placing the region firmly on the strategic map of global media houses. Industry stakeholders have confirmed their optimism regarding the outlook for the industry in 2012 and this optimism is reflected in the report's analysis and projections across markets and platforms.

Our knowledge partner for this edition, Deloitte & Touche (M.E.), is one of the leading professional services organizations with strong experience in the Telecoms and Media markets. Deloitte's extensive footprint in the region and its expertise on the trends shaping the global media industry, provides insightful commentary to contrast regional developments with international case studies. Together we have striven to make this edition, the most valuable source of information and perspective on the media industry in the region. The report is further enhanced by interviews conducted with 140 industry professionals offering a representative view on platforms and markets. We would also like to thank Ipsos for their in-depth and rigorous market research, the insights of which add local flavour and contribute significantly towards enriching this edition of the report.

On a personal note, after being involved with three previous editions of the Arab Media Outlook, I am extremely pleased to note the rapid strides made by the media industry in the region in recent years. The regional media industry is now significantly on the radar screen of global media houses and we have seen a myriad of partnerships, joint ventures and organic growth initiatives from globally recognized players looking to invest in local content. Further, some of these global heavyweights are participating in the development of the local content ecosystem which will no doubt benefit the industry. I note with keen interest the efforts taken by leading pay-TV service providers to combat piracy and their engagement with regulatory bodies across the region. Another industry defining initiative, which is likely to significantly boost transparency and enhance advertising spend in the region, is the launch of People Meter in the UAE and Saudi Arabia. In the digital space, this edition highlights the second wave of success stories emerging in specific segments such as e-commerce and online gaming. The print industry continues to show some resilience with circulation numbers still presenting a modest increase, while all regional publishing houses are in parallel embarking in their own migration towards digital.

I hope that the analysis and commentary contained in this report can serve as a useful guide for the entire spectrum of industry stakeholders including media owners, content developers, service providers, regulators and the general public. Given the landmark political changes seen in the region over the last few years, we endeavour that this report will help industry stakeholders in gaining a better understanding of the possible impact on the media industry in the years to come.

Maryam Bin Fahad
Executive Director
Dubai Press Club

FOREWORD: DELOITTE

Santino Saguto
Partner, Technology, Media
& Telecommunications
Leader for the Middle East
Deloitte & Touche (M. E.)

We are pleased and honoured to have contributed to the fourth edition of the Arab Media Outlook, which has acquired the reputation of being the definitive publication on the media industry in the Arab region. As with previous editions, this publication highlights the changing media landscape and shifts in consumption patterns; it also projects revenues from advertising, print copy circulation, online and pay-TV up to 2015. Working closely with the Dubai Press Club team, we have appreciated their very high professional standards throughout the development of this edition. The Deloitte team has leveraged on its extensive global network of media industry professionals.

The Arab Media Outlook 2011-2015 has been set against the back-drop of a period of exceptional change across the region. The unprecedented linkages between the media industry, social events, politics and business systems have never been more apparent than in the last few years. This edition is therefore timely, as the last few years have seen the Arab media industry being significantly reshaped across several markets in the region. The report expands its geographic coverage with the inclusion of two new markets, i.e. Iraq and Libya, both of which have seen dynamic shifts in the media industry over the last year. While the last edition highlighted the trends in local content development, this edition provides insightful commentary on the evolution of the local content industry by platform. Four major types of contents are included in the regional analysis: TV Series, Movies, Sports, and Music. This year's thematic topic titled "The Arab Media Revolution" discusses the impact of the political uprisings on the long term future of the media industry and asks some searching questions regarding the evolution of media regulation and online censorship. The report is enriched with both international and regional case studies providing insights into the trends shaping the industry and benchmarking its evolution against mature markets.

The analysis has been further substantiated by interviews with more than 140 stakeholders across the 17 markets covered by the report. Industry leaders interviewed view the future of the media industry with cautious optimism. The industry will continue to draw on its inherent strengths such as the presence of a large young population which is both informed and socially engaged, as well as the strong preference for local content. The digital platform is the driver for growth in total advertising spend across the region in the next few years given the favourable demographics of the region and high levels of technology adoption. The study also examines the shifting of geographical hubs for TV production from traditional markets such as Egypt and Syria to the Gulf region and the emergence of new content niches in the Arab region such as animation.

We would like to express our sincere gratitude to everyone who has contributed to the research and analysis that enabled the preparation of this report. We are proud to have supported Dubai Press Club and thank them for the opportunity to work on this project as well as their commitment and support.

Santino Saguto
Partner, Technology, Media & Telecommunications (TMT)
Leader for the Middle East Deloitte & Touche (M. E.)

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with uninterrupted presence for over 85 years. Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with over 2,500 partners, directors and staff.

ACKNOWLEDGEMENTS ARAB MEDIA OUTLOOK 2011-2015

26 September Newspaper, Yemen
Abu Dhabi Media, UAE
Ad Dustour Newspaper, Jordan
Ain Shams University, Egypt
Ajyal Radio Station, Palestine
Al Aan Online Newspaper, Kuwait
Al Ahdath Newspaper, Morocco
Al Ahram Weekly, Egypt
Al Alam Newspaper, Morocco
Al Anba Newspaper, Kuwait
Al Arab Al Youm Newspaper, Jordan
Al Arab Newspaper, Qatar
Al Arabi Magazine, Kuwait
Al Arabiya, Pan-Arab
Al Ayam Newspaper, Morocco
Al Ayyam Newspaper, Bahrain
Al Bayader Magazine, Palestine
Al Bayan Newspaper, UAE
Al Bilad Newspaper, Bahrain
Al Eqtisadiah E-newspaper, Saudi Arabia
Al Ghad Newspaper, Jordan
Al Hayat Al-Jadedah Newspaper, Palestine
Al Hayat Newspaper, KSA
Al Hayat Newspaper, Pan-Arab
Al Hayat Weekly, Jordan
Al Jarida Newspaper, Kuwait
Al Jazeera Media Training and Development Centre, Qatar
Al Jazeera Network, Pan-Arab
Al Jazirah Newspaper, Saudi Arabia
Al Khaleej Newspaper, UAE
Al Khartom Newspaper, Sudan
Al Madina Newspaper, Saudi Arabia
Al Manar , Lebanon
Al Nahar, Egypt
Al Qabas Newspaper, Kuwait
Al Rai Newspaper, Jordan
Al Raya Newspaper, Iraq
Al Raya Newspaper, Qatar
Al Riyadh Newspaper, Saudi Arabia
Al Sahafa , Tunisia
Al Sharq Newspaper, Saudi Arabia
Al Tahrir, Egypt
Al Wan Radio, Palestine
Al Watan Newspaper, Bahrain
Al Watan Newspaper, Libya
Al Watan Newspaper, Oman
Al Watan Newspaper, Qatar
Al Watan Newspaper, Syria
Al Wattan TV, Palestine
Al Youm Newspaper, Saudi Arabia
Al Aalem Newspaper, Iraq
Al Hayat TV, Egypt
Al Jomhoriya Newspaper, Egypt
Al Mustaqbal Newspaper, Lebanon
Al Youm Al sabe'a newspaper, Egypt
Alahdath Newspaper, Sudan
Alanwar Newspapers, Lebanon
Alassema TV, Libya
American University of Dubai, UAE
An-Nahar Newspaper, Lebanon
Arab Media Group, UAE
Arab Media House, Egypt
Arabsat, UAE
Areeba Areeba, UAE
Assabah Newspaper, Iraq
Blogger Marwan Al Marissi, Yemen
BPG Maxus, UAE
Cartoon Network, UAE
Cash U, UAE
CBC TV, Egypt
Clyde & Co, UAE
CNC Cairo News Company, Egypt
CNN Arabic, Pan-Arab
Dar Al Salam Newspaper, Iraq
Day Press, Syria
du, UAE
Dubai Media Incorporated, UAE
Dubai Media Cluster, UAE
Dubizzle, UAE
Film Works, UAE
Fox International Channels, UAE
Fremantle, UAE
Future TV, Lebanon
Google, UAE
Gulf Films, UAE
Gulf press Association, Bahrain
Haykal Press, Egypt
Huffington post, Pan-Arab
ictQATAR , Qatar
Image Nation, UAE
InMedia Plus, Lebanon
International Herald Tribune, UAE
Intigral, UAE
Jabbar Internet Group, Jordan
Jordan Media Institute, Jordan
Journalist Association, UAE
KnowledgeView, Pan- Arab
Kuwait Journalists Association, Kuwait
Kuwait News Agency, Kuwait
Kuwait TV, Kuwait
Kuwait University, Kuwait
La press de Tunisia
Laha magazine, Lebanon
LBC, Lebanon
Live Station, UK
Maan News Agency, Palestine
MBC, Pan-Arab
Media Unlimited, Lebanon
Moby Group, UAE
Moheet Network, Egypt
Murr TV, Lebanon
National Coalition for Media Freedom, Egypt
National Media Council, Syria
National Media Council, UAE
National Trade Union of the Moroccan Press, Morocco
O3 Production, Pan-Arab
Oman Daily Newspaper, Oman
Oman Journalists Association, Oman
Omantel, Oman
On Demand, Pan-Arab
OSN, UAE
Qanawat, UAE
Qatar News Agency, Qatar
Qtel, Qatar
Radio and Television Corporation, Jordan
Réalités Magazine , Tunisia
Sky News Arabia, UAE
Sony Distribution, UAE
Sony Pictures Television, UAE
Souq.com, UAE
Sport 360°, UAE
Sudanese Journalists Union, Sudan
Sult'n (Intigral), UAE
EIT, UAE
Tecom, UAE
The Arab States Broadcasting Union (ASBU), Tunisia
Tunisian Radio Establishment, Tunisia
Twofour54, UAE
University of Sharjah, UAE
Wejhat Nazar Magazine, Egypt

EXECUTIVE SUMMARY

The fourth edition of the Arab Media Outlook 2011-2015 offers a holistic and in-depth view of the Arab media industry, its current status and key trends shaping the industry. As with previous editions, this report provides projections on the media industry from 2011 to 2015. Our analysis is set against the economic backdrop of the region and reflects the political turbulence of the last two years. The media industry has been significantly reshaped in some geographies and the process of setting in place a new regulatory framework in those markets most impacted by the political uprisings is an on going one. This report is thus timely, building on the coverage of previous editions while adding two new markets to the analysis i.e. Iraq and Libya.

The region has faced tremendous economic and political headwinds in the last 2 years but has nevertheless demonstrated strong resilience. Real GDP grew by a creditable 5.3% in 2011 as compared to the global average of 4%; however this growth masks some important variations across countries & sub-regions. Saudi Arabia and Qatar were largely responsible for this growth as their private sector benefited from the stimulus provided by increased state spending. These economies together with the UAE accounted for more than 70% of the real GDP growth seen across the region in 2011. The media industry however appeared to be severely impacted by reduced confidence from advertisers, notwithstanding the strong overall economic performance at a regional level. Pan-Arab advertising spend decreased by 12% in 2011. The erosion in advertising spend between 2010 and 2011 was far greater in markets such as Egypt (-30%), Bahrain (-45%) and Libya (-45%). Industry stakeholders view the future with cautious optimism and in fact 65% of those interviewed by us affirm a positive outlook for the media industry in 2012. Several of the markets impacted by the political turmoil are rebuilding their media industry with a greater emphasis on freedom of expression and a more liberal stance with regard to encouraging private ownership in the print and broadcasting sectors. These trends are encouraging and we believe that the media industry will emerge revitalized in the years to come. Our confidence in the regional media industry has also been inspired by the growth in advertising spend across “fringe markets” such as Iraq which saw advertising spend grow by more than 85% in 2011. We estimate that advertising spend for the region will grow at a CAGR of 5.9% between 2011 and 2015, boosted by the eminent recovery of the advertising market in Egypt after 2012 and a strong showing by the digital platform in the years to come.

The report includes projections on net advertising spend up to 2015, and projections on the evolution of pay-TV revenues and print copy sales. Our assessment of the evolution of advertising spend across markets and its future trajectory has been enriched by interviews with 140 industry stakeholders across 17 markets covering all the major platforms (i.e. print, television, online, radio, cinema) as well as with advertising agencies giving a truly “on the ground” perspective of the media industry across the region. We have also conducted primary market research in partnership with Ipsos. In all close to 1880 interviews were conducted across four key markets of Egypt, Morocco, Saudi Arabia, and the UAE, which provide an objective and in-depth view of media consumption habits. Section 1 of the report provides an analysis across all significant platforms, highlighting trends and showcasing regional success stories benchmarked against international case studies. This section also throws light on emerging business models and some of the key challenges facing the media industry in the region. The print industry is currently at an inflection point with newspaper circulation recording its lowest growth in 2011. The pace of migration to online on the whole has been relatively slower than other parts of the world; however we already see some large newspaper groups positioning themselves for digital migration by leveraging the reach and strong segment focus of specific online properties. Most newspapers already have an online presence; however the industry is relatively immature in terms of differentiating its online content and building a convincing value proposition in order to charge for premium online content. We have seen a sustained, yet gradual decline in the contribution of print to total advertising spend since 2007 and we expect this trend to continue. Magazines, despite their relatively smaller contribution to total print advertising spend, continue to enjoy a pan-Arab footprint with new titles emerging in the lifestyle and women’s genres.

The Arab television industry continues to be dominated by Free-to-Air satellite. There are close to 540 free-to-air channels in the region with a steady increase in the number of channels on an annual basis in the last few years however audience and advertising revenues remain concentrated more than ever around a small number of pan-Arab FTA channels. In fact, new channel launches have been largely under the umbrella of large pan-Arab broadcasting groups such as MBC and Rotana thus further consolidating their position. Pay-TV providers have taken steps to address their fortunes by combating piracy pro-actively through replacement of set-top boxes and by lobbying with local governments. Nevertheless, penetration of pay- TV across the Arab region continues to remain low given the widespread use of illegal decoders and the quantity of premium content already available on Free-to-Air pan-Arab satellite TV channels. The region is also seeing international investment in home-grown content through joint ventures, partnerships or organic initiatives aimed at making local Arabic content accessible to a wider audience. Over- the- Top (OTT) TV and other non-linear platforms are still fairly nascent in the region. These platforms have been leveraged largely by broadcasters and pay-TV service providers offering online video services as an additional platform for content delivery and aimed at minimizing churn from their existing subscriber base.

The digital platform has the highest potential for growth given the favourable demographics of the region (i.e. more than 50% of the population is below the age of 25) and the strong uptake of smartphones and tablets. Some of the verticals in the online space which have seen increased activity include e-commerce and online gaming. The regional landscape of incubators, venture capital funds and technology parks has undergone a significant change and we are seeing the second wave of successes emerging from these initiatives. The region is also seeing the emergence of regional hubs as “centres of excellence” for some verticals of the online space as in the case of Jordan. The emergence of integrated online groups such as the Jabbar Internet Group in Jordan with a range of online properties across segments/ verticals and their success on a pan-Arab scale strongly demonstrates the reach and strong segment focus offered by digital. The region still faces a mismatch between the share of digital advertising in total advertising spend vis-à-vis the relative importance of the platform from a media consumption angle and we expect this distortion to be corrected to a certain extent in the years to come.

Unlike more mature markets, the radio platform has only recently emerged as an important platform in the region with the number of radio stations increasing at a CAGR of 37% between 2009 and 2011. The liberalisation of the sector in many Arab countries and its strong segmentation potential will continue to drive radio advertising spend in the years to come. Out-of-home advertising which includes cinema advertising remains a stable part of the overall advertising market, with variations in its significance across markets. Within out-of-home, indoor advertising (e.g. shopping mall advertisements), which is at a fairly nascent stage has been spurred by new entrants in a few markets such as the UAE, which are likely to fuel the growth of this sub-segment. Cinema advertising which is largely driven by the number of screens available, remains a small fraction of the total advertising spend given the low number of cinema screens per capita across the region.

The last edition of the Arab Media Outlook highlighted the importance of stimulation and development of local content in the Arab media industry. In this edition we have analysed the trends in local content development from a platform perspective (i.e. TV series, Movies, Sports, Music). Across these genres, the region is witnessing two opposite forces which are shaping up the content industry. On the one-hand consumers are increasingly turning to “ultra local” content (i.e. country specific as opposed to pan-Arab), particularly in countries such as Egypt and Tunisia, in the aftermath of the regional uprisings. On the other hand, content producers in the TV, movie and music industries realise the importance of catering to the common tastes of a region-wide audience in order to optimise their monetisation potential.

Local content is indeed becoming a strong focus for pan-Arab broadcasters and there is an increasing trend towards the development of original content for the region. Animation is finding a new home in the Arab world and we see promising signs of growth for this segment. However,

imports continue to dominate the Arab TV landscape in terms of audience with Turkish series as popular as ever and with the success of local versions of international talent shows such as Arab Idol. Geographic hubs for TV series production are expanding across the region, with some of the Gulf States making the most of the recent unrest in traditional markets for content production such as Egypt and Syria. As regards film production, the number of home-grown Arabic films is on the rise with some recent success stories in Emirati and Lebanese productions, and increased interaction with the international stage through film festivals and film funds. However, the industry as a whole continues to face challenges with regard to monetisation particularly as a result of the limited number of cinema screens in the region (aside from Egypt), widespread illegal downloading of movies and illegal TV movie channels.

Sports viewership on TV remains particularly high in the region, however the maturity of the sports industry, in terms of monetization of broadcast rights, currently lags behind markets such as the US, Europe or India. Monetisation of broadcasts rights for domestic leagues across the region is still relatively low as compared to international leagues, despite the popularity of the local leagues which has been strongly evidenced by market research. Further, while some countries in the region and the GCC in particular are becoming hubs for international sports events, there is still a need to invest in sports infrastructure and academies in order to foster the development of local leagues. To best leverage the impact and legacy of the Qatar World Cup 2022, the region still needs to harness its local talent and develop champions who will drive the interest for sports across the Arab region.

As in other geographies, the music industry in the Arab region is seeing increasing fragmentation of genres. In line with other content types, the industry is also seeing two opposite trends from the music supply side. Some high profile pan-Arab artists (particularly Egyptian and Lebanese) remain as popular as ever, while there is an increasingly large market for artists catering to local tastes in different Arab countries. From a monetisation point of view, recorded music sales are already low in the region and will continue to decline in the short-term. Going forward the music industry will need to rely on digital revenues for growth with the gradual introduction of legal music download sites in the region. Live entertainment is likely to provide a significant revenue stream for the industry going forward while some significant changes need to happen in intellectual property rights regulation and enforcement to see growth in music publishing revenues.

Section 2 provides an in-depth analysis of four key markets i.e. Egypt, Morocco, Saudi Arabia and the UAE. The Section is supported by market research conducted across these markets which provides useful metrics to understand the evolution of media consumption across the Arab region. The inclusion of three markets which were covered by market research under the previous edition of the report provides rich inferences regarding the shifts in consumption behaviour over the last two years. For example, while the last edition highlighted that the trend towards social networking was gaining ground; social networking is now the second most common activity carried out online driven largely as a result of the role played by social media in the political uprisings. Mean time spent watching TV has increased from 2009 in both UAE and Egypt. There are also interesting variations across the four markets with Pan-Arab broadcasting dominating the preferred channel list across three markets (i.e. UAE, Morocco and Saudi Arabia) and local television having greater popularity in Egypt. The market research also covers the kids' segment (i.e. the age group of 10-14 years), a critical segment which is likely to shape both media preferences and online consumption behaviour in the years to come.

The second half of section 2 covers an overview of the remaining 14 markets including the pan-Arab advertising market. The analysis for each country gives an overview of trends across the key platforms and projects the growth of net advertising spend. In building the assumptions related to the growth of advertising spend for each market we have considered the prevailing economic environment and the near to medium-term impact of the political instability in the country (particularly applicable to the markets impacted by the political uprisings).

As with past editions, Section 3 covers a thematic topic and this year's topic titled "The Media Revolution" focuses on the impact of the political uprisings on the media industry drawing heavily on the role of the online news outlets and satellite TV channels in the coverage of events. The choice of the platforms for detailed analysis can be explained by the overwhelming influence which they had on the general public during the period as evidenced by our interviews with media stakeholders. In this section, we examine the impact of the uprisings on the extraordinary growth of social media in the region while also analysing the extent to which such sites can be considered to have been driven by political change. The section therefore debates the emergence of "citizen journalism" and resultant challenges and opportunities for news groups across the region. One key challenge for regional publishers is to embrace new platforms, technologies and sourcing techniques as they realize that they are no longer the gate keepers of information either in print or online. A key positive outcome of the regional events for satellite news channels has been a dramatic increase in news viewership in the region, with the number of daily news viewers more than doubling before and during the uprisings. We also discuss the long-term impact of these events on the future of Arab media in the region in terms of evolution of media laws, changes in licensing regulation and diversification of content. The section finally explores the important issues related to online regulation which are being considered by governments at both regional and international levels. The growing popularity of sites such as Twitter is forcing news organisation to adapt strategically by using these sites as a tool to drive traffic to their online news sites. Finally we discuss the emergence of new commercial models such as for TV programming and examine opportunities for greater monetisation of online content.

In the last edition of the report, we focused our attention on the issue of the value creation in Arab Media, particularly with regards to local content. Five key issues were and remain central to the debate: monetisation of local content, funding of the production, talent development in media, digital infrastructure and the role of governments. From 2009 to 2012, better funding (particularly in the digital space), better training initiatives and significant infrastructure investment (national broadband policies) have undoubtedly contributed to the development of a more sustainable media ecosystem. However, the production and monetisation of local content in the Arab world remain a key regional challenge. We have selected in the next exhibit a number of opportunities for local players across platforms and across the value chain to unlock further value in Arab media.

Exhibit 1 : Selected opportunities for local media players

	Content creation	Content Packaging	Advertisers	Content Distribution
	• Journalists • Producers • Rights holders	• Publications • TV channels • Content portals	• Brands • Media buyers • Advertising agencies	• Telco operators • Satellite providers • Ecommerce portals • App stores
Print	• Engage "smartly" with social media platforms (particularly Twitter) with regards to news gathering and dissemination	• Articulate digital strategy and re-engineer organizational DNA accordingly • Put in place rigorous fact checking processes for user generated content	• Keep in mind your title attributes when devising your digital strategy - reach, segment focus, vertical targetting, etc. • Tailor cross-platform campaigns • For new titles: push for circulation auditing	• Leverage popularity of "publishing apps" internationally to Invest in mobile apps development
TV & Film	• Identify and develop themes relevant to the broader Pan-Arab audience to optimise monetisation potential • Develop content niches e.g. animation • Fill local content gaps e.g. scripted entertainment	• Explore new models of funding involving sharing of risks with producers • Use YouTube as a source and sounding board for TV content • Tailor channel to country specific tastes particularly in large underserved markets	• Participate actively in ongoing audience measurement initiatives • Review performance of niche/ boutique channels	• Push for online rights from US studios • Develop collaborative online VOD models between broadcasteres, platforms, etc. • Lobby for quotas for local films in theaters • Promote screen growth
Music & sports	• Explore all music revenue streams including live and publishing • Develop local "champions" (sports and business) to grow the value of local leagues	• Initiate the rebalancing of TV sports rights between international rights and domestic rights value • Discuss at government level the rebalancing of local leagues sports rights between FTA and pay TV	• Engage responsibly with illegal music download sites thereby combating piracy • Develop sports sponsorship opportunities (popular local sports, shirt sponsorship, title sponsoring, etc.)	• Lobby for copyright enforcement at a regional level • Gradually attract consumers to legal online music portals via new business models (e.g. subscription based)
Online & Mobile	• Localise content for the regional palate • Invest in verticals which are currently underserved locally e.g. mobile apps	• Enhance interactivity while leveraging on inherent USP e.g. localised content • Explore revenue models which are consistent with regional media consumption habits	• Define approach for engagement with social media • Develop a better understand-ing of various online models (e.g. Cost per Action, Cost per Click, etc.) • Understand the reach and ROI of specific online verticals (i.e. GBS, e-commerce, etc.)	• Continue to invest in high-speed fixed and mobile broadband initiatives • Enhance the analytical tools available to advertisers to support behavioural targeting, verticals led sales, etc.
Governments/ regulators	• Mobilise interest in a Pan-Arab audience measurement initiative, aimed at boosting transparency and resulting investment in local television advertising • Focus on development of local sports infrastructure • Set-up specialized intellectual property rights units to deal with copyright infringements (particularly related to music and films) • Evaluate the potential risks/ benefits of the introduction of quotas for screening of domestic movies • Support grass-root initiatives aimed at entrepreneurship in the digital media sector • Support the regional film industry in the development of local content though annual allowances			

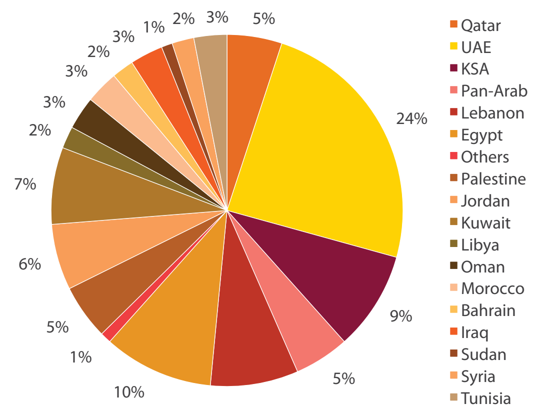
METHODOLOGY

The Arab Media Outlook 2011 to 2015 presents a snapshot of the regional media industry and forecasts its future evolution. This edition of the report encapsulates 17 countries across the region and is based on both a quantitative assessment as well as qualitative feedback from industry stakeholders. Two new markets covered for the first time by this edition of the report are Iraq and Libya. The report covers all the major platforms including newspapers, magazines, digital, television, radio and out-of-home (outdoor and cinema).

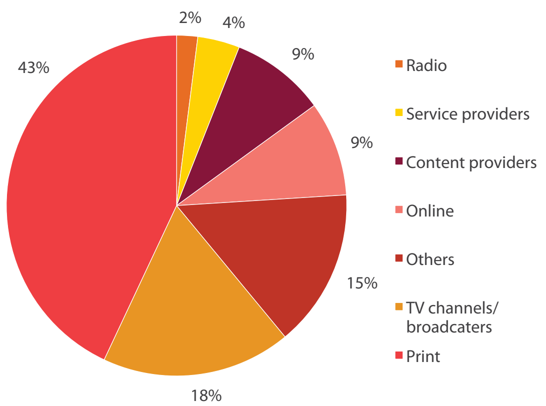
For our country analysis and projections of advertising spend we have relied on a combination of market research (i.e. conducted in four key markets of Egypt, Morocco, Saudi Arabia and UAE) and interviews with industry stakeholders. The interviews with industry stakeholders (i.e. close to 140 interviews were completed) are central to the study and have been used to fine-tune projections available from secondary research and gain an on-the-ground perspective of the markets covered. The next exhibit details the break-down of interviews conducted by platform and by country.

Exhibit 2 : Profile of industry leaders interviewed

Interviews with industry leaders- breakdown by country



Interviews with industry leaders- breakdown by platform



In addition we have considered historical data and projections on advertising spend from recognized sources (including Zenith Optimedia, pan-Arab Research Center, and Ipsos). Furthermore, our country analysis takes into account macro-economic parameters (e.g. historical GDP growth and correlation with advertising spend, demographics of the population, literacy levels and level of maturity of the media sector) in developing estimates of advertising spend up to 2015. We have used 2011 as the base year and developed our projections on advertising spend up to 2015.

In markets with limited coverage from secondary sources (e.g. Sudan, Palestine and Libya), we have used a combination of interviews with stakeholders and anecdotal evidence to develop a consensus estimate of the size and future evolution of advertising spend in these markets. For our projections of pan-Arab advertising spend we have considered the economic outlook in the region and the impact of a strained political and economic environment in some markets (i.e. Syria, Libya, Sudan, Egypt and Tunisia) in the near term on the growth of advertising spend across the region. Pan-Arab advertising spend has been considered for the Television and Print platforms. Digital advertising spend has been considered as part of the advertising spend in individual markets and not at the pan-Arab level.

For each of the 17 countries in our analysis, the advertising expenditure was split among the key platforms based on their significance as well as historical performance. The future trajectory of the share of each platform in total advertising spend was also taken into consideration. For the print industry for example, the impact of migration to online has been tempered by the inputs from regional newspaper publishers regarding the pace of online migration they are experiencing in their respective markets. For the digital platform, our analysis on the evolution of digital advertising spend considers the level of maturity of ICT infrastructure, networked readiness index as well as the current levels of fixed and mobile broadband penetration. We have benchmarked the evolution of the digital platform's share of advertising spend with other mature markets. We have then forecasted the evolution of the share of digital advertising spend for markets which are currently at the same or similar stage of ICT infrastructure development. Based on an S-curve analysis for these markets, we have calculated the share of digital advertising spend for each of the 17 markets.

In order to more closely reflect the market advertising spend, our projections are reported net of discounts which media owners offer to advertising agencies. The level of these discounts varies across markets and platforms within each market. Further, this information is highly commercially sensitive, which means that there are no reliable public estimates for these discounts. The projections of advertising spend are therefore from the view point of media owners. Projections on pay-TV revenues are based on the relative market shares of various pay-TV providers and the weighted average revenue per subscriber based on 2011 pay-TV package prices. For data on pay-TV subscriptions by service provider we have relied on data provided by Informa.

With regards to print copy circulation we have used historical circulations numbers available from recognized sources. We have estimated future evolution of circulation in each market after considering the historical trend of the last four years, the likelihood of migration to online, the state of development of other platforms, and industry benchmarks of free vs. paid circulation, subscription vs. copy sales. We have also substantiated our analysis through interviews conducted with major publishing houses across the region.

For the consumer market research studies conducted in Egypt, Morocco, Saudi Arabia and the UAE, we partnered with Ipsos, which carried out the research fieldwork. The research was conducted using face-to-face methodology across a large sample of population (500 in Egypt, 546 in Saudi Arabia, 400 in Morocco and 430 in UAE) which was diverse across different demographic groups in the proportion of their representation within the general population and was conducted in major cities in each of the four markets – Egypt (Cairo and Alexandria), Morocco (Casablanca, Marrakech, Fes and Tanger), Saudi Arabia (Dammam, Khobar, Jeddah and Riyadh), and the UAE (Abu Dhabi, Dubai and Sharjah). The research was conducted among respondents aged 15+ who qualified as socio-economic classes A,B & C and have watched TV, read a newspaper and surfed the internet at least once in the past week. Responses relating to media usage are reported as mentioned by the respondents and are not representative of the incidence rates, penetration rates or audience measurement studies, and, therefore, may not be consistent with any published data on viewership, listenership, readership and any such related measure. The results of the market research are reported at 95% level of significance with an average margin of error of 5%.

While all efforts are made to provide an overall picture of the advertising market in the Arab countries, it is important to emphasize that the projections should not be used as a basis for any form of investment decision. This is mainly due to the fact that robust and consistent data across all 17 countries for the historic revenue breakdown for 2011 is not available.

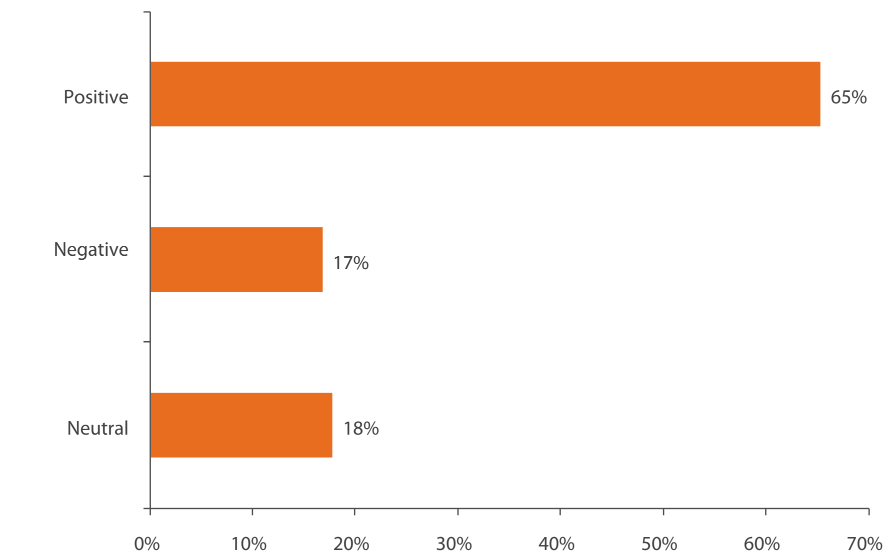
Macroeconomic data used in the report which includes key indicators such as literacy rates and GDP are taken from the International Monetary Fund's World Economic Outlook Report of 2011. Data including number of households, TV households, and penetration levels related to platforms including satellite, mobile and broadband are taken from Arab Advisors Group and Informa Telecom and Media.

ARAB MEDIA IN A GLOBAL CONTEXT

INTRODUCTION

In recent years, the Arab region has gone through a period of exceptional change. The political turbulence across the region set against the back drop of the global economic downturn has impacted the media industry in no small measure. The fluid political and security situation in some parts of the Arab region have impacted investor confidence and has weighed heavily on tourism receipts, capital flows and investment across countries. In markets directly impacted by the regional uprisings, we see the media industry structure being reshaped with a break from the past and we see encouraging signs of liberalization in the print and broadcasting sectors. The region is on track towards recovery and the next few years should see a revitalized media industry emerge across the region. Industry stakeholders seem, in fact, confident that the media industry will emerge further strengthened. Close to 65% of those interviewed affirmed a positive outlook for the industry in 2012, reflecting their confidence in the ability of the industry to recover from the turmoil of the last couple of years. It is worth noting that overall and despite a difficult year in 2011, the industry is more optimistic than during the last edition of the Arab Media Outlook when only 59% of respondents expressed a positive view for the Arab media industry in 2010, just after the 2009 economic crisis.

Exhibit 1: Industry leaders' outlook on the media industry in 2012[1]



1 Deloitte interviews

Advertising spend is expected to rebound in 2012 from the decline seen in 2011. The shift from traditional platforms to new media which was highlighted in the last edition of this report has become more pronounced with the share of print advertising showing a gradual decline over the past five years. Further, the digital platform will see the highest growth in the years to come as a large young, informed and socially engaged population drives consumption of media on internet and mobile platforms.

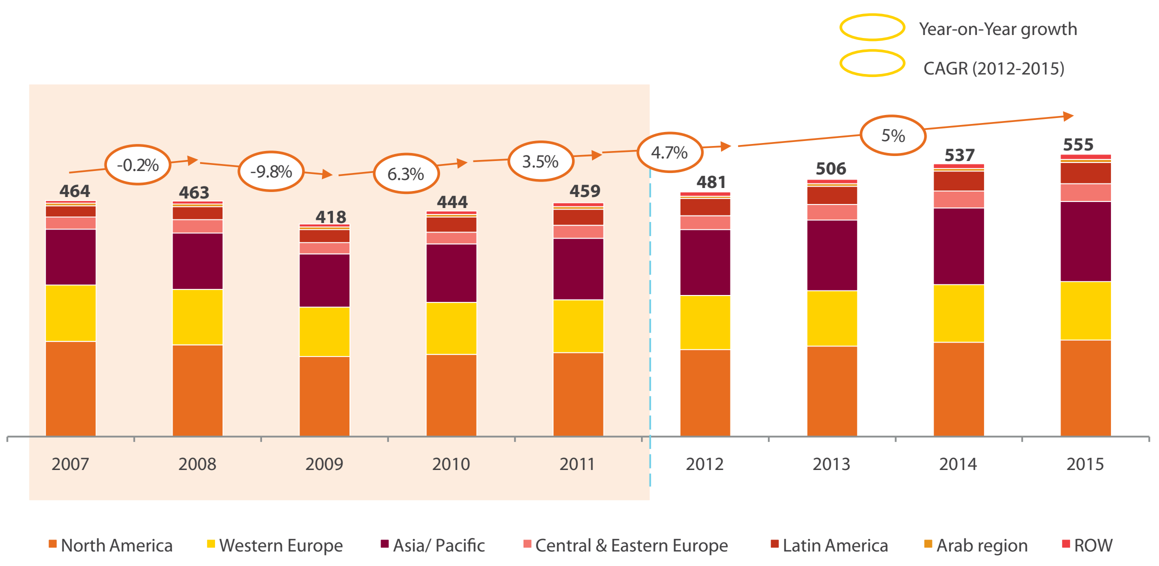
The demographic structure of the population in the region with more than 50% of the total population below the age of 25 represents an inherent strength for the media industry. This young population constitutes the early adopters of technology and is driving media consumption across platforms. Market research reveals that the time spent online is now on par with the time spent watching television suggesting that there are distortions in the allocation of advertising budgets with the digital platform accounting for less than 5% of the total advertising spend in the region.

Global advertising spend has been impacted in 2011 but will rebound in 2012 driven by growth in emerging markets and the "Quadrennial" effect

Global advertising spend has recovered from its low in 2009 following the economic crisis and has experienced growth of 6.3% in 2010 and a more modest 3.5% in 2011. The "quadrennial" effect (i.e. impact related to quadrennial events such as the Summer Olympics, European Football Championships, etc.) is expected to play out in 2012 providing the stimulus for growth in advertising spend.

Global advertising spend is projected to grow at a CAGR of 5% in the period from 2012 to 2015. A significant portion of the growth in advertising spend stems from developing markets. In fact, over the next three years, estimates suggest that nearly half of the world's growth in advertising expenditure will come from just four developing markets (i.e. Brazil, Russia, India and China).

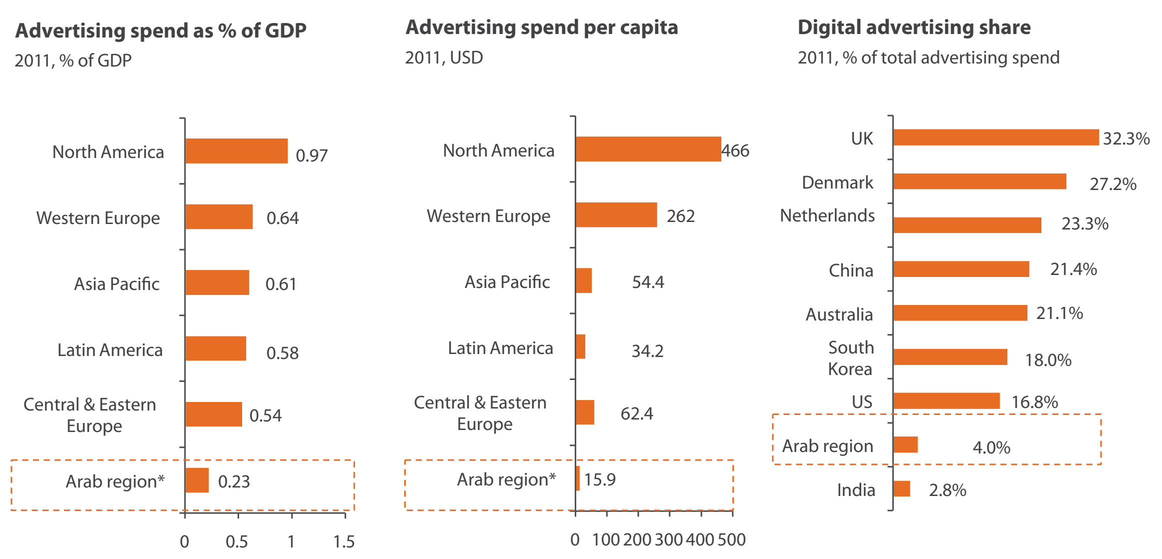
Exhibit 2: Evolution of global advertising spend by region (USD billions)[2]



The contribution of the Arab region to global advertising spend is as yet small (i.e. slightly higher than 1%) and advertising spend as a percentage of GDP (estimated at 0.23%) currently lags behind other regions as evidenced from the next exhibit. Moreover, advertising spend per capita estimated at USD16 for the Arab region ranks significantly lower than all other regions. The gap between advertising spend per capita in the region and global benchmarks suggest that there is significant potential upside for growth in advertising spend in the Arab region.

2 Zenith Optimedia, Deloitte analysis

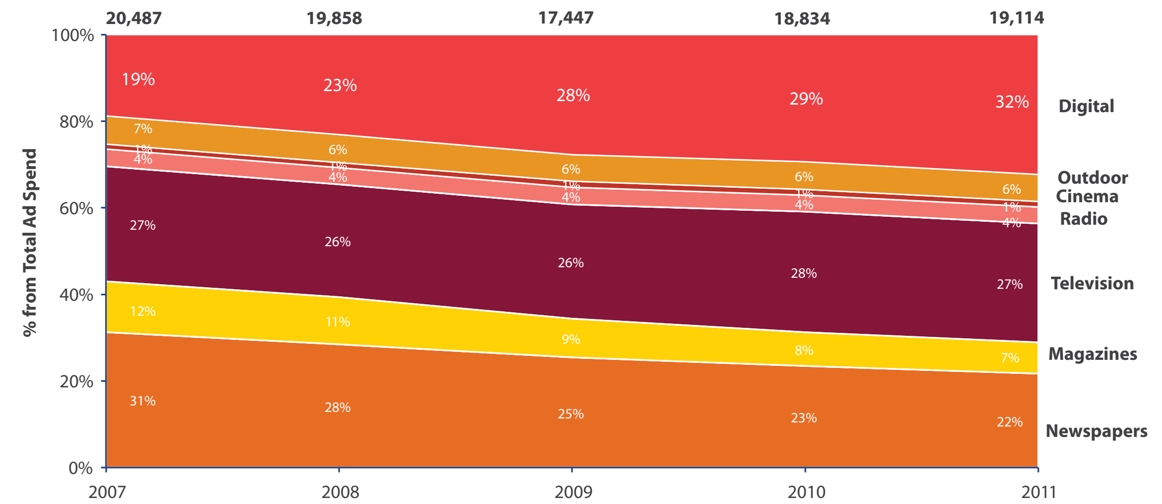
Exhibit 3: Global benchmarks of advertising spend as % of GDP, per capita, and digital share[3]



*Analysis excludes Libya and Palestine

From a platform perspective, digital continues to be the significant gainer and digital advertising is estimated to grow at a CAGR of 15% globally between 2011 and 2014. There are several markets in which the share of digital advertising spend has exceeded 20% including the UK, Netherlands, Denmark, Australia and China. In the UK, the share of digital advertising in total advertising grew to 32% in 2011. The increase in the share of digital in the UK has been at the expense of print (i.e. newspapers and magazines), whose share declined by close to 14 percentage points over the period from 2007 to 2011.

Exhibit 4: UK advertising spend evolution and breakdown by platform[4]



Newspapers and magazines globally have shown a declining trend since 2007 in terms of advertising spend. Newspaper advertising spend is projected to decline at a CAGR of 1.1% up to 2014, while magazine advertising spend is expected to decline at a relatively lower 0.7% annually (given the limited propensity to replicate magazine content online), during the same period.

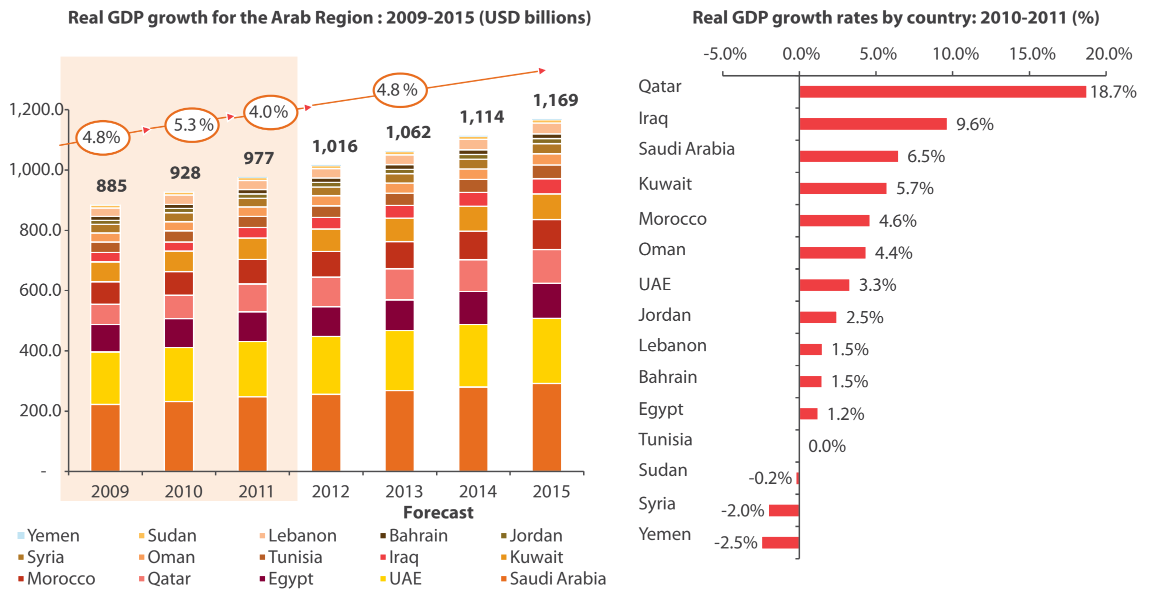
The region as a whole has weathered the economic downturn well but there are significant variations in growth at a country and sub-regional level

The regional uprisings and political instability has increased the overall risk profile for the region, however, despite the economic downturn, the region has shown resilience albeit with significant variations in real GDP

3 Zenith Optimedia, Deloitte analysis
4 ibid

growth across different countries. The next exhibit highlights the real GDP growth across the Arab region and growth rates for individual markets. Real GDP grew by 5.3% in 2011 across the region, less than the real GDP growth seen in emerging Asia (i.e. of 7.7%) but nevertheless higher than the global average of 4% .

Exhibit 5 : Real GDP growth across the Arab region (2009-2015)[5]



The region as a whole appears to have performed creditably in 2011 given the political turmoil, however when examined at a country and sub-regional level there are discernible variations in growth. Growth for the region in 2011 has been underpinned by the performance of Saudi Arabia, Qatar and UAE which together accounted for 72% of the GDP growth seen in 2011, while the GCC markets in total accounted for close to 84% of the total GDP growth. If these three markets are excluded from the analysis, the GDP growth rates across the remaining markets averaged close to 3% in 2011. The oil exporting economies such as Saudi Arabia and Qatar have been boosted by a rebound in the private sector driven by increased state funding and elevated oil prices.

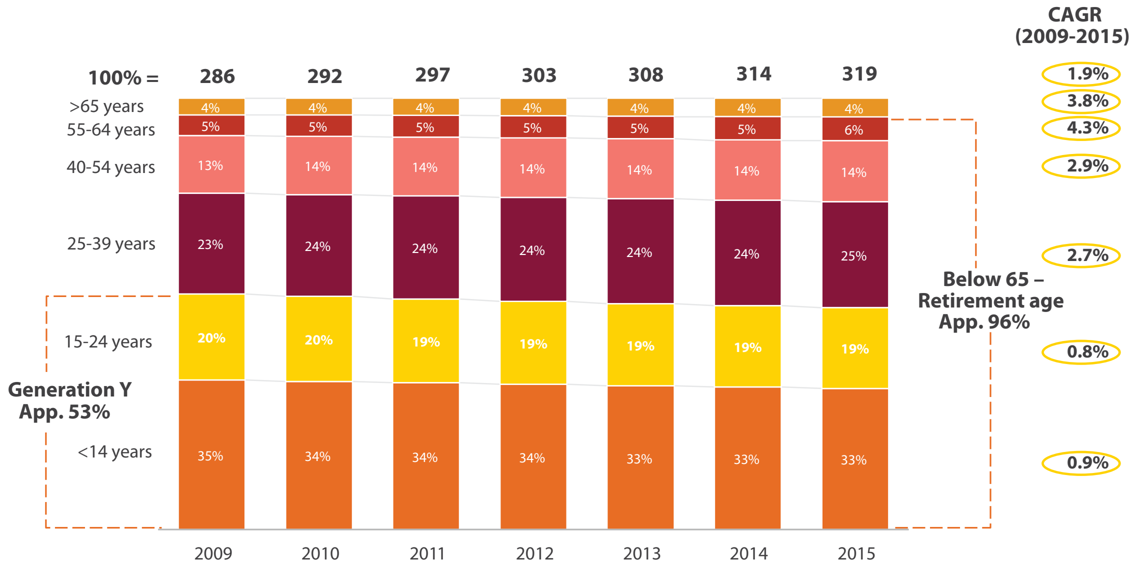
Real GDP for the region is forecast to grow at a CAGR of 4.8% for the period up to 2015. The economic outlook is however subject to downside risks, particularly related to prolonged domestic instability in some markets (e.g. Egypt, Libya, Syria), compounded by intra-regional contagion and a weaker economic outlook in the US and Europe, which could impact oil prices. In addition the markets most affected by the political uprisings need to put in place a medium term growth agenda, that will stimulate the private sector and address current high levels of unemployment.

The region has many favourable attributes on which to build; including a young and dynamic population (i.e more than more than 50% of the population is below the age of 25) and a high literacy rate

Despite the current political and economic uncertainties, the region has many strengths to build on including a favorable demographic structure. More than 50% of the region's population belong to Generation Y or the Millennials (i.e. below the age of 25).

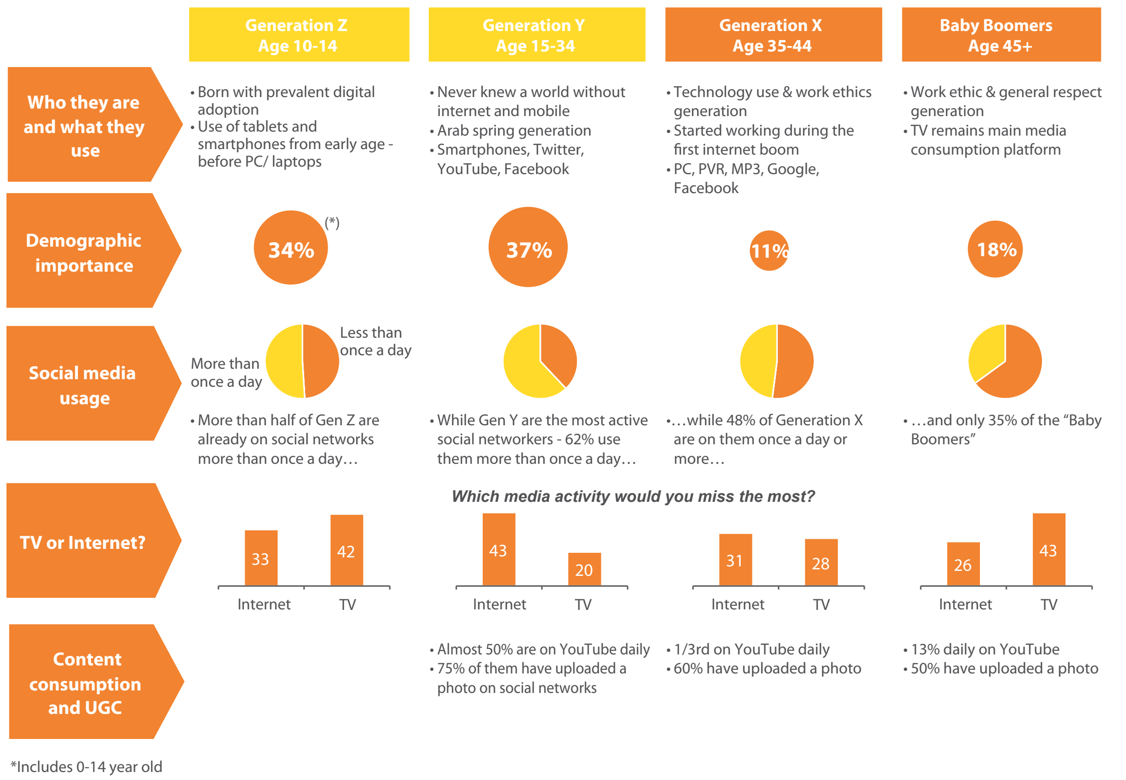
5 IMF estimates

Exhibit 6 : Age breakdown of the population in the Arab Region[6]



The Millennials are now driving the consumption of and engagement with content via multiple digital tools including social networking platforms, mobile applications, online videos, etc. In the Arab region, the youth have embraced new media as a tool to reach societal and lifestyle ambitions. As can be seen in the next exhibit, Generation Y generally portrays a much higher usage of digital platforms in particular social media, than other age groups. For example, the proportion of people in this demographic, that has posted a video of themselves online is three times as much as that of any other age group. Blogs are as popular as newspapers amongst the millenials and Twitter has recorded significant growth rates in the region (i.e. more than 50% increase in the number of Twitter account sign-ups in the first quarter of 2011 alone).

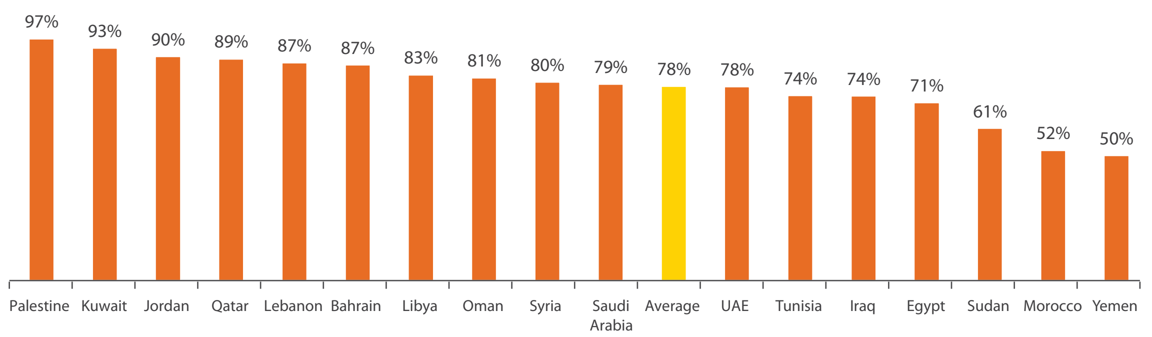
Exhibit 7 : Profile of Generation Y in the Arab region[7]



6 CIA World Fact Book, Deloitte analysis
7 Ipsos, Deloitte analysis

Literacy rates in the region are quite diversified, with lower rates in most North African countries bringing the overall regional average down to around 78%. Nevertheless, there are several markets with literacy levels exceeding 85% including Palestine, Kuwait, Jordan, Qatar, Lebanon and Bahrain.

Exhibit 8: Arab Region's Literacy Rates (%)[8]



Note: Literacy age is taken as 15 years and above

Although the average literacy rate falls behind other developed markets, the region boasts an informed and socially engaged population, and it is therefore not surprising that the migration to digital is gaining traction. Average time spent online per day (as evidenced through market research in Egypt, Morocco, Saudi Arabia and the UAE) is commensurate if not higher than time spent watching Television. In fact, the time spent online amongst kids (10-14 years old) is significantly higher than that of adults in Egypt, Morocco and the UAE. Nevertheless, digital advertising accounts for only 4% of the total advertising spend in the region.

Given the significance of the Millenials segment, their media consumption habits and their engagement with digital platforms will have an important role to play in defining the allocation of advertising budgets in the years to come. With the relatively small share of digital advertising spend relative to the importance of the platform, advertisers are likely to to re-evaluate their budget allocations with a greater emphasis on digital.

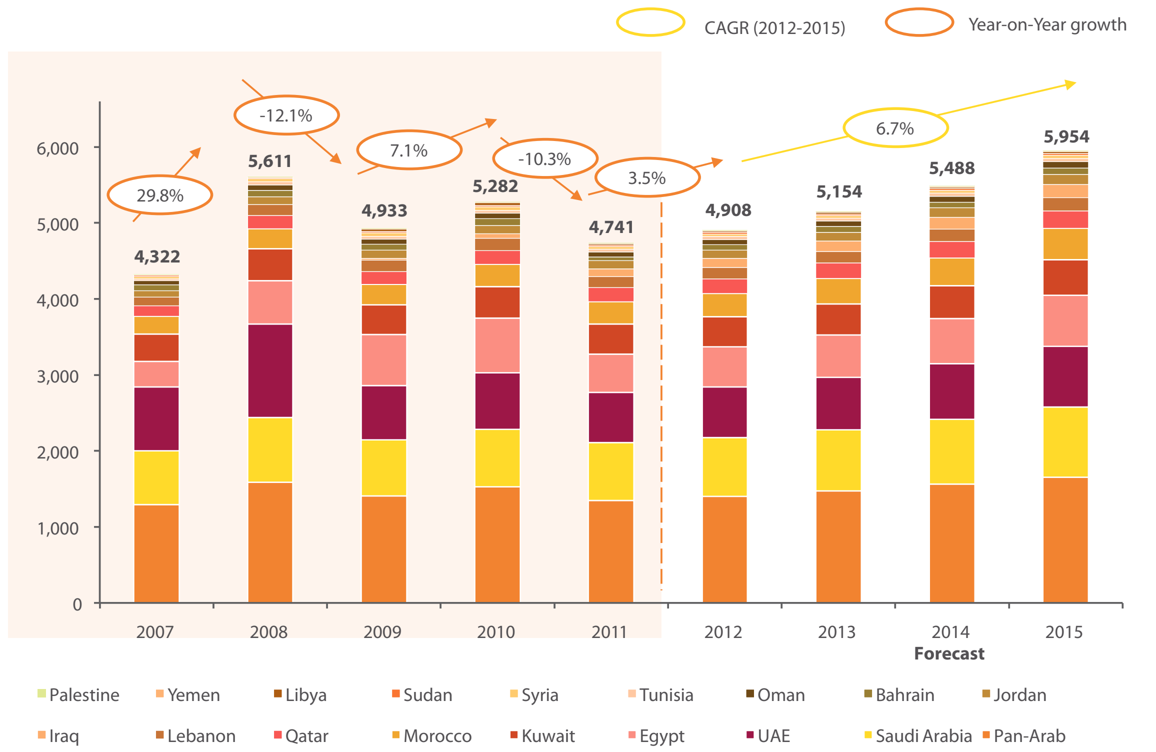
Regional advertising spend is expected to rebound in 2012 and show strong growth in the period up to 2015 driven by recovery in markets such as Egypt

In 2010, there was a perceptible rebound in regional advertising spend suggesting that the advertising market had recovered from the effects of the financial downturn. However, the region's unrest in 2011 and the unstable political situation across several markets has led advertisers to be more hesitant when it comes to spending in the region, and as a consequence advertising spend dropped by around 10% in 2011. The markets most impacted in 2011 in terms of reduced advertising spend include Egypt (-30%), Bahrain (-45%), Syria (-30%), and Libya (-45%), which unsurprisingly were the countries most impacted by the political unrest.

Going forward, we expect total advertising spend in the region to recover at a growth rate of 3.5% in 2012 and a CAGR of 6.7% over the projection period between 2012-2015 to reach USD5,954 million by 2015. Our estimates suggest that advertising spend will return to 2008 levels by around 2014. The growth in advertising spend will be driven by expansion in pan-Arab advertising budgets with increased confidence from advertisers and increased local advertising in Egypt, Qatar, Saudi Arabia and the UAE.

8 CIA World Fact Book, Deloitte analysis

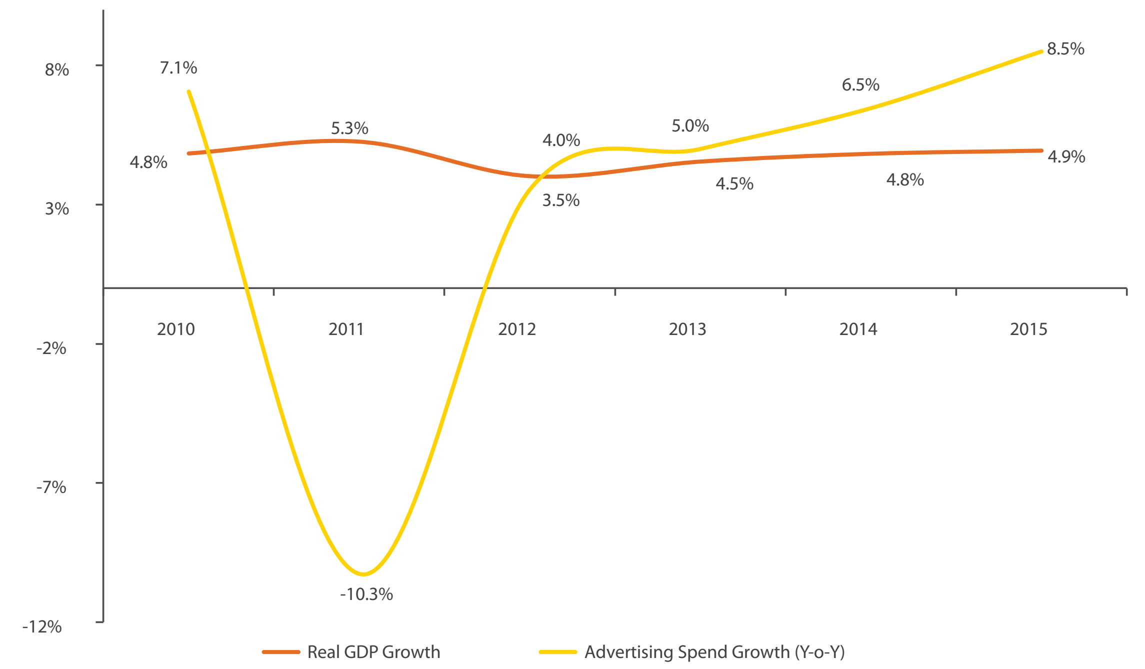
Exhibit 9: Evolution of net Advertising Spend in the Arab region (USD millions)[9]



A strong correlation between real GDP growth and advertising spend is evident across the region and growth in advertising spend has largely mirrored growth in GDP over the last 5 years, with the exception of 2011. In 2011, the combination of the political instability in several markets, the media 'black out' in some countries (e.g. Egypt) and the global economic situation resulted in a significant drag on advertising spend across the region. As a result even the markets relatively unaffected by the political uprisings such as the UAE saw a decline in advertising spend while Saudi Arabia showed a marginal increase of 1%. Pan-Arab advertising declined by 12% reflecting the sentiment across the region as advertisers curtailed their spending. The strong showing with regards to overall real GDP growth did little to allay the fears of advertisers and the overall advertising budget shrunk by more than 10%. As some of the markets impacted by the political uprisings return to economic growth in 2012 and beyond we expect advertisers to show renewed confidence in the region and advertising spend to correlate more strongly with economic growth.

9 Deloitte analysis, Zenith Optimedia, PARC, Ipsos

Exhibit 10: Arab region - growth in advertising spend and real GDP growth[10]



Gradual yet perceptible shift in advertising spend from traditional platforms to digital

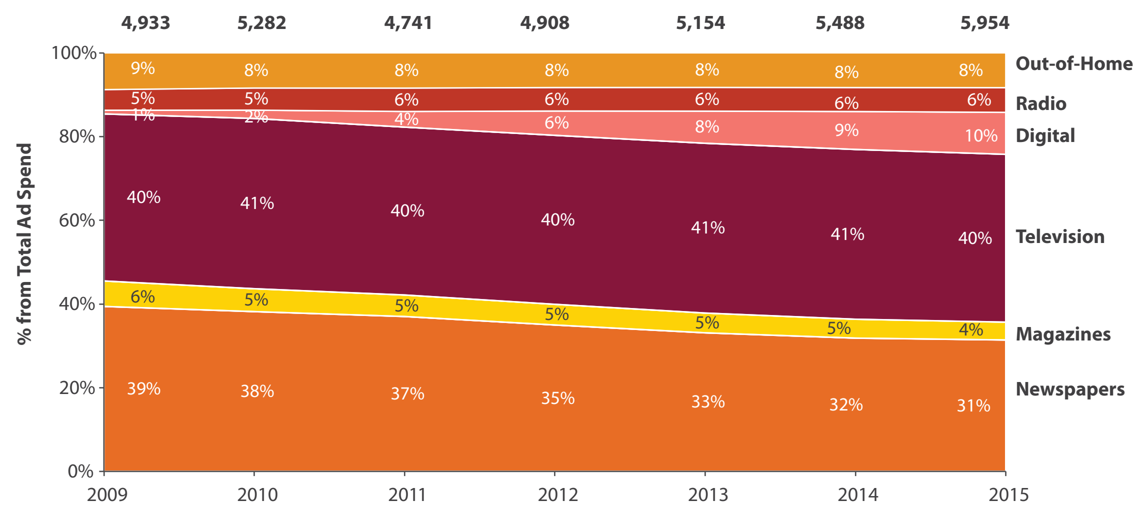
In the last edition of the Arab Media Outlook we had highlighted the shift of advertising dollars away from traditional platforms, which at that stage was fairly nascent. The region continues to see a gradual shift to digital platforms at the expense of traditional platforms. In the period from 2009 to 2011, the share of print (i.e., newspapers and magazines) in total advertising spend has declined from 46% to 42% (i.e. by 4 percentage points). Television has managed to maintain its share of total advertising spend fairly constant in the last few years and we expect this trend to continue with the introduction of People Meter in markets such as UAE and Saudi Arabia which will no doubt boost budgets for advertising on pan-Arab Television. Cinema and outdoor advertising are expected to show some growth with plans afloat to increase the number of screens particularly in some of the GCC markets.

Digital is the fastest growing platform in the region and accounted for 4% of the total advertising spend in 2011. We expect digital advertising spend in the region to grow at a CAGR of 35% over the period from 2011 to 2015 reaching approximately 10% of the total advertising spend by 2015. The increase in digital advertising spend is at the expense of print, which is expected to decline in terms of contribution to total advertising spend by a further 7 percentage points between 2011 and 2015 reaching 35% of total advertising spend by 2015. The trend in evolution of print and digital advertising spend is similar to that seen in mature markets such as the UK, discussed earlier in this section. However, the pace of migration to digital has been relatively slower at the regional level given the wide variations in ICT development across the 17 markets covered by this analysis.

There have also been changes in the strategy deployed by advertisers. Cross-platform campaigns which were reported in the last edition of the Arab Media Outlook are becoming fairly common and we see the large brand advertisers (i.e. telecom operators, etc.) experimenting with social media.

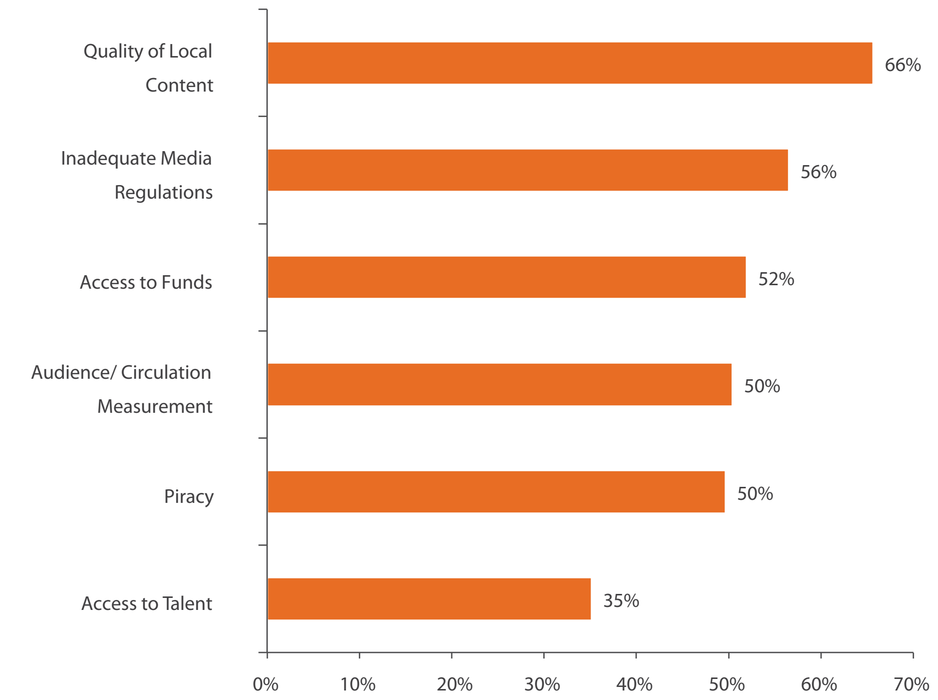
10 IMF estimates, Deloitte analysis, Zenith Optimedia, PARC, Ipsos

Exhibit 11 : Arab region- Advertising spend evolution and split by platform (%)[11]



Overall, industry leaders do agree that there are major challenges facing Arab media, of which the most significant include the quality of content available locally, and the absence of adequate media regulation across some parts of the Arab region. Further, many of the stakeholders interviewed suggest that access to funding is still an issue particularly in the online space. Pro-active initiatives taken by pay-TV providers to combat piracy have had some impact but nevertheless the problem is still relevant and represents a challenge to the growth of revenues across the industry. Reassuringly, industry stakeholders feel that the region has access to a high quality pool of talent, which if nurtured adequately could represent a key asset.

Exhibit 12: Industry leaders' outlook – Challenges facing Arab media[12]



11 Deloitte analysis, Zenith Optimedia, PARC, Ipsos
12 Deloitte interviews

1. PRINT

1.1 OVERVIEW

While newspapers globally witness a decline in circulation and advertising spend, print circulation in the Arab region has, up until recently, demonstrated fairly good resilience. Although challenges remain in gathering accurate and audited numbers for the region, newspaper circulation has seen some growth in 2010 and 2011, albeit at a slower pace than before. However, the industry appears to be at an inflection point, with newspaper circulation in 2011 showing the lowest growth in the last five years. The number of newspaper titles has remained relatively flat despite the flurry of activity generated by new launches, shutdowns and continued migration to online. Inevitably, the uprisings across the Arab world have propelled the growth of independent news outlets, with established government papers giving way to new titles, as well as the emergence of "citizen journalists". Though under stress internationally, even the magazine market has shown some growth in terms of number of titles in 2011. Certain segments, such as women's magazines, remain perennially attractive with several new entrants targeting this readership. While the industry is yet to see the erosion in print revenues witnessed in mature markets, a few leading publishing houses are already future proofing themselves for digital migration by leveraging the reach and strong segment focus of specific online properties. In addition, we see some leading magazine publishers diversifying into adjacent businesses. A few newspapers in Egypt are already at par with their western counterparts in terms of attracting audience share online. We also see the newsroom being re-organized across some major regional titles with a focus on better coordination and the optimal use of cross-platform opportunities. Monetization models for online content are still largely advertising funded, with few instances of online paywalls as seen in other markets such as the UK and the US.

Finally, interviews conducted across industry stakeholders[1] confirm our belief that one of the long-lasting effects of the political uprisings across the Arab region is increased freedom of the press with 76% of respondents highlighting this view. Further, there is a general consensus that social media would be used increasingly as a source of news by the public and some of the major regional newsgroups have already set in place teams to monitor and leverage social media. Respondents were divided on whether there would be reduced reliance on professional outlets as a source of news with only 45% agreeing to this view.

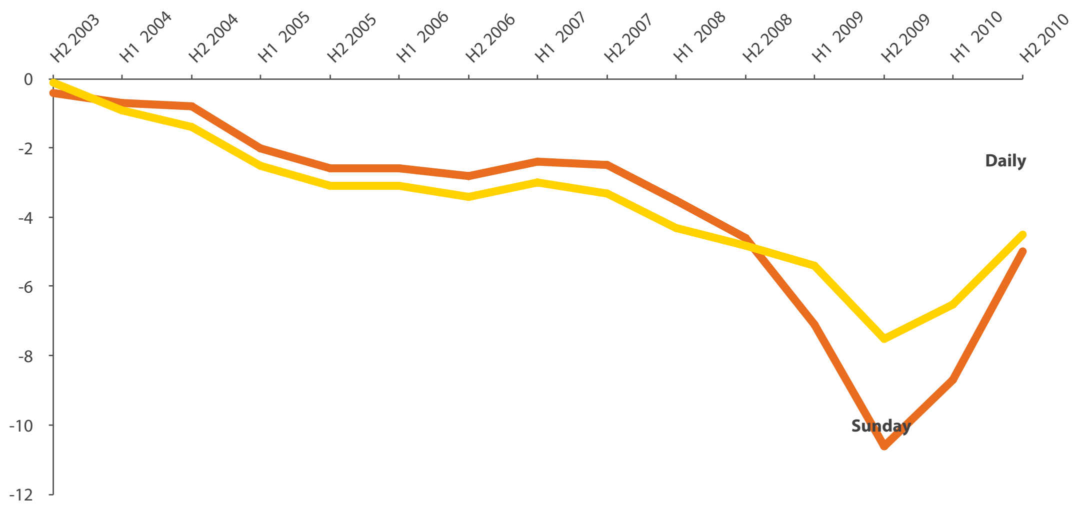
1 Deloitte interviews

1.2 NEWSPAPERS

Circulation in the Arab region remains more resilient than in most mature markets, yet the industry has seen its slowest growth in the last five years

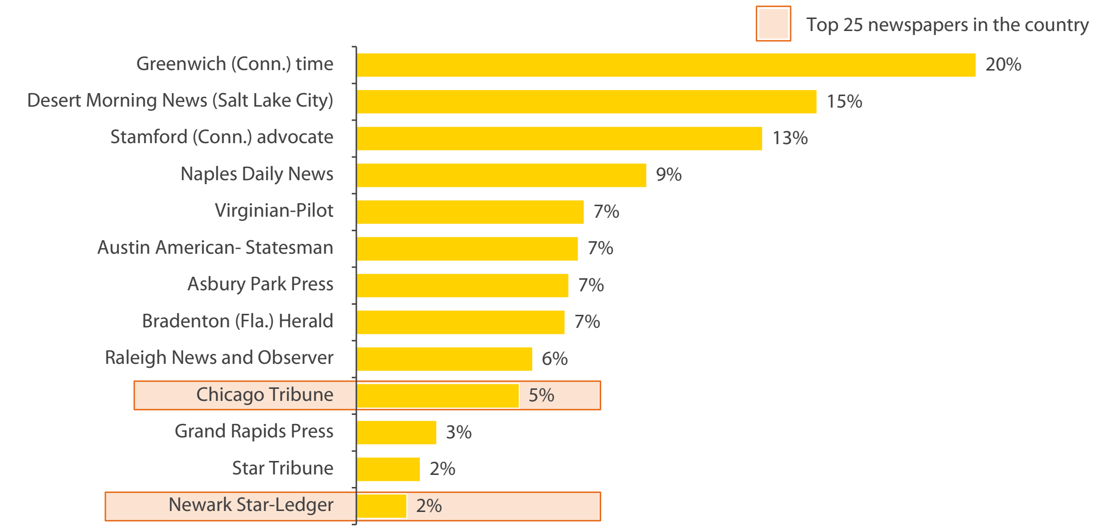
Publishing companies in mature markets are currently suffering from a double hit of waning circulation and falling advertising revenues. In markets such as the US, the decline in newspaper circulation has continued unabated, even though there was a marginal improvement in the pace of decline in 2010. Daily and Sunday newspapers have fallen in tandem. This has been driven by a combination of factors, both structural (the flight of youth from traditional media, the increased popularity of the internet, and micro-blogging in particular, as the main source of news), as well as cyclical (decline in marketing spend as advertisers tighten their belts due to the prolonged recession and uncertainty). The next exhibit provides an illustration of the steep decline in circulation experienced by newspapers in the US.

Exhibit 13 : Semi-annual percentage change in newspaper circulation in the US, 2003-2010[2]



With print and online audiences combined, a number of papers in the US actually expanded their total audience reach in 2010, even as paid circulation fell. The primary gainers, by percentage, in combined print-online audience in 2010 included mainly midsized papers, as illustrated in the next exhibit. Only two of the top 25 national newspapers were able to offset the decline in print circulation by increasing their audience on the online platform. These included the *Chicago Tribune* and *Newark Star-Ledger*. Other major newspapers recorded a decline in their combine print and online audience.

Exhibit 14 : Percentage change in combined print and online audience for newspapers in the US[3]



Moreover, we see a continuation of the trends observed in the last edition of the Arab Media Outlook as leading news-based publishers attempt to combat the decline in circulation and print advertising revenues. Some of these trends have been revisited below:

- In the UK, several national newspapers have launched "compact" formats in response to freesheet operators such as Metro newspapers. The Independent, in response, launched its own compact format "i" in October 2010 aimed at "time-poor newspaper readers" and "lapsed readers" at a budget price of USD 0.30 (as against the broadsheet version priced at USD 1.60). By 2012, the "i" had surpassed The Independent in terms of circulation. Other major daily newspapers such as The Observer and The Times have also launched compact formats.

- Other publishers are improving the quality and expanding the editorial content of their newspapers. The Chicago Tribune has responded to declining revenues by launching a weekly literary review section targeted at more affluent readers, which will be charged at USD 2. Today, in addition to book reviews, the 32-page stapled tabloid mock-up includes a fiction contribution, articles, a local literary scene as well as lists of bestsellers.

- The trend towards charging for online content is gaining ground. Several publications have explored paywall models to charge for online content. Experiences of The Economist and FT suggest that paywall models work better for niche or business-oriented titles. The Times and The Sunday Times have been less successful with their online paywall models. The New York Times unveiled a metered online paywall offering readers the option to click on as many as 20 different articles, sideshows or videos a month for free. The paper charges digital readers who view more than 20 pages per month.

- Major titles are also exploring ways to differentiate their online and print editions. The Daily Mail has differentiated its online offering (dailymail.co.uk) by focusing on celebrity coverage and, since October 2011, has become the most popular online website in the UK, with close to 79 million unique users.

- Newspaper publishers are also leveraging their core skills/ resources to identify new growth opportunities in adjacent businesses. A group of eight newspaper publishers in the US have formed a joint venture to promote their daily deal efforts, thus using e-commerce as a means of offsetting declining print advertising and circulation revenues.

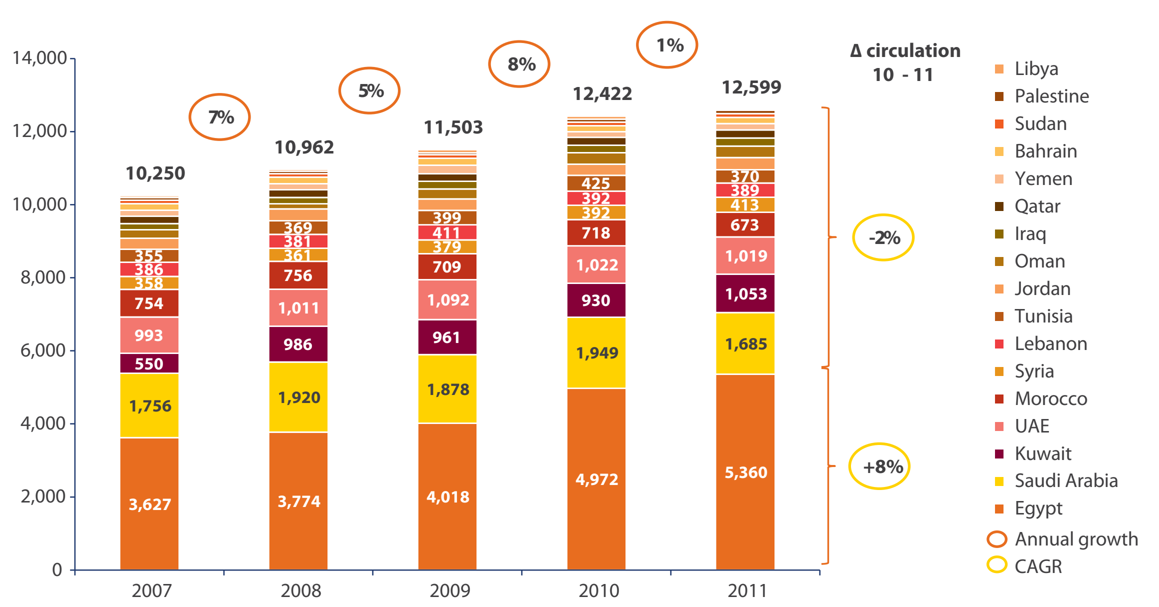
- Finally reducing print delivery and promoting online editions has been resorted to by several newspapers. The Detroit Free Press and the Detroit News slashed home delivery to three days a week, encouraging viewers to visit the Newspapers' internet sites on other days.

In the Arab region, the majority of publications remain unaudited, leading advertisers to rely on claimed circulation numbers for their investment decisions. However, there is an encouraging trend in the region for publications to apply for auditing from independent, international bodies. BPA Worldwide now has over 100 publications in the region either already being audited or under application. The majority of the publications it works with are based in the UAE, but some are also spread across Bahrain, Egypt and Kuwait. Meanwhile, Morocco has its own circulation auditor, OJD Maroc, and a handful of regional publications are also audited by ABC in the UK and OJD in France. As the number of audited newspapers and magazines in the region rises (BPA already had eight outstanding applications for audit as at December 2011), this will help drive transparency and eventually growth in the print advertising market. While analysing the current state of the print industry in the Arab region, it is important to bear this situation in mind.

In this context, the print industry in the Arab region appears to have demonstrated stronger resilience in the last few years as compared to markets such as US and the UK. While the pace of growth in circulation has slowed, some growth was still seen in 2011. The overall growth in the region, however, masks some important disparities between countries and sub-regions, as is evident from the next exhibit. Egypt, the largest market by circulation, has maintained healthy growth in 2011, while the rest of the Arab region has experienced a decline of 2% in print circulation in the same year. The decline in circulation has been particularly pronounced in the GCC region.

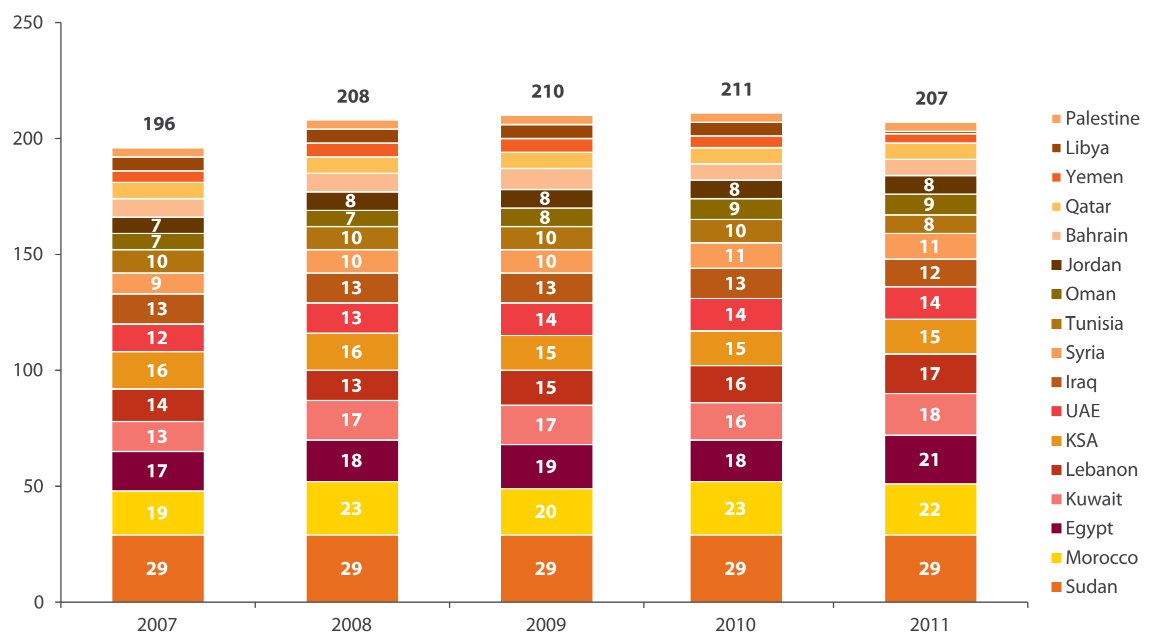
2 Deutsche Bank Securities and Audit Bureau of Circulation
3 US Audit Bureau of Circulation

Exhibit 15 : Newspaper circulation in the Arab region, 2007-2011 (000s)[4]



The number of newspaper titles in the region has remained relatively flat over the last few years, with the number of new entrants balancing the exits from the market and the migrations to online. There has been a flurry of activity in the newspaper industry between 2009 and 2011.

Exhibit 16 : Number of newspaper titles in the Arab region, 2007-2011[5]



A number of newspapers were launched in the wake of the political uprisings to present independent views. In Egypt following President Hosni Mubarak's exit in February 2011, some of the independent newspapers launched included *Al Tahrir, Al Horia we Al Adala* and *Al Mesryoon*.

On the other hand several titles have shut down due to commercial or political reasons:

- In Kuwait for example, the daily Arabic newspapers *Awan, Arrouiah and Assawt* shut down between 2008 and 2010. All three were among a range of new publications that opened after changes in the country's licensing laws in 2006. They were unable to attract readers from older, more established competitors and the papers failed to attract much advertising. Kuwait represents an overcrowded newspaper market with 18 newspapers in Arabic and three in English for a total population of 2.5million people, which makes commercial viability a key area of concern. Considering that a much larger market like Saudi Arabia has just 15 dailies in total (both Arabic and English), this highlights the extent of the oversupply in Kuwait.

- In Bahrain *Al Waqt* and *Al Meethaq* both shut down during the same period, while in Libya the collapse of the Gaddafi regime resulted in five of the six state affiliated papers closing down.

Furthermore, a few newspapers continued the trend towards online migration:

- *Emirates Business 24/7* ceased publishing in 2010 and re- launched online in the same year.

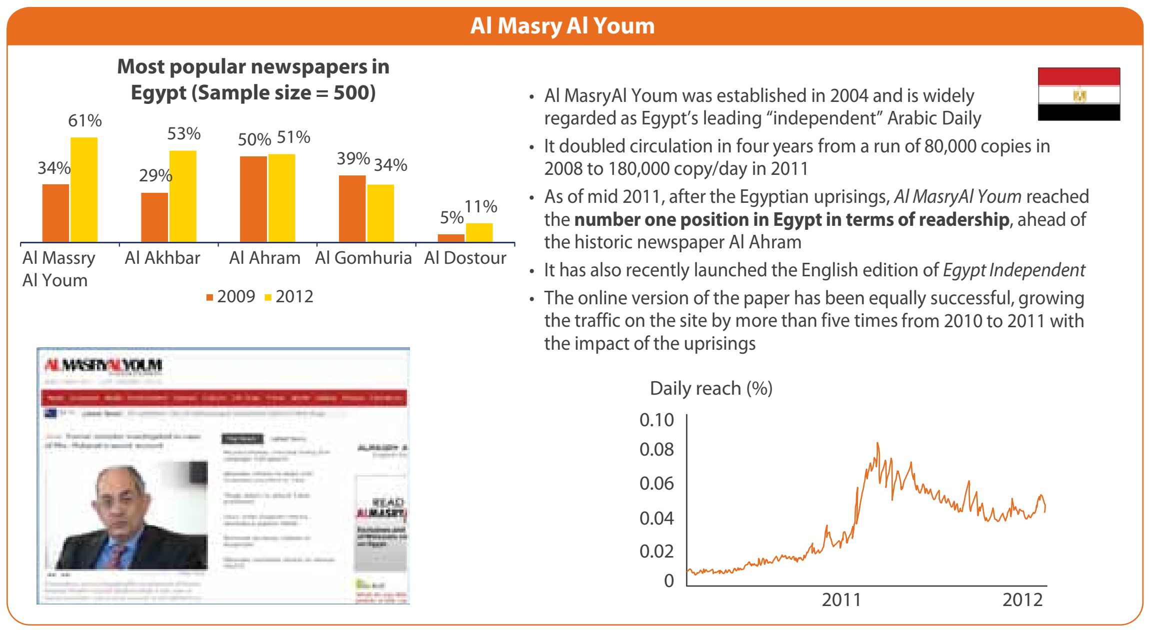
- *Al Mofakkerah Al-Eqtisadiah,* a subscription-based business newspaper published twice a month from Jordan since 2009 stopped printing in 2010 and is now published online from Qatar as a business news portal.

Success of new launches suggests that publications with differentiated editorial content or targeted at underserved segments could still be potential winners

Following the political uprisings in Egypt, several newspapers which gained prominence have served as independent media outlets or have been backed by political parties. Many of the newly launched papers aimed to target younger generations which remained aloof from print media and consumed news mainly from networking sites. A case in point was *Al Masry Al Youm* which was established in 2004, and, according to our market research, became the country's leading daily.

The newspaper is privately owned and has a website in both Arabic and English. *Al Masry Al Youm's* readership soared in 2011 while government affiliated publications such as *Al Ahram* and *Al Akhbar* sought to maintain their credibility. Similarly, *Al Dostour,* another opposition paper in Egypt, has become increasingly popular over the last few years, growing from being a preferred paper for 5% of the population in 2009 to 11% in 2012. Some of these results can be found in the next exhibit.

Exhibit 17 : Change in readership – Case study of *Al Masry Al Youm*[6]



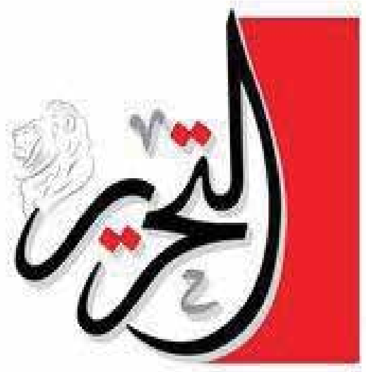
A few new entrants to the market have met initial success by offering quality content and addressing hitherto underserved segments. In Egypt, the much anticipated daily newspaper *Al Tahrir* was launched in July 2011. The 18-page newspaper named after the epicentre of the Egyptian revolution is edited by Ibrahim Eissa, one of the most outspoken critics of the former regime. *Al Tahrir's* objective is to provide deeper news analysis rather than mere event coverage. The newspaper also aims to attract younger generations which lost faith in the credibility of print media.

4 WAN, MENA media guide (2009-2012)
5 WAN, MENA media guide (2009-2012); data for Sudan based on 2009 figures

6 Ipsos, Company website, Alexa, Deloitte analysis

Exhibit 18 : New entrants to the newspaper industry - Case study of *Al Tahrir*

Al Tahrir



Overview

Circulation	150,000*
Language	Arabic
Published	2011
Frequency	Daily (Morning)
Target Market	Young readers

- Al Tahrir is a daily Arabic newspaper which launched in July 2011 named after Tahrir Square, and headed by editor in chief Ibrahim Eissa
- Ibrahim Eissa had previously been forced out of his position at the independent daily Al-Dostoura few months before the fall of former regime
- The paper has gained significant circulation figures since its launch, and aims to attract younger readers who are using Twitter and Facebook back to traditional print media

* Claimed

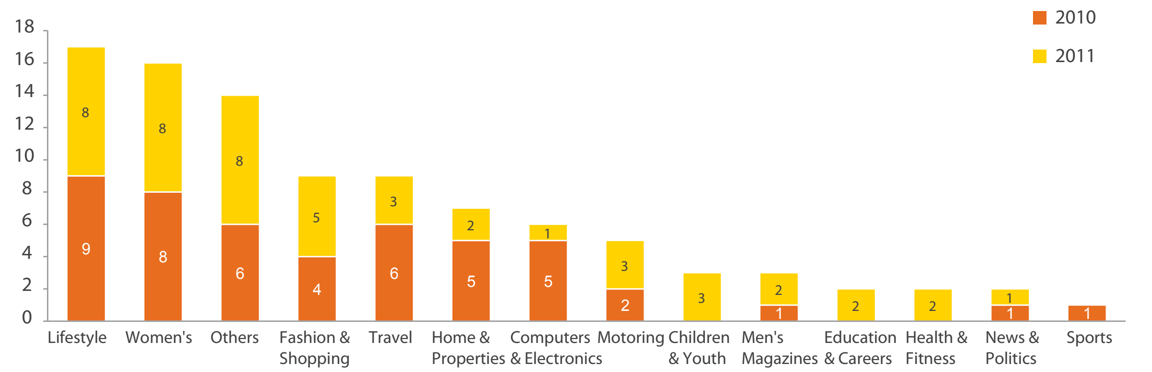
Another prominent example of a successful new entrant is *Sport 360°* in the UAE. The newspaper has achieved audited circulation of 35,000 within a short span of time by providing access to high quality, regional sports content. The newspaper has been audited since launch which has helped it to build credibility with advertisers. *Sport 360* has also built a robust digital platform with differentiated content. The initial success of *Sport 360°* suggests that newspapers which cater to a niche/ underserved segment with high quality regional content offer a strong proposition to both advertisers and potential readers.

1.3 MAGAZINES

Several new titles have launched in 2010-11, while circulation has seen some growth

The magazine industry was severely damaged by the effects of the global economic crisis during 2008 and 2009, with scores of Arab magazines being forced to close down as a result. However, more recently the region has seen several new launches in 2010-2011, even while the magazine industry has been under significant stress internationally. More than 60 consumer magazine titles were launched in 2011 with several segments showing growth including lifestyle, women's, fashion, shopping, children and youth.

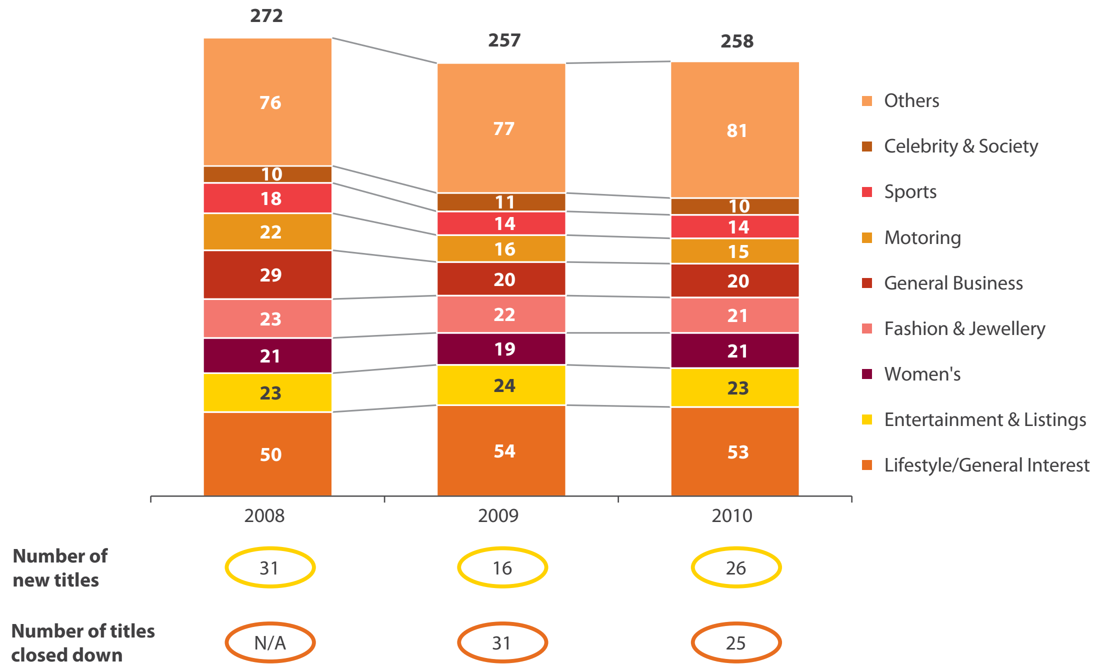
Exhibit 19 : New pan-Arab consumer magazine titles by segment[7]



7 MENA media guide 2012, Deloitte analysis

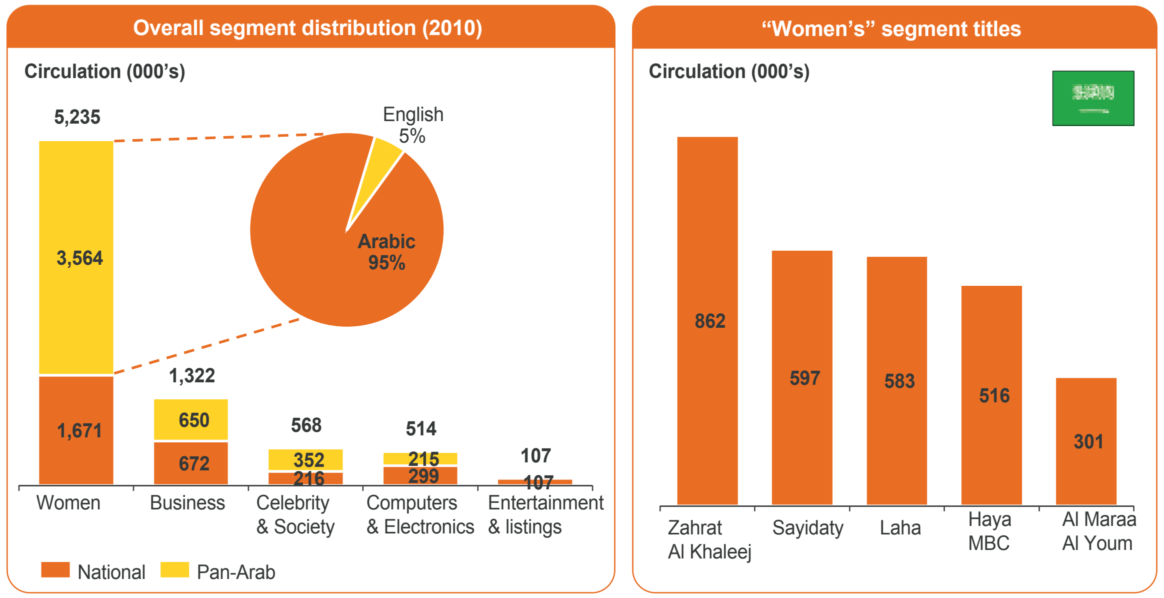
As with newspapers, several titles have closed down due to financial difficulties or have re-located, which was particularly evident in the UAE as illustrated in the next exhibit.

Exhibit 20 : Evolution of UAE magazine titles by segment[8]



The magazine market in the region is dominated by one single segment, which is the Arabic women's segment. This segment has the highest circulation of all pan-Arab titles, representing 75% of total circulation, and has been attractive for publishers both from a circulation and monetisation point of view. Penetration of women's magazines is amongst the highest in the world for pan-Arab titles, particularly in markets such as Saudi Arabia which has 4% penetration. The segment shows a high degree of consolidation with the top 5 women's titles accounting for 80% of the segment circulation. While the English segment has been flat in terms of number of titles, the Arabic segment has shown some growth.

Exhibit 21 : Women's segment share of circulation and top titles[9]



8 MENA media guide 2012, Deloitte analysis
9 MENA Media Guide 2012, Deloitte analysis

Market research reveals that the most preferred magazine genre in the UAE is fashion (62% of respondents), followed by celebrity news (55%) and culture (45%). A similar trend is seen in Saudi Arabia, where close to 60% of respondents surveyed listed fashion as their preferred genre. In Egypt however, news, current affairs and sports ranked significantly higher than fashion[10]. In Lebanon, the top ranked magazines belonged to the lifestyle and fashion genres.

Recent launches in the women's segment include *Nour* and *Cosmopolitan* which have achieved significantly high circulation within a short span of time. *Nour's* readership extends across several GCC markets as well as Switzerland and France. *Cosmopolitan*, a newly licensed title from ITP, is targeted at middle class women in the region. This suggests that, in line with international trends, the segment has remained relatively unaffected by digital migration, as the print magazine format still holds significant appeal for advertisers in the region. The opportunity is being seized both with licensing of international brands by local publishing houses (ITP) as well as local formats adapted to the regional cultural palate.

Exhibit 22 : New entrants to the magazine industry in the women's segment[11]

Nour Magazine

Nour Magazine	
Circulation	25,000*
Language	Arabic & English
Published	2011
Frequency	Monthly
Coverage	Bahrain/France/Kuwait/Qatar/KSA/Switzerland/UAE
Target market	Males & females

- Nour is a Saudi magazine produced by the Nour Company which offers versions in Arabic and English
- The magazine covers a wide array of content types from fashion and jewellery to events and motoring, as well as celebrities
- Distribution is not restricted to regional markets but also covers some European markets - France and Switzerland. This highlights the appeal for locally produced Islamic magazines outside of the region

Cosmopolitan Magazine (ME)

Cosmopolitan ME	
Circulation	16,000*
Language	English
Published	2011
Frequency	Monthly
Coverage	GCC/Lebanon
Target market	Young females

- Cosmopolitan is the Middle East edition of the US based women's lifestyle magazine and is primarily aimed at younger females
- The magazine is published by ITP Publishing further adding to their wide range of consumer magazines on offer. Cosmopolitan's publisher stated that the magazine's format varies from country to country to take account of local sensibilities
- It intends to take advantage of the large middle class in the region with similar aspirations to women in Europe and the US

* Claimed

1.4 DIGITAL MIGRATION AND DIVERSIFICATION OF REVENUE STREAMS

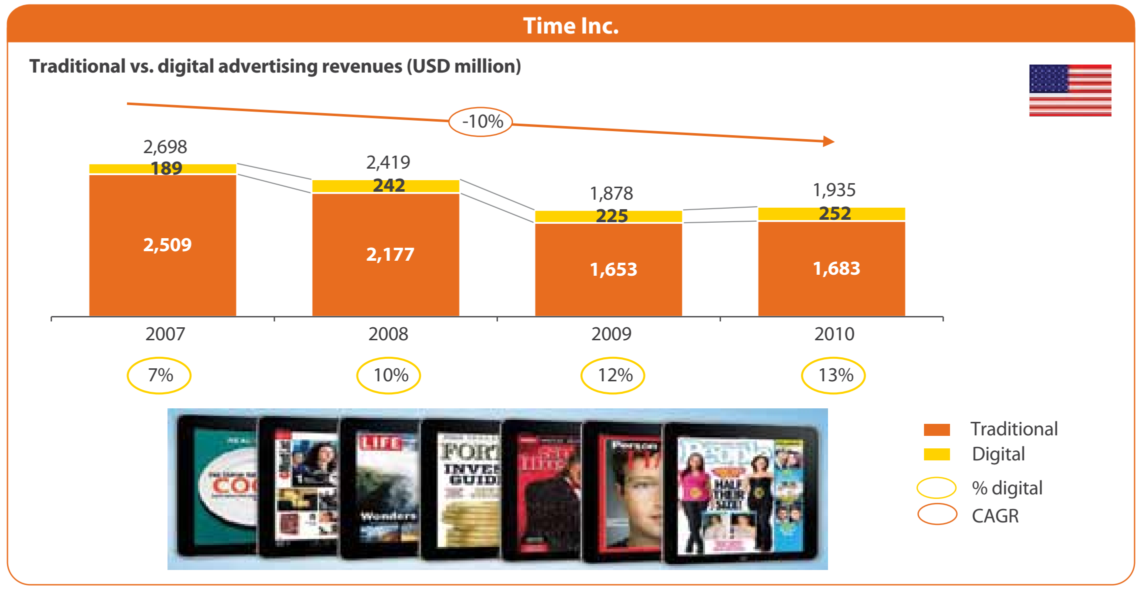
As compared to mature markets, there is significant potential to boost online advertising spend in the next few years

After years of revenue erosion in mature markets, a smart approach to online migration has helped to a certain extent in arresting the declining trend in print revenues. Time Inc., for instance, has achieved some success in its digital strategy. Between 2007 and 2009, print revenues declined at a CAGR of 19%. Time Inc. then launched an "All access model" which lets readers receive full access in print, online and on tablet. Readers can buy print-digital bundles as well as digital-only subscriptions and single issues. *Time* was the first magazine on the iPad when the device launched and currently all of its US titles have tablet editions. Time Inc's US sites attract more than 50 million unique visitors each month.

Indeed, Time Inc. has been successful in monetizing many of its digital editions, with more than 600,000 digital single copies of *People*, *Time*, *Sports Illustrated* and *Fortune* sold by the end of August 2011. In addition to print subscribers, who upgraded to get digital versions for free, the company's digital magazines and content apps had been downloaded 11 million times by August 2011. In 2010, Time Inc.'s revenues showed a modest increase, spurred by the growth in its digital advertising revenues which represented 13% of Time Inc.'s total advertising revenues. The move towards digital has also been reflected in Time Inc.'s organizational DNA with the creation of the role of Chief Digital Officer in 2010 with responsibility for building interactive brands and identifying new revenue opportunities.

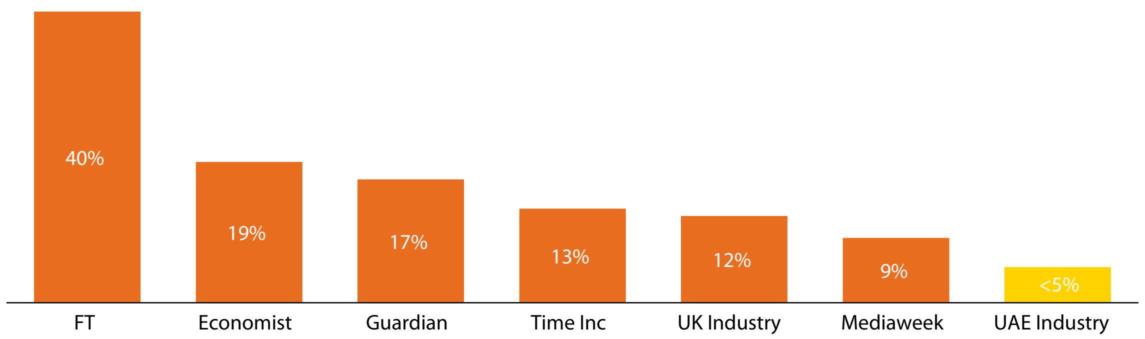
10 Ipsos
11 MENA Media Guide 2012, Deloitte analysis

Exhibit 23 : Case study of Time Inc.[12]



Globally, digital properties of *The Financial Times* and *The Economist* have successfully exploited the online opportunity by virtue of being premium content providers. Digital revenue share of total advertising spend has averaged between 7% and 40% for other titles. In the region, online migration is still nascent with online revenues in markets such as the UAE comprising less than 5% of total revenues for publishing houses. Historically, as discussed in more detail in the section of this report on digital platforms, the relatively lower advertising spend in the region can be attributed to several factors, including the lack of skills for both advertisers and agencies, limited monetisation of paid search, low broadband penetration in a number of countries and the restricted amount of Arabic content available online.

Exhibit 24 : Digital as a percentage of total advertising revenues for regional and international titles, 2010[13]



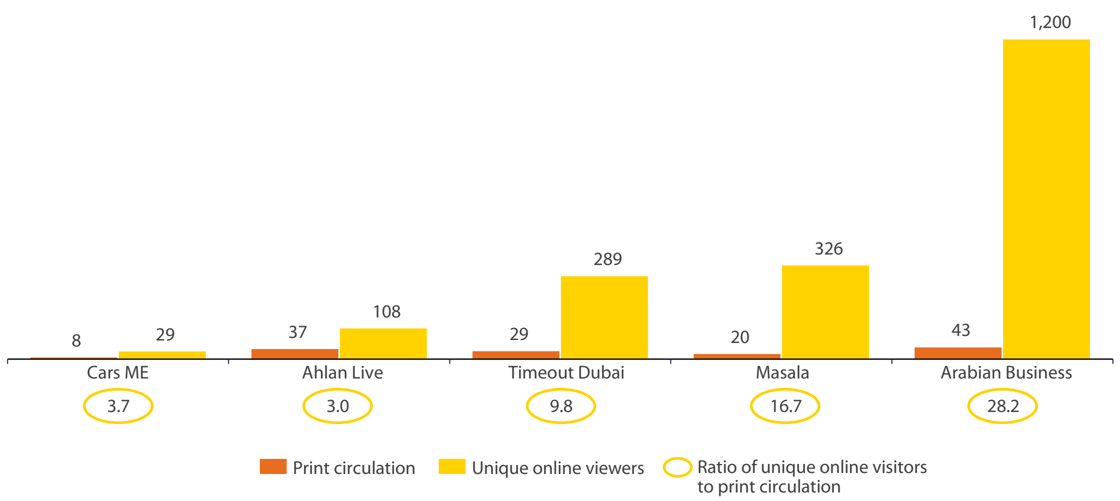
In the magazine space, the online opportunity is more attractive for specific genres of magazines with a high online-to-print viewership ratio. Given the current low sell-out rate of inventory and high discounts being offered, online could present an attractive upside opportunity for regional publishers as the market matures and demand for online advertising increases.

Regional publishers are positioning themselves for online migration and looking to diversify their revenue streams

Regional publishers have achieved some success in digital migration, with online revenues for some titles already constituting a significant share of total advertising revenues. We estimate that for some of the most successful titles in the region, the proportion of online revenues out of total advertising revenues is closer to that of the international benchmarks previously discussed (between 10-15%). In the case of some ITP titles, as discussed in the case study below, the ratio of unique online visitors to print sales is so high (28 for *Arabian Business*) that titles such as *Arabian Business*, *Masala* (South Asian gossip magazine) or *Time Out Dubai*, for example, can be seen more as digital properties than print.

12 Company websites, Deloitte analysis
13 Company websites, Deloitte analysis

Exhibit 25 : ITP – Online migration for specific titles[14]



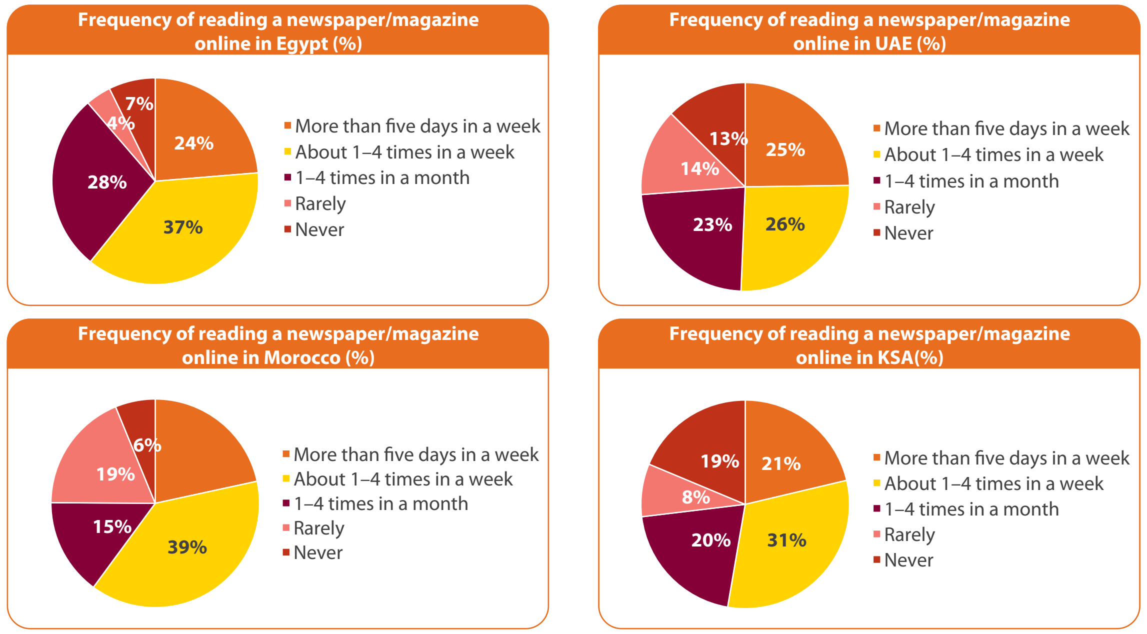
Time Out, another ITP property is a good example of managing the transition to online and in-apps advertising in particular. In June 2010, *Time Out Dubai* launched an iPhone application which achieved 40,000 downloads in the first month of launch and was the number one app in the UAE. The Time Out app is provided free, with monetization mainly through sponsorship and advertising revenues.

Publishers such as ITP have used an existing brand name to expand their reach beyond print, in line with the positioning of their titles (e.g. events for business magazines and ticketing for entertainment magazines). *Time Out*, for example, is one of the leading ticketing agencies in the UAE. ITP has also leveraged its strong resources in the B2B segment to make a foray into event management. A specialized division of ITP handles events and conferences across the GCC, assisting with content, services and management. As in other markets, these new initiatives contribute greatly to enhance the profitability of publishing houses.

Newspapers in the Arab region have been able to attract online viewership share on par with their peers in mature markets

There is a growing propensity towards online news consumption in the Arab region, which is evident from our market research across four key markets. Across Egypt, Morocco, Saudi Arabia and the UAE, between 36% and 67% of respondents stated that they read news online at least once per week. These results can be found in the next exhibit.

Exhibit 26 : Preference for online news consumption in selected Arab markets[15]



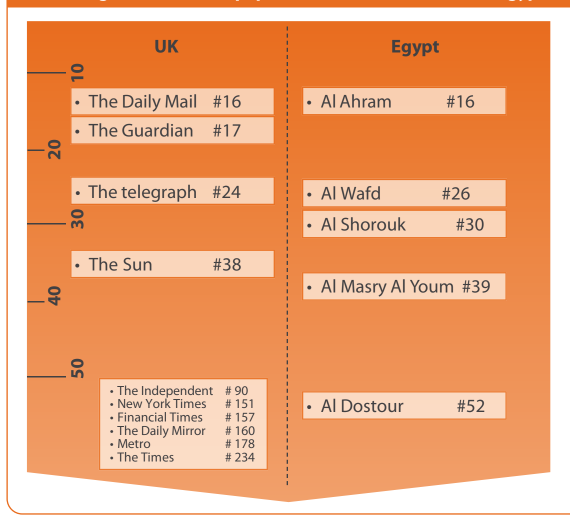
14 Company websites, Deloitte analysis
15 Ipsos

In line with these preferences, newspapers are gradually succeeding in bringing readers to their websites. In the UK, the websites of *The Daily Mail, The Guardian, The Telegraph* and *The Sun* are all ranked amongst the top 50 websites in the country in terms of traffic. In the Arab region, publishers are also increasingly launching digital versions of their titles, with 71% of the industry stakeholders that we interviewed for this report stating that they publish content over the web. In Egypt, an upward trend in digital news supply has been seen with the websites of *Al Ahram, Al Wafd and Al Shorouk, Al Masry Al Youm* which are all ranked amongst the top 40 websites in the country.

Al Shorouk's success with its online edition demonstrates how the reach of online has helped a new entrant gain a larger audience. The print edition was launched in 2009, and by 2011 it had a claimed circulation of 100,000 which was lower than the more established players in the market. However, the online edition of the newspaper, which was also launched in 2009, managed to build a much larger readership and was ranked amongst the top 3 newspapers in terms of traffic to the website. It also ranks amongst the top 30 websites in the country. *Al Shorouk* has been known for its independent editorial tone and punchy headlines, which have found favour with young Egyptians who are more inclined to consume news through social media.

Exhibit 27 : Online newspapers share of audience - Case study of *Al Shorouk*[16]

Ranking of online newspapers based on traffic–UK and Egypt



Al Shorouk – case study

Online Edition

- The online internet arm of the popular Shorouk Egyptian daily newspaper (shorouknews.com) was launched in February 2009
- While having a significantly lower reach on print (outside the Top 10) than the largest newspapers in the market, Al Shorouk has managed to build a **stronger online audience**
  - Ranked **#3 amongst all online newspapers**
  - Ranked **# 30 amongst all websites in the country**
- Its "punchy" headlines **and independent editorial tone** have found favour with young Egyptians who use social media as their main source for news consumption

16 Alexa, Company website, Deloitte analysis

Monetisation of online content is largely driven by advertising

Globally, publishing houses have explored three broad models for monetizing the digital opportunity depending on the nature of the property, segments targeted and reach. These monetisation models are listed in the next exhibit.

Exhibit 28 : Monetization models for digital content[17]

	Opportunity	Examples	
Freemium/ Integrated digital subscription	• Free access to limited content • **Paid premium** content	• FT • The Economist • No regional publications have successfully applied this model	• Publishers in this category must have a **unique content proposition**
Free online - ad funded	• Online edition with **unlimited access** • Mainly funded through **advertisements** • Content potentially developed **specifically for the online** platform	• Timeout Dubai • Gulf News • Google, Yahoo • Successfully applied by a limited number of publications, mostly newspapers	• Applicable for titles with high ad revenue percentage, and low paid circulation
Limited online edition	• **Online edition limited** to – advertising for the publication – publicizing events – managing contests and awards • Opportunity to have targeted segment advertising (particularly promotions)	• Viva magazine • Grazia magazine • Sayyidaty • Most UAE magazine websites fall in this category	• Low cost online platform for **low volume** titles • Potentially viable for **segments with low internet uptake**

The 'freemium' model offers a limited amount of free content and then charges for premium content. While the web is the main digital subscription platform, apps provide an additional means for content viewing. The micropayment model, meanwhile, is typically applicable for non-subscribers looking to read specific articles of interest. *The Economist* and *FT* are examples of successful monetisation of digital editions through truly differentiated content. There are several newspapers in the region which currently make nominal revenues from their online platforms and struggle to break even with their digital initiatives. The next exhibit lists the online features currently provided by a sample of newspapers and magazines in the Arab region.

Exhibit 29 : Online services provided by select publications in the Arab region[18]

Newspaper Name	Location	Online advertising	Web Feeds	Online Polls	Member Registration	Most Read articles	Access to Archives	Advanced Search	Social Media Support
Gulf News	UAE								
Khaleej Times	UAE								
Emarat Al Yawm	UAE								
Al Ittihad	UAE								
Al Chorouk	Tunisia								
Al Rai	Tunisia								
La Presse	Tunisia								
Le Temps	Tunisia								
Al Ahram	Egypt								
Al Akhbar	Egypt								
Al Masry Al Youm	Egypt								
Egyptian Gazette	Egypt								
Al Madina	KSA					n/a			n/a
Al Bilad	KSA					n/a			n/a
Saudi Gazette	KSA					n/a			n/a

UAE papers offer a large number of features

Largely monetized through advertising

Limited number charging for premium content

Sharing of content through social networking platforms (e.g. Facebook, Twitter, etc)

17 Company website, Deloitte analysis
18 Arab Advisors Group, Company websites, Deloitte analysis

In the Arab region, none of the newspapers and magazines available currently charge for online content. There is also limited differentiation between online and print editions in the region at the moment. Given the absence of differentiated premium content, few readers are willing to pay for online news. Market research in the UAE reveals that less than 3% of respondents who access online news website are willing to pay for content while in Egypt this segment was significantly lower at less than 1%[19].

Newsrooms across leading news-based publishers are being re-organized to better exploit cross-platform opportunities

The last few years have seen publishing houses all over the world adapting their editorial products, services and infrastructure to the evolving print and digital landscape. The catalyst for this transformation is the rapidly changing needs of a once traditional print audience, which is now moving towards the new opportunities of the digital world. News consumption has evolved, with the preferred platform of choice changing dramatically over the course of the day. In response, several leading news publishers have integrated their newsrooms with the objective of faster decision making, greater interactivity with clients and leaner production.

The case of *USA Today* provides an excellent example of how the newsroom is likely to evolve in the future. Faced with declining revenues from print in 2005, *USA Today* made an initial attempt at integrating its print and digital news teams to create a "super desk", thus avoiding organisational silos. While the integrated newsroom did enhance efficiency and improve co-ordination, there was still potential to unlock value from digital. In 2010, *USA Today* went through a significant restructuring and once again reorganized its newsroom to focus on content. Under the new structure, a single news editor is responsible to ensure that stories are most effectively positioned across platforms. Ownership of the story rests with the editor who brings it in, and who also has the freedom to decide how the content is positioned. Breaking news and other "scoops" with an expiry date have only one logical platform (online), while other "scoops" with a longer expiry date go into paid channels.

Exhibit 30 : Evolution of the newsroom in the digital age – Case study of *USA Today*[20]

USA Today

2005

• ***Set-up of the super desk*** *i.e., merger of print and online newsrooms to a single news operation*

2010

• ***Re-organization*** *of the newsroom* ***around 15*** *content "rings" (i.e. breaking news, investigative, national, aviation, etc.)*

- In 2001, USA Today had the highest circulation in the U.S., but subsequently **faced a decline in print circulation due in part to online migration**
- In 2005, **the print and digital newsrooms were integrated** to create a single news operation
- In 2010, USA Today **disassembled its super desk and re-organized itself around 15 core** "content rings" (i.e., Your life, Breaking news, Investigative, National, Washington/Economy, World, Environment/Science, Aviation, Sports personal finance, autos, entertainment, tech, weather, etc.)
- Each "core area" has a dedicated editor and a GM to leverage content across multiple platforms while content production (news gathering, etc.) takes place independently for each vertical
- **Print edition** now **targets a older, general news audience** which favors a traditional presentation, with a **different style for tablet users** (typically skewed 10 to 15 years younger)
- USA Today believes that the new structure will enable the company to **target growth opportunities both across platforms and content areas**

Other titles which have adopted similar models for their newsroom include *The Daily Telegraph* and the *Washington Post*. *The Daily Telegraph* introduced the concept of a "news hub" as early as 2006, with section heads having their editorial and production teams located around the news hub on "spokes". In Europe, the Swiss newspaper *Blick* has also integrated its newsroom and developed a matrix style organisational structure revolving around multi-media content areas. *Blick* currently has the second highest circulation in Switzerland.

19 Ipsos
20 Company website, Deloitte analysis

In the Arab region, several leading news providers are exploring the "super desk" model for their newsroom with a view to speeding up decision making and improving co-ordination across the print and online platforms. In a few cases, the electronic paper is complementary to the print edition, focusing on regional news content, and is more visual and interactive. Media Unlimited, a news publishing house in Jordan, has also developed a functional integrated newsroom where content is first decided for the web and then for print. In Egypt, *Al Masry Al Youm*'s English edition is focused on the online platform and is completely distinct from the Arabic edition.

The results of our interviews with industry stakeholders also support this trend, with regional news outlets using the web as an integral part of their editorial strategy. 69% of those we interviewed said that the content they publish online is not distinct from their content on other platforms[21]. A further 80% of journalists claim to be using blogging and micro-blogging sites as a source of news content[22]. With digital platforms playing such an important part in the day-to-day activities of news professionals, this highlights the need for regional organisations to adapt their structures and operations in line with this trend.

As regional publishing houses attempt to navigate the digital opportunity, we see large regional news groups being increasingly organized on the basis of content rather than platform. Several newspapers are taking their first steps in this direction. Integration of the news room will enable newspapers to yield greater value from digital platforms as well as support leaner production which is essential to position themselves for digital migration. Further, given that news is being generated from multiple sources (including social media) and disseminated rapidly across platforms, there is a greater need to ensure that standards and adherence to quality do not suffer as a result. Editorial teams need to be more comfortable with cross-platform dynamics and the changing demands of target audiences. There is a need for greater investment in training and development for journalists in order to be conscious of the opportunities available across platforms.

Finally, to ensure the continued sustainability of their digital strategy, regional publishers need to focus on certain key success factors, including:

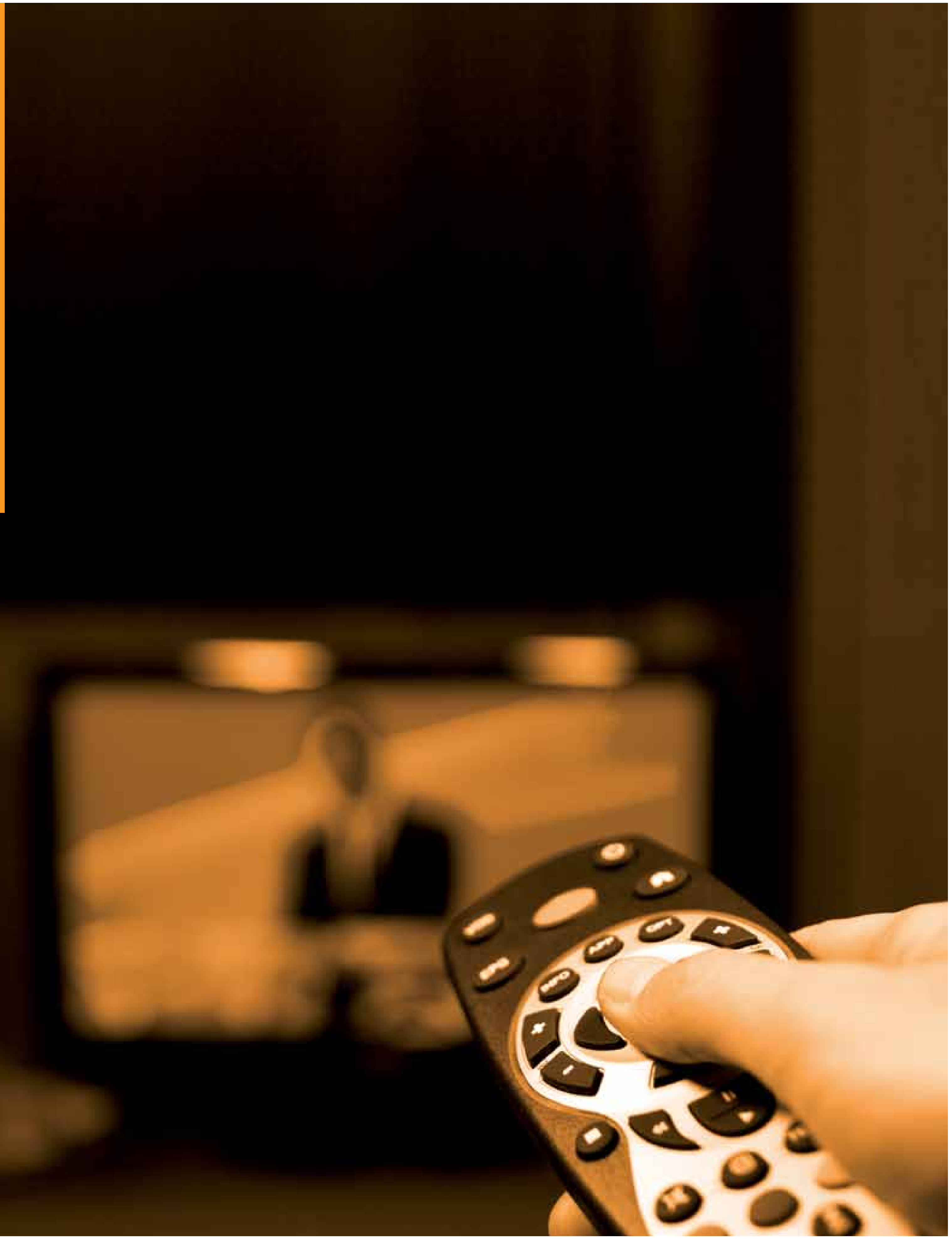
- **Building scale:** Building adequate reach to be amongst the top sales points and be considered for larger advertising campaigns.

- **Quality:** Ensuring the professional content of sites to attract higher value audiences

- **Targeting:** Targeting advertising to specific demographic groups increases the likelihood of click through. Qualification of traffic (i.e. behavioural targeting, verticals-led sales, vertical-led ad-networks) helps segment the market and offer a strong value proposition

- **Service:** Helping media buyers to navigate the complex online media space by offering tracking, measurement and analytics (independent audited traffic, on-site reporting), behavioural targeting (i.e. ensuring that specific commercial propositions are targeted to specific demographics) and other value added services (e.g. agency and account management)

By taking these key success factors into consideration, regional news outlets should be well positioned to tackle the challenges presented by the digital age.



2. TV

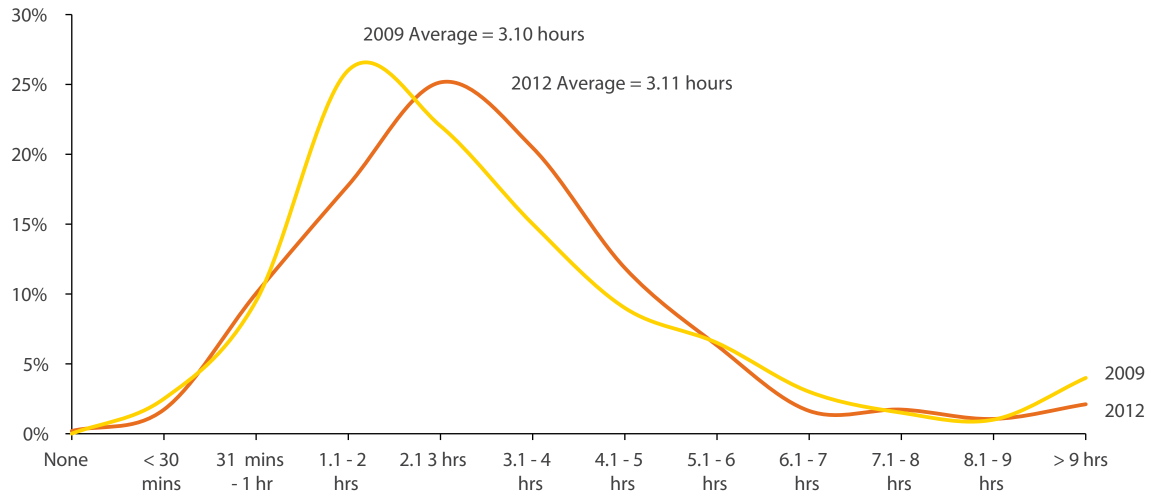
2.1 OVERVIEW

The television landscape in the Arab world has witnessed several disruptive changes over the last few years, with some broad industry themes prevailing. Free satellite continues to be the dominant platform across the region, and although pay-TV has shown some growth recently thanks to initiatives to reduce piracy, its penetration remains limited. The Free-to-Air (FTA) space continues to see an increase in the number of channels, but growth has been relatively muted in the past year. Other industry initiatives, such as the introduction of audience measurement mechanisms in some GCC markets, are also being viewed favourably by industry stakeholders. Overall, the industry professionals that we met with during the preparation of this publication tended to view the prospects for 2012 with cautious optimism.

2.2 REGIONAL TV REVENUES

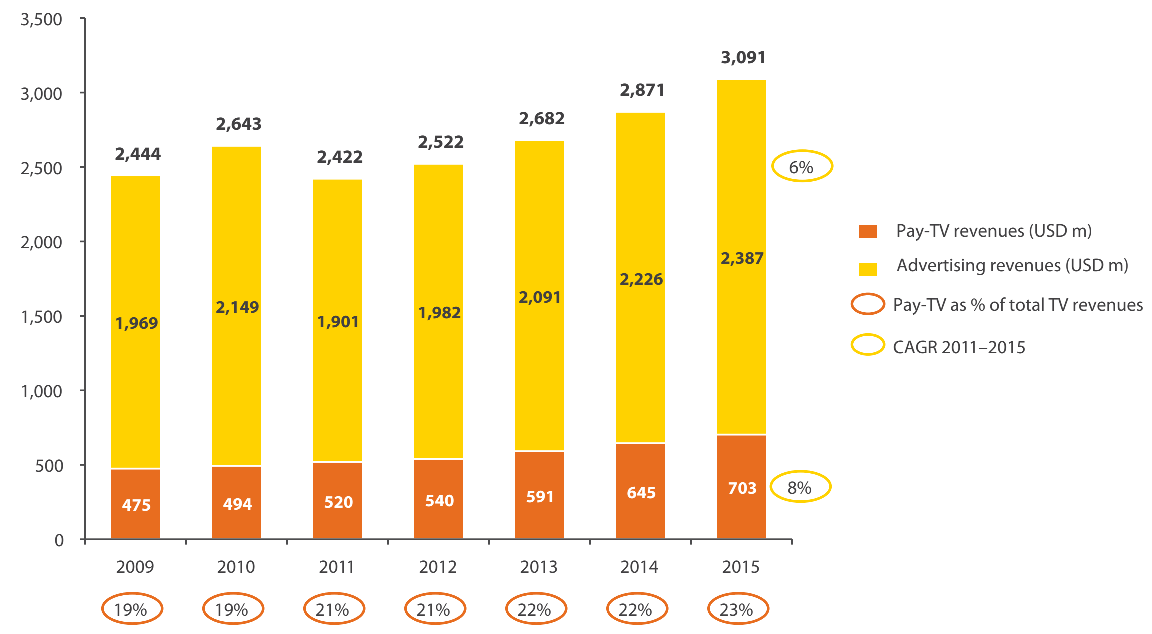
Despite the general shift of TV audiences to other platforms that has been witnessed on a global level, TV as a media platform has proven fairly resilient to this effect in the Arab world. An analysis of TV viewing habits between 2009 and 2012 from our market research in Egypt and Saudi Arabia indicates that the number of hours spent watching TV has remained fairly constant over the last three years. In fact, the average amount of time spent viewing TV has very slightly increased among Arab viewers, from 3.10 hours in 2009 to 3.11 hours in 2012. This evolution is illustrated in the next exhibit.

Exhibit 31 : Evolution of time spent watching TV on a weekday in the Arab region 2009-2012[23]



Meanwhile, revenues in the TV industry stem from both advertising and pay-TV subscriptions. Advertising accounts for a higher proportion of overall TV revenues, representing 78% of the total industry in 2011, while pay-TV accounted for 22%. However, the contribution of pay-TV revenues has been growing, and revenues are expected to continue to increase at a CAGR of 8% between 2011 and 2015, to a stage where pay-TV revenues represent a quarter of the total industry revenues.

Exhibit 32 : Total TV revenues in the Arab region, 2009-2015 (USD million)[24]

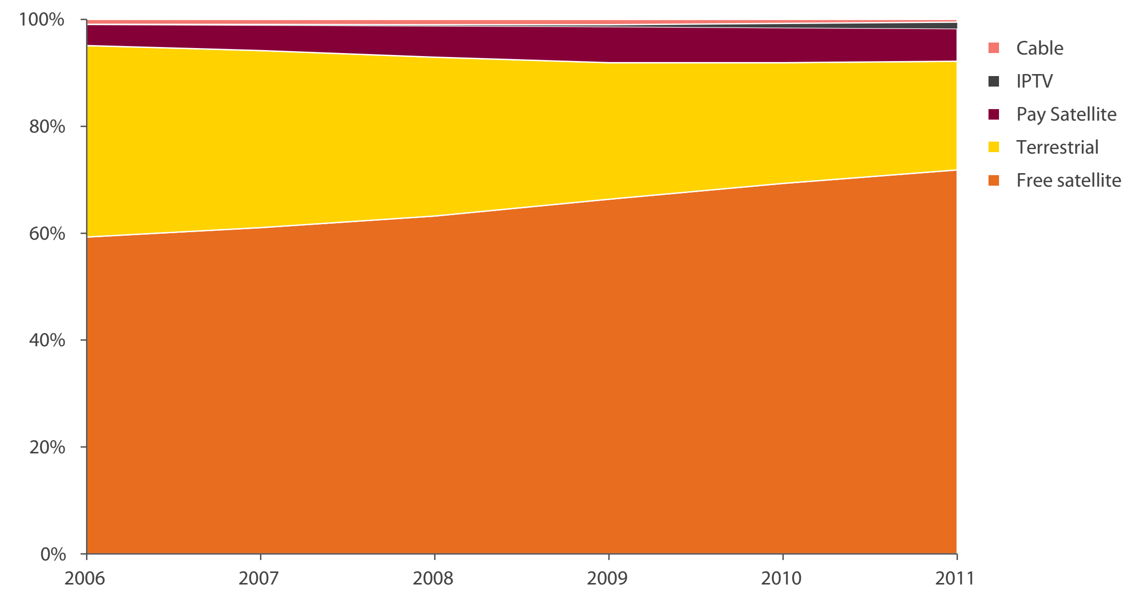


2.3 FREE-TO-AIR TV

Satellite has consolidated its position as the dominant TV platform in the Arab world, while other platforms have a niche presence in specific markets

FTA satellite continues to be the dominant platform for TV in the Arab region, and remains a far more popular platform regionally than in international markets. All other platforms have a niche audience in specific regional markets. For example, analogue terrestrial TV is particularly prominent in North Africa.

Exhibit 33 : TV household penetration by platform in the Arab region, 2006-2011[25]



Only a few markets in the region have cable, such as Bahrain, Kuwait, Lebanon, Qatar and the UAE, and it is witnessing a declining trend in terms of overall penetration. Further, the platform is likely to become obsolete with FTTH deployment in some GCC markets, such as UAE, KSA and Qatar, and we do not expect strong growth in this platform going forward. IPTV has continued to grow at a slow pace, particularly boosted by infrastructure deployment in new developments. As in other markets, IPTV has largely been driven by telecom operators, such as Etisalat and du in the UAE, Batelco in Bahrain and Qtel in Qatar. Recent attempts to enhance the IPTV value proposition include the addition of non-linear services such as video-on-demand, and new features such as time-shift, catch-up TV, and PVRs[26]. Other operators, such as Omantel, are scaling down their investments in the technology or contemplating a gradual shift to newer, more cost efficient platforms such as OTT. Outside the GCC, where current fixed broadband infrastructure does not support large scale IPTV deployment, we do not see much growth in the platform in the near term. Meanwhile, DTT, as in other markets in Europe, is dependent on a broader policy decision which is often led by governments to promote analog switch-off. In the region, given the low penetration of analogue TV and the high penetration of DTH, there are only very isolated examples of DTT deployment, such as in Morocco, Saudi Arabia and Tunisia.

The number of FTA channels has continued to grow, albeit at a slower rate than before

The TV broadcasting industry remains concentrated across three major markets, with Egypt (18%), Saudi Arabia (17%) and the UAE (14%) hosting almost half of the FTA channels broadcasting in the Arab world. Historically, the rapid increase in FTA channels has been largely due to the launch of a number of low-cost channels and more flexible regulation in the Arab region. However, the economic downturn in 2009-10 severely impacted the TV market and forced some stations to shut down, as was the cases with Baynounah group which closed in 2010. This has prevented growth in the number of channels from continuing at the same rapid pace as it had been pre-crisis.

Our feedback from industry professionals indicates that boutique/niche channels that cater to a specific demographic in the FTA space are confident about the future. For example, Moby Group's bouquet of channels in Dari, Farsi and Pashto are available on the terrestrial

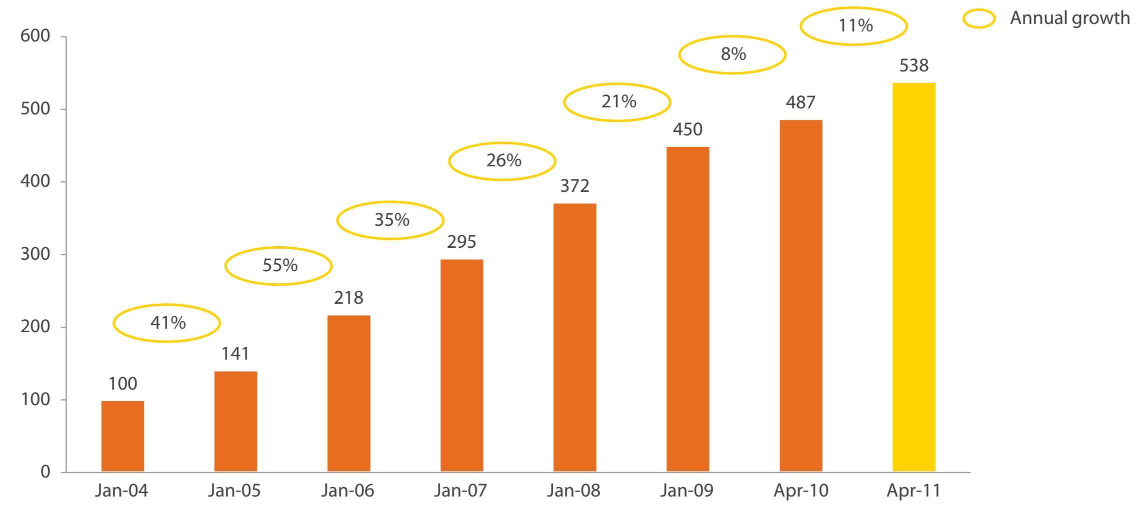
23 Ipsos
24 Deloitte analysis

25 Informa (Libya, Iraq and Sudan have not been included)
26 Personal Video Recorders

TV network in Afghanistan and on free satellite across the region. The Moby Group is focusing its attention on markets like Afghanistan and Iraq, where availability of local content is quite limited, thereby developing a niche presence for itself. In other cases, channels with good brand visibility which address a specific demographic have effectively made the transition from pay-TV to FTA. A case in point is the Cartoon Network channel, which transitioned from a pay channel to a free channel in 2010, and has seen strong performance given its niche focus and strong brand credentials in the children's entertainment genre.

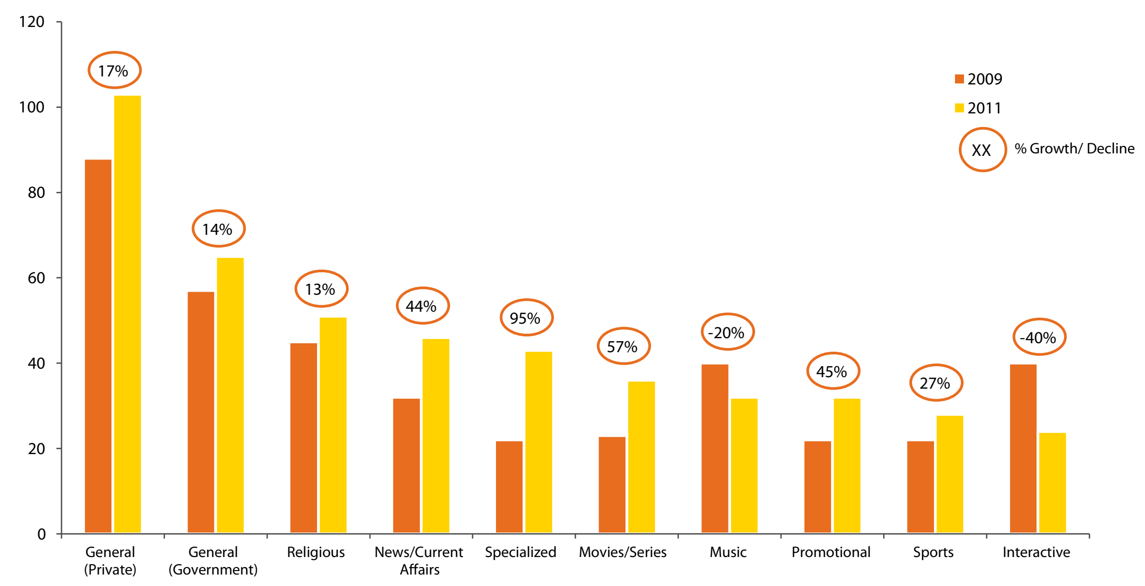
In addition, several recent launches in the FTA space have often been motivated by non-commercial considerations. Particularly (but not exclusively) in those markets which have been impacted by the recent uprisings, some of the new channel launches have acted as a forum for airing political or religious views from various parties wishing to drive specific political mandates. For example, the recent launch of twelve new channels in Lebanon, some of which are backed by political parties, supports this trend.

Exhibit 34 : Evolution of number of FTA channels in the Arab region, 2004-2011[27]



Since 2009, the growth and decline of channels within different genres of content has varied, with some segments witnessing strong growth in channels, and others, such as interactive and music channels, experiencing a decline. Aside from the 'specialised' channels, it is interesting to note that news channels and movies/series channels have experienced particularly strong growth, in line with the rising popularity of associated programmes. This concept is discussed in more detail later on in this report.

Exhibit 35 : Satellite TV channels split by segment, 2009 vs. 2011[28, 29]



27 Arab Advisors Group 2011, Deloitte analysis
28 Arab Advisors Group, 2009 & 2011
29 Includes only major channel groups

Large broadcasting groups continue to dominate the TV landscape

In spite of the rising total number of channels, audience fragmentation does not seem to be threatening the position of the top players in the market. Over the last few years, there has been a consolidation of the position of the top FTA broadcasters (i.e. MBC, Rotana, Al Jazeera Network, ADM and DMI), and a dilution of the smaller channels overall. With some new channels being launched under the same umbrella, such as MBC Drama which launched in 2010, these large broadcasting groups are increasingly dominating the market. Viewership remains concentrated around a few large channels and MBC continues to be the dominant broadcasting group in most markets, with Egypt interestingly being one of the few exceptions. The varying popularity of MBC channels across the four countries where we carried out market research is illustrated in the next exhibit.

Exhibit 36 : Most watched TV channels across selected Arab markets, 2012[30]

MBC channel
News channel

	Egypt	Morocco	Saudi Arabia	UAE
#1	Al Hayat TV	2M TV	MBC 1	MBC 2
#2	Al Hayat Cinema	Al Jazeera	Al Arabiya	MBC Action
#3	Al Hayat Series	MBC 4	MBC 2	MBC 1
#4	Al Mehwar	MBC 2	Al Jazeera	MBC 4
#5	Al Hayat 2	Medi1 Sat TV	MBC Action	Abu Dhabi Al Oula
#6	Dream 2	MBC 1	MBC 4	Dubai TV
#7	CBC	Al Oula	Abu Dhabi Al Oula	Al Arabiya
#8	Rotana Cinema	Rotana Cinema	Rotana Cinema	Al Jazeera
#9	Dream 1	Al Maghribia TV	MBC Drama	Abu Dhabi Drama
#10	MBC 2	MBC Action	Melody Aflam	Dubai One

The pan-Arab FTA market has encountered significant changes in 2010-2011 through the combined effect of the aftermath of the economic crisis and the subsequent regional uprisings. Of the FTA channels in question, MBC has possibly been the least affected relative to other groups in terms of changes to advertising revenues. It has been experiencing continuity in its operations while its competition was undergoing significant internal changes.

For example, key recent changes in the FTA landscape include:

- **New management team at Abu Dhabi Media** with the departure of the CEO as well as key executives. These changes occurred in addition to a refocus of ADM's role to follow a new public service charter setting out nine principles of public service media in the region. The change of direction aims to delineate their asset portfolio into two separate streams: public service and commercial. It is understood that their pay-TV operations will still cater to a wider Middle East audience[31].
- **Rotana reorganized itself in 2010 around four business units** (TV broadcasting, audio, studios and Rotana Media Services), with a move towards further control and centralization, as well as a number of changes in the management team taking place.
- **Al Jazeera also began corporate restructuring plans at the end of 2011**, reorganizing the news and sports channels, as well as the HR and IT functions under nine executive directors and a general legal counsel.

The other type of broadcasters to benefit from the recent regional uprisings were the news channels, both new and established ones, whose viewership was boosted by events in the region. As the previous exhibit illustrates, at least one of the pan-Arab news channels Al Jazeera and Al Arabiya feature in the top 10 most watched TV channels among consumers surveyed in Morocco, Saudi Arabia and the UAE. Only in Egypt are they missing from this list. The impact of these events on the media industry will be discussed in more detail in Section 3 of this report.

30 Ipsos
31 Campaignme.com, Feb 2012

New channels are launching as a result of the political uprisings

One of the effects on the media industry of the political uprisings in Egypt has been the rapid rise in the number of TV channels broadcasting from Cairo, largely due to the liberalization of the licensing process for TV channels in Egypt. During the first six months of 2011, a total of 16 new Egyptian channels obtained licenses to broadcast in the country. According to EMPC, more studios have started to be built to cater for this rising demand after its existing 64 studios were all rented out.

Amongst the new channels which launched in the wake of the political uprisings were some important initiatives, including the CBC bouquet of channels, Al-Nahar bouquet and 25TV. Indeed, CBC in particular has encountered significant early success, ranking at number seven in the most watched TV channels among the consumers that we surveyed in Egypt at the beginning of 2012[32]. Most of these new channels aim to capitalize on the young audience in Egypt, as well as the potential which has come about in the post-revolution era. 25TV, for example, is primarily run by young producers and presents a new interactive media concept that fits the young, connected audience through social media[33].

A common thread which runs across many of the new channels is their use of social media to extend reach and increase penetration amongst the Egyptian youth who were averse to traditional news media affiliated to the government. In terms of social media followers, Al Nahar is the most popular channel among the new arrivals on Facebook, with more than 330,000 followers and around 23,000 active users[34]. 25TV falls behind in the number of Facebook subscribers but still has approximately 15,000 followers. It has been argued that the early success of these channels is likely due to aggressive advertising campaigns, as well as a carefully planned mix of programming in terms of target audience and overall appeal.

Exhibit 37 : New channel launches in Egypt[35]

- **Al-Nahar** is a **general entertainment bouquet of channels** launched in Cairo in June 2011, with the objective to "widen understandings and bridge gaps…". The bouquet includes Al Nahar Drama, Al Nahar General Entertainment and Al Nahar
- After just 2 months on air, the channel Al Nahar drama was **ranked second in terms of viewership** during Ramadan 2011* with shows such as "Adam" amongst others

- **25TV** is an Egyptian channel launched by the **Muslim Brotherhood** initially in an effort to **broadcast non-stop footage of the Tahrir Square protests**
- In one show called *Hashtag* the host discusses the Twitter hashtag #FreeTarek Shalaby, which began after an Egyptian activist was arrested during protests

- **CBC** is a **general entertainment FTA** channel launched in July 2011 post the revolution era, and owned by Mohamed Al-Amin. Its main aim is to **"play a constructive role in Egypt's society by presenting all the challenges, potentials and opportunities … in the post revolution era"**
- Despite being called the 'remnants channel' early after its launch, the channel **ranked 7th in Egypt in terms of viewership** at the beginning of 2012

In the long-term, a question that remains open is the sustainability of these new channels in an over-crowded marketplace. This can be said in particular for those channels which have thrived on the coverage of the recent turmoil in the country, such as those with an emphasis on talkshows, which will undoubtedly decrease over time and therefore limit their overall appeal.

Relationship between advertisers and broadcasters - what role can People Meter play?

The media sales landscape in the region witnessed a significant jolt in 2010, with the death of Antoine Choueiri, founder of the Choueiri Group. Amongst all media sales houses in the region, the Choueiri Group occupies a key position in the industry. In an industry characterised by a high degree of fragmentation, particularly in the FTA space, the Choueiri Group has served as the "de facto" "regulator" of pricing of advertising rates. Yet the media buying landscape in the region has not significantly changed over recent months and the Choueiri Group has, if anything, consolidated its position. This can be attributed to a number of other developments, including the fact that:

- MBC, the largest FTA broadcaster and key client for Choueiri was relatively spared by the turbulence that occurred in the TV advertising market. In fact, in some ways MBC has managed to strengthen its position at the expense of its competitors, as some FTA players have undergone re-structuring measures, as discussed earlier.

- In February 2012, to add to its customer list, the Choueiri Group signed up the largest Egyptian TV channel, Al Hayat, which managed to capture four out of the top ten positions in terms of viewership in Egypt at the beginning of 2012[36].

In parallel to these developments in the media sales market, the phased introduction of the People Meter in specific GCC markets, such as Saudi Arabia and the UAE, has some potential to increase the level of transparency in the market. The first phase has been already been rolled out in the UAE, whilst the initiative commenced in Saudi Arabia in 2010 (and is currently in the implementation phase. It is expected to "go live" in Saudi Arabia at the end of 2012. As highlighted by a number of key players in the industry, this is a potentially important change for the industry, which should have a positive impact for FTA players by providing more accurate metrics of audience viewership to advertisers.

TAM[37] systems have proven to be effective methods in Europe and elsewhere since their introduction in the 1950s. In many markets, including recently in India, it has proven to successfully grow the value of the TV advertising market. Enhanced audio matching is one of the most modern techniques used to measure audiences, whereby the meter is wired into the audio source and records automatically. In the Arab region, Lebanon was the first market to introduce TAM systems in 1999, and expanded to 600 households in 2009. Developments in Saudi Arabia and the UAE with regard to the launch of audience measurement systems represent the first steps towards a GCC-wide or even pan-regional initiative. While the introduction of such systems is expected to improve transparency, there are still some issues to be resolved, including:

Unique demographics and viewing habits in Saudi Arabia and the UAE, where the small size of the markets, together with limited up-to-date census data, makes it challenging to select samples which are truly representative and results in potential for higher sampling error.

The large amount of pirated connections and illegal viewing in the UAE, where STBs of Indian operators such as Dish TV distort the sample and might provide misleading results.

Data quality and panel diligence which may not be adequately supported by financial incentives. A key challenge is to ensure that panel behavior is representative of the population, which requires discipline on the part of households selected in the sample. Inadequate financial incentives can compound the challenge, and therefore need to be addressed in certain cases.

Need for all stakeholders in the market to adapt to change, which may take some time. Advertisers, media buyers and broadcasters will all need to alter their behavior in different ways to reflect the new transparency in the market, which could require some significant systematic changes.

In the UAE, the People Meter initiative was initiated by the Federal Cabinet, through the National Media Council and the Telecommunications Regulatory Authority. The initiative is funded by broadcasters and a telecom operator, who will be the major shareholders of the operating company, including Abu Dhabi Media, Sharjah Media, Rotana and Etisalat. Advertisers and media buying units are represented on the committee and on the Technical Advisory Group respectively.

32 Ipsos
33 Daily News Egypt, July 2011
34 Business Today Egypt, Dec 2011

35 Al Nahar TV, AME Info, New York Times, Deloitte analysis.

36 Ipsos
37 Television Audience Measurement

Exhibit 38 : Audience measurement systems in Saudi Arabia and the UAE[38]

UAE People Meter Initiative

- **Phase I** of the TV audience measurement project was **launched at the end** of 2011 and people meter boxes have been installed in more than 850 households (as a representative panel of all nationalities and social classes, with the exception of labour camps)
- Initiative represents the **first electronic TAM system in the Gulf** - it has been called **'tview'**
- **Managed by Kantar Media** on behalf of Emirates Media Measurement Company, the People Meter system is a joint initiative of several stakeholders:
  - Abu Dhabi Media
  - Sharjah Media Corporation
  - Rotana Media
  - Etisalat & du

  There is no barrier or exclusion to becoming a stakeholder other than making an investment agreed upon with the other stakeholders
- Advertisers Business Group has been represented on the steering committee
- People meter boxes are installed on each TV screen in a panel household. **Enhanced audio matching** is then used to store a sample of the audio from the 'tuned in station' on the box - each night this is sent to Kantar Media data processing centre to be 'matched'
- **Currently 52 channels are referenced** - this will be expanded in the near future; the system is monitored internally and an external auditors report will be carried out

KSA People Meter Initiative

- Initiative was **launched in 2010** and is currently in the implementation phase
- **Expected** to 'go live' in September 2012 - Shareholder agreements are being developed and key stakeholders include MBC and OSN.
  Media buying units will not be included as part of the shareholding structure, but rather a part of the advisory board
- The plan is also to **include advertisers** (e.g., Unilever, P&G, Colgate Palmolive) as 25% of the shareholding
- KSA's Culture Ministry is acting as the regulator whilst an external auditor has been appointed for the process
- **Target sample is between 1,500–1,800 households**
- Initial test results expected to be available in January or February 2013

With regards to the initiative in the UAE, data is currently being produced on a daily basis and STBs have already been installed. The general consensus is that the incentives for households to be part of the sample (USD14 per month) are too low to ensure commitment. However, it is worth noting that in other markets people have often been motivated by other considerations, such as being a part of an initiative that contributes to the greater social good.

With advertising spend per capita in the region lagging behind most European markets, the introduction of People Meter in two key markets is expected to provide a catalyst to boost transparency and improve decision-making for advertisers. By providing accurate metrics for audience viewership across differing demographics, the People Meter initiative is likely to provide the tools for advertisers to select channels catering to the specific demographics they are targeting. More significantly, the initiative could have far reaching implications on the media structure across the region. With transparent and smoother flows of advertising spend to top performing channels, we see some potential changes in the relationship between advertisers, MBUs[39] and broadcasters in the years to come. Although this could take time, the People Meter initiative could play a role in bringing advertising realisation rates more in line with international benchmarks.

2.4 PAY-TV

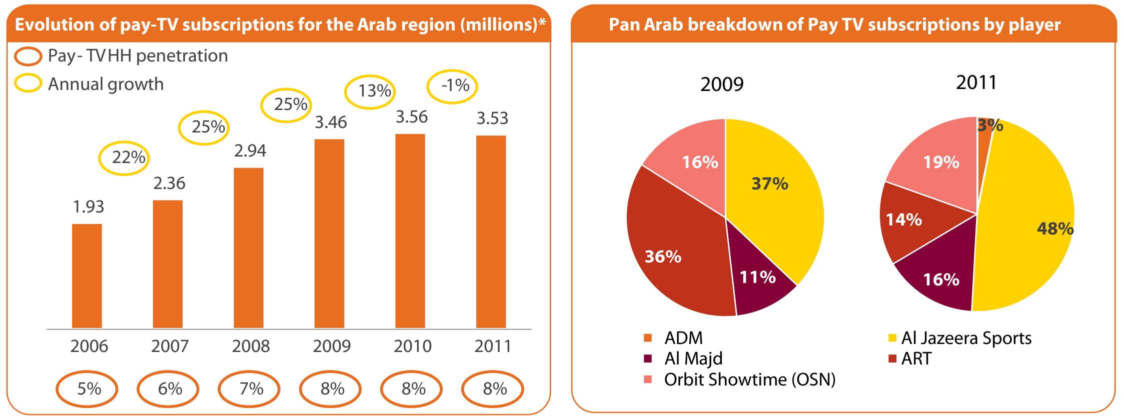
Pay-TV has witnessed some growth since 2009, but the economic situation has impacted its uptake in 2011

The formation of OSN in 2009 as a result of the merger between Orbit and Showtime has proven a positive step for the market. This has been felt by consumers in terms of improved value propositions through access to premium international content during pay-TV release windows, improved quality of viewing through an increasing proportion of HD channels and greater access to non-linear platforms such as video-on-demand.

While consumers have benefited from improved content, significant changes in the competitive structure of the market have also taken place over the last few years. Pay-TV operators with heavily discounted propositions such as Al Jazeera Sports and ADM now account for more than half of the share of total pay-TV subscriptions in the region. OSN has grown its subscriber base by 23% in 2011 to approximately 0.6 million, while ART has seen a decline in subscribers following the sale of its sports channels to Al Jazeera. This has been favourable towards the growth in Al Jazeera subscriptions, which reached approximately 1.4 million in 2011[40].

38 National Media Council, tview, Deloitte analysis
39 Media Buying Units
40 Informa

Exhibit 39 : Evolution of pay-TV in the Arab region[41]

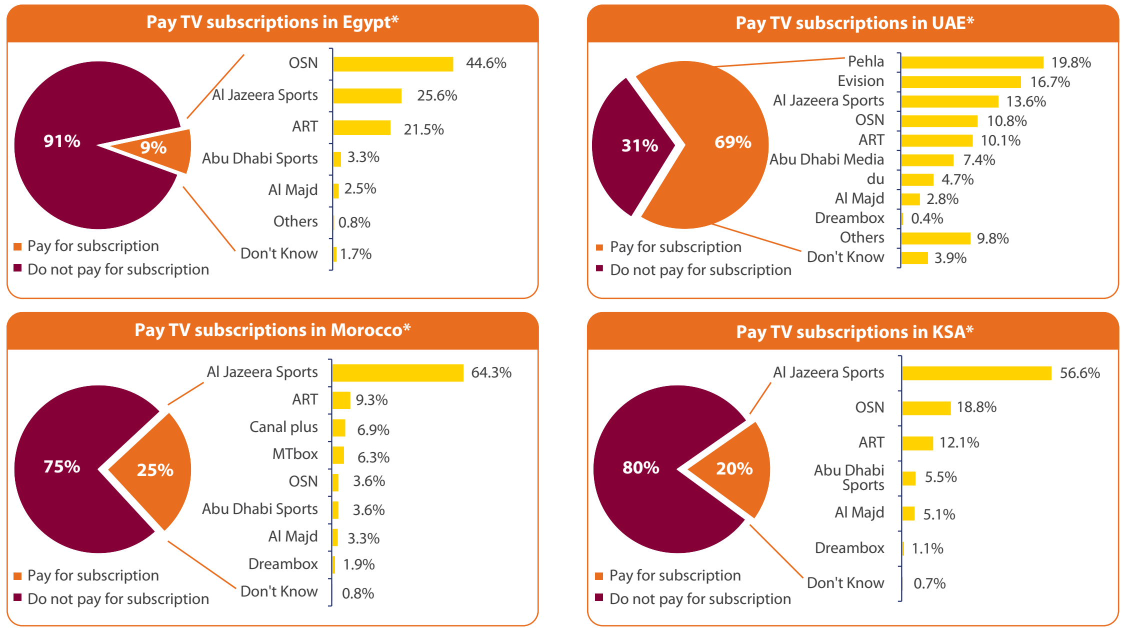


*Subscriptions as opposed to pay-TV households; market research estimates that around 25% of HHs have double pay-TV packages

Despite the increase in the number of subscribers in recent years, the tendency to opt for free television over premium pay-TV content, is still apparent. This is largely as a result of the wide coverage of FTA channels in the region and availability of premium content for free. In some of the Arab countries where we carried out market research, such as Egypt, more than 90% of respondents stated that they do not subscribe to any pay-TV package.

Among those who do subscribe to pay-TV, there is a strong preference for economical propositions, such as those of Al Jazeera Sports, rather than complete bouquets like the ones offered by OSN. The preferences for pay-TV take-up, according to the market research we carried out across four Arab markets, are illustrated in the next exhibit.

Exhibit 40 : Pay subscription distribution across markets[42]

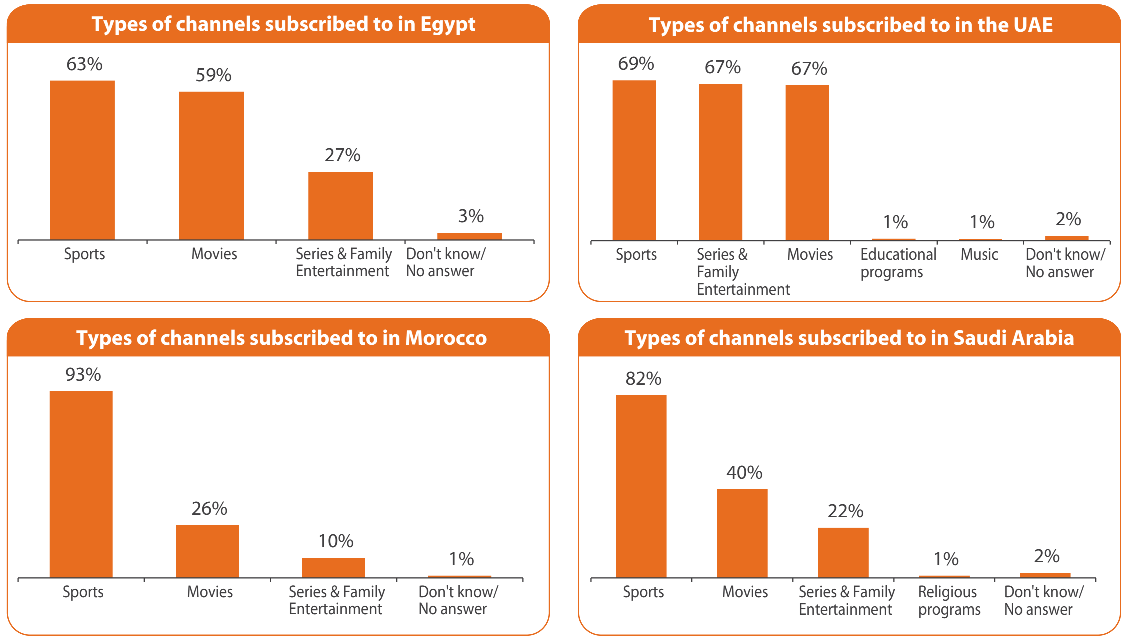


*There is likely to be some overclaim in these numbers which are likely to be higher than actual penetration

Pay-TV providers in the region have the potential to unlock further value, and to increase their subscriber base as a result. As discussed in the sports section, the fundamental change in the pay-TV industry in the region will happen if and when the exploitation of premium sports rights finds a new model. As seen in regional markets such as Morocco and Saudi Arabia, sport is the key driver for the take-up of pay-TV as also proven in other markets in Europe. This point is illustrated in the next exhibit.

41 Informa, Nov 2011
42 Ipsos

Exhibit 41 : Pay-TV subscriptions by content type[43]



As the pay-TV market matures, operators will seek to unlock value from the investments in premium sports rights. This will most likely result in a reduced gap in the pricing for different pay-TV offerings. OSN currently commands a premium on its pay-TV packages with monthly fees of around USD 35 for a mid-range package, without access to key sports rights. As owners of premium sports content, both Al Jazeera and ADM have potential to unlock value through segmentation based on income groups, viewing preferences and structured tiering of their pay-TV propositions.

Exhibit 42 : Potential to unlock pay-TV value through ARPU increase[44]

Monthly fees for mid range packages (USD)*	Key positioning
35	• Focuses on Western content but increasingly on local Arabic content too • Deals with major Hollywood studios, "edgy" content compared to FTA (e.g., True Blood) • Limited sports rights - focus on "niche" content (rugby, snooker, SPL)
6.5	• Owns the rights to Champions League and a number of other high value sports properties internationally and in the region • However, has lost the most valuable league in the region, the Saudi professional league, to Saudi TV
9.1	• Owns the exclusive Middle East rights to the Barclays Premier League until 2012 • Bundles the sports channels with other ADM bouquets into a Pay TV bouquet

*Based on basic monthly package fees

The impact of non-linear platforms is resulting in a pay-TV cord-cutting effect globally, but in the Arab region this impact is still nascent

On a global level, Over-the-Top (OTT) TV viewers are expected to surpass IPTV viewers by the end of 2011; and by 2015, approximately 380 million people are forecast to be watching online video via connected devices such as TVs, games consoles or set-top boxes. Although the US accounted for 48% of OTT TV viewers at the end of 2012, this figure is expected to fall to 39% by 2015. In addition, the number of cord-cutting viewers is likely to increase dramatically over the next three to four years reaching around 16 million users by 2015. As an early precaution, pay-TV providers such as OSN are trying to tackle such threats by releasing programmes and series shortly after US releases in order to capture viewers. As experienced with IPTV services in the region, OTT is viewed strategically by pay-TV providers, as well as by the region's major FTA broadcasters, as another means of increasing their reach and getting their brands onto multiple platforms.

Major international online content players such as Netflix, Hulu and Yahoo TV, amongst others, have not yet entered the regional market. The iTunes store in the UAE is available, but offers limited content and no audio-visual content. Meanwhile, regional providers see non-linear platforms as a means to minimize churn and offer an additional platform for content delivery. Operators such as Etisalat are actively assessing the OTT opportunity. Other non-linear propositions, such as online VOD, have been driven largely by IPTV providers such as du in the UAE, Qtel in Qatar and a few broadcasters such as MBC. OSN has also launched an online service for PCs in March, known as "OSN Play", which will later be extended to tablets and smartphones. The platform includes a catch-up service as well as some ancillary content. Furthermore, broadcasters such as OSN are counteracting the possible threat from OTT by offering premium content with the earliest possible window. As an example, the US show *Missing* was even aired by OSN 3 days before its US release.

Propositions from local players including Istikana and Shofha.com offer a limited range of regional Arabic and English content on the VOD platform, which so far has only been accessible through a PC. In addition, some online video platforms from relevant international markets, such as India, is being brought to the region via Vumax PoD. The content available on digital platforms in the region is discussed in more detail in the 'TV series' and 'Movies' sections of this report.

We expect the OTT and online video space to become more active in the years to come, with broadcasters and pay-TV operators looking to launch platforms aimed at minimising churn and attracting new viewers to their TV propositions. However, the "cord cutting" effect seen in other parts of the world is unlikely to manifest itself as strongly in the Arab region, given the limited IPTV penetration and the fact that international content aggregators are still to gain a foothold in the market. Pre-emptive partnerships between pay-TV operators and OTT providers could be seen increasingly as service providers look to exploit additional revenue streams.

The fight against piracy continues…

Piracy issues have been of great concern in the region for a number of years and have severely undermined the growth of the pay-TV market. Initiatives taken by industry leaders such as OSN have resulted in other providers following suit. Although a number of measures have been taken to fight piracy, illegal redistribution remains a challenge that requires the assistance of governments. In some Arab countries, particularly Egypt and Lebanon, cable piracy has nearly completely replaced legitimate subscriptions, with many consumers not even realising that they are paying for pirated content in some cases. However, the anti-piracy measures implemented by OSN is likely to have driven, in part, the increase in its total subscribers from 0.4 million in 2010 to around 0.6 million in 2011. An overview of these intiatives is provided in the next exhibit.

Exhibit 43 : Case study on OSN's anti-piracy measures[45]

OSN - Battling Piracy Issues

Just imagine.

- OSN-has been at the forefront of the fight against pay-TV piracy for the past several years
- In 2010, OSN adopted a two pronged strategy to combat piracy
  - **Set-top box replacement:**
  • Investment of USD 55 Million to **swap every STB** thereby eradicating Dream Box (eliminating 5 million illegal connections in the region)
  - **Regulatory lobbying** to get governments to clamp down on the sale or importation of illegal reception devices
- OSN saw strong support from regional governments in this regard

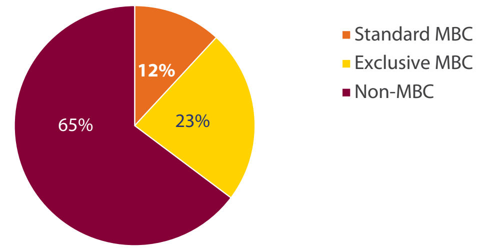
  OSN works to combat piracy across the region through active interface with regulatory authorities, led particularly by the KSA and UAE governments. They also collaborate with the major Studios and the Arabian Anti-Piracy Alliance (AAA) to lobby government authorities across the region.
- While it is difficult to estimate the potential impact of these initiatives, OSN has seen a rapid growth in subscriber base in 2011 (+28%) which can be partly attributed to the anti-piracy measures taken
- OSN's initiative has prompted other Pay TV operators to crackdown on pirated TV receivers and smart cards:
  - Arab Digital Distribution subsequently announced a crackdown on pirated TV receivers and smart cards (particularly related to Indian Pay TV operators such as Dish TV, Tata Sky and Sun Direct)

43 Ipsos
44 Informa, Deloitte analysis
45 Digital TV Europe, Deloitte analysis

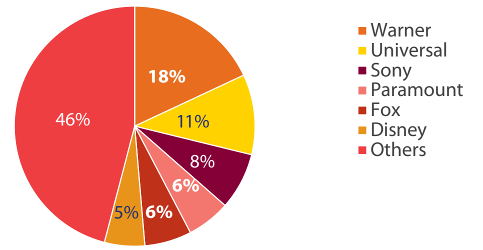
Piracy was highlighted as an issue among the majority of the broadcasters interviewed for this publication, taking away from the potential earnings which could otherwise be redeployed towards investment in local content, as well as better value propositions for consumers in the form of HD and 3D content, amongst other things. Even FTA channels suffer from the prevalence of piracy in the region, as illustrated with the case of MBC in the next exhibit.

Exhibit 44 : Impact of pirated TV channels on rights owners[46]

Breakdown of movies aired on pirated channels Jan-Feb '12



Original rights holders of pirated movies Jan-Feb '12



- These charts provide an illustration of the **source of content from three pirated TV channels in the Arab region** (Top Movies, Claquette TV and Panorama Action) during a four-week period between January and February 2012
- Clearly, it is not just the original rights owners **(over 50% of the pirated movies aired came from major US studios)** which suffer from this high level of piracy, but also the regional broadcasters which have purchased the rights to such content
- MBC, for example, purchases a range of content from major US studios, on both exclusive and non-exclusive bases; with **23% of the movies in this sample having been purchased by MBC on a supposedly exclusive basis,** this is severely undercutting the value of such rights

The abundance of piracy in the region, in the form of both illegally connected STBs and TV channels showing pirated content, is severely harming the regional TV industry. Until regulation on piracy is enforced sufficiently to curb these threats, growth of the TV sector will continue to be hampered.

2.5 HD AND 3D TV CONTENT

The number of HD channels is rising, but monetization remains a challenge; 3D TV is unlikely to be viable proposition in the near term

Globally, HD-ready penetration of TV sets has grown to 26% at the end of 2011. This upward trend experienced over the last few years is expected to continue. In the Arab region, just 13% of respondents in our market research stated they own HD TVs. In spite of this relatively low number, the supply of HD channels in the region has increased exponentially from as few as eight in 2009 to approximately 47 at the beginning of 2011[47], which equates to a CAGR of 42%. Aside from the difference in HD technology penetration, the fundamental variation between the HD market in the Arab region and elsewhere is that broadcasters in Europe, as an example, have managed to monetize these channels. In the Arab region, most HD channels are offered at no additional cost, as is the case with MBC and OSN. It may be that once penetration of HD TV sets has grown to a higher level, TV providers will be in a better position to start charging extra for this content, but for now the existing model appears to be undervaluing the HD TV industry in the region. Some may also see this as raising potential concerns about the availability of adequate satellite capacity, since HD channels typically require more capacity than SD. However, this is unlikely to be an immediate concern given the excess capacity on some satellite platforms.

In terms of the 3D outlook for the Arab region, there could be more of an opportunity to monetise 3D content than there is with HD in the long run. However, according to our market research, just 5% of those surveyed across four Arab markets claimed to own a 3D TV set. Furthermore, the broadcasters that we spoke with during the preparation of this report were of the opinion that 3D is unlikely to become a mainstream offering until the technology evolves sufficiently enough to allow viewers to watch it without wearing 3D glasses. Other concerns about the future of 3D include the high cost of 3D TV sets and the paucity of 3D content. Therefore, we believe that although there seems to be a relatively large appetite for 3D in the region, it could take some time before it becomes a mainstraim technology in Arab households.

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In this regard, some international broadcasters appeared to have felt the same way. French pay-TV operator Canal+ closed its 3D channel in January 2012, deciding to wait until there is sufficient consumer demand in the market. The service, which carried movies, sports and event programming, launched in mid-2010, but only reached an estimated 12,000 homes[48]. As a result, the pay-TV company decided to focus efforts on its HD offering until there is wider interest in 3D and greater potential for revenue generation.

2.6 INVESTMENT IN LOCAL CONTENT

The Arab regional media market has attracted a number of foreign broadcasters in recent years, while homegrown content has also witnessed growing interest from local players.

There is growing interest from large media houses in local content from the Arab world, which is evidenced by the rising number of joint ventures between regional providers and large international media groups. As the recent Moby Group/ News Corp. deal demonstrates, some international players are focusing their investment strategy on niche segments from markets which are currently underserved in terms of local content - in the case of News Corp Afghanistan, Iran, and Iraq. International investment in regional content is expected to make such content accessible to a wider audience across the region and to boost local production. The next exhibit provides an overview of some recent international investments in the regional media industry.

46 MBC, Deloitte analysis
47 Arab Advisors Group

48 Digital TV Europe

Exhibit 45 : International interest in regional content[50]

- At the beginning of 2012, **News Corp became a minority investor in the Moby Group**, in lieu of its 50 percent shareholding in Broadcast Middle East (BME) (Farsi-language TV joint venture with MOBY)
- Moby Group has presence across platforms (TV, print and new media) **with a focus on local Iranian, Afghani content** and is looking to increase its footprint in 2 markets in the Arab region (undisclosed)
- **News Corporation** also decided to **increase its total stake in Rotana** to 14.53 percent in 2011(initial 9.09 percent stake in Rotana was acquired in May 2010)

- The BBC announced **plans to produce an Arabic version of its popular *Question Time Show*** - which usually features a number of politicians who provide a Q&A session
- This came as a response to greater demand for audience participation after this year's regional unrest
- The show is expected to **focus more on young people, social media and documentary making**

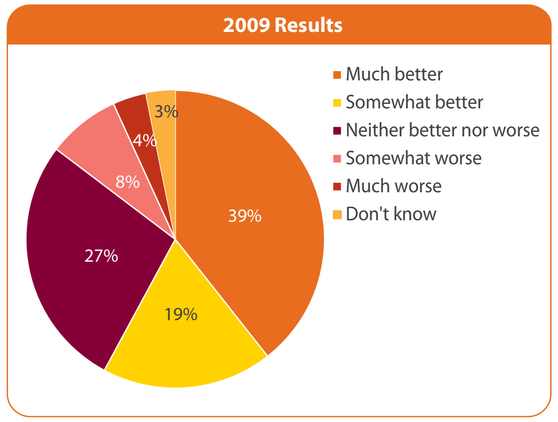
- Sky News Arabia is a **50–50 joint venture between Abu Dhabi Media Investment Corp** (ADMIC) **and British Sky Broadcasting** (BSkyB)
- The **24 hour Arabic language** FTA, multi-platform **news service** (launched in 2012), **intends to employ more than 300 journalists and media professionals in** its Abu Dhabi headquarters (Twofour54)
- The station has launched a training program aimed at encouraging UAE nationals to join as employees

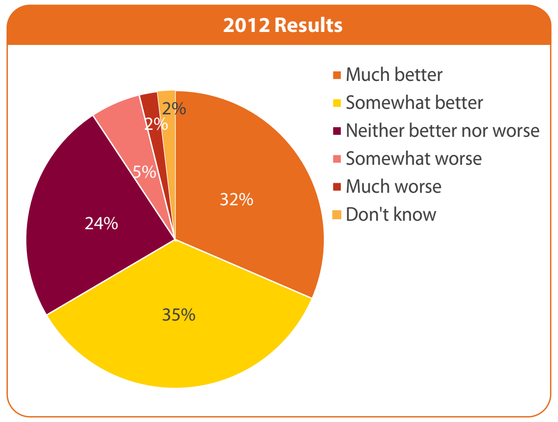
- In 2011, Sony Pictures Television (SPT) announced that it would start producing **Arabic language versions of** the **popular U.S. shows** 'Wheel of Fortune' and 'Jeopardy!'
- The 240 half hour episodes of Wheel of Fortune are to be produced for Hayat TV in Egypt and shot in Cairo whilst the Jeopardy! episodes are to be produced in Lebanon for broadcast on MBC1
- The Arab market is considered a growth area for SPT's international television production division. This expansion into non-scripted programs is an important step in SPT Arabia's growth strategy

The previous exhibit stresses the level of high profile interest in the region's media industry, and the increasing demand for local content. In fact, not only has investment in local content stemmed from foreign broadcasters, but there has also been an increase in the output of homegrown content. Both OSN and MBC have shown increasing interest by investing in local content, as well as by introducing 'Arabised' versions of international formats to their offerings. Some early successes in the monetisation of local content suggest that unique local formats could have strong potential in the region. Cartoon Network, for example, has shown keen interest in developing local animation series that would not only appeal to the regional audience, but would also be well received in global markets. This example, among others, are examined in more detail later in this report in the section 'TV series'.

Similarly, the overall quality of local Arabic content versus imported English language content seems to be improving. The results of our market research highlight this point, with nearly 70% of the respondents this year believing that the quality of Arabic content is 'much better' or 'somewhat better' than English content on TV. This represents a marked improvement from the results of 2009, when just under 60% of respondents held the same view.

Exhibit 46 : Views on the quality of Arabic content vs. English content on TV[51]



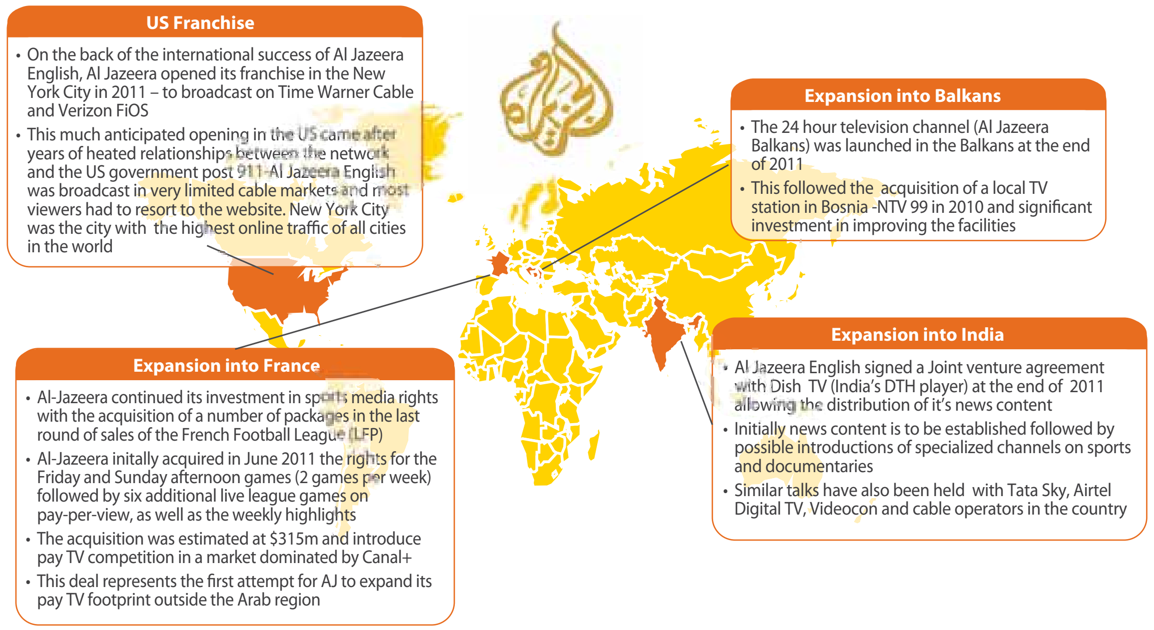


Finally, the overall quality and value of local TV content in the region is expected to be boosted by the growing number of initiatives for training of media talent. As an example, Sky News Arabia, launched in 2012[52], has implemented initiatives to source and grow regional talent right from its entry into the market. Being based in Abu Dhabi, they are investing heavily in local Emirati talent to try and support the growth of the wider industry in parallel. The training programme is aimed at university students and is known as SNAP (Sky News Arabia Programme). It trains students on specific media skills over the course of a three week period, with the intention of selecting the best students on the course to take part in internships with the company at the end, and eventually employing some of them afterwards. The course offers a means of training and inspiring local talent to participate in the regional media industry.

2.7 ARAB BROADCASTERS EXPANDING OVERSEAS

It is not just international media companies which are increasingly entering the Arab region, but there are also examples of Arab companies expanding abroad. In December 2011, Prince Waleed's Kingdom Holding Company (KHC) made a significant strategic investment in global micro-blogging service Twitter for USD300 million. Additionally, Al Jazeera is heavily investing in an international expansion strategy through franchise, sports rights investments, joint venture agreements and other partnerships. This comes at a time when Al Jazeera is in the process of restructuring its operations around a more private and efficient organization with a public service mandate. Al Jazeera's hybrid expansion strategy illustrates the range of routes that regional players are adopting in expanding abroad, with no 'one size fits all' expansion strategy suitable for Arab media organisations. The next exhibit illustrates the diverse range of initiatives that Al Jazeera alone has introduced in international markets.

Exhibit 47 : Case Study on Al Jazeera's international expansion[53]



Much of the Arab media industry is still in the early stages of international expansion and investment. Even in the examples above, only the first step in the process of real expansion has been taken so far. The investments have been made, but the challenge will be to execute, develop and manage these investments overseas. This will prove particularly important in those cases which go beyond just licensing or franchise agreements and require full scale international operations. As an example of what could be to come, the real test will be to measure the success of Al Jazeera's pay-TV channel in France after winning the local football rights in the country.

50 Company websites, AME Info 2011/2012, Deloitte analysis
51 Ipsos, The Nielsen Company, Deloitte analysis
52 Deloitte interviews

53 Press releases, company website, Deloitte analysis

3. DIGITAL

3.1 OVERVIEW

The online and mobile space has continued to grow at a rapid pace in recent years. Political uprisings across the Arab region have contributed in no small part to the increased time spent online and the popularity of social networking platforms. Boosted by strong government and private sector lead initiatives, the digital ecosystem has seen a flurry of activity, particularly in the GCC and Levant markets. While specific segments and verticals have attracted greater interest, we see the emergence of the second wave of success stories (after Maktoob), particularly in the e-commerce and online gaming verticals. Other segments such as mobile apps are still to gain momentum with availability and take-up of regional content still limited. Since the Yahoo! Maktoob merger, the region has seen further significant deals in the online space as investors and venture capitalists are viewing online business models with renewed confidence. Furthermore, governments in the GCC markets have taken the lead in boosting the ICT infrastructure and are actively nurturing the growth of the digital ecosystem by setting up technology parks and incubators. The presence of global leaders in the digital space and their proactive initiatives, including support to entrepreneurship, is benefiting grass-root digital initiatives.

However, digital advertising spend still remains fairly low across the Arab region due, in part, to the varying levels of ICT infrastructure, networked readiness, smartphone penetration and limited talent pool (on the agencies and advertisers side). Institutional changes across other parts of the Arab world remain slow partly as a result of the political stalemate. On a positive note, regional corporates and international brands in the region are allocating an increasing share of their marketing spend to digital. Large advertisers which were initially shy of venturing into online advertising are increasingly experimenting with the use of social media and a few campaigns launched have met with resounding success.

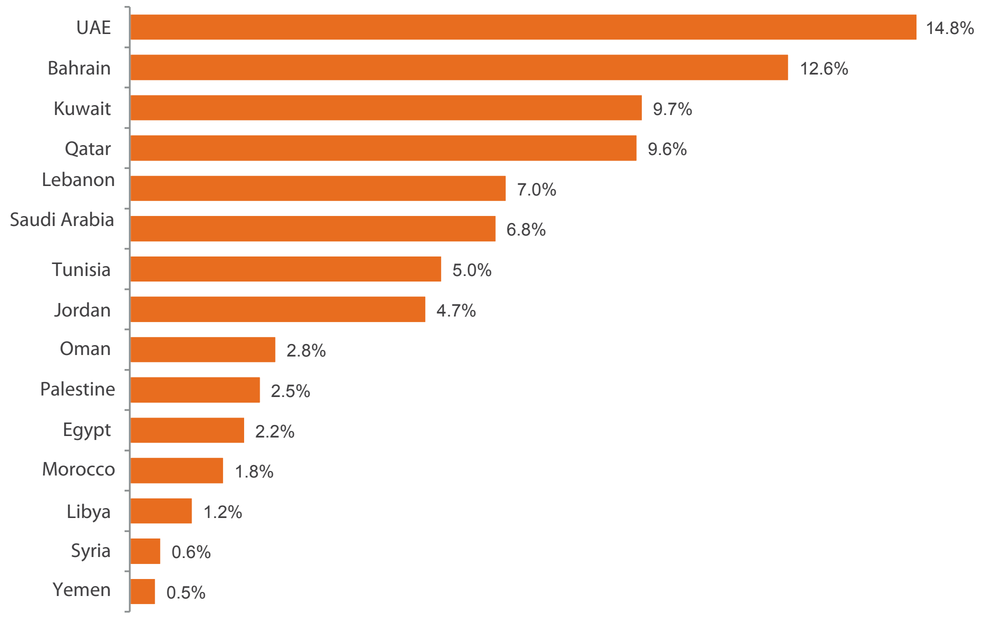
We foresee consolidation taking place in some segments of the regional online space such as group buying services. Monetisation models are also evolving in line with other markets and we see the emergence of advertising and freemium based models, particularly in the online gaming space. Respondents across the industry remain positive about digital advertising spend in the region and we forecast that regional share of digital advertising spend out of total advertising spend will grow to 10% across the Arab region by 2015. While these estimates are encouraging, the region still lags behind mature markets such as the UK where the share of digital advertising spend is close to 30% and other emerging markets such as South Korea where digital advertising spend contributes close to 20% of the total advertising spend.

3.2 DRIVERS FOR GROWTH OF DIGITAL IN THE REGION - THE STARS ARE ALIGNED

Government and private sector initiatives aimed at boosting broadband penetration

The Arab region is characterised by varying levels of broadband penetration and quality of ICT infrastructure. While many of the GCC markets have fixed broadband penetration on par with highly developed markets, the quality of fixed broadband infrastructure lags behind in some of the North African and Levant markets.

Exhibit 48 : Fixed broadband penetration on population (2011)[54]



Out of the 17 markets profiled as part of this study, only six countries (Bahrain, Jordan, Qatar, Saudi Arabia, Tunisia and the UAE) stand amongst the top 50 countries in the world in terms of their Networked Readiness Index and another four markets (Egypt, Kuwait, Lebanon and Morocco) are in the top 100[55]. Across GCC markets, however, several initiatives have been taken to boost fixed broadband infrastructure at the policy level. Qatar has launched an initiative aiming to provide speeds of 100 Mbps to 95% of households in the country by 2015. A new company, Qatar National Broadband Network (Q.NBN) has been set up to develop the passive infrastructure needed to provide high speed broadband services to individuals and businesses. Service providers will then lease access to the infrastructure to provide advanced services to individuals and businesses. The investment in passive infrastructure, which accounts for close to 80% of the total cost of installing an FTTH network, will help the service providers de-risk their fibre business case. The initiative is expected to boost competition in retail broadband services by encouraging the entry of new service providers, which already started with the grant of the second fixed license to Vodafone Qatar.

Fibre roll-out in the UAE and the initiation of a consultation process for a national broadband programme in Oman are other significant regional initiatives which have appeared in recent years. Bahrain also commenced its consultation process for the launch of a national broadband programme in 2010.

54 Arab Advisors Group, Informa
55 The Networked Readiness Index measures the performance of a market on several parameters including environment (i.e. market environment, business environment, political and regulatory environment, infrastructure environment) business usage and adoption of ICT and government success in ICT diffusion. Many markets across the Arab world tend to score poorly in terms political and regulatory readiness for ICT development. (Source: The Global Technology Information report 2010-2011)

Exhibit 49 : Selected initiatives to boost fixed broadband in the GCC[56]

Initiatives to boost fixed BB penetration in the GCC	
UAE	• Etisalat FTTH deployments in the UAE have resulted in: - 56% penetration of FTTH in the UAE (second highest in the world) - Abu Dhabi being the "world's first fiber connected city" - High speed internet BB for residential (30Mbps) and for businesses (100 Mbps)
Qatar	• Q.NBN – Government driven/Public private partnership • Fixed competition recently introduced; license granted to Vodafone Qatar • Mandate to increase roll – out of a nationwide, open, high speed (minimum 100 Mbps) and accessible FTTH network • Targeted access to 95% of households by 2015
Oman	• Consultation process for creating a Next Generation Broadband Network (NGBN) commenced • Multiple delivery mechanisms and technologies are being considered • Also targets increased competition in the telecom sector
Bahrain	• The government of Bahrain has issued a decision regarding its plans to establish a National Broadband Network (NBN) • Excess capacity will be made available on the fibre – optic network of the Electricity & Water Authority (EWA), on an open access basis and at 'fair and reasonable' prices • Bahrain Internet Exchange (BIX) has been made responsible for overseeing all operational aspects of the planned NBN, in accordance with the Kingdom's National Economic Strategy 2009–2014

Fixed broadband speeds across the region remain significantly low, with less than 50% of broadband households in markets such as Jordan having access to speeds in excess of 1 Mbps[57].

Developments in the fixed market are accompanied by increasing mobile broadband usage. Strong fixed-mobile broadband substitution is being seen across the Arab world. Estimates suggest that mobile broadband penetration is significantly higher in markets such as Egypt, Libya, Morocco Syria and Tunisia, where fixed broadband penetration is currently negligible[58]. With commercial deployment of LTE already in several GCC markets (e.g. Bahrain, Oman, Saudi Arabia and the UAE) and trialling in others (e.g. Egypt), we see sustained fixed mobile broadband substitution across the region.

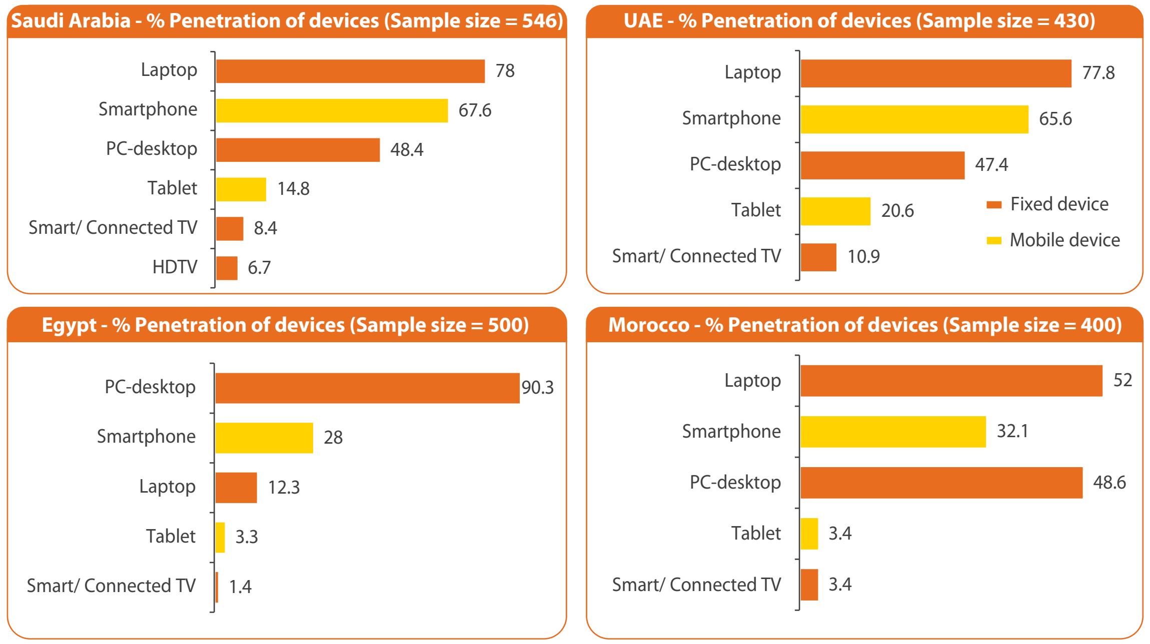
Penetration of smartphones and tablets in the region is on the rise, driving digital consumption "on the go"

Another key driver for the growth of digital in the region is the increasing adoption of smartphones in the Arab world. Given the favorable demographics of a large young population and high per capita income in the GCC market, smartphone growth in recent years has been one of the highest in the world. Smartphone penetration in the region currently stands at around 18%[59] and is significantly higher in some GCC markets.

Market research conducted across four key markets in the Arab region reveals strong penetration of smartphone devices particularly in the GCC markets such as Saudi Arabia and the UAE. The next exhibit provides an illustration of the prevalence of smartphones, as compared to other devices, in the Arab region. It also demonstrates the ownership of tablets in the region. While tablet ownership in the region remains low (around 3% in the two North African markets researched), it is growing at a fast pace as in all other markets.

56 Press clippings, Deloitte analysis
57 Arab Advisors Group: Consumer and ICT trends in the Arab World
58 Informa, Deloitte analysis
59 Ovum

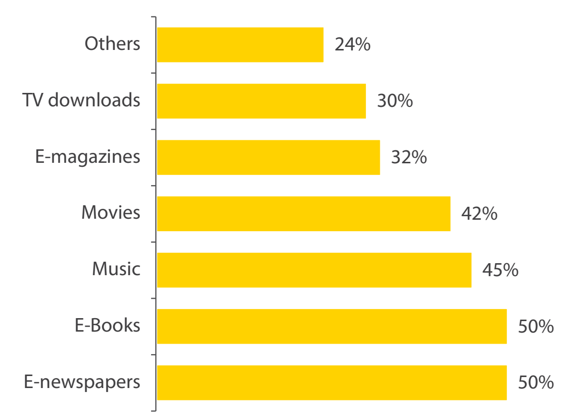
Exhibit 50 : Device penetration across key Arab markets[60]



Experience from other mature markets also suggests differences in the media consumption habits of tablet owners versus PC owners. In the US for example, the likelihood of tablet users purchasing media content such as newspapers, music, e-books online is significantly higher than that of PC owners. This is illustrated in the next exhibit.

Exhibit 51 : Propensity to purchase incremental content on tablets – US example[61]

Likelihood of tablet owners purchasing media content (v/s PC)



- **Tablet owners appear more likely to purchase incremental content** than notebook owners
- **E-newspapers/e-books and e-music are the preferred media content purchased online**
- 77% of notebook owners purchase one or more forms of content

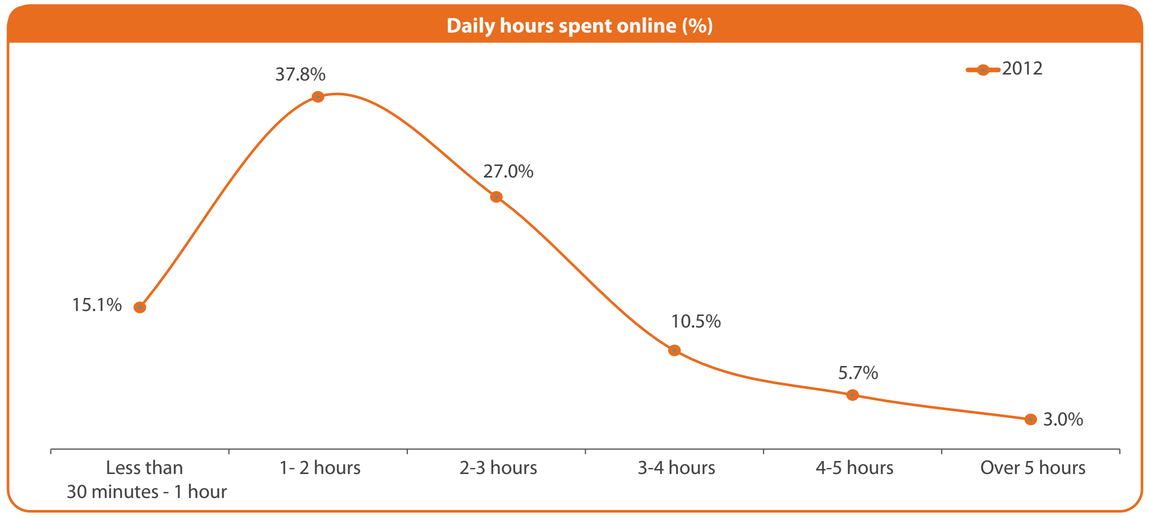
Market research reveals that the propensity to download and pay for online content including news is currently low in the region. For example, only 7% of respondents in the UAE are willing to pay for premium news content online. However, we expect this to grow going forward.

More than two hours spent online per day and social networking platforms are driving digital traffic across the region

As seen in the next exhibit, the average time spent online in 2012 is 2.17 hours per day overall in Egypt, Saudi Arabia and the UAE. There are clearly important generational gaps, with internet usage significantly higher in the younger age segments. In younger age groups, connecting to the internet is the activity missed the most in the 15-24 age brackets (more than watching TV) in all markets while the 45+ age bracket generally miss watching TV the most. Moreover, what has changed during the period is the usage pattern of online consumers, with social networking, for example, dramatically increasing in usage.

60 Ipsos
61 Goldman Sachs

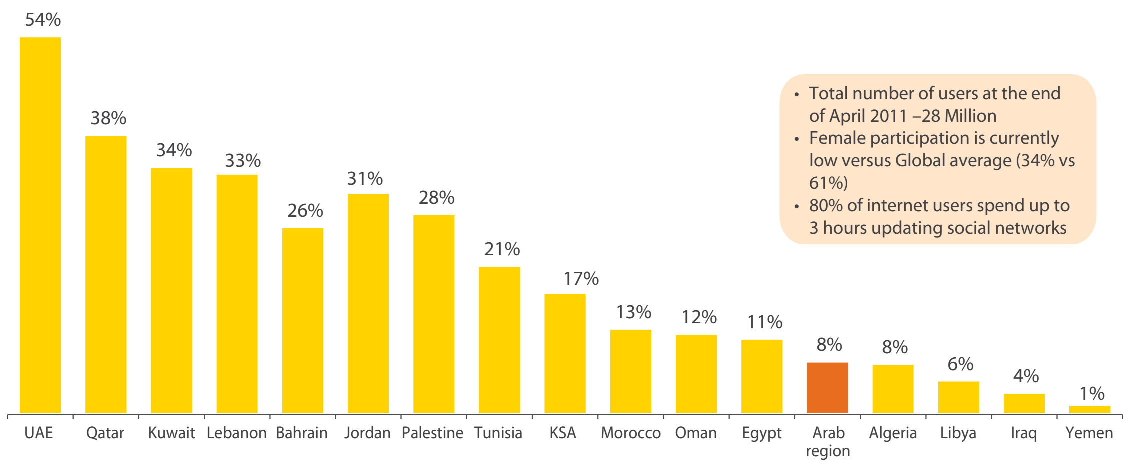
Exhibit 52 : Average time spent online[62]



Social networking is the most common activity online for markets such as the UAE after "getting information". In the case of Egypt, 30% of respondents claim social networking to be their most common activity in 2012, increasing significantly from 10% in 2009. In the case of Saudi Arabia this percentage increased from 7% in 2009 to 24% in 2012. There are also variations in the activities online for different age groups, with common activities for kids including playing games online, social networking and watching videos and TV programs.

Social networking sites also increased significantly in popularity as a result of the political uprisings across the Arab region. Facebook penetration across most Arab countries reached double digit figures and there is still room for growth given that female participation is quite low. Markets such as Egypt added close to 2 million new Facebook users in the first quarter of 2011 alone. The next exhibit provides the Facebook penetration of several Arab countries. It is important to bear in mind, however, that the chart below presents penetration of the total population, which is therefore lower than it would be if compared to total internet users, as is the case with the market research carried out by Ipsos. Therefore, while 54% of the population in the UAE are actively using Facebook (see next exhibit), 78% of internet users that were surveyed in the country are using Facebook.

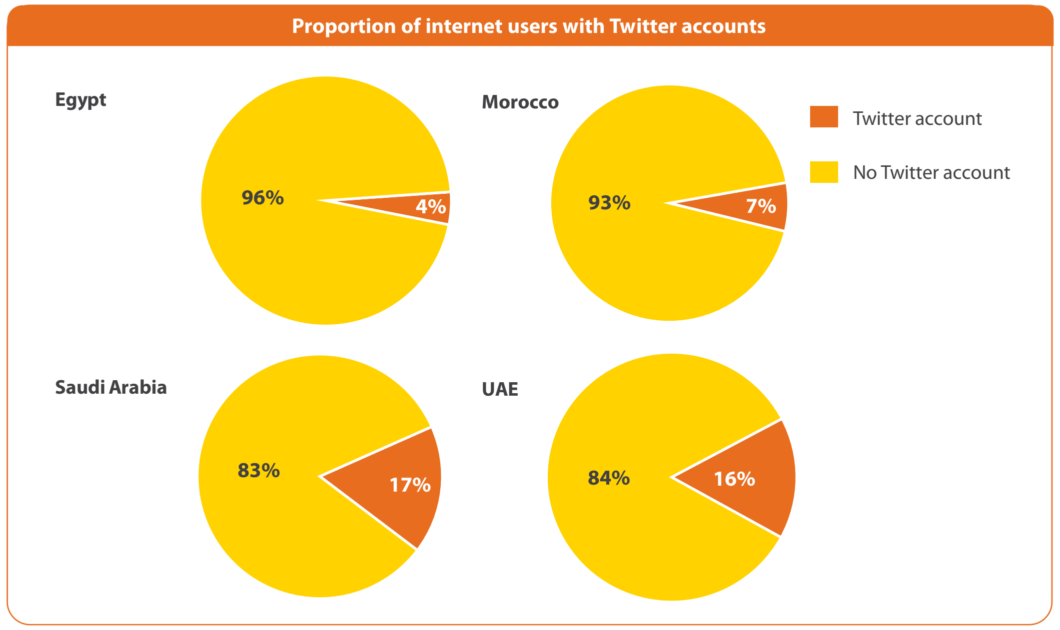
Exhibit 53 : Facebook penetration on population in the Arab region[63]



In addition, the region had more than 1.5 million active Twitter users at the end of 2011. Twitter usage is highest in the GCC markets. Even in the markets with low fixed broadband penetration such as Iraq, Tunisia, Libya and Morocco we see a large number of active Twitter users suggesting that fixed broadband is not a constraint in keeping updated on social networking platforms. Market research across the four markets surveyed reveals that more than 60% of respondents who visit social networking platforms are active Twitter users (i.e. access their account at least once a month).

62 IPSOS , AC Nielsen analysis based on data for 3 markets i.e. UAE, KSA and Egypt
63 Arab Advisors Group

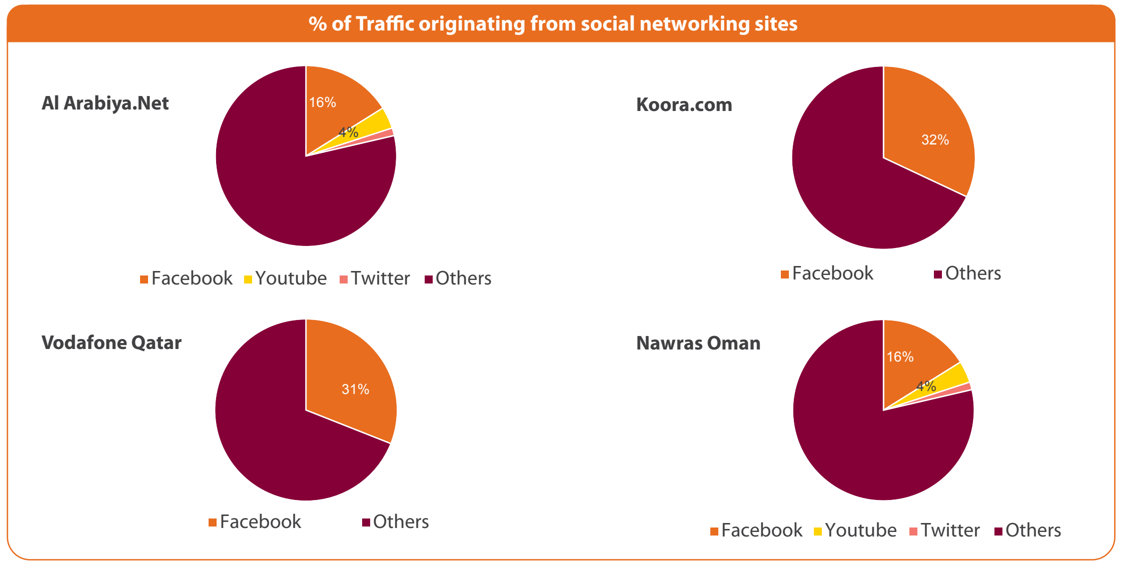
Exhibit 54 : Active Twitter users as a % of total internet users – Egypt, Morocco, Saudi Arabia, UAE[64]



More significantly, there has been a distinct preference for the Arabic interface of social networking platforms such as Facebook and Twitter across regional markets. Market research data reveals that English versions of Facebook and Twitter rank second or third across the four markets surveyed. In markets such as Saudi Arabia and Egypt, close to 90% of the respondents surveyed showed a distinct preference for the Arabic interface of Facebook as the most visited social networking platform. In the UAE, the English platform is more popular with 74% of respondents identifying Facebook English as their most visited social networking platform. Nevertheless, Facebook and Twitter continue to hold sway as the most popular social networking platforms, with regionally developed platforms (e.g. Maktoob, Areeba Areeba, Arab Friendz) still to make inroads.

Social networking platforms such as Facebook and Twitter are in turn driving traffic downstream to several regional websites. For many of the top regional websites between 15-25% of traffic originates from social networking sites.

Exhibit 55 : Percentage of traffic originating from social networking sites to regional content websites[65]



Regional brands are recognising the reach and visibility of social media as part of their digital marketing campaigns and increasingly experimenting with social media. Out of a survey of 132 companies in the region[66], 88% claimed to have social media on their agenda in some shape or the other. Further 19% of the companies surveyed, claimed to be heavily involved in social media.

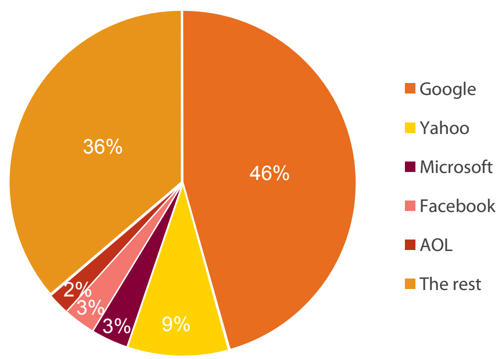
64 Ipsos; based on users who access their Twitter accounts at least once in 2 months
65 Alexa

Pro-active initiatives of global leaders in the digital space such as Google and Yahoo are boosting the digital ecosystem in the region

Google and Yahoo together account for close to 55% of the digital ad spend. In addition, Google and Yahoo together control close to 83% of the online search market. In the US, digital ad spend in recent years has been driven largely by search based advertising. As pointed out in the last edition of the report, the situation in the Arab region is markedly different with "search" advertising spend still at a developing stage as opposed to "display". However the situation in the region has changed dramatically in the last two years. Increased popularity of video downloading sharing on YouTube offers tremendous potential for advertising in markets such as Saudi Arabia, where the site sees close to 100 Million page views per day.

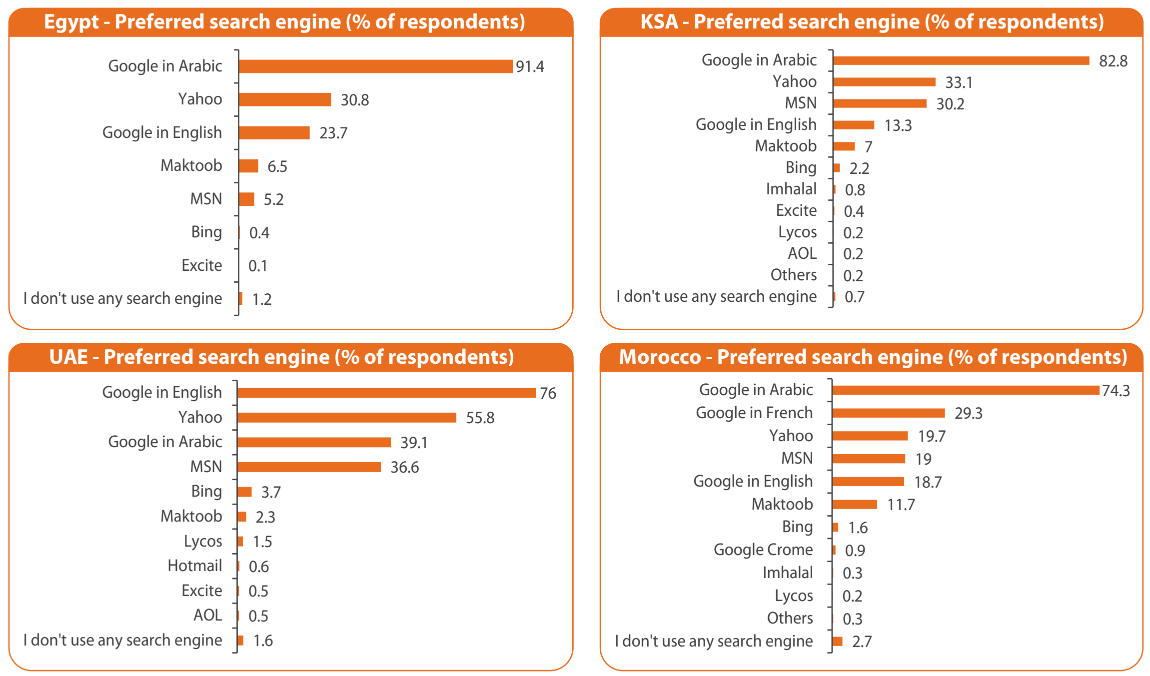
The presence of Google and Yahoo in the region and their proactive initiatives aimed at fostering education and awareness are acting as the catalyst to strengthen the digital ecosystem. Further, Google has also launched InsightsMENA a tool aimed at providing data on the online behaviour of urban consumers in the five key Arab markets of Egypt, Jordan, Morocco, Saudi Arabia and UAE.

Exhibit 56 : Global share of digital ad spend[67]



Unsurprisingly, Google is the preferred search engine amongst regional internet users. Yahoo! Is a distinct second whilst others show marginal numbers. While Google was already the most popular search engine in the region in 2009 (except in the UAE), it has distinctly gained ground (versus Yahoo!) in the last few years.

Exhibit 57 : Preferred Search Engine – Egypt, UAE, KSA, Morocco[68]



66 Econsultancy: The state of Digital in MENA 2012
67 J.P. Morgan
68 Ipsos analysis based on market research in UAE, KSA, Morocco and Egypt

Google's regional strategy is one of proactive leadership in grass-root level initiatives including the appointment of "Google Ambassadors" (i.e. students who act as the links between Google and their universities), hosting "Google days" and involving women through the Women Entrepreneurs conference. Google initiatives are targeted at entrepreneurs, youth and women.

Yahoo! in turn has identified the Arab region as a "high priority" region strategically and through its acquisition of Maktoob, an online Arab community is heavily involved in the development and propagation of local content. Yahoo! has partnered with the ictQATAR incubation center to focus on the development of Arabic content and to nurture entrepreneurship by engaging with small companies. Yahoo is also one of the key anchor clients of the digital media cluster in Qatar.

Exhibit 58 : Google and Yahoo!: "Catalysing the growth of the digital ecosystem"[69]

Recent developments in the Arab region - Case studies of Google and Yahoo in the region

Google INSIGHTSMENA " Proactive leadership"	• Has doubled its workforce in the region since launch in 2010 • In 2011, Google has cited that its greatest growth has been achieved in emerging markets such as KSA and UAE • Independent initiatives focused on educating the market (youth, entrepreneurs, women in particular) - 25 **Google "ambassadors"** operate in the region to engage and bring feedback on the market - **Google "days"** (launched in Egypt and Jordan) with 2 sessions (one focused on entrepreneurs/developers and the other on students/ universities) - **Women entrepreneurs'** conference - "Internet - bringing down the barriers" • **Enterprise Division** (offering apps for businesses, Google's suite of communication and collaboration tools, etc.) was **set up in September 2010** and has already garnered **close to 30,000 customers in the region** • Other initiatives in the region, as follows: - A new plan to help Saudi Arabian companies gain an online presence - Creation of a user-friendly website that provides information about media usage, the internet, e-commerce etc.
YAHOO! "Partnerships/ acquisitions"	• Identified the **Arab region as a "high priority" region** strategically • **Acquired Maktoob**, **the Arabic online community portal** in 2009 • **Content deals** with Al Jazeera, Rotana, Saudi Publishing, BBC Arabic for news content • **Fully staffed offices in Dubai, Cairo, Riyadh and Casablanca** • Recently entered into a **partnership with ictQATAR Incubation center to develop the digital media and content ecosystem:** - Initiative will focus on the development of Arabic content - Nurture entrepreneurship by engaging with small companies • Yahoo has also adopted an **indirect approach in targeting women** through the Women thought leader's forum • **Partnered with ictQatar:** - Develop the 2020 Doha Olympic Bid portal; also engaging youth in generation of ideas - Partnered with the digital media cluster (DCC)

Government backed and private sector lead initiatives in developing the ICT ecosystem are helping to commercialize entrepreneurship in the digital space

The regional landscape has seen several bottom-up initiatives aimed at encouraging entrepreneurship in the ICT space which cover the entire gamut of technologies from mobile to social media. The government in many GCC markets and in Egypt is taking the lead in this direction by setting up incubators and technology parks aimed at boosting the production of local content but more broadly to strengthen the digital ecosystem across the region. The number of venture capital firms, technology parks and incubators has increased significantly in the last three years. The region has also seen a large number of venture- capital related transactions with 33 transactions in the last two years as compared to 16 in the period from 2006 to 2008.

Some of these incubated ideas have now been commercialized and are achieving some measure of success. Run2sport an online sports apparel store for the Middle East incubated by Jordan's Oasis 500 received venture capital funding from Souq.com of USD 2.5 Million. The site aims to use the funding to expand in the Gulf market, particularly the UAE, with the goal of becoming the primary regional destination for shoppers and athletes looking to buy quality sportswear.

Similarly the e-payment platform Madfoo3atCom that enables consumers to see and pay their bills online garnered a total funding of USD 0.5 Million from private investors[70].

69 CABSAT, press clippings, Deloitte analysis
70 Zawya press clippings

Exhibit 59 : Overview map of Venture Capital Funds/ Incubators and Technology parks in the region[71]

Company	Initiatives aimed at boosting digital content
Itida	• The "single intervention" service is designed to encourage IT companies to apply for the financial support and gain access to specific events either in the local or international markets • "Business Trips" program which is designed to encourage IT companies to gain more access to the international markets and gain new clients abroad
Apps Arabia	• Invests in the best app ideas throughout the region • Helping creators get to market and assisting in promoting them to maximize revenues
Tahrir	• "Entrepreneurship 101" program, helps young engineers to think of ideas for startups, learn how to execute their ideas and raise money
Mobily	• Mobily sponsors the Saudi Telecom and ICT Summit (TELSA), which would provide participating companies an opportunity to discuss the future of the telecommunication sector in the region, exploring new long-term and short-term growth opportunities
STC	• STC invested USD 50m in a new venture capital fund to help start up small and medium sized companies in the digital field. The fund targets the local market and invests in local Saudi expertise and talent
twofour54	• twofour54 Ibtikar initiative provides financing and support for businesses and individuals targeting the Arab media and entertainment industry
Oasis 500	• Oasis 500 initiative aims at accelerating the development of entrepreneurial ideas in ICT, mobile, and digital media in Jordan, and ultimately in the region. The goal is to create 500 companies in the next 5 years
iPark	• Technology incubator aims at providing the needed catalyst to fuel the entrepreneurial process in Jordan
King Abdul Aziz	• An initiative which facilitates projects for technology development in the Kingdom

Map of VCs/Incubators/Technology parks - Arab region

ictQATAR has actively supported the diffusion and usage of digital media and the development of innovative digital content. ictQATAR's incubation center aims to develop self-sustainable and self re-enforcing systems that incubate and promote the development of rich, open Arabic digital content disseminated both regionally and globally. The center provides digital content enterprises with expert guidance, innovative technology solutions and telecommunications services, office space, accounting services and legal advice.

The incubator supports all aspects of the digital value chain including idea generation, prototyping and commercialization. The incubator has already secured world-class anchor clients such as Yahoo, Huawei, IBM and Houghton Mifflin who will jointly support initiatives aimed at building entrepreneurship. The Fahras Qatar Business Case competition[72], a business plan competition for the development of an online business directory is one of the first initiatives of the Incubation Center. A team of Qatari entrepreneurs were selected as winners and provided with the funding to start-up the directory.

Exhibit 60 : Case study on ictQATAR[73]

Case study on ictQATAR

Vision/Mission	• To establish Qatar as a leading nation for innovative digital Arabic content • ictQATAR is looking to develop a self sustainable and self re-enforcing system that incubates and promotes the development of rich, open, Arabic digital content disseminated regionally and globally
DCC cluster/ incubation center	• Provides the supporting ecosystem including **bandwidth and connectivity**, **attracting VC funding** and **incubation services,** single point of contact for **facilitation of government procedures** (business set-up services, property management, IT, etc.), **licensing and regulation of companies** within cluster and linked to digital content and production Conceptualization → Conceptualization Idea → Prototype → Prod. Devt. → Market Devt. → Growth • Tenants in the Incubation Center, cover **all aspects of the digital value chain from concept to commercialization** - Yahoo, one of the anchor tenants, has entered into a partnership with ictQATAR to help entrepreneurs develop distribute and monetize content and improve Yahoo's own non-licensed Arabic content - Huawei will provide startup kits for Qatari entrepreneurs for setting up small companies to undertake innovations in the digital content field • Four Incubator service offerings have been identified with targeted dates for launch - **Tenant facilitation** (Basic Services) - March 2011 - **Innovation management** (Value added services including talent recruiting, business and IP consulting, Platforms) - Dec 2011 - **Market development** (Networking, marketing, Pre-sales and matching services) - Dec 2011 - **Strategy and business development** (access to funding, strategy and business development) – March 2012
Achievements	• **Fahras Qatar Business Case competition**, to develop a business plan for an online directory, was launched and four Qatari entrepreneurs were announced as winners • Anchor clients already identified and MOUs signed (Yahoo, IBM, Huawei, Houghton Mufflin Harcourt)

71 MENA Private Equity Association, press clippings
72 Press clippings
73 ictQATAR website and interviews, press clippings, Deloitte analysis

3.3 PAN REGIONAL ONLINE PORTALS

Broad-based following of online platforms offers advertisers unique opportunities to target a pan regional audience

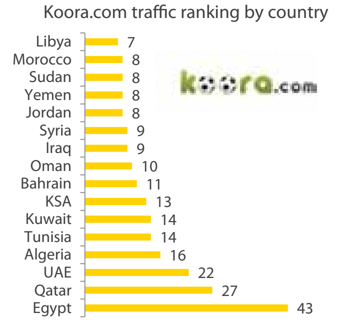
In recent years, the volume of traffic to regional online portals has increased significantly. Portals with a distinctive value proposition such as Koora.com, Souq.com and Al Jazeera.net appear to have a broad-based audience across the entire region. Given that there are few platforms other than television and magazines which afford advertisers an opportunity to target a pan-Arab audience, these online platforms are more uniquely positioned to offer both large scale reach and yet target specific demographics and behavioural segments.

Souq.com's multi-category portfolio makes the portal attractive to a range of advertisers[74] (e.g. the motor section attracts international car brands, financial institutions and insurers). Search based advertising offers a potential upside to the portal which currently also earns commission on transactions related to its online marketplace. Koora.com, with it focus on live streaming of soccer and related news is extremely popular across the region with a predominantly young male audience in the age group of 18 to 25[75]. 18% of the traffic to the website originates from Saudi Arabia and the site also enjoys a strong following in Libya, Syria and Iraq.

In the next exhibit we have detailed the current traffic ranking by country for three highly popular websites in the region. *Al Jazeera.net*, the Arabic online news portal of Al Jazeera has a pan-Arab following with a strong traffic ranking in countries such as Syria, Jordan and Yemen but also across Europe and the US.

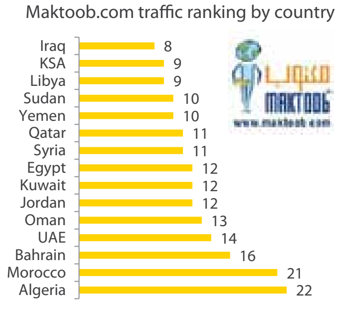
Exhibit 61 : Traffic ranking by country for popular regional portals[76]

Koora.com



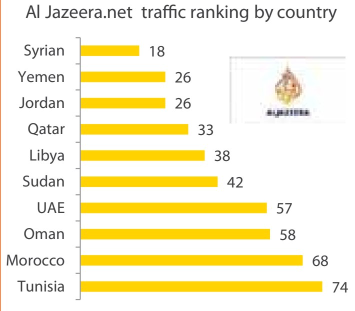
- Koora.com is a sports website with the highest ranks being in Libya, Morocco, Sudan, Yemen and Jordan, followed by Syria, Iraq and Oman
- Koura.com ranks 2nd amongst the Levant top 10 websites as of November 2011

Maktoob.com



- Largest Arabic online community; ranked amongst the top 300 sites globally in terms of traffic
- Maktoob.com has been online for more than thirteen years, with an average 3.9 unique page views per day

Al Jazeera.net



- Strong point of reference for online news in the region
- Significant upstream traffic generated from social networking platforms such as Facebook (13%) and Youtube (4%)

3.4 DIGITAL INITIATIVES

Initiatives launched in the region leverage both the online and mobile platforms

The online and mobile space has seen significant activity in the last few years with several verticals emerging and some identifiable successes. Many successful models internationally have been replicated by regional companies and these fledgling initiatives are gaining popularity. As the online space covers a wide range of applications, we have primarily focused on segments in the digital space with material impact on media and particularly advertising spend. The next exhibit provides an indicative list of some of the specific segment categories which have seen the most activity in the recent past.

74 Souq.com interviews
75 Ipsos, claimed ownership hence likely to be overstated
76 Alexa, websites, Deloitte analysis

Exhibit 62 : Key segments and verticals in the digital space[77]

	Category	Revenue model	Global / regional examples
Online	Group Buying Services	• Discounted deals advertised on the GBS sites' homepage • Enables local companies to promote their business to a large group of "opt-in" buyers • Main source of revenue is advertising	
Online	E-commerce and online marketplaces	• Online marketplaces bringing buyers and sellers together • Revenues through listing/ transaction fees	
Online	Recommendation services	• Provides recommendations and reviews (typically written by peers) • Banner advertising and search based advertising are the major revenue streams	
Online	Socially focused	• Provides access to email, videos, gaming as well as other social networking platforms • Enables advertisers to target a highly specific demographic	
Mobile	Mobile apps and mobile gaming	• Displays media rich advertisements inserted in apps/ mobile websites	
Mobile	Augmented reality and location based services	• Takes advantage of location based technology • Reward based advertising (i.e. badges for checking in) or proximity based (ads targeting users based on location)	

In the rest of this sub-section we will delve deeper into specific media verticals and segments of the digital space and gain further insights into the business model of some of the region's top players in online and mobile.

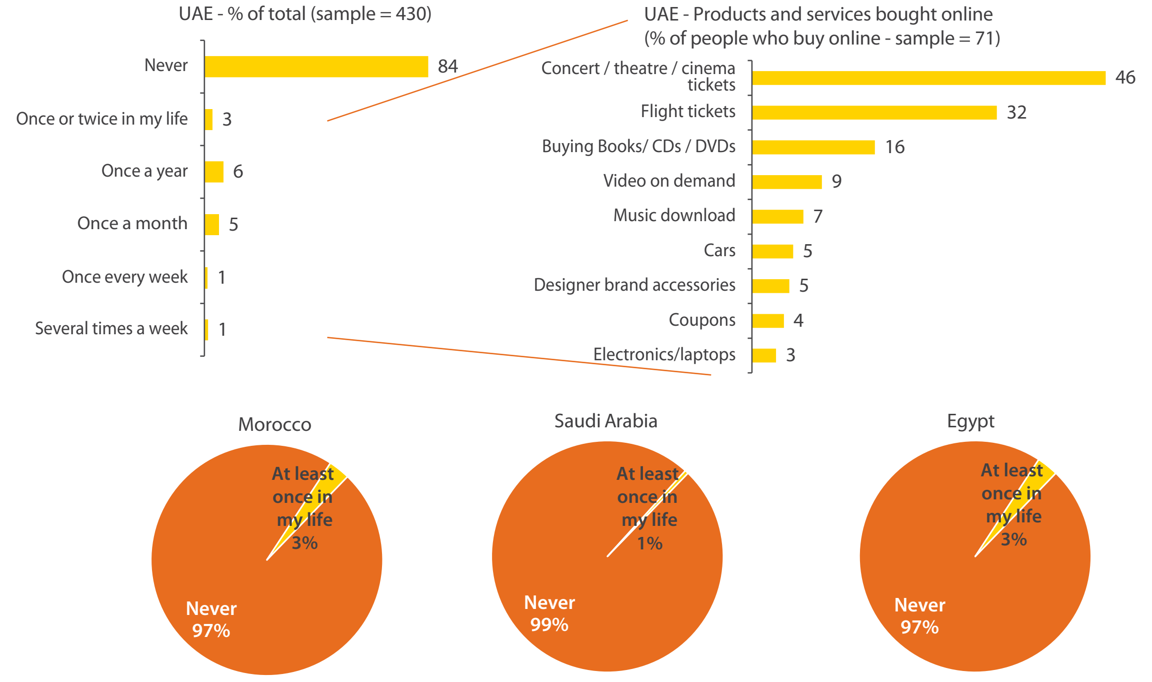
E-commerce / Online Marketplaces

The e-commerce space is nascent in the region, with still considerable wariness on the part of consumers across the Arab world to buy goods and services online. Market research[78] results nevertheless reveal a small but growing segment which is keen on online purchases. In the UAE, for example at least 16% of respondents claimed to buy items online. Most common purchases included cinema tickets, flight tickets, books and CDs and online videos . In other markets such as Morocco, Egypt and KSA, e-commerce penetration appeared to be significantly lower with 2-3% of the population claiming to have bought an item online. Amongst online shoppers in the UAE and Morocco however the frequency of purchases is high, with at least 38% of respondents who buy books and CDs online claiming to do so more than once a week.

77 Websites, Deloitte analysis
78 Ipsos

Exhibit 63 : Propensity to buy items online – Market research results[79]

How often do you buy items online?



Online marketplaces bring buyers and sellers together, however the proportion of the population selling items online is also low according to our research across the sample in the four countries. In Saudi Arabia, UAE, Egypt and Morocco, only 4.4% of respondents have sold an item online with UAE having the highest proportion of 9.1%[80].

Several such portals have already evolved in this vertical including Dubizzle, an online classifieds and community portal which offers users the potential to buy, sell and find things within their community. Headquartered in the UAE, Dubizzle has a strong online audience across the Arab world and has a particularly strong traffic ranking in markets such as UAE (11th), Qatar (58th), Bahrain (71st) and Oman (80th). Dubizzle is accessed by over 1.5 million unique visitors with more than 70 million page views on a monthly basis. Convinced with the business model and the management team, MIH internet (part of the Naspers Groups) took an equity stake in Dubizzle[81].

Souq.com, a portal owned by the Jordanian based Jabbar Internet Group can be considered another local success story in the e-commerce space having successfully transitioned from an online auction site to a multi-category and multi-country online marketplace. Souq.com has a successful presence in markets such as the UAE, KSA, Egypt, Kuwait and Jordan. Souq.com has built strong credibility amongst buyers and sellers and successfully explored diverse revenue streams (e.g. online retail, advertising and deal of the day).

79 Ipsos
80 Ipsos
81 Press clippings

Exhibit 64 : Case study of Souq.com –Online marketplace[82]

Souq.com - Online marketplace

- Launched in 2005 as a **C2C auction platform**, Souq.com has significantly evolved in terms of business model and sees itself as an online marketplace with fixed prices:
  - Decision to shift to the "Amazon model" to **fast track delivery times** (12 days on auction platform versus 2–3 days on online market place); services offered include online marketing, content management, payment options and logistics solutions (i.e., inventory management, tracking, etc.)
  - Invested in developing **functionality, credibility and trust:**
- Launched the escrow payment platform which was later integrated with Aramex:
- Seller ratings - Sellers which have complaints are blacklisted and not allowed to transact
- Deal typically with brands which are identifiable and trusted by consumers
- Moved from Cash on delivery to credit terms (currently 45% of transaction value is on e-pay)
- Highly customer centric (has reduced delivery times to 2 days) and user friendly interface
- Warehouses **in Dubai, Saudi Arabia and Egypt** to minimize shipping time
- **Revenue is derived from 3 streams:**
  - Online retail–through authorised distributors of HP, Apple, Disney
  - Marketplaces–Main revenue stream is commission on sales transactions
  - Deal of **the day** –Revenues from discounts/ liquidations
  - Potential **growth area is search advertising revenues** (currently small) due to the focus on verticals (sports, fitness, mobiles, movies….) and targeting specific segments/demographics
- **Partnerships/acquisitions of other online retailers:**
  - Partnership with Mobily (telco in Saudi Arabia) allowing loyalty card holders to use accumulated points to make purchases on Souq.com
  - Invested in start-up firm Run2Sport (incubated by Oasis 500) which is the first online platform for sports in the region
  - Partnership with ZahranGroup (manufacturer of cookware electrical appliances) to launch e-store in Egypt

Performance:

- **Strong presence across key markets for e-commerce**: UAE, Saudi Arabia, Egypt
- Ranked amongst the top performing sites in terms of traffic across the region-UAE (22), Egypt (73), Kuwait (80), Saudi Arabia (81)

Online payment platforms such as Cash-U[83] owned by the Jabbar Internet Group have also grown on the back of the success of e-commerce in the region providing a strong regional alternative to international payment platforms such as PayPal. Cash-U offers multiple payment options including cash, credit cards and prepaid cards which have also contributed to the platform's success. Cash-U has seen strong volumes of virtual goods purchased in the prepaid cards segment.

In the next few years we see the e-commerce space becoming crowded with the presence of online retailers and aggregators. Experiences from other markets in Europe suggest that first entrant, local e-commerce portals which have established credibility and trust will maintain their strong market positioning. A case in point is that of eBay which has made several unsuccessful attempts to penetrate the Polish market dominated by the entrenched Allegro portal (owned by the Naspers Group).

E-commerce penetration outside the GCC remains a challenge due to high transaction costs, limited credit card penetration and absence of a culture of paying online.

Group Buying Services (GBS)

Group Buying Services includes discounted deals advertised on a service provider's website. This enables local companies to promote their business to a large group of "opt-in" buyers. Interested businesses offer users a discount of 50% or more in the form of a for-purchase deal or coupon. Each group buying site typically offers only a primarily deal and one or two "side" deals per market per day, guaranteeing the local business significant reach among a user base that has already opted to receive the promotions. Businesses pay a relatively high price for the advertising/promotion, considering both the 50% discount on the deal and the fee of 50% of the deal proceeds a GBS typically takes.

GBS gained tremendous momentum in the US since 2010 based on the success of Groupon. Groupon's revenues grew 23 times between 2009 and 2010 and the company was publicly listed in 2011. While there are questions about the viability of GBS services given that Groupon is still to record a profit, there have been several service providers both globally and in the US which have attempted to replicate the GBS business model.

In the region, the GBS space has seen a lot of activity with Cobone (part of the Jabbar Internet Group from Jordan) emerging as the number one player in this space. This vertical also saw one of the first major deals in the online space with the acquisition of Gonabit, a successful start-up by the global GBS provider Livingsocial. Market research[84] reveals that in markets such as the UAE and KSA between 18-28% of respondents have used websites which offer discounts for limited periods (i.e. similar to GBS providers). This percentage is significantly lower in Egypt (6%) and Morocco (8%).

82 Company interviews, Deloitte analysis
83 Deloitte interviews
84 Ipsos

Exhibit 65 : Major GBS providers in the region[85]

Group buying service providers in the region

Cobone
- Operates in Egypt, Saudi Arabia, UAE, Jordan & Lebanon and claims to have 600K subscribers
- Has sold approximately 215,000 coupons up till June 2011; saving users USD 11.2 Million
- Has over 10,000 people signing up per day with over 250,000 Facebook fans

livingsocial
- Completed strategic acquisition of Gonabit in 2011
- Gonabit had more than 200K subscribers savings and had achieved savings for buyers estimated at USD 5 million
- Acquisition confirmed Living Social's confidence in the growth of GBS in the region

GROUPON
- Launched globally in 2008; present in more than 150 markets worldwide
- Launched in early 2011 in the UAE
- Has not been able to replicate its international success in the region so far; went through a restructuring exercise in mid 2011

In the years to come, we see some consolidation taking place in the GBS space as the market has become overcrowded (i.e. there are more than 20 GBS providers currently in the region). GBS, like location "check-in" apps are particularly popular with local advertisers given that their success rate is likely to be much higher with "opt-in" buyers.

Online gaming

As in other markets, the free-to-play model for online gaming has resulted in rapid growth of this vertical in recent years. In the casual multiplayer online gaming space, the majority of online portals are card games. Some of the successful card game portals in the region include *Kammelna* with 1.35 Million registered users, *koutbo6* with 1 Million registered users and *Jawaker* with 0.5 Million registered users. Another sub-segment which has shown rapid growth is the Massively Multiplayer Online (MMOG) games space which grew from 47 in 2010 to 95 in the region by November 2011[86]. More than 85% of these games are browser-based. This sub-segment has benefited tremendously from the free-to-play model and the increased amount of Arabic content either localized or built specifically for the audience. The online gaming space is also seeing increased interest from investors with the Lebanon Berytech Fund investing in Yalla Play, the creator of *Ultimate Tarneeb* and twofour54ibtikar, the financing arm of Abu Dhabi Media's Free Zone investing in Jawaker, an online card gaming portal.

In China, Tencent has successfully created an integrated online powerhouse which merges communication, information, and entertainment. Tencent's services includes instant messaging, online gaming, e-commerce, online trading and other online content (e.g. web based video). More than 75% of Tencent's revenue is derived from Community Internet and mobile Value Added Services (Community IVAS) and online games revenue with less than 10% of revenues from online advertising. Tencent deploys an open platform encouraging third party applications and generating revenue from a combination of subscription and micropayments. Online gamers pay for a range of virtual items (i.e. including custom avatars, virtual clothes, virtual room decorations, virtual pets, special privileges, etc.). Further Tencent's micro-payment platform is a huge factor in the company's success offering an online currency (i.e. "Q-bi" which users can buy through mobile phone or a charge card available at kiosks).

Further, Tencent Community IVAS subscription based businesses create stickiness:

- After product subscription, the IM users enjoy a host of privileges, with higher seniority than regular members
- The recommended subscription period of these Tencent IVAS products is three, six and nine months, instead of one month
- Tencent periodically adds more privileges to each subscription product but keeps the product price unchanged

85 Press clippings, Deloitte analysis
86 Arab Advisors Group – Online Games in the Arab World

Lead generation advertising and brand engagement are gaining ground with advertisers in mature markets

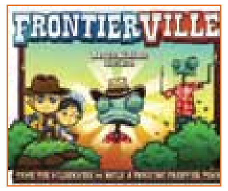
While the micro-payment model for online gaming is still to achieve the levels of growth seen by Tencent nevertheless regional online gaming portals have been experimenting with a diverse range of revenue models. Multiplayer card games portals such as those of Jawaker have successfully employed advertising, micro-transactions and premium memberships. Several of the online card game portals now deploy a combination of revenue streams[87] as is evident from the next exhibit. Revenue streams deployed include advertising, premium subscriptions, tournament entry fees and in-game product placement.

Exhibit 66 : Monetization models for online gaming - International and regional case studies[88]

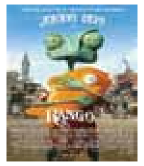
Evolution of monetization models for online gaming

Lead-generation advertising
- Lead generation advertising is becoming increasingly popular amongst advertisers in the US
- Lead generation **offers the gamer an advantage in the game by completing a task** offered by an advertiser
- Guarantees user interaction
- Typically uses a **Cost per Action (CPA) model** and tends to be preferred by advertisers

Brand engagement
- Involves developing a brand into the game itself
- Involves home page takeovers, unique game items (branded virtual goods) and cross-marketing
- Paramount pictures promoted the picture *Rangoon* Zynga's Frontierville using brand engagement
- Players were encouraged to find Rango and perform tasks to help Rangoachieve a goal



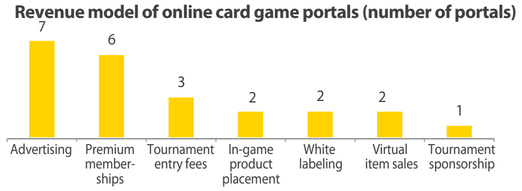
In-game quests in Frontier Ville were used to promote the movie Rango



Regional case study-Jawaker

- Jawaker is a **multi player card games portal** launched in April 2009 by the Jordan based Boundless Drop
- In 2009, twofour54 ibtikar, the investment fund of two four 54 announced an investment in Jawaker
- At the time of the announcement, Jawaker had **500,000 registered users with over 17 million page views per month** and 100,000 visitors per month
- Jawakarhas **multiple revenue streams** including **advertising**, **micro-transactions and premium memberships** and also employs other **revenue streams** such as tournament entry fees and prizes, in-game product placement and white labelling

Revenue model of online card game portals (number of portals)



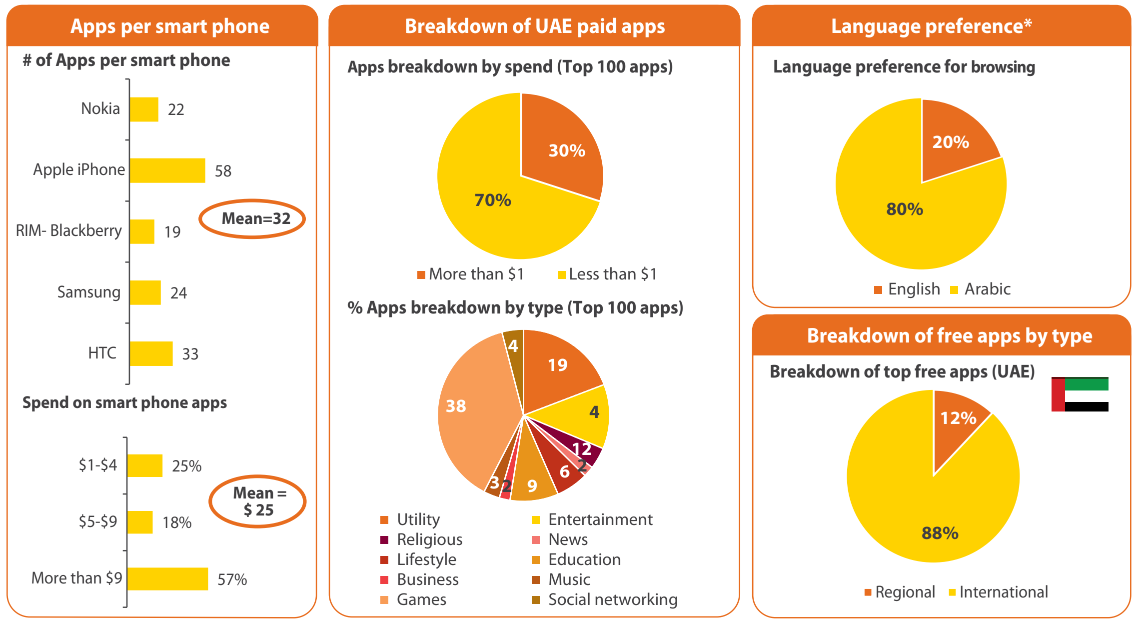
Mobile applications

Given the significant penetration of smartphones in the region, there is a strong propensity to download and use mobile apps. Based on data from Apps Arabia, on average, smartphone users in the region have up to 32 apps on their phone and are willing to spend up to USD 26 per month on applications[89]. Most popular paid applications are related to gaming, utility services and education. Arabic is the language preferred by more than 60% of respondents surveyed, however there are still very few apps developed regionally in the Top 200[90].

Further market research in the UAE reveals that at close to 20% of respondents owning a smartphone download an application at least once every week while 13% of respondents have paid for a mobile application.

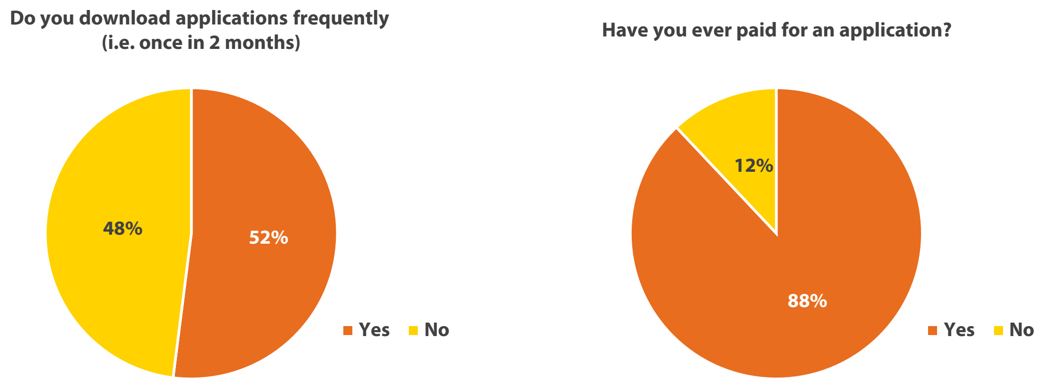
87 Arab Advisors Group
88 William Blair and Company-The Future in Digital Media, Arab Advisors Group, Deloitte analysis
89 Apps Arabia Mobile Report-MENA
90 UAE itunes store

Exhibit 67 : Arab region – Trends in mobile applications usage[91]



* Based on market research in Egypt, Morocco, Saudi Arabia, UAE

Exhibit 68 : Mobile applications – Customer buying habits in the region[92]



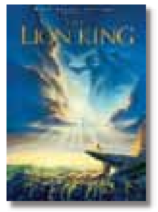
As in other parts of the world, mobile apps are increasingly being leveraged as part of the brand extension mix of regional media. The next exhibit details the evolution of Lion King from movie to mobile application and similar regional examples of *Shankhabooth* and *The 99*.

Exhibit 69 : Mobile applications as part of the brand extension mix- International and regional case studies[93]

International Mobile apps

The movie-"Lion King":

- Released in 1994, Lion King grossed USD952 Million worldwide and is the second highest grossing animated film of all time (after Toy Story 3)
- Along with the release, three different video games were released by Virgin Interactive
- The movie has gone through several incarnations and was re-released in 3D Blu-Ray in 2011
- A musical adaptation of the movie premiered in 1997 and won six Tony Awards including Best musical
- Merchandise sales exceeded USD1.5 billion



The app:

- The " Lion King –Timon's Tale" book app is a fully animated interactive experience
- Retells the classic Disney story
- This original title features specially rendered film animation, Lion King music, character narration and touch, shake, and swipe technology
- Priced at USD4.99

Case study : Regional Mobile apps

The drama-Shankhaboot

- First Arabic language web drama; targeted at an audience in the age group of 16 to 25
- Winner of the best web series award filmed in and around Beirut
- Financed by the BBC World Service Trust and Batoota films production settings
- Encouraged interaction/ debate on topics which are traditionally considered taboo
- 2,000 visits per day to the website
- All user-generated content is showcased on the website as part of a new initiative titled " Shankactive"

The app

- Mobile app was also launched with Nokia to enable users to interact, send in their feedback "on the go"

"The 99" comic book and its evolution

- Began as a comic book in Arabic; featured superheroes with strong Islamic values
- Subsequently developed into a feature film
- In 2012, an animated TV series is to be released

The app

- ipad and iphone apps titled "The 99 Comics app" launched by ComiXology

Monetization models for mobile apps and mobile gaming have significantly evolved with less dependence on paid subscription. New monetization models include in-apps advertising, incentivised installations and micropayments.

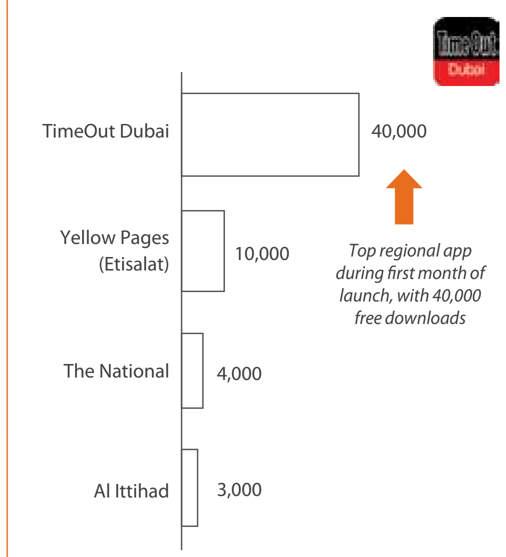
In-apps advertising is gaining popularity in the region and we see some successful examples emerging. Time Out Dubai for example had 40,000 downloads in the first month of launch.

Exhibit 70 : Successful in-apps advertising- Case study of TimeOut Dubai[94]

Online edition

- TimeOut Dubai has an online edition since 2003 that can be accessed through the website
- The website has an estimated 7,669 daily unique visitors and 23,008 page views. Relative to the overall population of internet users, most of the site's users are women aged 25 to 34 years
- In June 2010, TimeOut Dubai launched an iPhone application which went on to achieve a coveted #1 position in the App Store for the UAE
- App provided free with monetization mainly through advertising revenue

iPhone Apps - I[st] month of launch downloads



In addition, Definitely Dubai, a location based free application launched by the Department of Tourism and Commerce Marketing (DTMC) is consistently ranked amongst the top free apps in the UAE. Definitely Dubai offers Augmented Reality location based services (i.e. the user can identify his location and the nearest shops and deals in the area).

91 Apps Arabia
92 Ipsos

93 Websites, Deloitte analysis
94 Websites, Alexa, Deloitte analysis

Exhibit 71 : Successful in-apps advertising- Case study of Definitely Dubai[95]

Case study of Definitely Dubai - in-apps advertising

- One of the **Top Free apps in the UAE launched by the department of Tourism and Commerce Marketing**
- Enables users to locate local attractions, restaurants and shopping malls; other handy features such as currency converter, useful Arabic phrases, etc.
- Uses **augmented reality location based services** to enable the user to identify his location and the nearest shops/deals in the area
- **Popular with local advertisers** (i.e., hotels, restaurants, travel agents…)

3.5 DISPLAY ADVERTISING IS GAINING A NEW LEASE OF LIFE IN THE REGION

Proliferation of digital ad agencies is acting as the catalyst for the growth of digital ad spend in the region

In recent years the region has also seen increasing interest in digital marketing. For several corporates digital marketing is now a significant portion of marketing budget allocations. A substantial portion of businesses surveyed are increasing their digital budgets. Social media usage is also thriving with 56% of regional companies using social networking platforms such as Facebook and Twitter to attract business[96].

However several businesses still consider that their organisation's use of social media is inadequate and a further 30% of businesses claim that effective and accurate assessment of return on investment from digital marketing is not feasible[97]. In the case of smaller businesses, there is a severe dearth of awareness about digital marketing which is limiting corporates from unlocking its full potential.

The interest in digital marketing is resulting in the proliferation of advertising agencies. Flip Media, a regional media agency focused on the Middle East and North Africa has more than 100 employees across the Middle East and India. Flip Media provide end-to-end solutions including digital strategy, digital design/ production, content/ delivery and technology/ platforms. The company has worked with Wamda and twofour54's Creative Lab on CoE Animate videos. Flip Media's success in the region resulted in the agency being acquired by Publicis Group, one of the three largest advertising groups in the World. The Flip Media acquisition was intended to boost Leo Burnett's (one of the Group companies) focus on digital strategy. Other agencies which have emerged in the last few years include Global Media Insight, Alsayegh Media and Asia Sports Marketing (ASM).

The presence of digital ad agencies will serve as a catalyst for the growth of digital advertising spend in the region. By helping smaller companies in the region realize the reach and range of opportunities offered by the digital space, companies such as Flip Media have a vital role to play. Further companies are at the experimental stage in navigating the complex digital space. Consequently there is a need to to analyse the following aspects:

- Range of advertising opportunities online
- Different advertising models and categories (Cost per Click, Cost per Action, Display v/s search)
- Return on investment and comparative performance of different verticals (GBS, social networking, online gaming, etc.)
- Large number of segmented properties/ verticals addressing different demographics

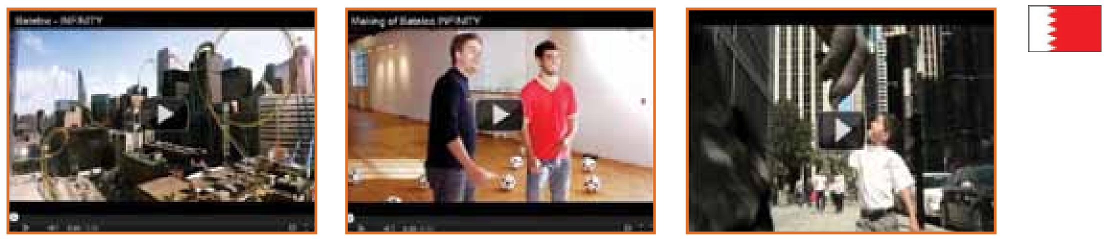
95 Websites, Deloitte research and analysis
96 Econsultancy- State of Digital in MENA
97 Ibid

Regional brands are increasingly engaging in the digital space and are achieving initial success with social media campaigns

Global trends suggest that display advertising has made a comeback in the minds of advertisers. Between 2006 and 2009, search based advertising significantly outpaced display advertising in terms of advertising growth as advertisers preferred a proven performance model. As a result display advertising (CAGR +10%) lagged behind search (CAGR +19%) during this period. However recent evidence suggest a rebound for display advertising in the years to come as brand advertisers who were late comers to the online advertising space gain increasing penetration in the display segment. Increased popularity of social networking platforms and growth of online video and OTT platforms has also kick-started renewed interest in display advertising.

Exhibit 72 : Case study of Batelco - Use of social media as part of digital marketing campaigns

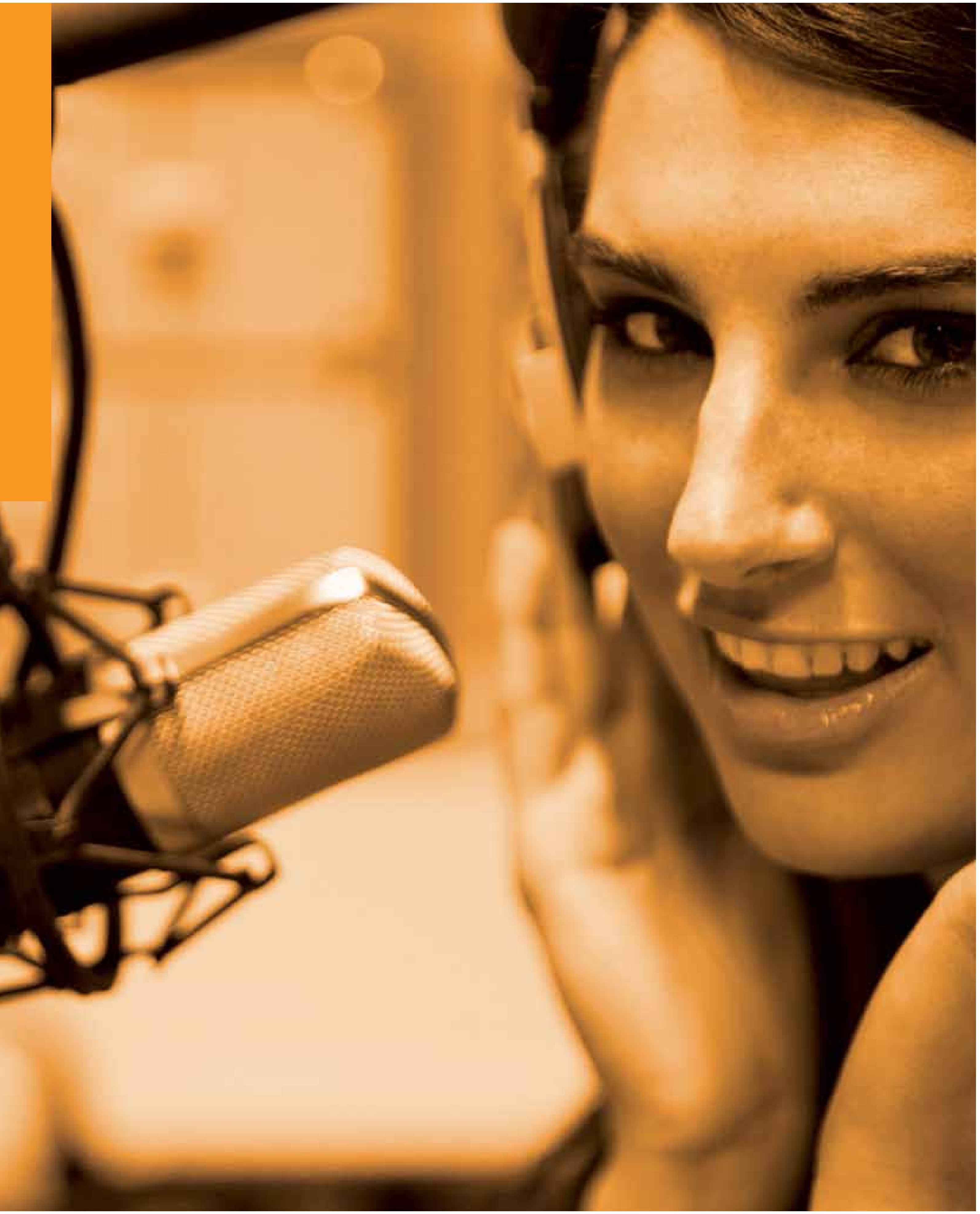
Case study: Batelco "Bringing ideas to Life"



- Batelco wanted to **create global brand awareness** and push their tag of "Bringing ideas to life"
- Given the limited budget, **social media was used as a platform** to promote the brand **through a 3 minute video promoted on Facebook** via an app that activated a user's webcam (allowing users to actually become a part of the video)
- To drive user's to participate in and watch the videos, Batelco opted for **traditional** (trailers in cinemas, malls, airports, interactive kiosks) **and digital marketing methods** (ads on Facebook and posting the trailers on non-affiliated websites)
- The viral campaign achieved great results:
  - 235,000 people from over 100 different countries introduced to the brand
  - 8th most successful viral video in the world
  - 2.4 Million wall impressions, 2,200 new "likes" each day

In the region, we see the early experimentation of pan-regional telecom operators with social media and some early successes. Following on the back of Nawras' (Oman) successful Bawabaty campaign, Batelco launched a viral marketing campaign which in turn created tremendous visibility for the brand both internationally and in the region. Through visual effects and photography, the campaign reveals the realities that exist within the minds of everyday citizens, normally considered in dreams (as in the case of the movie Inception). Social media was used as a platform to promote the brand through a 3 minute video promoted on Facebook via an app which activated a user's webcam.

Significantly in 2011 and 2012, two listings appeared in the prestigious *TED: Ads worth spreading* Top 10 including Batelco's *Infinity* campaign in 2011 and the *Return of Ben Ali* in 2012, both of which have been hugely successful viral marketing campaigns.



4. OTHER PLATFORMS

4.1 RADIO

The radio industry in the Arab world, as elsewhere, is dependent on advertising for the majority of its revenues. In 2011, radio advertising revenues were estimated at USD 265 million in the region, making it the fourth most prominent advertising platform after newspapers, TV and outdoor advertising. While in many international markets, radio has suffered a decline in revenues as a result of the overall shift of consumers to digital platforms, it remains resilient to both digital migration and economic challenges in the Arab region. Even where other platforms such as TV and print declined in 2009 due to the global economic crisis, radio revenues continued to rise as the platform is still quite nascent commercially in the region. This trend is expected to continue over the forecast period, with advertising revenues increasing at a CAGR of 7%, making it the fastest growing advertising platform after digital.

The continuing growth of the regional radio industry can be attributed to:

- **Liberalisation of the sector** in many Arab countries, enabling the introduction of privately owned radio stations.

- **Continuing high demand** for radio by consumers in the region, with as many as 77% of the population listening to the radio in Saudi Arabia, one of the largest markets for advertising.[98]

Leveraging the new opportunities in this sector, nearly every Arab country has witnessed an increase in the number of FM radio stations available over the last two years. The next exhibit illustrates the growth in the number of FM radio stations across several Arab countries between 2009 and 2011.

98 Arab Advisors Group

Exhibit 73 : FM radio stations in the Arab region, 2009-2011[99]

The UAE has the highest number of radio stations in the Arab region, with 38 stations by December 2011. While the UAE is unique in terms of its demographic make-up, indicating that there is possibly more room for a wider range of channels than in most countries, the size of the industry there still provides an illustration of the potential for growth in some other Arab markets. In particular, as large markets such as Saudi Arabia increasingly open to the private sector, we expect to see continued growth in both revenues and the number of radio stations in the region.

The Arab region has seen a surge in the number and range of radio stations from 214 to 267 over the period from 2009 to 2011. One of the drivers of this growth has been the emergence of more radio broadcasting in a variety of languages. The region being home to people of numerous ethnicities has meant that while there are radio stations broadcasting in Hindi and Malayalam languages in Bahrain and the UAE, there are others broadcasting in Armenian, Italian, Greek and German in Egypt.

In the UAE, the number of radio stations increased from 24 to 38 between 2009 and 2011[100]. New radio stations launched in recent years run across a wide range of genres and are targeted at diverse ethnicities. These include *Rock Radio* which plays rock Music in English, *Gold FM* and *Radio ME FM* which play music targeted at the large Malayali population. *Suno 1024*, also launched in 2011 plays Hindi and Urdu music while *Radio Shoma* which covers entertainment, sports and music caters to the large number of Iranian expatriates based in Dubai. The Radio Asia Network also continued to increase the number of its stations which typically target South Asian expatriates in the region. Other launches include *Dubai FM* by Dubai Media Incorporated which broadcasts commercial music to the Emirate.

4.2 OUT-OF-HOME

Out-of-home advertising in the Arab region remains a staple part of the overall advertising market. For the purpose of our analysis, out-of-home advertising is considered to consist of both outdoor and cinema advertising. Contributing to nearly 10% of total advertising revenues in the region, and valued at nearly USD 440 million in 2011, it is an important sector for regional advertisers. However, its importance as a platform for advertising varies significantly between countries in the region. For example, out-of home advertising in Lebanon accounts for 29% of total revenues. However, in other markets like the UAE, although the platform is the second highest contributor to total advertising after newspapers, it still represents only 15%.

Outdoor advertising specifically (e.g. billboards) is highly diverse as a sector across the region, driven by a number of different factors. Regulation plays an important role, with the less regulated markets showing higher volumes of outdoor advertising. In Lebanon, for example, there is limited control over the quantity or quality of outdoor advertising, and as such the platform represents a higher than average proportion of total advertising revenues in the country, at nearly 30%. In other markets, stricter regulation restricts the overall growth in the value of outdoor advertising. In Qatar, for example, there are even discussions over possible regulation which would ban the use of billboards in any language other than Arabic. With strong regulations in place, the out-of-home advertising market in Qatar represents just 6% of the total.

Another factor which plays a crucial role is the structure of the industry, which also varies significantly between countries. In some markets, such as the UAE, there is significant fragmentation among the operators leasing outdoor advertising space, which has made the environment relatively competitive. In other markets, the industry is heavily dominated by one or two leading players. The Qatari market is a case in point, where QMedia, which entered into a joint venture with JCDecaux in 2008, manages the lion's share of the outdoor advertising market.

A final trend that is also contributing to the overall development of the outdoor advertising sector is the growth of digital outdoor advertising. This is most relevant for the 'indoor' segment, which is included in the same category in our analysis. While this is still at a fairly nascent stage across the region, some markets have witnessed significant developments in the industry in recent years. In the UAE, for example, new entrants in the market have helped drive growth in this area. Al Barq Digital was established in July 2010 under Abu Dhabi Media and already operates over 110 screens and more than 60 interactive kiosks across a number of shopping malls in the UAE. With expansion plans in Bahrain, Qatar and Saudi Arabia as well, such developments are expected to help fuel growth of the sector going forward.

Cinema advertising, the other category driving the overall out-of-home sector, is also highly diverse across the region. Cinema advertising revenues are led largely by the number of screens available in each market. Saudi Arabia is a unique case in this respect where there are no cinemas and, therefore, no advertising revenues. Other markets, such as the UAE and Lebanon have a high number of screens on a per capita basis, but since they are still relatively small markets, they do not contribute substantially to overall cinema advertising spend in the region. Egypt, meanwhile, has a relative large and growing cinema industry, with approximately 400 screens in the country, and, as such, accounts for the largest proportion of cinema advertising spend in the region.

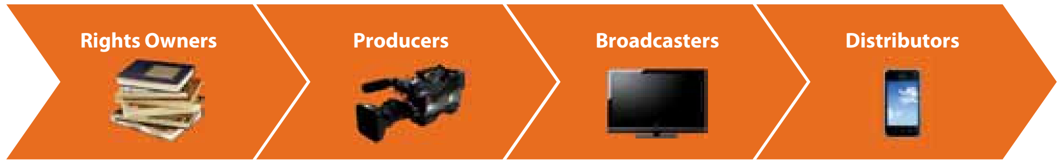
Going forward, both outdoor and cinema advertising revenues are expected to continue to grow, from a total of USD 398 million in 2011 to USD 494 million by 2015. Growing at a CAGR of 6%, the platforms will maintain their relative share of the total advertising spend over the projection period.

99 Arab Advisors Group
100 Arab Advisors Group

5. TV SERIES

5.1 INTRODUCTION

TV Industry Value Chain



As in most markets around the world, the regional value chain for the supply of TV series is made up of four key types of players:

Rights Owners, including both the owners of international formats which are brought to the Arab region for localisation, such as FremantleMedia, Endemol, Sony Pictures etc., and the owners of local formats specifically devised for the Arab market. Rights owners sell their content rights to local producers to make the content ready and available for the Arab market, whether through production of a localised version of the format, dubbing of the original series or for secondary broadcasting of the original series (usually with Arabic subtitles). For locally produced content, the rights owners are usually the same as the producers, since formats are devised internally purely for the purpose of production in the local market.

Producers, who may or may not be the same individuals or organisations as the rights owners in the previous step, are responsible for the overall production of the series and for delivering a filmed and edited version of the programme to the broadcasters. In the event that the broadcaster has commissioned a series to be produced upfront, the production process is usually done in close cooperation with the primary broadcaster of the show. However, in an increasing number of cases in the Arab region, producers are carrying the burden of financial investment in the show themselves, producing the entire series and then entering a revenue share agreement with the broadcaster on transmission of the show. In a third type of scenario, co-production takes place between broadcaster and producer or, in some cases, between two separate production companies. Some TV channels in the region, such as MBC[1], OSN[2] and Rotana also have in-house production units which they rely on to produce varying proportions of their total programming output compared with independent production companies. In the Arab world broadcasters rely on in-house production for a larger proportion of their output, as compared to TV channels in some other markets like the UK, where independent production is a major source of programming.

Broadcasters, which number over 500 in the Arab region, include both satellite channels broadcast on a pan-Arab basis (and also usually available on TV platforms such as cable and IPTV) and terrestrial domestic channels broadcast in individual countries across the region. Broadcasters air a combination of first-run formats (i.e. the most expensive and also the most valuable type of content from both the audience and advertisers' perspectives) and content which has been bought on the secondary or even tertiary market.

1 Middle East Broadcasting Corporation
2 Orbit Showtime Network

Distributors are those players which are responsible for the dispersion of content across multiple platforms. In the TV space, pay-TV players such as OSN fit into this category (in addition to being a broadcaster with its own channels), as do satellite operators such as Nilesat and Arabsat, and IPTV network providers including Etisalat and du in the UAE and Qtel in Qatar. In addition to TV, mobile operators also make up part of this segment as they are responsible for delivering content to mobile phone users on their networks, as do ISPs for offering video services online. Broadcasters and/or rights owners tend to partner with such distributors to make their content available on different platforms in some form of revenue share agreement. While distribution across these platforms has historically played a minimal role in the overall structure of the TV industry in the Arab region, there is an increasing emphasis on the availability of content on digital platforms which is becoming increasingly difficult to ignore given its potential. Indeed, a quick look at the advanced TV industry in the US shows that online content aggregator Hulu, considered a distributor under our classification, now boasts over USD400 million in revenue and over 1.5 million paid subscribers, on top of over 1 billion video streams by its free users to date.[4]

While the role of each of the four types of players is quite distinct, several organisations in the region and internationally have operations which run right across the value chain, from developing and owning content rights to distribution of that content across multiple platforms.

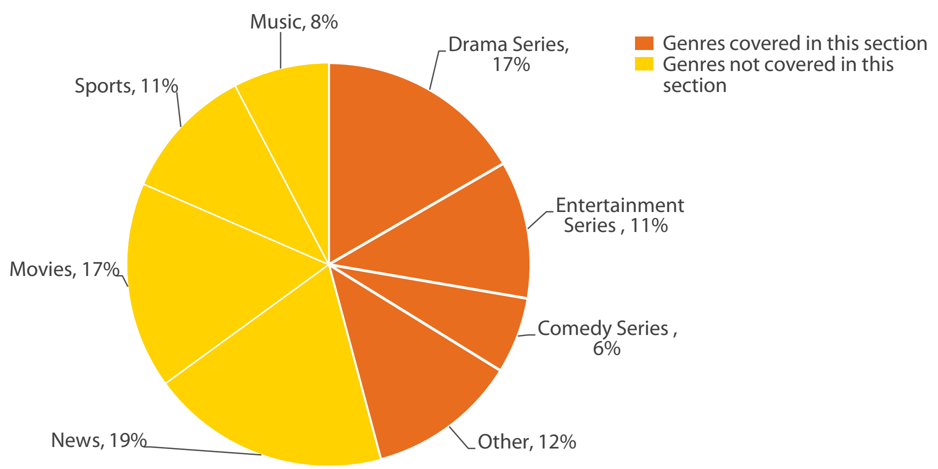
These tend to be those major 'broadcasting' groups such as MBC which also dominate the market in terms of audience and, as such, those which have the most potential to help develop and grow the regional industry.

The total TV market in the Arab region, as discussed earlier in this report, was worth approximately USD1.8 billion in advertising revenues in 2011, plus an additional USD700 million in pay-TV revenues. A large part of this advertising revenue can be attributed to TV series. For the purpose of this analysis, we consider the following genres to be included in 'TV series':

- **Drama**, including soap operas and longer form drama series
- **Entertainment**, including gameshows, talkshows, talent shows, reality shows
- **Comedy**, including comedy drama series and comedic panel shows etc.
- **Factual**, including documentaries, lifestyle shows and other factual programming
- **Children's**, including both animated and non-animated children's programming

Our categorisation excludes the genres of news, sports and music, which have been considered as separate content types. This rationale is highlighted by the results of our market research which illustrate the importance of those as content genres in their own right and quite distinct from TV series.

Exhibit 74 : Most preferred TV genres across selected countries in the Arab world[5]

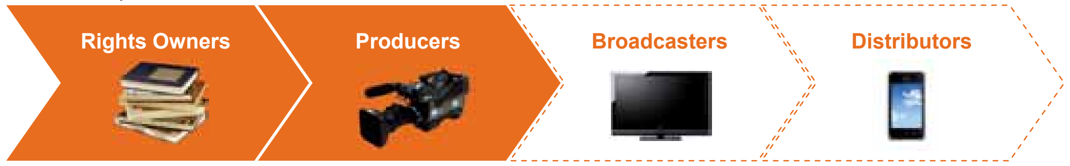


This section of the report will analyse how the production of TV series as a content type is evolving in the region, with emphasis being placed on new, upcoming genres such as animation; how alternative commercial models are being explored by broadcasters of such series; and how distributors are exploiting multi-platform opportunities.

4 Hulu.com
5 Ipsos

5.2 PRODUCTION

TV Industry Value Chain



For the purpose of our analysis of the regional TV content industry, our focus will be on the production of different content types for the Arab market. As such, we can discuss the role of 'Rights Owners' and 'Producers' in this context in tandem.

5.2.1 'Local' content is still king

In the Arab Media Outlook 2009-13, we explored the production, monetisation and exploitation of local content as a special thematic topic. We continue to believe that the creation of a vibrant local content production industry is key to the growth of the TV industry in the Arab world and have noted many developments over the past two years which are supporting this growth.

'Local' content for TV series can be considered to take three different forms in the Arab region, including:

i. 'Pure' local content devised by regional producers, traditionally stemming largely from Egypt and more recently Syria for drama, but with entertainment series also on the rise from Lebanon and the Gulf

ii International formats for which the rights are sold to regional producers for localisation, often through local branches of international production companies

iii Dubbed international content which have been imported in their original form and dubbed locally into Arabic, particularly popular with Turkish and American drama and comedy series

'Pure' local content

Enabling a significant proportion of content to be devised locally and produced for local audiences is an objective for which many of the world's markets strive. A healthy level of local content production is usually a good indication of a well-developed media industry and enables several benefits which do not come with the import of international series, ranging from job creation in the TV industry to more relevant content for consumers.

In the Arab world, locally devised TV series were once considered to be low-budget, less desirable alternatives to their US counterparts, at least among those who had access to and could understand both types of programming. Yet as audience expectations have risen, so too have the production values of much Arabic content which continues to prove its worth in the Ramadan season year after year. Today first-run, high quality productions can be purchased for around USD85,000 / hour[6], a marked increase from the USD60,000 / hour which we saw two years ago[7], indicating the improvement in investment and subsequent quality of local programming. While there may be other factors also driving this rise in value, such as the reduction in supply of production in markets like Syria, it is still believed that the overall quality of output is growing.

As quality of content improves, audience numbers are also rising for the major primetime series, further polarising the top ten TV channels in the region from a total of around 500 smaller channels in terms of market share. In Saudi Arabia, for example, over half the population watched local comedy show 'Tash Ma Tash' on MBC last year. The emphasis on local content is also highlighted by the introduction of new, dedicated channels for Arabic content by players who had previously placed a heavy focus on Western content. For example, OSN launched its Arabic language channel Ya Hala! HD in 2011, a channel focusing on its own productions of Arabic comedy and drama series, as well as some it has purchased externally.

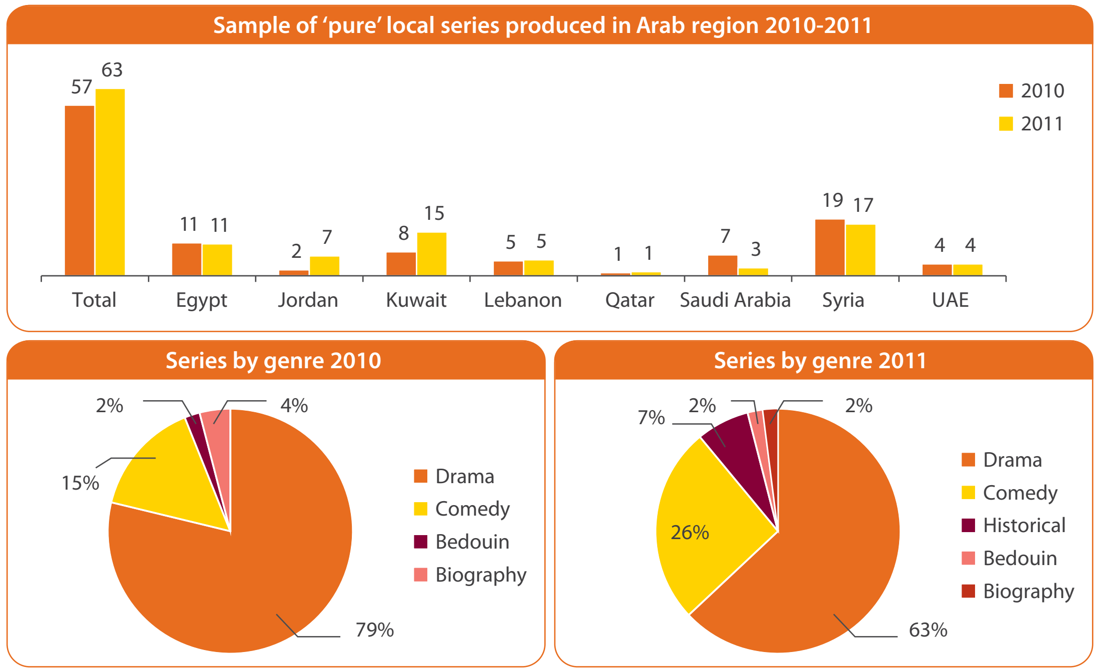
Indeed, OSN's take on the industry is that with 53% of the population under 25[8] and the same demographic forming a key part of the TV audience in the region, content needs to be increasingly catered to suit their tastes. As such, OSN's new channel focuses on comedy, which the channel believes caters for the younger generation. One of its major series, Hindustani, for example, is the first Saudi musical series and has been shot in OSN's studios in Bollywood with a number of Saudi actors.

The increasing focus on comedy series among 'pure' local TV series is also evidenced in the supply of programming among producers across the region. An analysis of 26

6 Variety Arabia
7 Arab Media Outlook 2009-13
8 US Census Bureau 2011

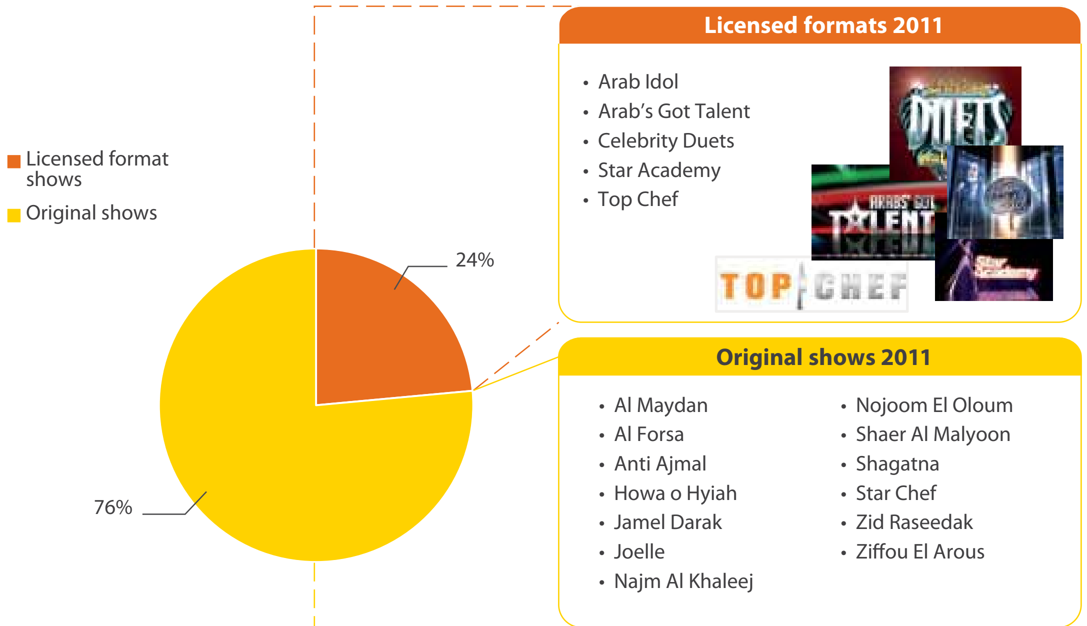
production companies in the region shows not only overall growth in the number of local series produced of about 10% in 2011, but also a growing emphasis on comedy, with comedy series growing from 15% to 26% of the total series output represented in this sample. This evolution is presented in the next exhibit.

Exhibit 75 : Analysis of 'pure' local series output in Arab region 2010-2011[9, 10]



Another genre of content which is witnessing growth in the number of locally devised series is reality programming. An analysis of the reality shows supplied by a sample of production companies across in the region in 2011 indicates that the number of home-grown reality formats is on the rise.

Exhibit 76 : Analysis of reality series output in Arab region 2011[11, 12]



With only four of the 17 series studied above originating from international format owners, it is clear that local production companies have understood the value of developing their own licensed formats which are intrinsically Arab in style. This is also a more cost-effective method of production than obtaining an international format license, and we expect the trend for a growing proportion of locally developed series to continue going forward, particularly in the entertainment genre. Indeed, in 2012 we can expect to see further seasons of locally developed series such as MBC's Howa wa Hiya and Fatafeat's Star Chef on air. MBC4 also recently announced its upcoming MENA's Next Top Designer series, which will feature budding designers being judged by Zuhair Murad through an 11-part series, with the finale to be held in November at The Pearl Qatar Fashion Week.

One approach to improving the monetisation opportunities of local Arabic series would be for rights holders to adapt the windowing strategy of their series. Currently, many series in the Arab world experience multiple re-runs across different channels to gain exposure to the widest possible audience. This is even occurring for series during the peak Ramadan season. However, with limited exclusivity on TV series in the region, the value of high quality first-run programming is potentially being diluted. One approach would be for producers and other rights holders to limit the number of re-runs available for premium content to just primary and secondary transmissions and to hike up the price of the series in doing so.

The success of flagship local production such as Tash Ma Tash and the increased development of local formats in reality series should not cover, however, the fact that local production in the region remains at a developing stage. While overall output has increased as shown in the previous exhibit, the largest markets (Egypt, Syria, Lebanon, KSA, and the UAE) have been flat or seen a reduction in number of local productions. In that vein, pan-Arab TV has remained heavily dominated in terms of viewership by foreign imports. The most successful programs in 2011 have been local exploitation of international formats (talent shows) and Turkish series when it comes to scripted entertainment. These two genres are discussed further in the following chapters.

International formats

In the two years since publication of the last Arab Media Outlook report, the import of international formats has continued, albeit at a less rapid pace as local production houses have increasingly picked up the experience and intellectual property (IP) to develop their own local formats. Following Endemol's lead, several international production companies have opened offices in the region in recent months, including FremantleMedia in Dubai since September 2011, Sony Pictures Entertainment in Dubai since October 2011 and Viacom18 in Dubai since January 2012. As international producers increasingly recognise the potential of the region, the highly successful international formats from those big names have become a staple part of the Arab audience's diet. Recent formats introduced to the Arab world include:

- Arab Idol from FremantleMedia Enterprises for MBC1
- Arab's Got Talent from FremantleMedia Enterprises for MBC4
- Celebrity Duets from FremantleMedia Enterprises for LBC Sat
- Top Chef from NBC Universal International Formats for LBC Sat
- Everybody Loves Raymond (El Bab Fel Bab) from Sony Pictures Entertainment for Dream TV, Murr TV and Intigral

With past deals by Sony, for formats such as Jeopardy for MBC, Wheel of Fortune for Hayat TV and by Endemol Middle East for The Money Drop for Mehwar TV, the trend seems to be continuing, but with a move away from reality series and towards gameshows, dramas and other formats. It is notable that Sony Pictures Entertainment is the only US studio investing in local production in the region. Their local version of Everybody Loves Raymond represents an interesting step for the industry, as the first major international scripted series to be adapted for an Arabic audience. The second season of this show is now underway. Since local producers are successfully able to capture the regional culture and the needs of local Arab audiences through international formats, such content is likely to continue.

Dubbed international content

Since MBC's introduction of the Turkish drama Nour to Arab audiences in 2008, the Turkish soap opera phenomenon has witnessed tremendous growth in the region. The next exhibit presents an illustration of the evolution of Turkish soaps in the region over the last four years.

9 Arab Advisors Group, Deloitte analysis
10 Series used in analysis based on data from 26 production houses across 8 Arab countries; 2011 data based on first 9 months and pro-rated
11 Arab Advisors Group, Deloitte analysis
12 Based on sample of 17 Arabic reality TV shows broadcast across nine FTA channels in 2011

Exhibit 77 : Evolution of the Turkish soaps in the Arab world[13]

The evolution of Turkish soaps

- The introduction of Turkish soaps into mainstream Arab television began in July 2007 with the first season of 'Noor' on MBC
- The finale in August 2008 of 'Noor' generated 85 million viewers across the Arab world, of which ~50 million were adult women

- MBC continues purchasing Turkish series, including1001 Nights and Forbidden Love
- Other broadcasters, such as ADM and DMI also started airing Turkish soaps

- The Turkish soap phenomenon makes it to pay-TV, with OSN's Arabic channel airing 'Sultan's Harem', which discusses the reign of Sultan Suleiman the Magnificent

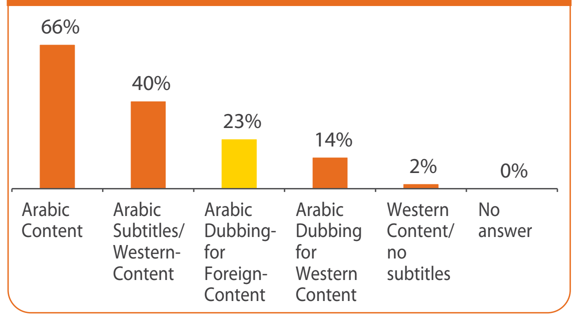
What is the appeal and can it be replicated?

- The success of Turkish soaps can be attributed to:
  - Similarities between Turkey and the Arab world in terms of cultural and religious values
  - Turkish soaps are dubbed into colloquial Syrian Arabic, making them more approachable than classical Arabic series
  - Quality of dubbing is on the rise; consistency in actors enables audiences to create an emotional attachment
- A few barriers for replication by Arabic producers remain, namely:
  - The low cost of Syrian dramas to regional broadcasters remains a highly attractive feature; producing the same in the Arab world would require significant production investments
  - It could be argued that part of the reason the soaps are popular is because audiences can relate to the stories without them being too close to home (e.g. sensitive issues or controversial scenes are more easily accepted in the context of a foreign series)

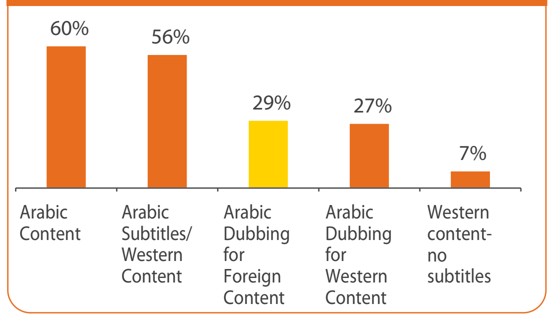
As the previous exhibit explains, the so-called 'psychological affinity' between Turkey and the Arab countries could be part of the reason behind the success of Turkish dramas in the region, but it clearly goes beyond that. Regardless of the strength of such ties, the high returns on investment for regional broadcasters buying Turkish soaps and the continuing demand from Arab audiences indicate that the trend is unlikely to see a downturn in the near future. However, in the long-term it is likely that as the quality of Arabic production increases and the themes addressed in local dramas open up and start to match those addressed in these soap operas, the reliance on Turkish series will eventually diminish. As our market research implies, the demand for such content remains moderate, with 'dubbed international content' being a preferred programming type for 13-30% of audiences in Egypt, Morocco, Saudi Arabia and the UAE, but lagging far behind local Arabic content.

Exhibit 78 : Preferred TV dialogue and production language by country[14]

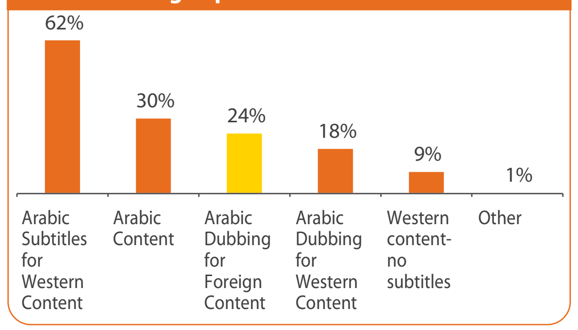
Dialogue preferences in Egypt



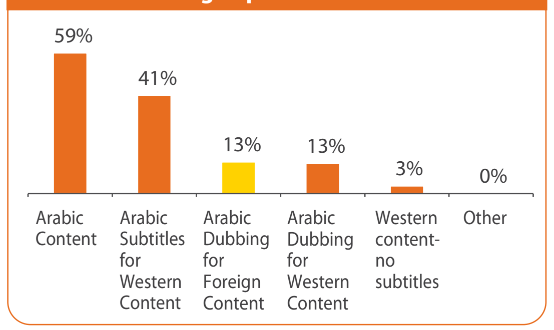
Dialogue preferences in the UAE



Dialogue preferences in Morocco



Dialogue preferences in KSA



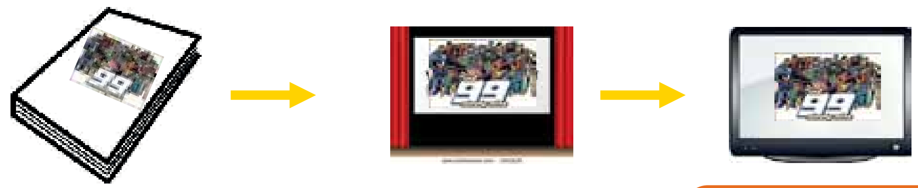
13 Digital Production ME, MBC, OSN, Variety Arabia, Deloitte analysis
14 Ipsos, Deloitte analysis

5.2.2 Animation production on the rise

In tandem with the overall growth of local content production in the region, the animation industry is showing particularly promising signs of growth. In the 2009-2013 edition of the Arab Media Outlook, we discussed the success of UAE animation series Freej. Whilst the Riddles of Freej and Freej Folkore were also aired in 2009, since that time the fourth season of Freej aired in Ramadan 2011, and it was also taken up by Cartoon Network for international syndication. The company behind the cartoon, Lammtara Pictures, has even entered a wider agreement with Cartoon Network to create a new line of animated shows for the region.

In addition, both local and international producers have been increasingly investing in local productions, particularly in the GCC area. Shaabiyat Al Cartoon from Fanar Production soon followed the success of Freej, generating sponsorship from Etisalat in 2009 and 2010 and indicating that the market was steadily growing. More recently, Teshkeel Media Group, makers of the popular comic The 99, and Endemol, international producers based in the UK, have announced the launch of an upcoming animation series based on the superhero characters of the comic.

Exhibit 79 : Case Study on 'THE 99'[15]



Comic Book

- Founded by Dr. Naif Al-Mutawa, Teshkeel Media Group was formed in 2004. The idea was to offer new role models of superheroes born of Middle East history and Islamic archetypes that possess globally shared values
- In October 2006 , THE 99 was launched as a monthly comic book published in Arabic and English and sold throughout the GCC, Jordan, Egypt and Lebanon. In 2007, a US edition was also launched.
- In 2011, THE 99 partnered with DC Comics' Justice League of America in a crossover comic book series that featured THE 99 heroes with Superman, Batman and Wonder Woman. The series will soon be available throughout the Arab region.
- THE 99 has successfully created cross-platform offerings available via iPhone, iPad and Android, as well as the full range of PC's.

Feature Film

- Since inception, the Company has raised US$40mn from 61 investors in 9 countries. The entire resources have been invested in the development of THE 99 intellectual property; first as a comic book to its destination as THE 99 animated series, a global animated television series for children.
- A made-from-TV movie (from the first 4 series) titled, THE 99 Unbound premiered at both the Lincoln Center's New York Film Festival and Dubai International Film Festival in late 2011 to positive positive reviews
- The movie will soon be released to cinemas in both Arabic and English

Animated TV Series

- THE 99 has begun to appear on television screens throughout the world. More than a dozen countries can already view THE 99 as this paper is written and more than fifty countries have been licensed to begin airing the series by the end of 2012.
- With its production partner, Endemol UK, 26 episodes of THE 99 animated series have been produced and a further 26 episodes are now in production.
- The series has signed on broadcast partners in the US, Turkey, Australia, Ireland, Africa, South America, the Middle East as well as Cartoon Network

- With increasing technological sophistication among childrens' audiences, traditional media forms such as comic books are undergoing growing pressure to distribute widely and compete with other sources of content
- After eight years in development, THE 99 is now poised to gain its share of the coveted USD5 billion license & merchandising market that was enjoyed last year by its competitors.
- The decision to turn 'The 99' into an animated series has been explained by its creators as a way to diversify the product through brand extension and reach out to new audiences
- The combination of growing demand for animation in the Arab region and the need for diversified revenue sources among rights owners indicates a significant opportunity for similar expansions of products into the TV space

As the previous exhibit illustrates, TV animation series provide a good platform for the extension of existing children's brands, whether from comics, books, movies or even toys, and also help to satisfy a strong consumer demand for home-grown children's series based on local characters and storylines and in line with the cultural values of the region.

To this end, the region has also witnessed a growing interest from international players in the Arab animation industry. In October 2010, Turner Broadcasting Systems launched its free-to-air Arabic version of Cartoon Network in the region, while also creating an animation training academy in collaboration with twofour54 tadreeb in Abu Dhabi and an animation studio to develop local Arabic content for Cartoon Network. An overview of these initiatives can be found in the next exhibit.

15 Teshkeel Media Group, Endemol, The National, Deloitte analysis

Exhibit 80 : Case Study on Cartoon Network in the Arab region[16]

	Objectives	Results & Future Plans
1 CN Animation Academy	• Aims to identify creative, talented individuals from the Arab region who are looking to build a career in the animation business and train them in practical and theoretical animation skills • Through this strategy, the academy is becoming a centre of excellence in this region in the genre	• From the 2011 graduates, 75% have gone onto work in the animation industry with 3 people taking full time positions in Cartoon Network Studios Arabia
2 CN Cartoon Network Studios Arabia	• Focuses on the creation of original content for Cartoon Network channels in the Arab region and beyond • All content is created primarily for the Arabic speaking markets, but the ambition is to sell the content internationally in the future	• Will develop a minimum of two projects per year up to pilot episode stage, aiming to green light one per year for full production
3 CN Cartoon Network بالعربية	• Cartoon Network Arabic is a pan-Arab channel broadcasting Arabic series and reaching 30m homes • It broadcasts global animation content adapted and dubbed into Arabic, as well as locally produced shows through In-house productions, co-productions, or acquisitions	• Achieved significant linear and digital growth • Successfully commercialising local content

Internationally, examples from other emerging markets indicate the potential for the creation of a strong animation production industry and to export local content internationally. For example, India has long been building its reputation as a content producer and the children's content sector has become a significant part of that growth. The local animation industry originated through international partnerships and JVs with major production companies or US studios to create locally focused content, bringing about such ventures as Walt Disney India. However, as funds from Western markets began to dry up, co-productions with local companies became more widespread and today Indian companies are leading the production process and developing content on a global scale. Recently, Indian firm DQ Entertainment co-produced international cartoons such as the re-make of Jungle Book and French series Chaplin & Co which has numerous distribution agreements to air across Europe and the US.

This highlights the potential for less developed content markets to not only become strong producers of local animation content, but also to distribute that content on an international scale. Countries in the Arab region have an opportunity to build a similarly successful model, making the most of the existing challenging economic times in Europe and the US and growing a co-production sector to the stage where local productions can be rolled out internationally.

5.2.3 Shifting geographic hubs

As far as the production of Arabic TV series is concerned, Egypt and more recently Syria have traditionally been the hubs of content creation in the Arab world, with a fairly amicable, if unspoken, split of responsibilities between the two quite different markets. Two recent phenomena, however, are threatening to shake up this model, due to a combination of recent political events in those countries and the varying economic situations across the region.

Since the 1990s, Syrian drama has gradually proved itself as strong competition to the historically dominant Egyptian content, with many Syrian-based soaps becoming a core part of the Ramadan primetime offerings of major pan-Arab satellite channels. However, with Syrian producers not receiving the same level of state funding or of Gulf funding as their Egyptian counterparts, the private sector in Syria was not able to offer the same volume of big-budget series as those coming from Egypt. As a result, the last few years pre-2011 witnessed a migration of Syrians in the TV industry to Egypt, leading to demand for higher salaries in Syria and consequently higher production costs. According to one Syrian producer, production costs have risen by 100% over the last five years, with actors' salaries jumping by a factor of four.[17] Meanwhile, the prices paid by broadcasters for series in Syria have not grown in line with this trend.

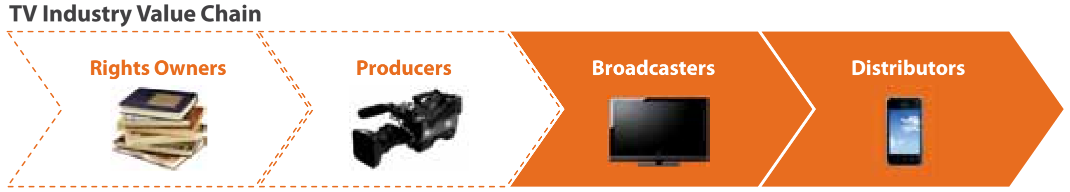
In the meantime, political and subsequent economic problems in both markets during 2011 and 2012 continue to challenge the status quo of TV production. In Syria, the world of drama is facing severe political challenges while in Egypt, the socioeconomic circumstances of 2011 created severe difficulties for many industries, TV production included.

As such, the less renowned producers of the Gulf region have had an unwitting opportunity to increase production of TV series in recent months in order to fill the gaps left by Egypt and Syria. Although the change in origin of TV series during Ramadan 2011 was not heavily apparent due to early shooting of many series in Egypt and Syria, the effects are likely to be felt more prominently during 2012, particularly in Syria. Furthermore, broadcasters in the Gulf region are playing a growing role in encouraging local productions from across the region. For example, many Lebanese-based producers are increasingly relying on GCC broadcasters as their main customers. Miracle Films, which is headquartered in Lebanon, relies on Saudi Arabia for 30% of its production output, with 20% coming from the UAE, 20% from other Gulf countries and the remaining 30% from Lebanon. Similarly, Lebanon-based Signature Productions depends on GCC countries for around 80% of its business.[18]

While this seemingly sudden shift to the GCC was triggered by specific political circumstances, it is worth noting that the Gulf has been playing an increasingly significant role in the production of pan-Arab TV series in recent years, which has been amplified by recent events. With the sheer size of the 'Arab' audience and differing tastes and values among the three broad regions of the Arab world (the Gulf, Levant and North Africa) there is plenty of room for all three markets to have their own local content industries. This gives rise to opportunities for more localised productions, as well as pan-Arab ones. It is clear that Egypt's reputation as a leading production market in the region will not disappear, as evidenced by OSN's recent decision to select Egypt as one of two locations for its new production studios (the other being Bollywood), but as economic dynamics in the region shift, there is no doubt that other markets will also play a role.

5.3 DISTRIBUTION

TV Industry Value Chain



The growth of the TV industry in the Arab region is dependent not only on the production of a broad range of quality content, but also on the second part of the value chain, which refers to the availability of adequate distribution channels for that content. While distribution has traditionally been carried out by the broadcasters themselves, there are also a growing number of alternative distribution channels across digital platforms which enhance the opportunities for consumers.

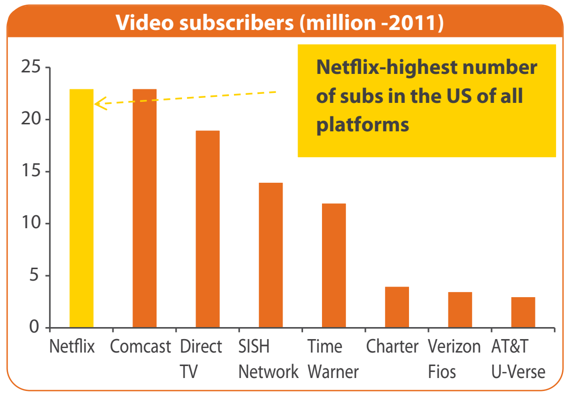
5.3.1 Major opportunity for local players in online VOD

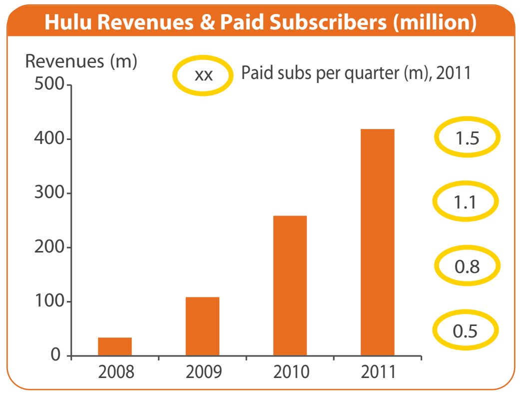
The traditional TV broadcasting medium is well established in the region, with over 500 TV channels available on a free-to-air basis and a number of pay-TV providers also competing for subscribers. Yet, the growth that Western markets have witnessed in terms of online distribution of TV content has not yet been mirrored in the Arab region. While there are a number of factors contributing to the relatively limited growth of online VOD[19] in the region, notably limited broadband penetration in certain markets, lack of interest from advertisers in the online space and high levels of piracy threatening legitimate sources of video (particularly for film), all of these factors are currently on a steep decline. Broadband penetration in parts of the Gulf shows some of the highest levels worldwide, advertisers are increasingly keen to capitalise on the effective ROI offered by digital platforms and piracy regulation is undergoing significant changes on a global scale.

If the statistics gained from international markets are a satisfactory measure of what the future holds for online VOD in the Arab world, then there is a wealth of opportunity for the big players in the region. Online film aggregation site Netflix now has the highest number of subscribers across all US platforms (including cable and satellite), while online video site Hulu boasted over USD400 million in revenue last year. Indeed, the advertising spot rate for Hulu today is second only to the major FTA broadcasters in the US, beating cable TV channels and all other platforms in CPMs.[20]

16 Cartoon Network, Deloitte analysis
17 Variety Arabia
18 Variety Arabia
19 Video On Demand
20 Cost Per Thousand Viewers

Exhibit 81 : Online VOD successes in the US[21]





In the Arab world, the number of online video users is a much smaller percentage of the overall population than in the US, partly due to inadequate supply of online content, and partly due to the lack of infrastructure available to consumers, particularly in North Africa and the Levant. However, significant growth in the online video industry is expected over the next five years. In fact, video usage is expected to be the fastest growing online service in the region over the next few years and we expect an increase in both the number of online video to TV users (through connected devices) and the number of long-form videos watched online as the supply of professional content rises. Online video growth is expected to be synergic with broadband growth, including fiber deployment in a number of countries.

Recognising this upward trend, a number of initiatives in online VOD have been launched in the region over the last few years, in the hope of attracting high-income internet users. Most of the major broadcasting groups in the region now offer some kind of online VOD service, whether it is available purely online, or via additional platforms such as iPad Application, Connected TV or other channels. For example:

- **Al Jazeera** offers a live streaming service of its news channels in both English and Arabic, which is available via its website, on YouTube and through iPhone and iPad Apps
- **MBC** has a VOD service known as Shahid, providing catch-up for all its channels; the next exhibit highlights the features and successes of MBC's VOD service
- **Abu Dhabi Media** offers an online catch-up service for programming from across its portfolio of channels, including for English Premier League subscribers
- **Dubai Media Inc.** also offers a catch-up TV service for programming across its channels, which is available from PC or via iPhone and iPad Apps
- **Rotana** launched a new website for its TV channels in October 2011, featuring exclusive content and a VOD service
- **OSN** has an on-demand service via IPTV for its pay-TV service, and recently introduced an online catch-up service known as OSN Play

21 Dan Frommer, SplatF.com, Hulu.com, Deloitte analysis

Exhibit 82 : Case Study on Shahid.Net[22]

Shahid.Net: The Facts

- 'MBC's Shahid.net service was re-launched in August 2011 with an expansive catalogue of Arabic content from across its portfolio of channels
- By January 2012, Shahidboasts:
  - 1.9 million unique users
  - 6.6 million visits
  - Nearly 24 million page views
  - An average of 21 minutes spent on the site in each visit
- While Saudi Arabia is so far the largest market for the service, a significant number of users also based outside the region, e.g. in the US and Europe
- MBC has plans to roll out Shahid.net to other platforms, including mobile devices and Smart TVs in the near future, demonstrating recognition of the upcoming growth in demand for multi-platform 'TV content' in the region

- In the coming months and years, we expect the penetration of connected devices, such as connected TVs, connected games consoles, and STBs with open internet access, to grow rapidly across the MENA region
- Experience in other markets suggests that the availability of VOD propositions offering local content is key to the success of such devices
- Arab TV channels and content aggregators have potential to benefit from this upcoming growth by offering their content and services through partnerships with device manufacturers, while consumers will benefit significantly from the increasing breadth of content available across platforms on-demand

In spite of the relatively broad availability of online VOD services from regional broadcasters, one crucial factor that appears to be missing from these services is the international content that scores so highly on their TV channels. MBC, ADM and DMI all spend significant proportions of their channel budgets on the acquisition of programming from markets like the US and the UK. However, in the majority of cases, they have not managed to acquire the online distribution rights for that content, leaving a hole in the breadth of content that they are able to offer online. While local content forms an essential part of these services, there is a limit to how much they will be able to grow without being able to offer the full spectrum of programming online. OSN, which operates a different model to the FTA players by partnering with US studios on a CPS[23] basis for their content rights, is able to offer a wider variety of international content on its online platform.

In addition to the broadcasters' own sites, a number of online content aggregators have launched VOD services recently, with the aim of offering a more diversified range of content than the broadcaster's own sites. The next exhibit describes a few such sites that have launched in the Arab region.

Exhibit 83 : Sample of online VOD aggregators across the Arab world[24]

Name	Language	Model	Genre	Ownership	Country
Istikana	Arabic only	Free	Drama, Cartoon,Theatre, Comedy, Religion	Arab Media Network	Jordan
Forga	Arabic only	Free	Movies, Series, Trailers, Video Clips	Active Digital Development	Egypt
Shofha	Arabic and English	Paid	Movie, Live TV, Series	Linkeddot Net, DVD quality	Egypt
TE Live: Cinema	Arabic and English	Various	Movies and Series	TE Data	Egypt

- Content aggregators are increasingly offering online video to consumers in the Middle East
- Business models are so far mostly advertising-based, but if international trends are to be replicated, freemium models could soon be introduced

The sites described above are still relatively small scale in the region. However, with the opening up of new platforms such as OTT devices and connected TVs to both complement and compete with the traditional pay-TV set-top box, there is also a renewed demand for online content and services. A number of initatives have

22 Digital Broadcast, Variety Arabia, Shahid.Net, Deloitte analysis
23 Cost per subscriber
24 Informa, company websites, Deloitte analysis

been launched by operators in this field including Etisalat, Qtel and STC via Integral. Other alternatives to these established players include, for example, the new Vumax PoD in the UAE, a locally developed OTT set-top box from Techstorm and Verismo networks, has already signed up two VOD services as part of its content offering, including:

- **Yupp TV:** a service offering live broadcast of a wide range of Indian TV channels, as well as a selection of on-demand videos
- **Big Flix:** the largest online VOD service in India, offering movies for both streaming and for download

The availaibility of both Arabic and Hindi language online VOD services only serves to highlight the gap in English language content available in the region online. Not only do the major pan-Arab broadcasters not have the rights to distribute US and other international series online, but the major online aggregators of US content internationally are also not present in the region. For example:

- **iTunes** recently expanded the range of content available on its online UAE store, but in most Arab markets there is very limited, if any, content available
- **Netflix** has begun an international expansion strategy outside the US but is focusing on Latin America, Spain and the UK, with the Arab region likely to be low on its priority list
- **Hulu** is one of the biggest players in the global online VOD scene, but has not yet started offering content in the Arab region
- **YouTube** is available in the Arab region and is indeed very popular, but the range of professional content is so far limited; however, YouTube is playing an increasingly important role as a channel for semi-professional content, which is discussed in more detail below

Therefore, while VOD services are a very important tool for broadcasters and other content providers to increase reach and maintain audience loyalty, the limited range of content available on such services in the region in their current state limits both the threat to traditional broadcasters and the opportunity they provide to advertisers.

5.3.2 Using the web - not just a sounding board

The use of the web as an alternative distribution channel is proving increasingly prominent among low-budget and start-up production companies, as much as it is for professional broadcasters and distributors. On the professional side, some regional broadcasters provide YouTube channels with selected content available for streaming. Al Jazeera offers channels in both Arabic and English with live streaming, while others like MBC provide clips and previews on YouTube of their major shows such as Arab Idol.

However, young entrepreneurial producers have also been using YouTube as a platform to launch their series, in the hope that it will get spotted by broadcasters and adopted. This method has been practiced and has succeeded in a number of cases in other markets, but the trend has now arrived in the Arab region too. Bath Bayakha ('Silly Broadcast') is a comedy show created by Fluid Productions, a company which had previously focused mainly on advertising and production of commercials. The show was originally broadcast only on a YouTube channel but following its success, and with 200,000-300,000 viewers per episode, it was spotted by OSN which went on to acquire all the existing episodes to showcase on its Ya Hala! HD channel. The episodes were repackaged for OSN in 15-minute slots with new material and fillers used between the sketches.

There are many such examples of entrepreneurial endeavours in the production space across the region, which presents a significant opportunity for broadcasters to spot talent and programming from the online space at low cost and low risk. From the producers' perspective, the web also presents a viable, low-cost platform for distribution of content as a 'trial' or initial phase.

Indeed, in some markets the role of the online video service provider has evolved to the next level. Not satisfied with being used as a sounding board for TV content or a platform for catch-up TV, the big players in online video are now commissioning their own content. YouTube, for example, recently announced that it would start spending its own money on channels with professional content. Netflix, meanwhile, has the exclusive rights to a series called House of Cards, starring Kevin Spacey, and has also bought exclusive rights to a new season of Arrested Development, the Fox sitcom that was cancelled in 2006.

As online video service providers play an increasingly prominent role in the development, commissioning and production of TV series content, it bodes well that Arab producers are increasingly using the web as a starting point for their series and presents an opportunity for future commissioning by broadcasters and online players alike.

5.4 CONCLUSION

The Arab TV series industry has undergone significant developments in the past few years, which is evidenced by the growing interest and migration of so many international producers and broadcasters to the region. However, when compared to global markets, it is clear that there is still significant potential for further growth in the sector, which will be achieved through a number of different channels.

- **Local content** continues to be a strong focus for the main pan-Arab broadcasters, whether through localisation of international formats from major production companies or, increasingly, the development of original content for the region. Although imported Turkish soaps continue to draw large audiences across the region, it is likely that as the quality of Arabic production increases and the themes addressed in local dramas open up and start to match those addressed in international series, the reliance on Turkish soaps will somewhat diminish in the long-term.
- **Animation** in particular is finding a new home in the Arab world, with the arrival of an Arabic Cartoon Network channel showing original Arabic content. Examples from other markets such as India show the benefits that can be gained from co-productions with international animation companies and the potential to become an international base for the industry.
- **Geographic hubs** for TV series production are expanding across the region, with some of the Gulf states making the most of the recent unrest in traditional markets for content production, Egypt and Syria. As the number of markets producing content increases, so will the breadth of content available for viewers and the ensuing competition can only be a positive development for creativity in the industry.
- **Online VOD** has proven able to attract bigger audiences than traditional TV in some cases around the world and will remain a major driver for growth for the content production industry. Opportunities for content providers in the region exist to make the most of the new platforms offered through OTT services via connected devices other than PC, such as connected set-top boxes, connected TVs and of course mobiles and tablets.
- **The web** also presents more opportunities for low-cost distribution of content, using the platform as a sounding board for what could eventually become a TV series, given a strong enough following online. Some YouTube channels are already being picked up by broadcasters for TV in the region. As companies such as Hulu and Netflix in the US increasingly commission original content for themselves, there could also be a future in offering first-run series to online content aggregators in the region.

6. MOVIES

6.1 INTRODUCTION

Film Industry Value Chain

The film industry in the Arab world has a more convoluted structure than that of TV series, with room being made for the high quantity of international content, due to the broader domination of Hollywood movies on a global level and the high cost of film production. As such, the key players in the regional film industry value chain are as follows:

- **Producers** of films which are watched in the Arab region are often Hollywood studios which have either developed fresh scripts internally or acquired the rights to books which have then evolved into movie scripts. Major international studios with movies distributed in the region include Paramount, Universal, and Dreamworks etc. However, some Arab countries, most notably Egypt, also have strong local film production industries which develop and produce scripts targeting regional Arab audiences. In the last couple of years there has been an increasing interest in the development of the Arabic film production sector and, as this continues going forward, the number of home-grown Arab films will start to rise.

- **Agents** play an important role in the Arab world, where the primary source of movies is outside the region. Acting as 'middle-men' between the studios and distributors, agents are usually assigned to one or more studio on an exclusive basis to handle all regional sales of their movie rights. However, independent film makers such as Pathé, Fortissimo Films, Spyglass etc., as well as those from within the region, do not have agents and tend to negotiate directly with distributors.

- **Distributors** purchase the rights either from agents in the case of major Hollywood studios, or from independent film makers, for distribution of movies in cinemas, on TV and on home video over a period of time, typically 10 years. Distribution of movies on digital platforms is usually excluded from such deals. These rights are then rented out to exhibitors, which in some cases are part of the same business.

- **Exhibitors** typically own and manage cinemas which show movies for which the rights have been rented from distributors. Exhibitors' revenues are mostly from ticket sales, but can also stem from food and beverage sales (which are the primary source of profit), as well as in-movie theatre advertising.

The film industry in the Arab region has witnessed substantial growth in recent years, with governments placing increasing emphasis on encouraging local development of movies. Its value today in terms of box

office ticket sales stands at approximately USD100 million for the Arab region.[25] This excludes advertising revenue and food and beverage sales from movie theatres, which is developed to varying degrees in different countries across the region.

This section on film content will explore the efforts being made to increase the value of the film industry in the Arab region, the growing interest of the international audience in Arab films and the various drivers for monetisation of the industry going forward.

6.2 PRODUCTION

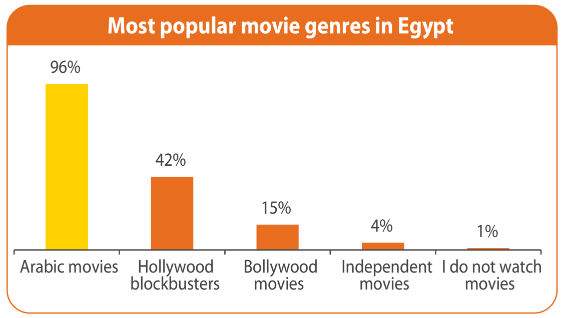
Film Industry Value Chain

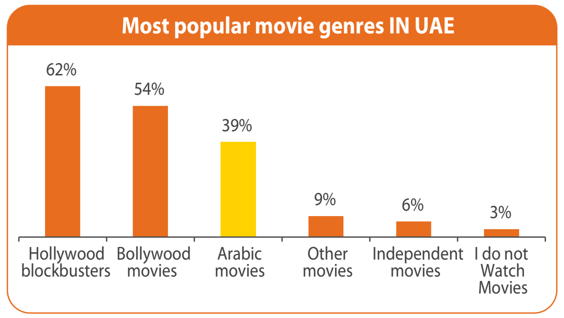
6.2.1 Home-grown Arabic films on the rise

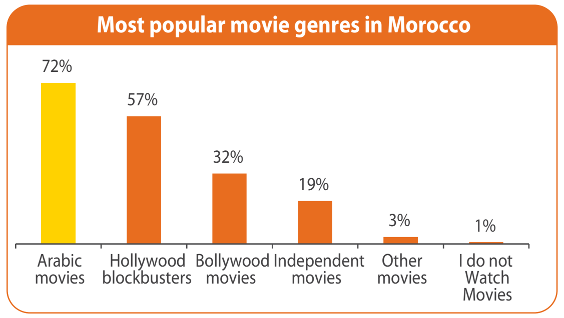
As with TV series, the Arabic film production industry has historically been dominated by Egypt (and to a lesser extent other countries in North Africa), where actors, directors and other artists have gathered over the years and contributed to the development of a major hub for content creation in the Arab world. Some other countries have begun showing an interest in Arabic film in recent years, particularly in Lebanon with the output of filmmakers such as Nadine Labaki, and in the GCC where significant government investments are helping to boost the industry. Saudi Arabia also witnessed the production and premiere of its first feature film, Journey to Mecca, in March 2012. Yet local content creation in the film industry is still really in the early stages of development. Even in Egypt, which boasts the most established film sector in the region, the industry only really materialised during the "Golden Years" of Egyptian cinema in the 1950s and 1960s. In other Arab markets, the growing interest and investment is certainly helping to market and grow the industry, but it still has a long way to go before there is a well-established and viable pan-Arab business for Arabic films.

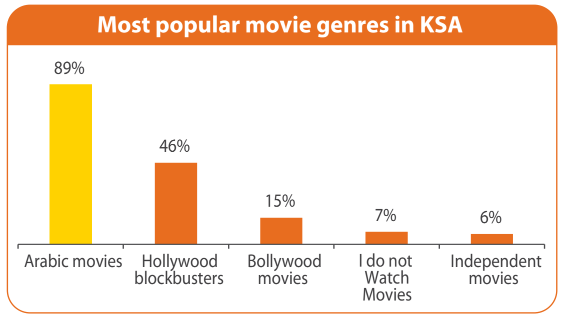
As with other content types, the demand for locally produced Arabic films is high in the Arab region, far outweighing the appetite for Western movies. Our market research carried out in four Arab markets indicates that between 72-96% of the public (depending on the market) enjoy watching Arabic movies more than any other genre of film in Egypt, Morocco and Saudi Arabia. Only in the UAE, where the population is highly diverse, were Hollywood and Bollywood movies ranked as most popular.

Exhibit 84 : Movie genres enjoyed watching across selected Arab markets[26]









25 Deloitte analysis
26 Ipsos

While there is clearly no lack in demand for Arabic movies, the supply in terms of both quality and quantity of local films in the region, has room for growth. Several Arab governments and film organisations have been making efforts to encourage the development of the industry in recent years. One method which is commonly being adopted is the establishment of local film funds. As the next exhibit highlights, while the big bucks are saved for high-profile international projects through Abu Dhabi's Image Nation International, the governments of the GCC countries are nevertheless allocating substantial amounts of money for budding filmmakers in the region.

Exhibit 85 : Sample of Arab region's Film Funds (Non-Exhaustive)[27]

Name	Purpose	Size
Dubai International Film Festival	• Enjaazis DIFF's post-production support programme, offering funds to help film makers working on fiction features and documentaries	• Up to $100,000 per film, aiming to support up to 15 films per year
Abu Dhabi Film Festival	• Sanad is the development and post-production fund of the Abu Dhabi Film Festival providing support for documentary feature-length films	• $500,000 available annually, including: • Up to $20,000 per project for development • Up to $60,000 per project for post-production
IMAGE NATION	• Image Nation Abu Dhabi finances local Emirati content for both the Arabic language and global markets • Image Nation International maintains strategic partnerships with international film studios • Arab Film Studio is a local contest in partnership with twofour54	• Undisclosed amount for local Emirati films • $14,000 for winner of Arab Film Studio contest • $100 million for 10-15 features with National Geographic • $250 million for 15-18 feature films with Participant Media • $250 million for feature films with Hyde Park Entertainment • $10 million development funding for Parkes/Macdonald • $1 billion deal with Warner Bros. on movies & video games
DFI Doha Film Institute	• DFI's Doha Film Fund offers financing across any stage of the film making process through grants and co-productions	• Upto $100,000 per project (for feature length narrative films)
	• The Department of Cinema and Theatre in the Iraqi Ministry of Culture began a film fund for production of 15 feature films / year in 2012	• Up to $4 million available across 15 feature films per year

Clearly, the largest funds and resulting success stories stem from international productions. Image Nation International's partnership with Participant Media has led to two highly successful co-productions, *Contagion and The Help* which together grossed more than USD150 million and which reached number one and number two spots at the US box office in September 2011 respectively. Although there is no immediate, direct impact on the Arab film industry of these successes, there may be some benefits in the future from developing close links with Hollywood and partaking in co-productions which could help the transfer of important skills across borders. However, it could also be argued that the scale of funds spent on international productions could go a long way in helping to promote the development of the Arabic film industry if more of this investment was channelled locally.

In addition to film funds and international partnerships that are underway, there is also an important role for education to play in developing talent for the local film industry. While training of film professionals is not usually high on the agenda of regional governments, the Higher Institute of Cinema in Egypt has succeeded in producing a generation of talented filmmakers over the years. The Red Sea Institute of Cinematic Art in Jordan was also launched in 2008 with support from the Royal Film Commission and offers a master's programme in Cinematic Arts. Similarly, the New York Film Academy opened in Abu Dhabi in 2007 and the Dubai branch of the SEA Institute also provides courses in film production. Such initiatives will help to build a new generation of film-making talent in the region.

The overall effect of these activities is that increasing interest is being generated in Arab societies about locally produced films and the broader economic and cultural value of developing a local movie industry. This growing interest is evidenced in the UAE, for example, where 'film clubs' now exist to showcase Arab films. Following in the footsteps of The Screen Club and The Picturehouse in Dubai, Aflam is a new film club based in Abu Dhabi which offers monthly screenings of Arab titles. Starting with Tahrir 2011: *The Good, The Bad and the Politician*, the film club presents another avenue to encourage upcoming filmmakers in the region and for industry members to get together for networking purposes on a regular basis.

27 Variety, Participant Media, New York Times, DIFF, ADFF, DFI, Deloitte analysis

6.2.2 Interaction with the international stage

As we have seen, the focus on Arabic cinema in the region has grown in recent years. It is also worth noting that in recent months a sudden interest has also appeared in international markets for locally produced Arab films.

One example, which is discussed in the next exhibit, is the Emirati production Sea Shadow, which was recently showcased at Palm Springs International Festival.

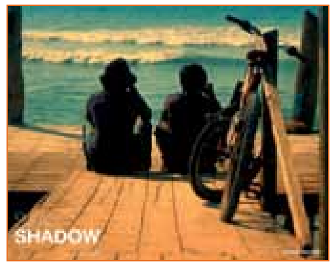
Exhibit 86 : Case Study on Sea Shadow[28]

Local Production

- 'Sea Shadow' is the first Emirati film to be developed and produced by Image Nation Abu Dhabi, the local division of Image Nation which is committed to developing a film industry in the UAE and encouraging the growth of Emirati film makers by producing films with Emirati content and talent
- The film premiered at the Abu Dhabi Film Festival in October 2011 and was highly celebrated by both audiences and film critics in the Arab world
- Its subsequent release in UAE cinemas, where it competed for audiences with Hollywood blockbusters, achieved:
  - 2nd place in UAE's top 5 movies after its first week
  - No. 2 at Reel Cinemas in first week
  - No. 4 at VoxCinemas in first weekend
- Image Nation signed a regional sales agreement with Empire International to distribute the movie internationally, and an international agreement with Fortissimo Films, securing worldwide distribution

International Recognition

- 'Sea Shadow' was officially selected for the 23rd edition of Palm Springs International Film Festival in January as part of its 'Arabian Nights' spotlight, placing a focus on Middle Eastern cinema



- With increasing international interest in the Arab world from a socio-political point of view, there is also a growing appetite to understand more from a cultural perspective
- Both film producers and film funding organisationsin the region should leverage this opportunity and tap into the current wave of interest by making efforts to showcase homegrown films on the international scene

In addition to Palm Springs, the International Film Festival of Rotterdam and the Sundance Film Festival also offered dedicated sections to movies from the Middle East and North Africa in 2012, underlining the rising demand for Arabic cinema at an international level.

Similarly, the films of Lebanese director Nadine Labaki have proven to be among the most successful Arab movies to travel internationally. Her debut film, Caramel, was an Arabic romantic comedy set in Beirut and released in 2007 at the Cannes Film Festival. The movie earned Labaki international recognition, running at several other high-profile film festivals and gaining her a place on Variety's 10 Directors to Look Out For list. The movie grossed over USD13 million, with strong international box office revenues particularly in France, having been produced on a budget of just USD1.6 million. Labaki's latest endeavour, *Where Do We Go Now?*, a musical comedy drama set in an isolated Lebanese village and released in 2011, tackles the relationship between Muslims and Christians in the country. The film won her the People's Choice award at the Toronto International Film Festival, among several other awards. It represents the largest Lebanese film production ever to be made, with a budget of USD5.5 million.

More recently, the director of UAE-based animation series *Freej*, Mohammad Harib, has been selected to direct a chapter in the upcoming Hollywood 3D animation film, *The Prophet*. The movie is based on the book of the same title by Khalil Gibran and will be overall directed by Roger Allen, director of *The Lion King*. It is being co-financed by Participant Media, MyGroup, FFA Private Bank, JRW Entertainment and Code Red Productions and will be produced in English and dubbed into Arabic later.

This interaction between the Arabic film industry and the international movie scene works both ways. In the last edition of the Arab Media Outlook, we discussed the reputation of Morocco as a popular location for Hollywood filmmakers. Since then, it has continued to attract high profile movies to film there, including *Prince of Persia: The Sands of Time*, *Inception* and *Sex and the City 2*. However, other parts of the Arab region are also increasingly marketing themselves as attractive filming locations for movies. As the next exhibit illustrates, Dubai provided the set for the latest Mission Impossible movie, placing it on track to create a regional production hub for international movies. Other noteworthy initiatives in Dubai include the creation of Sound Stage studios and the shooting of the big budget Chinese movie *Dwelling* Fuchun Mountains.

28 Image Nation Abu Dhabi, The National, Dubai One TV, Deloitte analysis

Exhibit 87 : Case Study on Mission Impossible 4 in the UAE[29]

Filming & Premiere in the UAE

- Dubai's 828metre Burj Khalifa found itself as the backdrop for part of Tom Cruise's latest movie, Mission impossible - Ghost Protocol,in 2011
- The selection drew a lot of media attention to the UAE as a potential location for Hollywood movies
- This was further enhanced by the premiere of the movie at the Dubai International Film Festival in December 2011, which was well attended by the stars of the film, including Tom Cruise

Impact on the industry

- Following its premiere, the movie received the highest number of opening weekend ticket sales ever seen in the UAE, with 217,000 admissions (30% higher than sales for the previous record holder, Fast and Furious 5)
- In addition to driving box office revenues, the promotion behind the filming and premiere of the movie has earned both the UAE and the Dubai International Film Festival high-profile attention which should play a role in supporting the growth of a sustainable local film industry in the future

As well as Hollywood filmmakers, on a more commercial level US-based Portfolio Films recently announced that it will shift more focus into commercial productions and corporate films catering to businesses in the Gulf region.

Portfolio has signed up a number of Los Angeles and London-based directors to work exclusively with Portfolio Films in the Middle East, having identified the breadth of opportunities for film-making in the region.

6.3 DISTRIBUTION

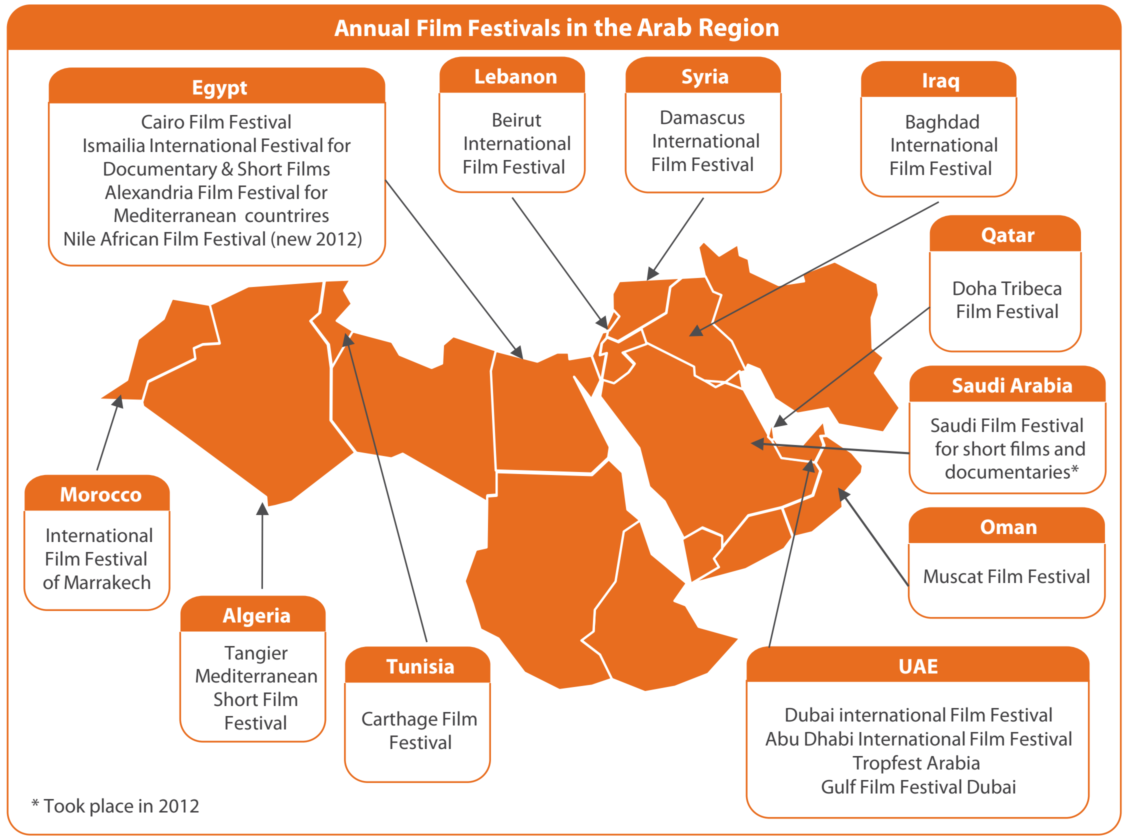
Film Industry Value Chain

6.3.1 Film Festivals need Film Markets to help drive growth

One sign of the growing interest of Arab countries in the world of film is the rising number of film festivals across the Middle East. In a 'normal' year in the Arab region, for example, there should be at least 15 film festivals taking place across more than 10 different countries. The latest list of advertised film festivals in the region can be found in the next exhibit.

29 DIFF, Press releases, Deloitte analysis

Exhibit 88 : Film Festivals in the Arab region[30]



However, it is very difficult to define a 'normal' year in the Arab region, leading to some fluctuation in the number of festivals taking place year on year. Festival organizers have been faced with a number of challenges recently, resulting in some cancellations, postponements and reductions in size of some of the festivals due to take place in 2011.

For example:

- **Political difficulties** in the region have meant the postponement of some film festivals in 2011, such as the Cairo Film Festival and Damascus International Film Festival, which were both postponed for one year due to economic instability.

- **Funds** to support the participation of major international film stars and adequate prize money are in increasingly short supply, leading to a polarisation of the film festivals between those in the wealthier Gulf countries and those in other markets. For example, in 2011 prizes offered during Baghdad International Film Festival were in the range of USD2,000-3,000, while Dubai International Film Festival were offering over half a million dollar.

- **Real film markets** to attract producers and distributors to the festivals and enable filmmakers to sell their films to TV broadcasters and cinema exhibitors are not entirely established at every festival. The Dubai Film Market remains the strongest to date but others, such as Cairo Connection only recently launched in 2010 and will need to run for a few years before it is able to prove its value for distributors in the region. Similarly, the Gulf Film Festival announced the launch of a script market for short films in March 2012, which represents a positive step but will take some time to build momentum.

Although there have been some economic and logistical difficulties in the organisation of film festivals, there are also a number of indications that they contribute to play a key role in the overall development of the industry, including:

- Both the number of attendees and number of films screened at film festivals in the region are showing a positive upward trend, particularly in the Gulf region; the number of films at DIFF[31] rose by 9% in 2011, while at ADFF[32] the number also went up.

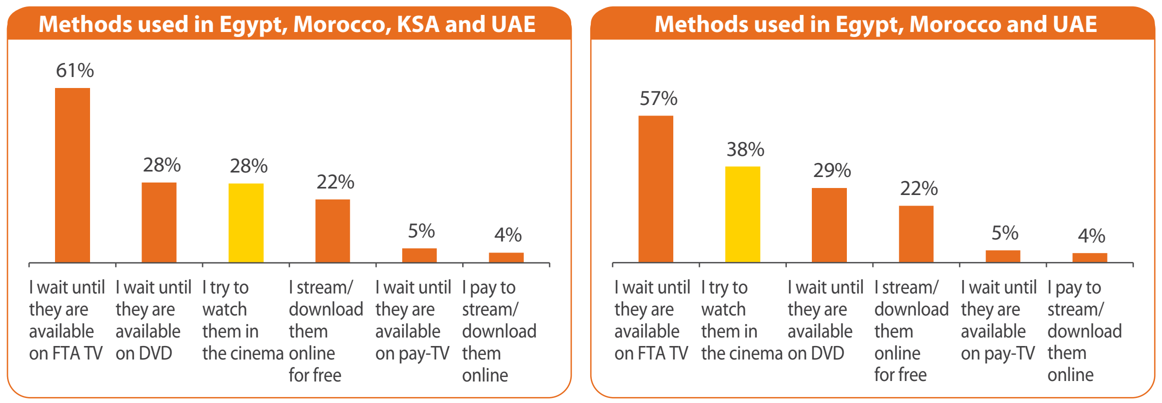
- There is a continuing launch of new festivals year on year in the region, for example the Nile African Festival in Luxor is expected to launch in February 2012, while the Baghdad International Film Festival resumed for its third edition after a four year absence in 2011.

While questions continue to be posed in the professional film world regarding the need for so many festivals, there is no doubt that they contribute from a marketing point of view to the overall perception of the industry among the general public, as well as having a role to play in encouraging local production of films in each of the countries where they operate. However, the real turning point will be seen when film festivals are able to transform themselves into effective 'film markets'. So far, major Arab filmmakers are opting for external means through international distributors to get real visibility on their movies, with film festivals playing a role purely in local promotion at a country level. Once the film markets have developed enough to enable them to play a proper role in international movie sales and distribution, their value to the industry will increase dramatically.

6.3.2 Virtuous circle triggered by screen growth

Going to the cinema is a relatively under-used method of watching new movie releases in the Arab world. In the four markets where we carried out market research (Egypt, Morocco, Saudi Arabia and UAE), we found that this option was chosen by just 28% of those surveyed. Whereas over 60% of those in the study prefer to wait until movies are available on FTA TV and 28% wait until they can buy films on DVD. However, it is important to consider that in Saudi Arabia, where cinemas are not allowed by law, there is a very limited film industry with only a few productions in recent years, particularly in short films (e.g. Cinema 500km). Therefore, if we exclude Saudi Arabia from the sample, we find that the proportion of those watching new releases in the cinema rises to 38%, indicating a small increase. These findings are illustrated in the next exhibit.

Exhibit 89 : Methods used for watching new movie releases in selected Arab countries[33]



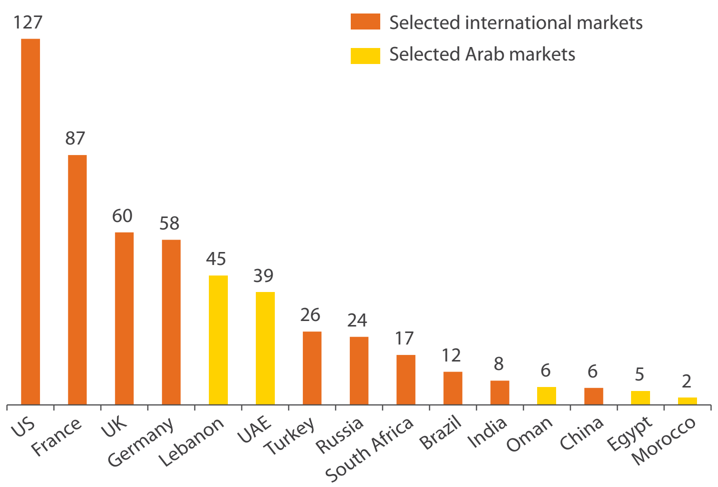
Clearly, for box office revenues to exist in a market, there need to be cinema screens available for consumers to even consider watching movies in the theatre. While Saudi Arabia is an exception, the availability of cinema screens other Arab markets varies quite dramatically from country to country. In the UAE, with a population of about 5 million, the number of screens has reached over 200. Indeed, the Gulf has witnessed particularly strong growth in cinema screens in recent years, triggered by the introduction of new multiplexes in the region. For example, around 70 multiplexes are currently in the pipeline in the GCC, including 50 planned in Qatar alone. In Egypt, meanwhile, plans to expand many cinemas were put on hold in 2011 due to the political and economic difficulties, while some theatres closed down altogether. However, it is expected that two major movie complexes will continue with their plans to open in 2012, bringing the number of screens to around 400.

When compared to international markets, it is clear that the majority of Arab countries have a low number of screens relative to their population, which is affecting overall production and distribution of movies. The next exhibit shows the relative number of screens by population for several international markets.

30 Variety, Film Festival websites, Deloitte analysis
31 Dubai International Film Festival
32 Abu Dhabi Film Festival

33 Ipsos

Exhibit 90 : Number of Cinema Screens / Capita (Per Million Inhabitants)[34, 35]



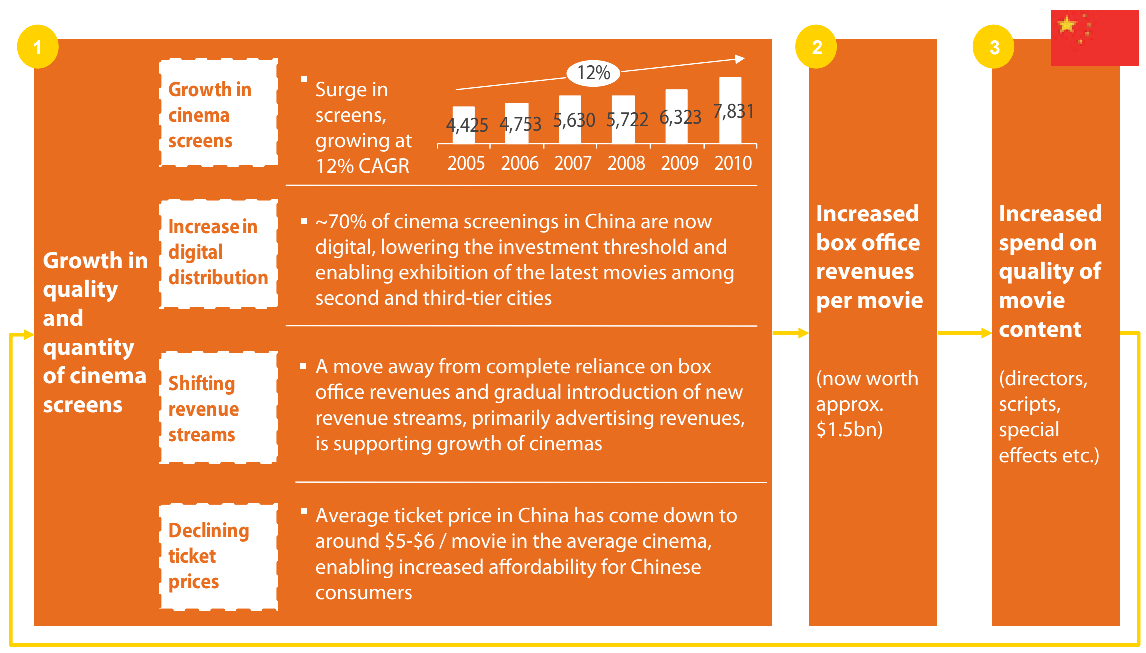
Impact on Arab cinema

- Relative to international markets, the majority of Arab countries (including Oman, Egypt and Morocco shown here) have a low number of cinema screens / capita
- This could indicate a capacity issue among local cinemas, creating a bottleneck at the distribution end which is inhibiting further production of local movies, particularly in markets such as Morocco which have relatively vibrant movie production industries
- However, the UAE and Lebanon, are fairly advanced markets in terms of film distribution, with the highest number of cinemas / capita in the region and indicating strong demand for movies which is likely to continue going forward

While the UAE and Lebanon have relatively strong movie distribution industries, the overall size of the market in these countries is limited due to their small population. Meanwhile, those large markets which should theoretically be driving growth of the industry are suffering from an insufficient number of screens. Egypt, which is notable for its production of local movies, has significant room for further growth based on its existing size of around 400 screens. It is also notable that in Saudi Arabia, other media platforms are maximizing the opportunities presented in a market with no cinemas. For example, OSN has launched a dedicated service for Saudi viewers called 'Saudi Home Video', which enables the public to watch the foreign films at the same time as their release in international theatres. The concept will soon be expanded to Arab films as well.

Overall, the limited number of cinema screens in the region is one of the factors inhibiting growth of the film industry. To highlight this point, the next exhibit illustrates how the significant rise in number of screens available in China, as an example, has played a role in growing the industry to reach the USD1.5 billion that is worth today.

Exhibit 91 : Virtuous circle of film industry growth in China[36]



As the previous exhibit illustrates, the combination of strong growth in cinema screens, an increase in digital distribution and the focus on new revenue streams from advertising are all factors which have contributed to the rapid rise of the Chinese film industry and which could be considered as implementable in the Arab region as well.

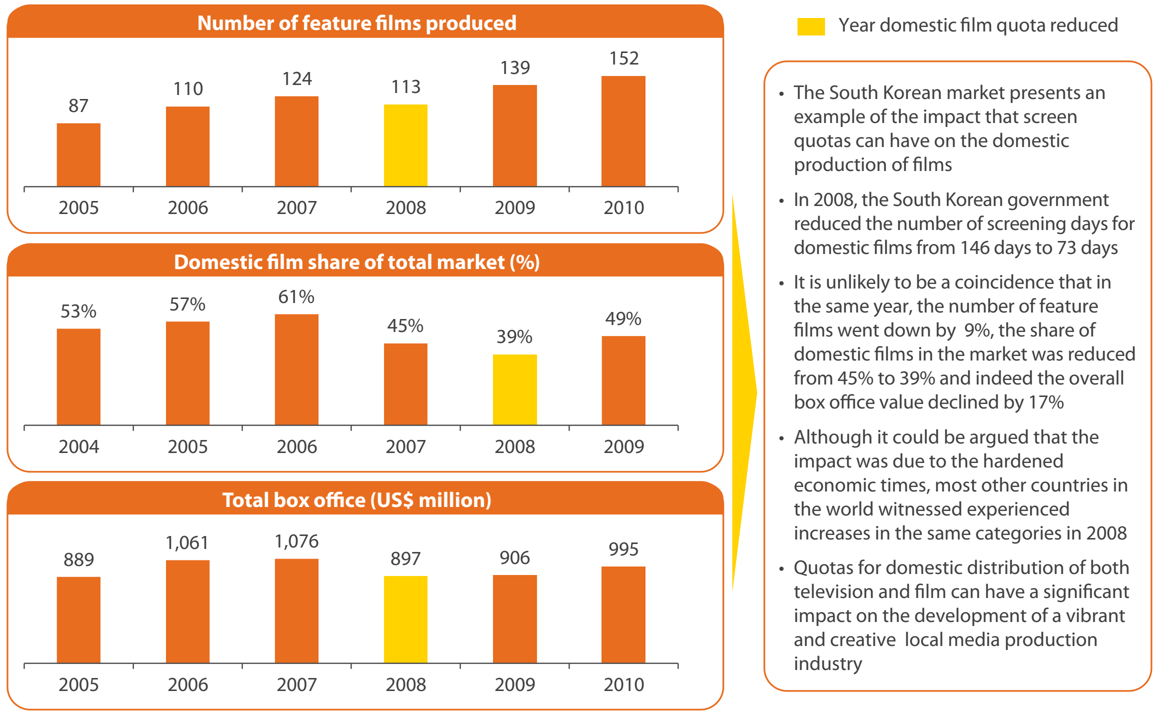
34 Screen Digest, UNESCO, European Audiovisual Observatory Focus, Deloitte analysis
35 International markets data from 2010, Arab markets data from 2009 (except Egypt and the UAE which are from 2011)
36 Screen Digest, Variety, Financial Times, Deloitte analysis

6.3.3 Potential of quotas to grow local film industry

Evidence from international markets suggests that one way of supporting growth of a national film industry is to introduce quotas regarding the screening of domestic films by law. Countries such as the UK, France, South Korea and Brazil all impose regulations regarding the number of days of screening required in cinemas. Mexico originally had a screen quota on the film industry, which was later abolished in 1994 and the impact has been significant with the local film industry being swallowed up by Hollywood movies.

In South Korea, theatre owners have had to show Korean films for at least 146 days / year since the mid-1990s, which has been considered one of the catalysts of the re-birth of Korean cinema since that time. In 2008, however, the government reduced the quota down to 73 days, which had a clear impact on the domestic film industry. This example is illustrated in the next exhibit.

Exhibit 92 : Case Study: Screen quotas in South Korea[37]



- The South Korean market presents an example of the impact that screen quotas can have on the domestic production of films
- In 2008, the South Korean government reduced the number of screening days for domestic films from 146 days to 73 days
- It is unlikely to be a coincidence that in the same year, the number of feature films went down by 9%, the share of domestic films in the market was reduced from 45% to 39% and indeed the overall box office value declined by 17%
- Although it could be argued that the impact was due to the hardened economic times, most other countries in the world witnessed experienced increases in the same categories in 2008
- Quotas for domestic distribution of both television and film can have a significant impact on the development of a vibrant and creative local media production industry

In the Arab world too, regulations have been imposed to this end in some markets. In Egypt, for example, the Ministry of Culture successfully managed to protect local films by limiting the exhibition of foreign titles to only seven theatres and blocking them entirely during peak seasons such as public holidays. Such efforts partly explain the strong popularity of local films in Egypt and the level of growth the industry has seen. However, in 2011 the country suffered a decline in local film productions as a result of ongoing political and economic challenges, with many Egyptian cinemas largely ignoring the regulation. This shift is evidenced by the figures - in 2009 and 2010 Egyptian films amounted to 80% of total revenues in the market, while US films contributed just 20%, yet last year Egyptian films dropped to 50% of total box office revenues. While part of this decline can be attributed to the impact on local production of the political instability in Egypt, it is unlikely that the implications on film supply would have translated so quickly to the movie theatre. In fact, the last in the US Harry Potter series earned USD1.3 million, the highest revenue for a foreign film in the history of Egyptian cinema.

Such examples serve to prove the strong impact that quotas and other forms of regulation can have on the development of local film industries. Of course it is important to consider that the concept of quotas works best when there is an existing local film industry to protect in the first place. As such, for countries with less developed film production industries such as those in the GCC, a quota system might be worth saving as a long-term strategy. In addition, enforcement of such regulation can often present a number of challenges and would require significant effort and investment. However, in the long-term the concept could be considered by those Arab governments which are committed towards the growth of the movie sector in their countries.

37 Screen Digest, Variety, Financial Times, Deloitte analysis

6.3.4 Challenges in overall monetisation of movies

While encouraging growth in both the number of cinema screens and the production of local films is an important part of developing the film industry in the region, there remain a number of challenges in the monetisation of films across the Arab world.

- **Illegal downloading** of movies continues to pose a global threat to the film industry, but even more so in the Arab region. The US already spends USD58 billion per year on tackling piracy[38], and while many attempts have been made to curb copyright piracy online, the regulations that have been drafted have proven very controversial among industry players in the States. The recent Stop Online Piracy Act (SOPA) legislation, for example, was severely criticised for threatening free speech and innovation in the online world and has been postponed as a result. However, the closure of sites such as Megaupload indicates some progress in terms of curbing piracy. In the Arab region, film distributors are faced with a double threat on this front – not only do they suffer from the same type of online piracy as other countries, but regional distributors are mostly unable to compete in the online space in any case as they are not usually given access to the rights for online distribution of US movies. This creates a significant challenge for distributors in the region since the majority of growth in other markets stems from online consumption; without the capacity to monetise films online, there will be limited growth in revenues for film distributors outside the movie theatre.

- **DVD sales** are down on a global level, with the infamous digital pennies for analogue pounds ringing true once more. As consumers move online, and are increasingly able to access online movies from multiple platforms, the market for DVDs has been dramatically reduced. In the Arab region, the widespread piracy of DVDs multiplies this effect, with fake copies being readily available to consumer for as little as USD1.50 – 3 in many Arab countries.

- **Illegal TV movie channels**, a third form of piracy, are a recent but dangerous phenomenon in the Arab world, the effects of which have been felt mostly in Egypt to date. Since the uprisings in the country in 2011, it is believed that at least five TV channels operating on Nile Sat have gone on air, taking movies from video stores and adding subtitles to broadcast them via satellite to Arab audiences.[39] These activities have the impact of further damaging the market for legitimate DVD sales, as well as that of genuine TV channels which broadcast movies.

- **Economic difficulties** in the region have also created challenges for film distributors in the region. The combination of the economic problems caused by recent political events (particularly in markets such as Egypt, Syria and Libya) and the global economic challenges of the past year have had a knock-on effect on the movie industry throughout the region. Egypt in particular, the traditional hub for cinema in the region, has witnessed year-on-year declines in box office sales since 2009. Revenues have decreased from USD80 million in 2009 to just USD37 million in 2011, a drop of more than 50% in two years. The total number of film viewers in the country has also waned, declining from 24 million in 2009 to 10 million in 2011, a drop of nearly 60%.[40] In addition, the regional film industry has been affected by the reduced acquisition by TV channels of local films and in particular by the liquidity crises suffered by some regional broadcasters.

- **Content regulation** of movies remains a major issue for the industry. Each country has its own, sometimes conflicting, laws regarding acceptable content, making pan-Arab distribution of movies very difficult. In some countries, such as Kuwait, about 60-80 titles are banned every year, while the reasons vary in every case. The broad guidelines regarding regulation of sensitive cultural, political or religious content vary significantly from country to country, minimising the market for each individual film. Increased freedom of trade in the film world would enable a much larger opportunity for producers and distributors to tap into broader audiences and thus increase investments in future films.

In spite of the wide range of challenges facing the industry, there is still strong potential for growth in the region. A small number of important measures could be taken in the first instance to help grow the sector, including:

- **Clamping down on pirates,** whether they are online, on TV or on DVD, requires a significant amount of effort and funding on the part of Arab governments, but would go a long way in securing the future of legitimate distributors of Arabic movies.

- **Push for online rights** from US studios by regional distributors would open up a major new revenue stream in the region and help to reduce the threat from online piracy. This will also be essential in tapping into the opportunities presented by new OTT platforms as online VOD becomes an ever-increasing requirement of such services.

- **Promoting the introduction of Ultra-Violet** will help to improve DVD sales in the long-term. Ultra-Violet is a digital rights system which is being introduced to DVDs and Blu-ray through a partnership between Hollywood studios and device manufacturers. It enables users who purchase the DVDs to gain access to a digital version of the content as well, which can be streamed simultaneously on up to six devices. This technology will help to bridge the gap between declining DVD sales and rising movie downloads by responding to users' changing needs. Indeed, in the Arab region some DVDs still prove relatively successful, with the local film *City of Life*, for example, recording the highest DVD sales of all movies in the UAE.

- **Quotas for distribution of local films,** as discussed above, can go a long way in ensuring that locally produced films gain adequate screening time and help push further development of the production industry.

- **More attention to pan-Arab appeal** of movies, which is currently only really serviced by Egyptian cinema. The ability of Arab filmmakers to identify themes which are relevant to the broader Arab region audience would enable wider appeal and distribution across the region.

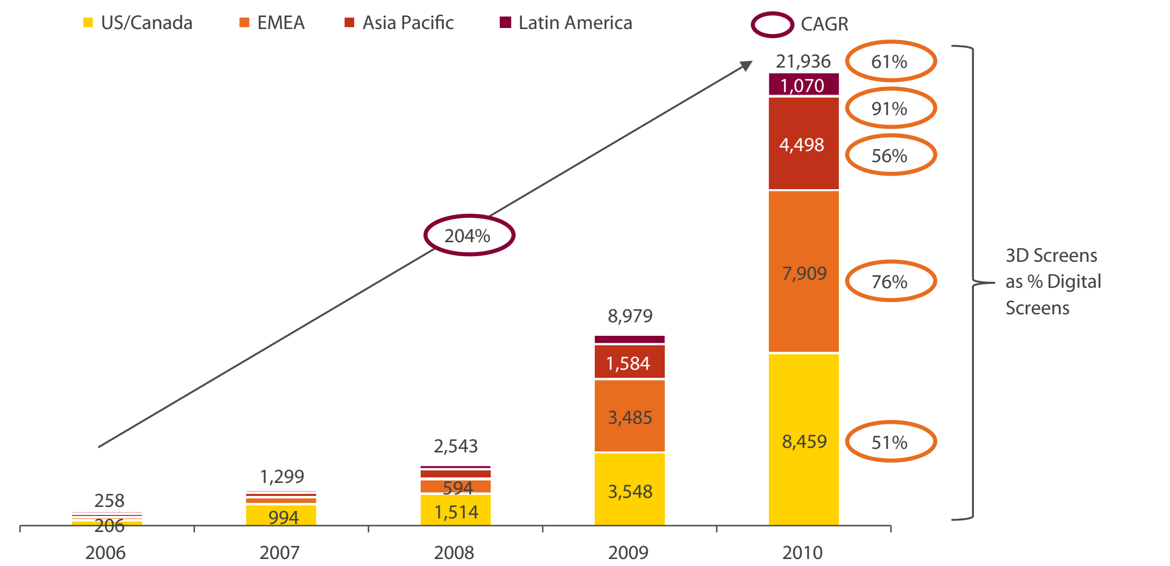
- **Pan-Arab content regulation** with a single court would enable broader distribution of films in the region. While in practice this would be very difficult to implement and require significant collaboration across the region, this could theoretically enable movies to make enough money through regional distribution to be able to distribute internationally, thus helping the growth the entire Arabic film industry.

While such measures could play a role in supporting growth of the regional film industry on a pan-Arab basis, large scale growth for the industry will only come in the long-term if local filmmakers can find a way to distribute their movies internationally. Part of the success of Nadine Labaki's films, for example, can be attributed to the attention paid to and investment spent on marketing at an international level. This needs to be replicated on a wider scale for Arabic films for the industry to reach its real potential, and will inevitably require increased investments.

6.3.5 The future of 3D

For some time, there has been talk in the film world of the future of movies revolving around 3D. For the past few years, the number of 3D films available in the market has increased exponentially, particularly in North America. As US/Canada box office revenues peaked in 2009 and 2010, reaching USD10.6 billion, 3D was a key driver of that growth. In 2010, 21% of box office revenues in North America came from 3D movies, nearly double the 2009 total. Yet only 25 films were actually released with 3D versions in the same year, indicating a disproportionately high level of revenues from 3D movies. In the same year, James Cameron's USD300 million film *Avatar* became the most successful of all time, earning nearly USD2.8 billion at the global box office and pushing 3D into the mainstream. The next exhibit illustrates the rapid growth in number of 3D screens over the five years between 2006 and 2010 on a worldwide basis.

Exhibit 93 : Number of digital 3D screens by region, 2006-2010[41]



38 Motion Picture Association of America
39 According to Jamal Saman, Chairman of Eagle Films
40 Variety Arabia

41 Screen Digest, Deloitte analysis

The trend has somewhat continued into 2011 and 2012, albeit at a slightly diluted pace. The Rotterdam Film Festival will have a 3D feature for the first time in 2012, for example, and Martin Scorsese's 3D blockbuster Hugo won five Academy Awards in February 2012. Calls have even been made in Hollywood for the re-make of classic movies into 3D for Blu-ray. Yet at the same time, in 2011 more US cinema-goers chose to see the latest Pirates of the Caribbean and Kung Fu Panda movies on 2D, breaking the previously unbroken rule that 3D screenings always deliver higher box office yields. Part of the declining interest in 3D can be argued to be due to the bad press received for movies such as Clash of the Titans which were converted from 2D into 3D during the post-production process.

In the Arab region, there has been similar excitement over the 3D phenomenon. In the UAE, around 35% of box office revenues stem from 3D movies. In 2012, the UAE's first 3D film, *Abood's Last Camel*, is set to be released in cinemas. Although the number of 3D screens in the Arab region remains low for now, we expect this to pick up as the industry continues to gain momentum at an international level. Although there has been a small decline in the interest in 3D in recent months, we continue to believe that the technology has a strong future. As 3D elements continue to migrate from the movie theatre to TV, billboard advertising, websites and even ad campaigns on food products (as was the case with Nestle's famous cereal campaign featuring a 3D character from the film *Rio*), consumers will become increasingly familiar with the advantages it has to offer. In that respect, it is likely to be a phenomenon that it is here to stay, even if it leads to a polarisation between those films which are well suited to the format and execute it effectively (e.g. major Dreamworks' animations) and those which continue to be more appropriate for 2D.

6.4 CONCLUSION

The film industry in the Arab region is highly diverse across markets. While Egypt has traditionally been the home of the majority of Arab film production, distribution of films is monetised more effectively in the Gulf region. The industry is limited by a number of financial and structural challenges, but we believe that growth will come from the following areas:

- **Film festivals and film funds** are popping up every year all over the region, with over 15 festivals across more than 10 different Arab countries expected to take place in 2012. Although there are perhaps not quite enough local films to fill such a vast number of festivals, this nevertheless reflects the growing interest that governments and societies are taking in the industry. Furthermore, the film funds associated with such festivals can go a long way in encouraging aspiring filmmakers to enter the industry which, in some cases, is already leading to recognition of Arab films at an international level.

- **Screen growth** in many markets around the world has proven to be a key driver for overall development of the film industry, as proven by the case of China where the industry today is worth approximately USD1.5 billion. While some Arab countries such as the UAE and Lebanon already have a high number of cinemas relative to their population size, they are relatively small markets. Regional growth in the long-term will need to be driven by the larger markets such Egypt and Saudi Arabia, which could benefit significantly from the construction of more movie theatres, which would in turn lead to increased investment in films.

- **Quotas** relating to the screening of domestic films are one method of ensuring adequate distribution of local films and to avoid overwhelming domination by US blockbusters in local cinemas. Such regulation has been successfully employed in Egypt (albeit with a lapse in recent years due to the social unrest) as well as other markets around the world, and could be implemented in the long-term elsewhere in the region to help support growth.

- **Overall monetisation** of film distribution remains a challenge in the region, with widespread piracy, strong censorship and economic difficulties. However, opportunities to overcome such barriers could include the establishment of pan-Arab censorship legislation, increased efforts to crackdown on online, TV and DVD piracy and a push for the regional online rights from US studios. DVD sales will eventually also benefit from the introduction of Ultra-Violet technology which is currently underway.

- **3D** remains an expensive medium for filming, but its aggressive growth internationally shows only a few signs of slowing down and continues to remain a popular format for certain types of films. With the release of the first Arabic film in 3D in 2012, we expect the number of 3D screens and films produced in the region to continue to grow in line with international markets over the next few years.

7. SPORTS

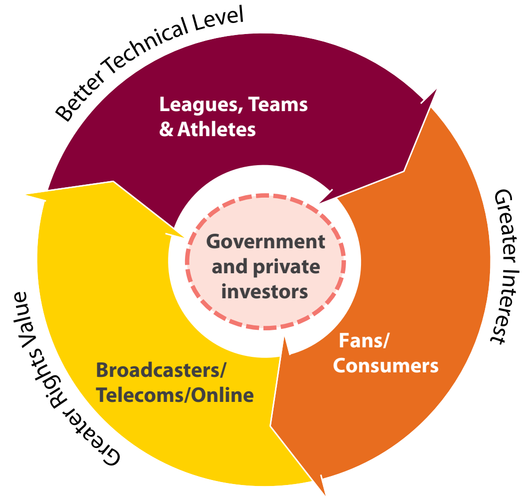
7.1 INTRODUCTION

Historically, the practice and attendance of sports events in many Arab countries has been relatively low when compared to international markets. Although major events such as the Formula One Bahrain and Abu Dhabi Grand Prix, as well as the upcoming Qatar FIFA 2022 World Cup, are gradually putting the region on the international sports map, there is plenty of room for growth in terms of raising awareness at a local level of the potential value of the sports industry.

Despite sports practice and attendance falling below the global average, there is no denying that the level of sports viewing is high in the Arab world. Football, in particular, typically has a very strong following and is driving the regional market for TV rights. Yet the monetisation model for sports in the region is still in the very early days of its development, with limited pay-TV take-up and exploitation of domestic league TV rights on free-to-air TV.

In this section of the report, we will study the close relationship between value creation in sports media rights and the quality of and interest in sports leagues which could be created in the region. We will look, in turn, at the role of governments, consumer interests, broadcasters and sports leagues in creating a virtuous circle of growth for sport in the region.

Exhibit 94 : Virtuous circle of sports industry[42]



42 Deloitte analysis

7.2 SPORTS IS RISING ON THE AGENDA OF MANY ARAB COUNTRIES

In the Arab world, football is undoubtedly the most popular sport in terms of practice, attendance and viewership on TV. However, attendance has traditionally been limited for games of the domestic football leagues, such as the UAE Pro-League. Indeed, average attendance at a Pro-League game is just 3,580 spectators.[43] This is one tenth of the average match day attendance in the English Premier League which attracts 35,000 at an average game[44] in the UK, and half the average of a League One game in England (equivalent to Third Division), which attracts around 7,600.[45] Considering that match day ticket price tags in the UAE are just 10% of the cost of an English Premier League game (USD7 compared to USD70), the overall result is very low revenues from match day ticket sales. Similarly, the Saudi Professional League also attracts relatively low attendance figures of around 4,204.[46]

The limited attention paid to marketing in sports is another root cause of low attendance. Even when the infrastructure and consumer interest is in place, there is often not enough done to create the necessary awareness. The Pakistan versus England international bilateral series held in the UAE at the beginning of 2012 is a case a point. Whilst the stadium was capable of holding up to 25,000 people, it was estimated that less than 2,000 supporters were present on the opening day in a country which is abundant with cricket fans.

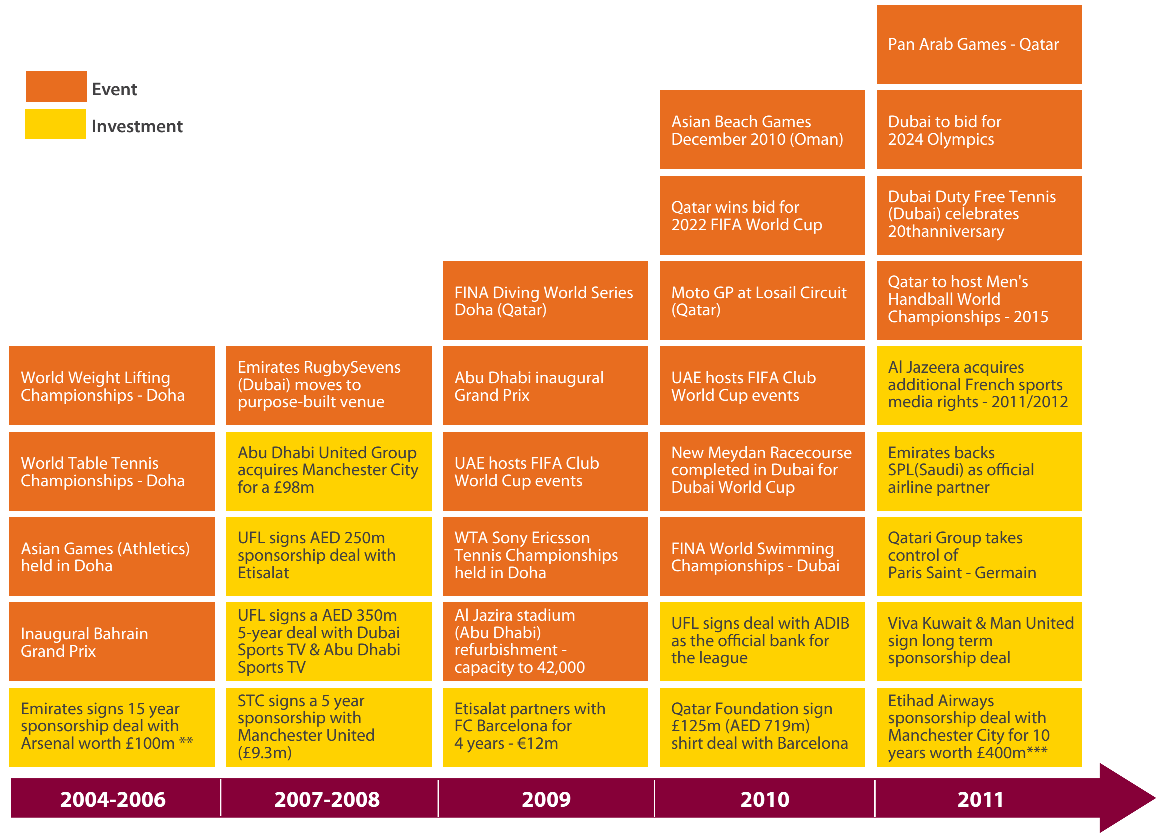
However, there is evidence to suggest that sports are increasingly high on the agenda of Arab nations, particularly in the Gulf where sports are being pursued on two fronts.

- **Political agenda:** High profile sports provide an opportunity to showcase countries at a global level. Internationally, sport has historically been used as a political tool in some cases, such as during the Cold War between the Western and Eastern Blocks. In the Arab region, sports can also play a political role, albeit under less dramatic circumstances. For example, the hosting of the Asian Games in Doha in 2006 marked a significant step in terms of increasing awareness of Qatar at a global level.

- **Social agenda:** Sport is becoming an increasingly important component of national health programmes. For example, diabetes is a serious issue in the region, with five countries in the Arab region (UAE, Saudi Arabia, Bahrain, Kuwait and Oman) ranked in the top 10 countries most affected by diabetes in 2010.[47] The number of awareness programmes is on the rise with the World Diabetes Congress held in Dubai in 2011, as well as other initiatives in Saudi Arabia and Jordan taking place. These discuss, amongst other factors, the part which sports can play as a potential mitigating factor to Diabetes problems. Furthermore, inclusion programmes are also placing greater emphasis on sports within specific segments. As an example, the first conference on how to make women participate more in sport in the Arab region was held in January 2012 in Doha.

As a result of the rising sports agenda in the region, the number of important events being hosted is also on the rise. High profile examples include Formula One, Horse Racing, Golf Championships, Tennis Championships and, most notably, the FIFA World Cup to be held in Qatar in 2022. Dubai also hosted in April 2010 the 8th annual convention of the SportAccord[48] for the first time in the Arab world, bringing together around 100 international sports federations. There are also a number of high profile investments in sports taking place which have seen an upward trend in recent years, as illustrated in the next exhibit.

Exhibit 95 : Regional investments in sports* - events & financing[49, 50]



As a result of these efforts, the region is showing some positive signs of growth, including:

- Average attendance for the UAE Pro League in the first half of the 2010-2011 season increased by 32% from the previous year, led largely by Al Jazira and al Wasl club fans.

- A number of events are well attended in the region, particularly those attracting world-class athletes. For example, the Dubai Tennis Championship recorded the highest number of spectators ever in 2012, with 100,000 people attending over the two-week period. The Grand Prix in Bahrain and Abu Dhabi continue to attract significant audiences as they capture global 'touring' followers, with Abu Dhabi selling out for the third consecutive year[51] in 2011. Other events mixing entertainment and sports have also fared well particularly in the GCC, including extreme sports events such as the Red Bull Fighter Jets and the Red Bull X-Fighter Freestyle Motocross (FMX) Tournament, which attracted 20,000 spectators in April 2011 and is expecting similar numbers in 2012.[52]

While the Arab region, and more specifically the GCC, has managed to host some high profile international events in recent years, it seems to be developing more as a hub for international sporting events, rather than fostering sustainable local sports organisations. A key element of this dichotomy resides in the TV rights exploitation of these two types of sports properties, which we will discuss below.

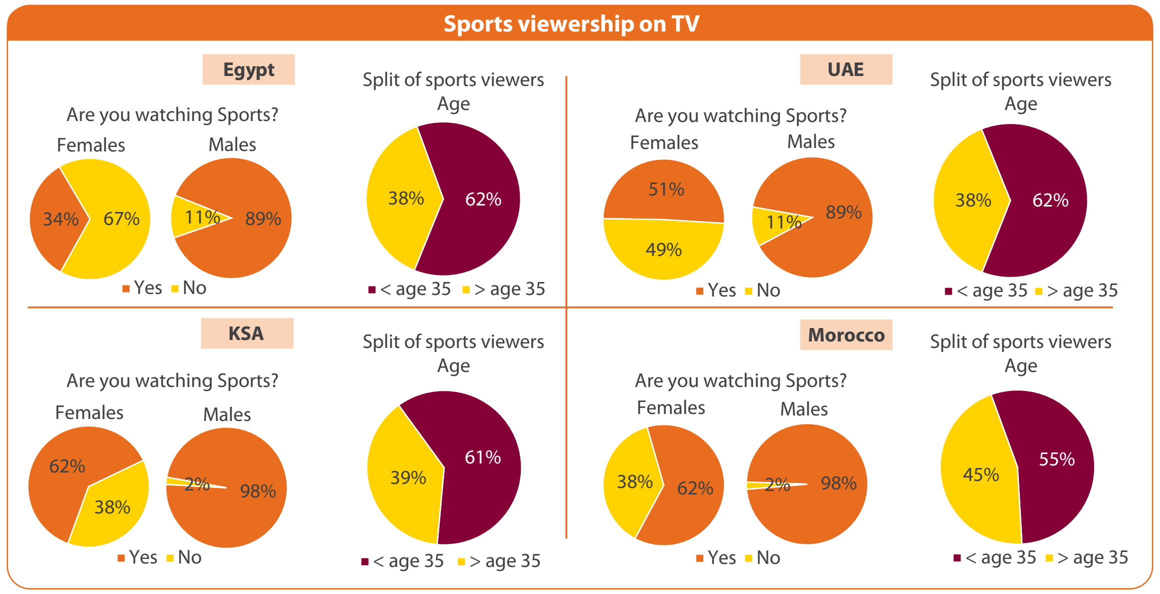
7.3 SPORTS VIEWERSHIP IN THE REGION

While sports attendance is relatively low in the Arab world, sports viewership on TV is particularly high. Across the four countries where we conducted market research, over 90% of the male population is following sports on TV, with the highest proportion of those viewers being those under the age of 35. In fact, 70% of males in the region watch between 1 and 3 hours of sports programming every week. While roughly the same proportion of male respondents watch between 1 and 5 hours of general TV every day, this percentage seems comparatively low, but compared to international markets the time spent watching sports in the region is very high and shows great potential for further monetisation.

43 UAE Pro League website
44 ESPN Soccernet website
45 ESPN Soccernet website
46 Saudi league statistics website
47 International Diabetes Federation
48 Umbrella organisation for both Olympic and non-Olympic sports as well as organisers of sporting events

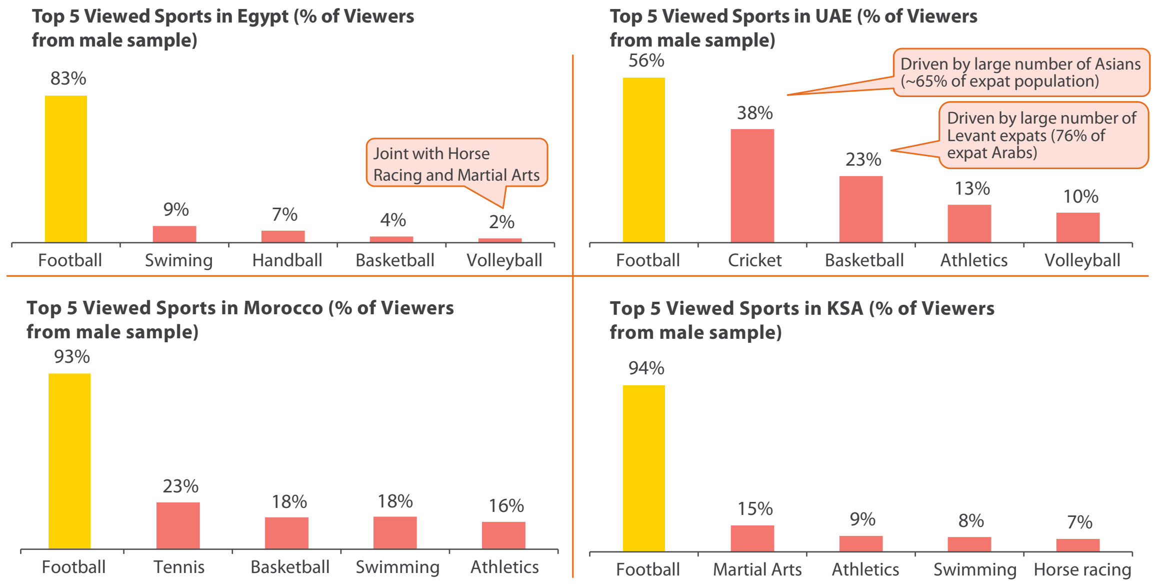
49 Deloitte research, Mar 2012 (non-exhaustive)
50 *Non-exhaustive **Largest sponsorship agreement ever seen in British football at the time ***Largest deal of its kind in sport
51 Emirates 24/7
52 Dubai Holding Media Centre

Exhibit 96: Sports viewership on TV[53]



Football is the predominant sport viewed on TV in the region, with 82% of males surveyed across four Arab markets claiming to watch football. However, some other successful sports have managed to attract niche TV audiences in the region, such as tennis, basketball, horse racing and cricket (particularly in countries with a high Asian expat population such as the UAE). This breakdown can be found below.

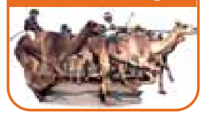
Exhibit 97 : TV viewership preferences by type of sport[54]



Diversity in tastes across the region is also reflected in sports viewing habits. For example, basketball is particularly popular amongst viewers in the Levant, while camel racing and horse racing have generated a lot of interest amongst the local communities in the GCC. Some examples of popular sports at country level in the Arab region can be found in the next exhibit.

Exhibit 98 : Alternative sports interests in different regional markets[55]

Alternative sports interests in different regional markets

Cumulative viewership across Egypt, Morocco, KSA and UAE (%)	Sport	TV viewership	Key points
28%	**Basketball** 	• Ranked 2nd **preferred sports** in the UAE amongst expat Arabs (76% from Levant)	• Basketball has become increasingly popular in the Levant region in particular Lebanon. Strong emphasis has been placed on basketball within schools as part of the curriculum which has helped drive the success of the sport in the country • The Lebanese National team; which is home to a number of home grown champions in terms of players (e.g. Fadi El Khatib), regularly qualifies for the FIBA World Basketball Championships (e.g. in 2002, 2006 & 2010)
	Camel Racing 	• Ranked **7th and 5th preferred sports** in KSA and UAE amongst locals	• Interest in camel racing amongst the locals segment in markets such as KSA and the UAE - ranked 7th and 5th amongst locals behind other sports. Support for the sport is being driven by solid infrastructure - there are now around 15 tracks in the UAE alone with high tech facilities e.g. Nad Al Sheba • Provides good potential for advertisers given the appeal of a very targeted audience i.e. local males
	Horse Racing 	• Ranked **3rd in UAE** amongst UAE nationals & 6th amongst males	• Has become increasingly popular in the GCC supported by new infrastructural developments such as the Meydan Course in Dubai (an estimated USD1.3 billion development) • As part of the Arab Heritage, Sheikh Mohammed Bin Rashid Al Maktoum's interest in the sport is well know at a global level (e.g. Godolphin stables in Dubai)
	Motor Racing 	• 'Live' viewing most popular, however, **ADMC** bought exclusive rights to F1 for 2010-2012 seasons	• There is a growing interest in motor sports such as the Formula 1 and Moto GP, as well as alternatives such as Power Boat racing - (Part of the Class 1 World Championships take place in Qatar & UAE with successful teams such as Spirit of Qatar and Victory Team (UAE) as top teams) • The Grand Prix in Abu Dhabi as well as Bahrain has helped drive the growth in Motor Sport supported by the GCC cultural interest

7.4 SPORTS COVERAGE IS INCREASING BUT MONETISATION REMAINS A CHALLENGE

There has been a number of successful sports news initiatives in the region, both in traditional and new media, demonstrating the appetite for sports news in the region. Until recently, there had been limited focus on sports news coverage in the region, with few daily papers focusing on sports. Exceptions include some newspapers in Saudi Arabia, such as Arreyadi, which focuses not only on sports but also on other areas such as art and cars, and Arriyadiah, which covers both local and international sports. At a pan-Arab level, some regional newspapers typically have their newsrooms closing in the evening for the day, causing them to miss out on the latest sports news from Europe and other markets.

As a result, two recent market entries have changed the shape of sports news coverage in the region, at least in print and online media:

- **Eurosport Arabia** - the web and online portal developed by Eurosport in conjunction with du in 2010. The site has become popular amongst consumers and advertisers alike, growing in just one year to reach over half a million unique visitors and nearly 100 million page views since launch.

- **Sport 360° (UAE)** – the only English language daily sports newspaper, not only regionally but also, interestingly, internationally. A key success factor for the paper has been the fact that their news room closes at 2am, which has provided a competitive edge over other papers in the region. An overview of this newspaper is provided in the next exhibit.

53 Ipsos
54 Ipsos

55 Deloitte analysis

Exhibit 99: Case Study - Sport 360°[56]

Overview

- Daily UAE sports newspaper offering comprehensive coverage of regional and international sports
- Only English daily sports paper globally

Key Data

Circulation	34,709*
Language	English
Published	2010
Frequency	Daily (Morning)
Target Market	Sports fans

Key Success Factors

- Audited circulation (BPA); Readership figures (IPSOS NRS)
- Strong digital platform (Facebook and Twitter presence and numerous mobile apps) with differentiated content
- Quality of content with strong focus on local regional content
- Successful distributionto reach audience (e.g. partnered with Emirates, sports clubs etc.)

- A key USP for the paper is the freshness of content-'next day' coverage and in-depth focus which separates them from other papers with a sports section
- The paper has the second highest audited circulation of paid dailies in the UAE (after Gulf News) and a readership of 123,000; circulation accounted for 15% of revenues in 2011
- The digital platform has a strong service element i.e. providing viewers with local information on where to practice, where to shop, listing of sports events, sports venues; as well as a community element (blog section, a forum where people can meet etc.)
- Readership is mixed (46% Asians, 37% Westerners, 17% Arabs); an additional feature in the long run could be the introduction of an Arabic language version

*Audited

In addition to sports news coverage, there is also a high level of live sports coverage in the region, with every major sporting event being broadcast either on pay-TV or on pan-Arab FTA TV. Indeed, free-to-air (FTA) television in the region boasts very high coverage of international sports, with nearly every sport being offered, from the various football leagues and tennis competitions, to NASCAR racing and the AFL (American Football League). In many cases, the regional coverage of sports is much more comprehensive, and certainly more affordable, than in some European markets. While this is a real benefit for Arab consumers, the problem is that coverage is spread across different platforms, with distribution of international rights fragmented among a huge number of channels. For broadcasters, the monetisation model of high value international rights remains a challenge since both Al Jazeera Sports and ADMC Sports offer their content at a very low price point of just USD6.50 - 9.10 per month. This concept is discussed in more detail in the TV platform section of this report. The next exhibit provides an overview of the key sports events covered by TV channels in the Arab world.

Exhibit 100 : TV coverage of key sports events by broadcasters[57]

TV coverage of key sports events by broadcasters

Genre	sport	osn	ADMC sport	
Football	FIFA World Cup UEFA Euro 2012 UEFA Champions League UEFA Europa League Spanish La Liga French League 1 Carling Cup Italian Serie A Asian Football League African Confederation Cup Local (Regional) Leagues	Scottish Premier League	English Premier League (BPL) UAE Pro League Argentinian Football Brazilian Football	UAE Pro League Bundesliga
Rugby	Six Nations Heineken Cup Aviva Premiership	Rugby World Cup 2011 Super League Rugby Union (Pro 12) Rugby Union (Top 14 – Fra) Super Rugby		
Auto Racing	Formula 1 (FTA - Arabic) Moto GP	NASCAR V8 Supercars Formula 1 (FTA - Arabic)	Formula 1 - exclusive	
Tennis	Roland Garros US Open ATP 1000 (7 out of 9) ATP 500 (except Dubai)			Dubai Tennis Championship
Golf		PGA EuropeanTour		
Others	Otherextreme sports American sports IAAF Athletics NBA Handball Volleyball	WWE UFC Super Bowl AFL PBA (Philippines) Volvo Ocean Race Powerboat Series (Highlights) Cricket (C.wealth Series) ODI Tri Series		Horse Racing (Regional) Horse Racing (USA) Broadcasting in - (Dubai/UK/Ireland) Camel Racing Falconry World Powerboat

Key Sports Rights

The major players in the sports rights have adopted distinct positioning in the market, as explained below:

- **Al Jazeera Sports** dominates in terms of the key international premium rights, with a focus on football; this also includes some regional league rights, in addition to broadcasting alternative sports such as rugby (e.g. Six Nations) and tennis
- **OSN** focuses on a specific sports audience of Western expats, as well as an Asian appeal; a large number of American sports are covered, as well as rugby, with rights to the Rugby World Cup in 2011
- **ADM** has a sports proposition essentially centred around the Barclay's English Premier League (BPL) for its pay- TV channels, and complemented by an FTA exploitation of the UAE Pro League
- **DMI** focuses predominately on local Emirati tastes, covering sports such as camel racing and horse racing, as well as the UAE Pro League and other Dubai-based events
- **National broadcasters** often have full or partial rights to exploit the domestic football league, which will be discussed further later in this section

The coverage of the various international sports events, and in particular football, has come at a hefty price in the region. Most of the top sought after football rights (including the BPL and Champions League) have been bought by broadcasters such as Al Jazeera and Abu Dhabi Media (ADM), which have had access to significant government funding. Al Jazeera will reportedly pay approximately USD81.5 million each year from 2012-2015 for the UEFA Champions League, covering 4 out of 5 of the media rights packages. For comparison purposes, this is approximately double the price that Canal Plus and TF1 were paying for the same rights in France.[58] Football is now at a price point that is out of the reach of most commercially driven broadcasters in the region, given the current monetisation model of the rights.

56 Sport 360°, Deloitte analysis (*Audited)

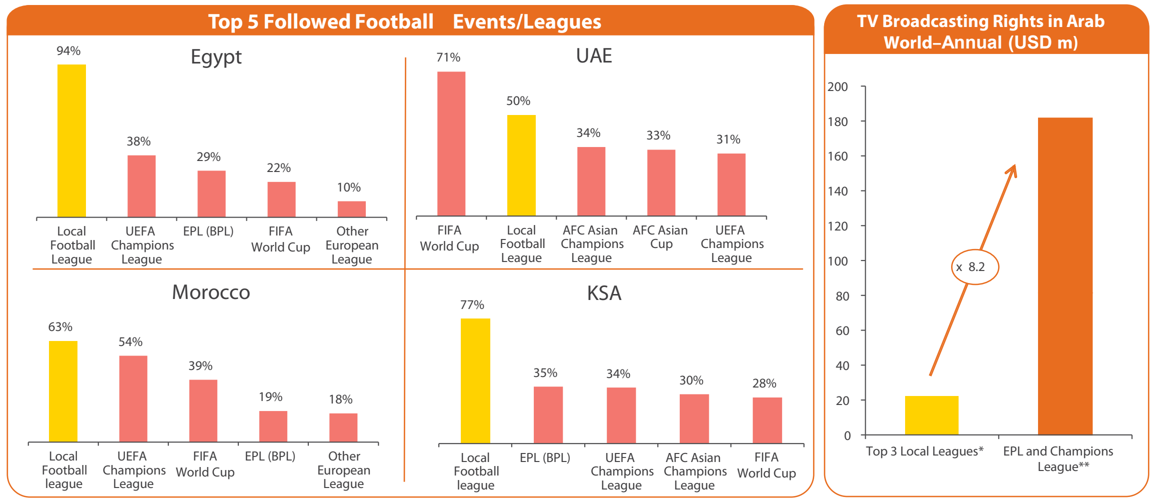
57 Provider websites, Deloitte analysis

58 French Media Reports, Dec 2011

7.5 DOMESTIC LEAGUES - UNDERVALUED SPORTS PROPERTIES?

While the international leagues can compete for audience share with domestic sports, domestic leagues retain the most appeal amongst sports viewers, as they do in most markets around the world. This preference for domestic leagues is evidenced in the next exhibit. However, despite strong consumer preference for domestic football leagues, broadcast rights of international competitions still command the highest TV rights value, around eight times the value of local leagues.

Exhibit 101 : Viewing preferences and value of local vs. international leagues[59, 60]



Coverage of the main football leagues in the region has indeed remained predominantly FTA-based. There has also been some shift in the market in terms of coverage from pay-TV to FTA in relation to the local leagues in the region. The most prominent case has been the shift of the Saudi Professional League from pay-TV exploitation on Al Jazeera, to free-to-air coverage on Saudi TV from season 2011/12 under a three-year contract following a royal decree by King Abdullah bin Abdulaziz.

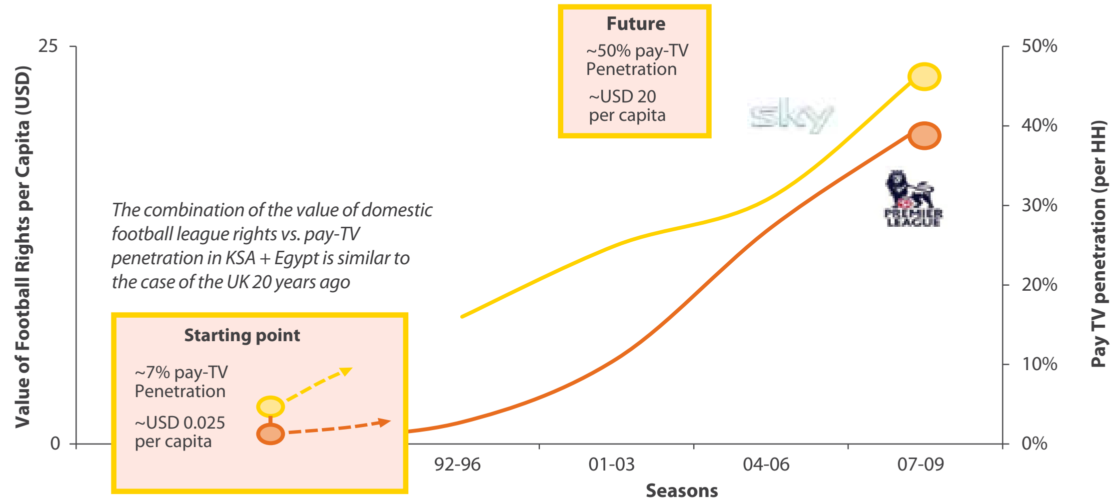
For the other large domestic league in the region, Egypt, TV rights are shared between pay-TV and FTA. Al Jazeera reached an agreement with the Egyptian Football Association (EFA) to buy the broadcasting rights to the Egyptian Premiere League at the end of 2011 for USD2.6 million.[61] The rights are for the shared broadcasting rights with other Egyptian-owned satellite channels including Channel 2, Alhayat 2, Dream, Nile Sport.

Football rights in the UAE and Qatar have so far remained loyal to FTA providers. The local UAE Pro League sold the TV broadcast rights for all 132 season league games to the FTA providers Dubai TV and Abu Dhabi TV for a total of USD95 million, for a period of five years in January 2009. The pan-Arab Qatari FTA sports channel Al-Dawri & Al-Kass acquired the rights for the country's top-tier Qatar Stars League in a five- year deal with the league organisers in November 2008.

As shown in the next exhibit, with limited exploitation of domestic football rights on pay-TV, domestic leagues in the region are at the beginning of their journey to fully monetise the rights and re-invest back into the quality of the local leagues. The Arab region is just at the start of the symbiotic relationship between football and pay-TV that exists in other markets such as the UK. The impact of such a relationship is illustrated in the next exhibit.

59 Ipsos, press releases, Deloitte analysis
60 *UFL, Saudi Professional League & Egyptian Premier League
61 Ahram Online Newspaper

Exhibit 102 : International case study – Sky and Premier League[62]



Aside from mature media markets such as the UK, emerging markets like India can be seen as an indicator of the potential for sports media properties in the region. The Indian Premier League (IPL) provides a good example in terms of how sports rights can be successfully monetised in a very limited time frame – in this case, under four years. As shown in the next exhibit, the domestic cricket league, which is built around nine teams, has managed to capture strong local and global followings, and to gain the interest of major media players such as Sony and Google. It has also been the key driving force of DTH in India, growing from virtually zero in 2007 to 26% of households in 2011.

Exhibit 103 : Monetisation of sport – Indian Premier League case study[63]

IPL – A Successful Case of Monetisation of Sports Rights

Cricket

- Cricket is one **of the most lucrative markets** for sponsors in India
- The formation of the Indian Premier League (IPL) teams **began towards the end of 2007;** reportedly as an aftermath effect of a dispute between the BCCI and the Indian Cricket League (ICL)
- The IPL was **valued at around USD4 billion in 2011** and is estimated to be **second only to the NBA in terms of wage costs** for league players
- *Sony* signed a ten year contract worth **$2 billion in 2008** for the IPL's global broadcasting rights
- In India, the **IPL is distributed on all major DTH platforms** (roughly 35 million households or 25% penetration) **as well as on analog cable**
- In 2010 ***Google*** paid an undisclosed amount to show matches **live on YouTube** –giving them exclusive global online rights for IPL content for 2 years
- The IPL also benefits from a **large exposure internationally** -the number of viewers for the third season of the IPL in the UK increased substantially (to 400,000), as coverage shifted from the pay TV channel (SetantaSports) to the FTA channel ITV4 in 2010

"Monetisationof sports in India has enabled fans platform-agnostic access to their favouritesports. With more purchasing power and acceptance of technology [amongst younger generation], Indians are keen to explore new hi-tech mediums to consume entertainment"

7.6 LOCAL LEAGUES - A BALANCED APPROACH BETWEEN IMPORTS AND HOME-GROWN TALENT

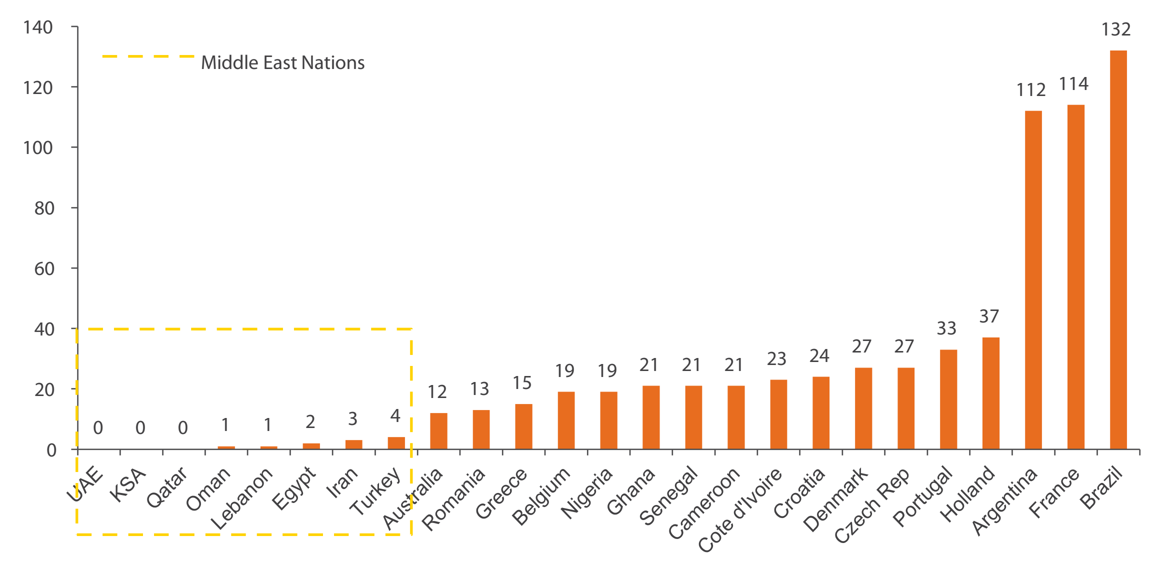
There are a number of key attributes which are necessary to develop the popularity of a sport or a league domestically. Key factors include having local champions and star players in the league, having a good infrastructure and offering high quality TV production. During this sub-section, we will discuss the importance of both talent and infrastructure in developing sports.

62 Deloitte analysis
63 ICMR India website, The Telegraph, ESPN Cricket Info 2010, CEO at Edelweiss Asset Management Ltd (quote), Deloitte analysis

7.6.1 Developing local and attracting international talent

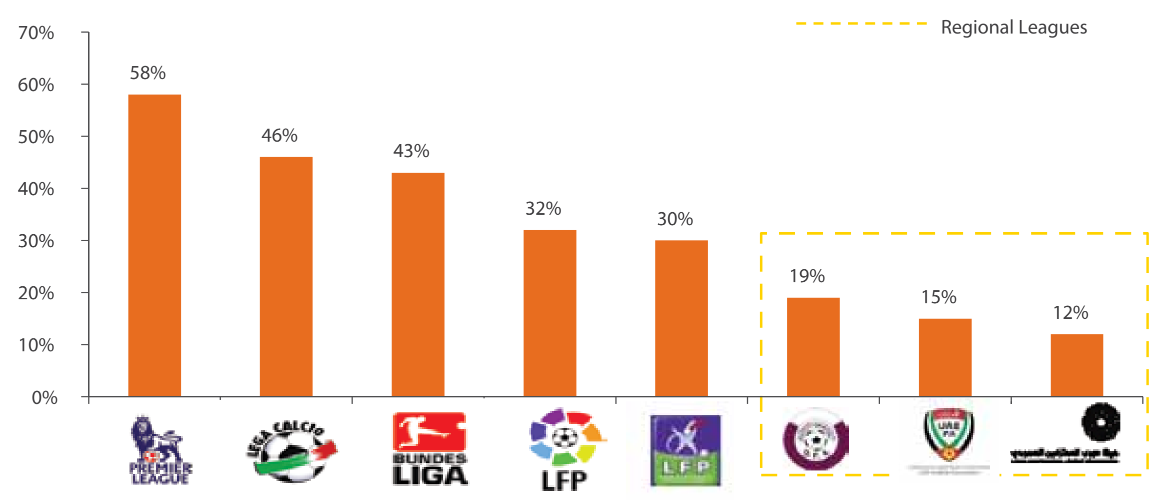
In the Arab region as a whole, and the GCC in particular, industry professionals should consider the importance of creating a balance between developing home-grown talents and attracting international players. Due to the limited number of home-grown champions in the Arab region, there are too few 'promoters' creating awareness and interest in sports. In the case of football, as shown in the next exhibit, there remain very few successful exports to the five largest European leagues that can play the role of "local ambassadors" of the sport. The Omani goalkeeper Ali al Habsi is a rare example of one such role model in the GCC. In Morocco, meanwhile, the importance of this interactive relationship between local champions and interest in sports is highly evident. According to our market research, tennis is the second most watched sport in Morocco, notably on the back of a successful generation of male Moroccan tennis players such as Younes El Ayouni, Karim Alami and Hicham Arazi.

Exhibit 104 : Number of players playing abroad in one of Europe's top leagues – 2011/ 2012 season[64]



The ability of local leagues to attract international talent who can, in turn, raise the level of the local game is also critical. Today, the local football leagues in the region host a limited number of international players, as demonstrated in the next exhibit. Historically, the local leagues, particularly in the GCC, have been better known to bring seasoned coaches and players near retirement than young, upcoming international talent, and the overall proportion of expats in the league is low compared to the major European leagues.

Exhibit 105 : Percentage of expatriate players by league – international vs. domestic – 2011/ 2012 season[65]



64 Professional Football Players' Observatory
65 Professional Football Players' Observatory; Demographic study of footballers in Europe; Goalzz website; club websites; Deloitte analysis

Fostering local talent, by means of setting up new academies and partnerships with leading clubs, will be crucial in developing the young local talent that exists in the region. Manchester United and Inter Milan both committed to building training campuses in Abu Dhabi, which opened in 2010 and 2011[66] respectively, whilst Real Madrid and Chelsea announced intentions to do the same in 2011. Liverpool has also reached similar agreements to set-up two exclusive academies in Saudi Arabia and two in North Africa.[67] Beyond football, an important regional step has been the introduction of the Aspire Academy for Sports Excellence in Qatar. Aspire, which was launched in 2004, is a leading sports institute and a state of the art sports science facility. The academy aims to develop Qatari athletes across a wide spectrum of sports to become the competitive hearts of Qatar's junior and senior national teams.

In addition, the tennis landscape has also witnessed some recent academy launches, namely the Al Habtoor Tennis Academy in 2010, the Wilson Tennis Academy in Dubai as well as the David Lloyd Academy in Dubai Sports City.

7.6.2 Investment in high standard sports infrastructure

A number of infrastructure investments have taken place across the region in recent years. While Qatar will invest billions of dollars in the lead up to the 2022 World Cup (a key opportunity for the region which is discussed in more detail later in this section), other countries are also developing world class assets capable of holding international events. Amongst these, King Abdullah Sports City, which is expected to be completed by 2014[68], is a large scale development taking place in Jeddah. The development, worth an estimated USD10 billion, is planned to consist of a 100,000 capacity football stadium and several other indoor sports arenas as well as a specialist hospital to treat athletes.

Meanwhile, The Meydan Racecourse in Dubai is estimated to have cost USD1.3 billion to develop and is home to the world's richest horse race, the Dubai World Cup. The Dubai World Cup is highly recognised around the world as the 'pinnacle' of horse racing when it comes to prize money and it successfully attracted audiences of up to 81,000 in 2011.

Exhibit 106 : Dubai World Cup case study[69]

Dubai World Cup - Meydan Race Course

- The Dubai World Cup was **inaugurated in 1996** at the Nad Al Sheba Racecourse in Dubai - an idea conceived by H.H Sheikh Mohammed bin Rashid Al Maktoum (owner of the prestigious **Darley Stud and Godolphin Racing)**
- The **Emirates Racing Authority (ERA)** - acts as the internationally recognised governing body for horse racing in the UAE, inclusive of the Dubai World Cup event. It is supported and chaired by H.H. Sheikh Mansoor bin Zayed Al Nahyan
- In 2010 the Dubai World Cup was held at the new purpose built Meydan Racecourse –the World's largest integrated racing **facility** worth over **USD1.3 billion**. The Grandstand alone is capable of holding over 60,000. Theentire development has a trackside hotel (**The Meydan Hotel**), a restaurant, museum , golf course and more. It doubles as a business and conference centre when not being used as a racing venue thus highlighting the events potential of such a facility

"Meydan Grandstand and Racecourse has marked a defining moment in the sports' global history by hosting the richest, most illustrious race -the Dubai World Cup". "The record attendance figures (81,000 in 2011) serves to re-affirm that Dubai World Cup is more than just a sporting event, but one with global stature and brand cache that continues to grow in international reputation" - Mr. SaeedHumaidAl Tayer, Chairman of the Board and CEO of Meydan

- Participation in the event is **by invitation only** and prize money (purse) for the Dubai World Cup Race alone is **worth USD10 million** – the largest prize sum of any horse racing event in the world. The prize money (total purses valued at approximately USD27 million) and prestige of the event has **attracted major owners, trainers and jockeys;** namely Frankie Dettori, Saeed bin Suroor and Jerry Bailey amongst others
- Chantal Sutherland (a 36 year old jockey from Canada) was the **first female jockey** ever to ride in the Dubai World Cup race - hoping many more would follow
- **Major Sponsors** (non exhaustive): Emirates Airline, Longines, Dubai Duty Free, Land Rover, HTC and Gulf News amongst others
- **Major TV Rights & Coverage:** Dubai Media Inc. (Regional), Channel 4 (UK -2010), ABC (US), TG4 (Ireland), TVG (America's horse racing network)

However, beyond the development of infrastructure to host major international sporting events, a key area of development for the region remains to be the upgrade of the infrastructure for the local leagues. While some upgrades have taken place, such as the Al Jazira stadium in Abu Dhabi, the amount of investment in local sports infrastructure remains low compared to what is spent on international events.

66 TimeOut Abu Dhabi, Mar 2011
67 Metro.co.uk
68 Zawya, Oct 2011
69 Emirates Racing Authority; The Gulf Today website; Deloitte research & analysis, Mar 2012

7.7 IMPACT OF QATAR 2022 WORLD CUP

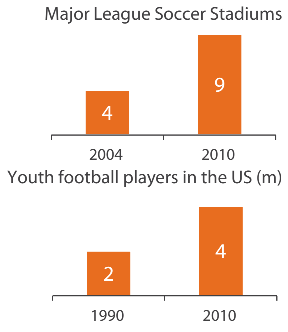
A large scale event such as the World Cup not only has an effect on the host country but also those surrounding it. The Qatar 2022 World Cup is likely to have a two-tiered impact in terms of legacy in the region. Firstly, the Cup should help boost economic growth in Qatar and accelerate the development of Qatar's infrastructure.

Secondly, in the long-term the event is likely to play a role in catalysing growth of the sports industry in the region. Indeed, the World Cup in the USA in 1994 and in Japan/ South Korea in 2002 offer good examples of the long-lasting impact that the World Cup can produce.

Exhibit 107 : Case Study on the football legacy of the World Cup[70]

Lasting Impact of a World Cup –USA (1994)

- Before the World Cup took hold in 1994, soccer was relatively stale in the country - the event rejuvenated US soccer
- The event in particular led to the formation of the Major League Soccer in 1993
- Although difficult to gauge the immediate effect on participation in soccer the number of youth players doubled from 1990 to 2010 Increasing number of investors supporting the growth of soccer in the country
- The National team achieved its highest FIFA ranking in twenty years in 2010 and reached the top 15 globally (and first place for the CONCACAF rankings)
- The MLS has managed to attract high profile international players including Thierry Henry at the NY Red Bulls and David Beckham in the LA Galaxy - in turn a number of US players have successfully made it to Europe Leagues including PepeReina, the first choice goalkeeper of Liverpool or Clint Dempsey in Fulham



"USA'94 led to the formation of Major League Soccer, the stable domestic league that America never had; generated money for the U.S. Soccer Federation, the sport's governing body; and provided innumerable American children with a dream, by making world-class soccer in America a reality" - New Jersey local news

As the previous exhibit describes, the 1994 World Cup in the US helped not only to rejuvenate football in a country dominated by alternative sports, but also helped create awareness which subsequently led to strong growth in the industry. Major League Soccer now has nine dedicated stadiums, up from just two in 2004, and the national football team recently reached the top 15 international FIFA rankings for the first time in the past 20 years, as well as surpassing Mexico as the highest ranked team in CONCACAF[71]. Similarly, the 2002 FIFA World Cup held in Japan and South Korea was the first tournament of its kind to be held on Asian soil. The competition helped to improve the image of South Korea in particular as a dynamic and progressive nation and helped boost the local leagues, Japan J. League and South Korea K-League, to number 1 and 2 in AFC[72] rankings respectively. In addition, a number of talented players from both countries still play in European leagues after being discovered in the aftermath of the 2002 World Cup, including Japanese players Yuto Nagatomo, Shinji Kagawa and Keisuke Honda as well as South Korean players Park ji-Sung and Lee Chung-Yong.

For Qatar, there will undoubtedly be tremendous benefits from hosting the World Cup in 2022. Yet with the start date still ten years away, it will be some time before the impact is really felt in the wider region. Job creation may be a nearer term advantage for the economy as construction and other infrastructure-related projects are started in advance of the event. Indeed, Qatar currently has twelve sports-related development projects underway worth over USD3 billion. Yet the economic boost from tourism and the increased interest in football across the region are benefits which are only expected to bear fruit in the long-term.

7.8 CONCLUSION

Overall, the maturity of the sports industry in the Arab region currently lags behind more advanced markets such as Europe and the USA. However, this only serves to highlight the vast potential for growth in the region. In addition, specific sports such as motor sports, tennis and golf have already started to take hold in the Arab world. As greater efforts are made to support development of the industry, this will be reflected in the value of media rights for sports. A few key initiatives could go a long way in helping growth the industry, including:

- **Reviewing the monetisation model** of the leagues to ensure that money is actually flowing back to the leagues. This could mean reconsidering the FTA exploitation of sports in some markets, perhaps to a shared rights approach with pay-TV. Alternatively, more effective monetisation could be realised on FTA, for example through optimisation of the value of shirt sponsorship and on-pitch advertising. In any case, a closer relationship between Arab broadcasters and the leagues themselves would enable more value to be generated and shared with all parties.

- **Focusing on the local development of sports** by investing in infrastructure that will help local leagues to shine, and not just to host international events.

- **Finding "champions" for the local leagues**, whether they are business individuals who can bring the leagues forward as done in the case of IPL, or role models in the talent pool who can be fostered through training centres, academies, engagement with youth etc. This can significantly help raise the interest in sports.

- **Growing alternative sports to football**, some of which already have some good existing support. By focusing particularly on creating a 'story' around the events and players of alternative sports, these can play an important role in growing overall media exploitation of rights.

70 New York times, 2010; www.mostpopularsports.com; Qatar sports Business Forum; Deloitte analysis
71 Confederation of North, Central American and Caribbean Association Football
72 Asian Football Confederation

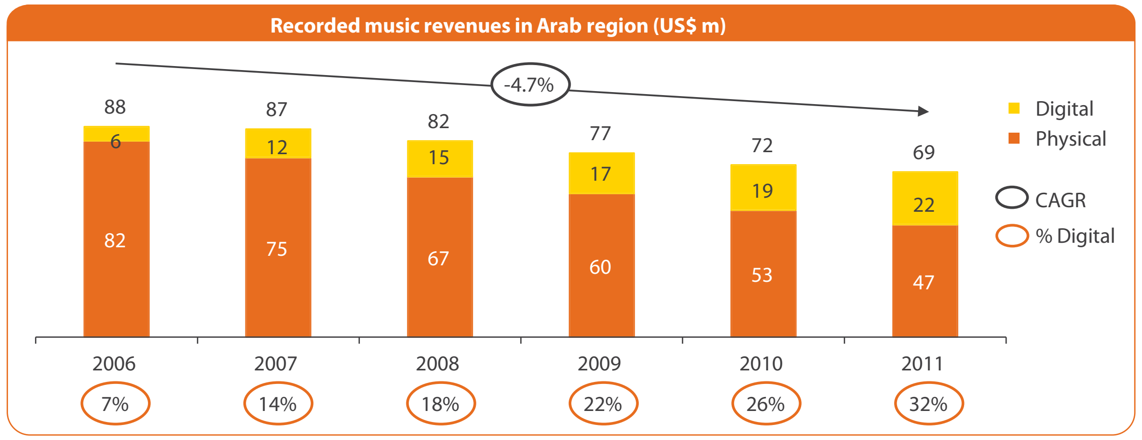
8. MUSIC

8.1 INTRODUCTION

The music industry in the Arab region is highly diverse, with a wide range of genres, different levels of online activity and varying degrees of focus on live music events across the region. Globally, the industry has faced severe challenges since the advent of the digital era, with traditional revenues from music sales declining dramatically over the last ten years. Between 2006 and 2011, worldwide physical music sales declined at a CAGR of -14%, while total recorded music sales declined at a CAGR of - 8%.[73] This trend has been somewhat mirrored in the Arab world, but ongoing high levels of piracy in the region have served to compound its effect. As we discuss the current state of the Arab music industry in this section, and its potential for growth going forward, we will keep these macro trends in mind.

Music industry revenues can be split into three broad categories, which are witnessing divergent trends both internationally and in the region. Firstly, recorded music revenues which have been on the decline at an international level, largely due to the widespread popularity of accessing music online at cheaper prices than physical stores, and often for free. In the Arab region, the contribution of the music recording industry varies significantly from country to country, yet in all of those countries, total recorded music revenues have been falling in recent years in line with global trends. While in some Western markets, strong actions have been taken to tackle piracy at a governmental level, the Arab region has seen little development in this regard and, as a result, continues to suffer from relatively low levels of recorded digital music revenues. This trend is illustrated in the next exhibit.

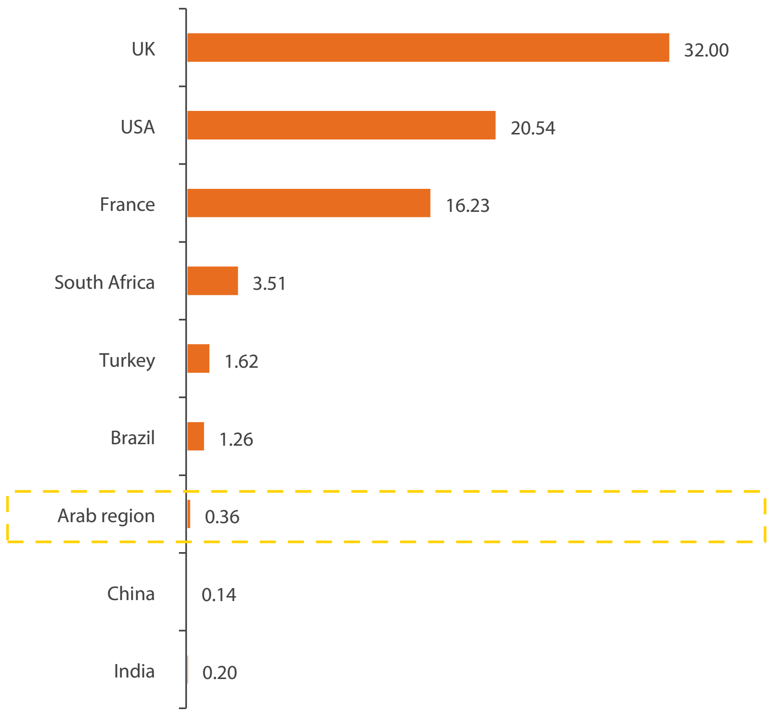
Exhibit 108 : Recorded music revenues in the Arab region 2006-2011[74, 75]



73 Third party research
74 Arab region includes all AMO countries, except for Iraq, Palestine, Sudan, Tunisia and Yemen
75 Third Party research

As the previous exhibit shows, revenues from recorded music have dropped at a CAGR of -5% over the last five years in the region, reaching just ~USD70 million by the end of 2011. When compared to international markets on a per capita basis, we see that the size of the recorded music industry in the region has significant potential for growth. At just USD0.36 per capita, compared to USD32 in the UK, or even USD1.62 in Turkey, the relative size of the industry in the Arab region is closer to markets like China and India, where piracy rates are also very high.

Exhibit 109 : Recorded music revenues per capita, 2011 (USD)[76]



At the same time, the contribution of digital platforms to total recorded music revenues in the region has risen from 7% in 2006 to 32% in 2011, which explains the lack of overall growth in the region. Going forward, the industry will have to increasingly rely on digital revenues for growth. In global markets, physical distribution has declined so much that it has begun to approach a plateau where it serves purely the demand from a certain demographic (usually over 45 years) that still prefers music in physical formats. Yet this segment of the population is small in the Arab world, indicating that the trend which shows growing demand for digital music and declining demand for physical music can at best continue, and if not accelerate going forward.

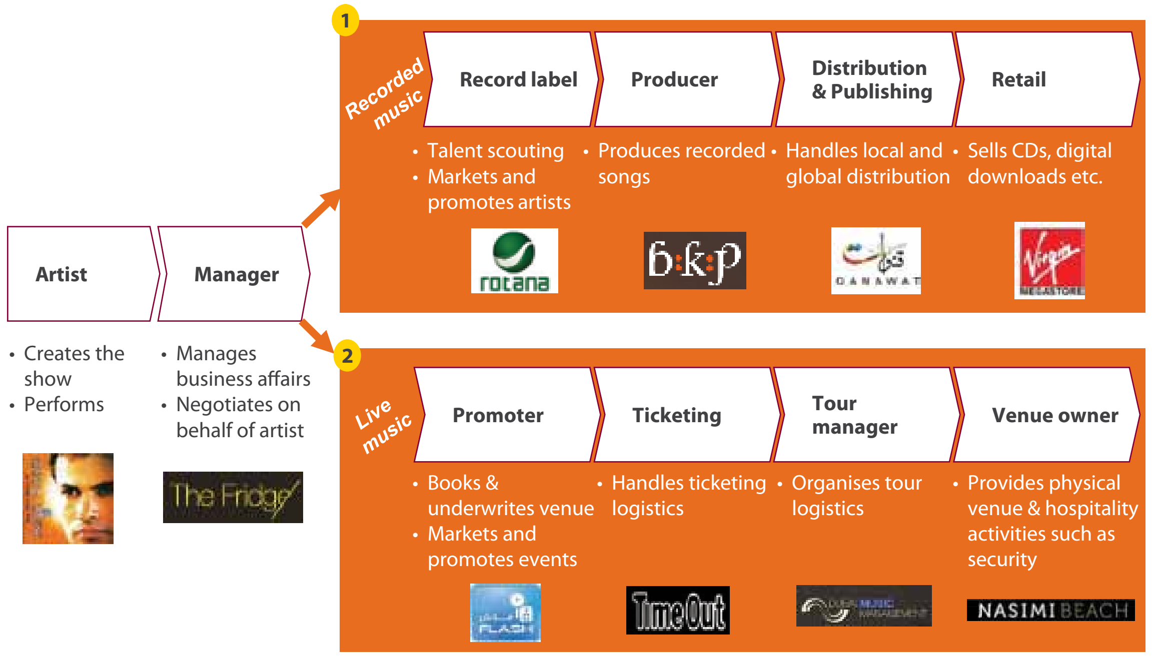
The second source of music industry revenues is from live performances. Revenues from touring, including both performance fees and associated sales from merchandising etc. have become an increasingly important component of the global music market in recent years. Record labels have developed new models to enable them to grow their share of live performance revenues, with some of them entering into revenue-sharing agreements with their artists to piggyback on concert and merchandising sales and to cross-promote the recorded music and performance markets. In the Arab world, live music is a growing industry, with a rising number of venues to accommodate both regional and international artists coming into the market. Going forward, we expect touring and associated merchandising to continue to provide a significant revenue stream for the music industry in the region.

Music publishing represents the third stream of revenues for the industry. This consists of synchronization rights (fees for music played in audiovisual media such as commercials), performance rights (fees for the right to perform copyrighted music live or to play it on the radio or online), mechanical rights (fees paid to put a song on a mechanical device such as a CD), and sheet music. Globally, the licensing of music on digital platforms is helping to expand publishing revenues for the industry, with music increasingly being used on social networking sites, in online games etc.). However, publishing revenues in the Arab region are minimal, largely due to the lack of adequate copyright protection regulation. If this trend is to change going forward, some major developments will have to be made on the part of regulators and industry bodies in setting and enforcing copyright standards to help grow the industry.

76 IMF, EIU, Third party research report, Deloitte analysis

When analysing the status of the music industry in the Arab world, it is useful to consider two main branches, which have distinct industry structures. As the next exhibit shows, the two branches of the music industry value chain in the region are: recorded music and live music, with music publishing being included within recorded music.

Exhibit 110 : Music industry value chain (sample players)[77]



This section on the music industry will evaluate the main elements of the value chain above to help identify potential opportunities and challenges within each one.

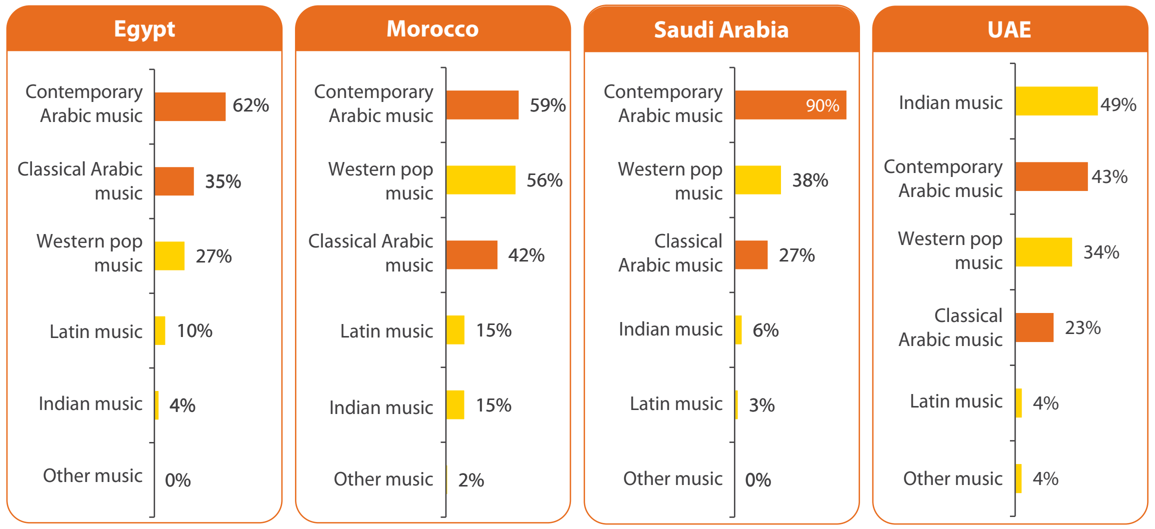
8.2 ARTIST / MANAGER

As music genres fragment, tastes are increasingly local

While music tastes in the region are quite diverse from country to country and international influences from the West and other areas are increasingly merging with local styles, Arabic music in its broadest sense remains the most popular genre in the region. In three out of four of the markets (Egypt, Morocco and Saudi Arabia) in which we carried out market research, contemporary Arabic music was stated as the most preferred genre of music. This was followed by classical Arabic music in Egypt and Saudi Arabia, and by Western pop music in Morocco. Only in the UAE, which is unique due to its diverse population, did Arabic music rate lower than another genre – Indian music. Overall, Western music was found to have a lesser appeal in the region. These results can be found in the next exhibit.

77 Deloitte analysis

Exhibit 111 : Music preferences in selected Arab markets[78]



Within the Arabic music genre, tastes in the region can also vary quite dramatically between countries. Egyptian and Lebanese artists have traditionally been the ones to appeal to the broadest pan-Arab audience. This is due to several factors, including:

- Favourable production conditions, particularly due to the high availability of talent in creative industries like music
- High demand for Egyptian and Lebanese music across the region, and not just within individual markets
- Lively domestic competition, helping to stimulate the industry locally

However, there are several other genres of Arabic music which must also be considered. Moroccan music, for example, covers a large spectrum on its own which includes Arabo-andalouse, Malhoune, Chaabi, Classic, Berber, Rifi and Soussi music. Each style is popular and has an important market within the country, but their appeal has not yet widened to the broader Arab region on any significant scale. Iraqi music is also quite distinct, and some Iraqi artists are becoming increasingly popular on a pan-Arab basis. Khaleeji (Gulf) music is characterised by its strong drum beats and choppy rhythms and is being increasingly enjoyed by people outside of the Gulf countries as well.

In the West, the modern music industry has already significantly fragmented in the last few decades. It has moved from a stage of a few major "current" music genres (namely pop, rock, jazz and disco) in the seventies to a stage where scores of different styles can be found within each one of those genres. The 'pop' genre, for example can be divided into pure pop, dance, R&B, hip-hop, pop rock, europop etc. Each of these can then be broken down one level further, with styles such as 'old school', 'new school', 'gangsta rap', 'ragga' and many more, being available within the hip-hop sub-genre alone.

Similarly, music genres are fragmenting in the Arab world, with Arabic music diversifying into various sub-genres. One aspect of this movement can be found among some ultra-contemporary musicians who are mixing more traditional Arabic styles with different genres of Western music. For example, Richii is an Arabic singer who focuses on Electronica, while Malika is a modern Lebanese rapper and Darine an Arabic hip-hop artist.

This is a particularly common trend for artists dealing with modern political issues in different parts of the Arab world. For example, Palestinian hip-hop has been popular for some years and has even been used as a political tool, with acts such as Palestinian Tamer Nafar and Israeli 'The Shadow' collaborating on music as a cultural bridge to overcome differences in politics. More recently, rap has become an important medium of expression for political activists in some of the countries affected by uprisings in recent months.

As the next exhibit shows, the modern Arabic industry has evolved significantly over the last 70 years from 'classical' Arabic singers who became popular for their nationalistic rhetoric back from the 1940s and 1970s to a cross-genre version of modern music covering political, cultural and other issues.

78 Ipsos

Exhibit 112 : Evolution of Arabic music since the mid-20th century[79]

	Egyptian	Khaleeji	Bilad AlSham	Maghreb /Rai
Classical ("Founding fathers" of modern Arabic music)	• Um Kulthum • Mohammed Abdel Wahab • Abdel Halim Hafez • Farid Al Atrash	• Tariq Abdul Hakeem • Saraj Omar	• Fayrouz • Wadie Al Safi	• Cherif Kaddam • Raoul Journo
Contemporary (Popular during late 20th century	• Amr Diab • Mohammad Mounir • Angham	• Mohamed Abdou • Talal Maddah • Rabih Saqr • Nawal Al Kuwaitia • Ahlam	• Elissa • Asalah • Ragheb Alama • Najwa Karam • George Wassouf	• ChebKhaled • Samira Said • Latifa • Saber Al Rubai • Warda
Current (Popular during 2010s)	• Tamer Housny • Mohamed Khairy • Mohamed Hamaki	• Natasha • Hussein Al Jasmi	• Shahd Barmada • Malika • Nancy Ajram • Yara	• Hasna • Jannat

Cross-genre music: often fused with Rock, Hip-Hop, Jazz, Electronica, Dance etc.

In terms of artists covering these genres, the market is similarly fragmented. The industry is witnessing two clear trends from the music supply side. Firstly, in the pan-Arab music market some high-profile Egyptian and Lebanese artists remain as popular as ever. Musicians such as Amr Diab and Najwa Karam have been around for many years and their popularity shows no signs of waning, with both singers still featuring on the regional charts in 2012. In addition, some singers from the Gulf such as UAE artist Hussain Al Jasmi whose music is distinctly Khaleeji in style, have become popular across the region. This trend can be considered, in part, to be due to the influence of recent TV shows such as Star Academy and Arab Idol which feature Arabic singers with a range of different styles from across the region. This is helping to promote the concept of pan-Arab music by exposing audiences to a more diversified base of artists.

Yet at the same time, evolving consumer tastes are increasingly demanding a form of ultra-local content in music, as they are with other content types. As a result, there is a very large market of artists catering to local tastes in different countries across the region. For example, in the Gulf region, local Gulf singers such as Saudi artists Mohamed Abdu and Rashid Al Majed have encountered significant success elsewhere, but aside from a few key exceptions, their popularity remains largely limited to the Gulf countries. Music from the Maghreb is another example which has not yet crossed borders into the Levant or the Gulf. Indeed, tastes are so distinct that Lebanese singers such as Yara and Diana Haddad have specifically released albums in the Khaleeji dialect in order to meet demand in the Gulf market.

Furthermore, the vast number of singers in many Arab countries means that the pan-Arab market would not be able to sustain such volume. Therefore, while the pan-Arab market is dominated by a core of a few historically popular singers, the local music industry in each Arab country is highly fragmented. It is increasingly driven by songs rather than artists, with 'one-hit wonders' such as the recent Ti Rash Rash often becoming popular in the regional charts. As such, many such artists are self-managed, without a big enough potential repertoires to warrant a recording contract with the major labels, and competition runs very high.

79 Deloitte analysis

8.3 RECORDED MUSIC

8.3.1 Labels/ Producers

In a similar vein to the music artist sector, the market for record labels managing those artists is very fragmented. Rotana is the largest label for Arabic music and, as an example of its dominance, is responsible for six of the top ten singles in the Arabic charts in a week sample taken in February 2012. Some others have a decent market share in Arabic music, such as Melody, Platinum Records and, to a lesser extent, Alam El Phan. All of these players are part of wider groups which also operate Arabic music channels on satellite television (and radio channels in some cases), and are able to cross-promote their artists across divisions. Indeed, MBC's Platinum Records gains coverage through the TV show Arab Idol, which offers the winner of the show a recording contract. However, there also exist hundreds of smaller labels in the region which are serving just a few artists each and are lacking the scale and resources to make a big impact in the market.

Meanwhile, the big four international labels (Sony, EMI, Warner and Universal) have all entered the regional market, with varying degrees of scale. They are providing increasing competition to existing local record labels. Most have concentrated on exploiting their international catalogues in the region, whether alone or through representatives such as Fairwood Arabia in sub-licensing deals – as is the case with EMI and Universal. Yet some have introduced efforts that go beyond pure licensing and physical sales opportunities.

Sony, for example, opened its office in Dubai in 2009 in order to manage its presence across the Arab region and to capitalize on live event opportunities, but recently signed its first local artist to its label. Tash, a fusion English/Arabic artist blending pop and R&B with Arabic music, joined Sony Music Arabia in February 2012. Sony's presence in the region may indeed be further enhanced following its announcement to purchase EMI's global music catalogue jointly with Abu Dhabi firm Mubadala Development Company. Indeed, EMI is already active in managing local artists, having recently signed up Egyptian pop star Mohamed Khairy in September 2011. An overview of the leading players in the record label sector can be found below.

Exhibit 113 : Overview of record label market structure in Arab region (sample players)[80]

Arabic Song Charts, Feb 2012

1	Sherine Abdel Wahab - Wennabi Law Gani
2	Amr Diab - BanadeekTaala
3	NajwaKaram - Law Bas Taa'ref
4	Assi Hillani - Saalouni
5	Melhem Zein-Kabadbad
6	Nancy Ajram - Min Ma Endo
7	Tamer Hosny - Smile
8	George Wassouf-Beyehsidouni
9	Hussain Al Jassmi - La Teqarenni Begheri
10	Nawal El-Zoughbi - Ma'arafsheLeh

Produced by Rotana

Regional

Rotana
- **Rotana** is the largest label in the MENA region, based in Saudi Arabia
- Started **as a record company** in 1993 and expanded into **production and distribution** of music
- Its **publishing** arm includes more than **30,000 songs**

Platinum
- **Platinum Records, based in Dubai**, is a subsidiary of broadcasting group MBC
- It is renowned for offering the **winner of Arab Idol** (MBC1) a recording contract
- **Cross-promotion opportunities** between the record label, talent show, radio stations and TV channel are high

Melody
- **Melody Music** launched in 2003 and offers both record label and distribution services
- Has offices in both **Egypt and Lebanon**, focused on Arabic music
- Major signed artists include: Nancy Agram, Ragheb Alamaand Ahmed Fahmy

International

EMI
- **EMI Music Arabia** has been active for ten years and acts as local distributor for **Warner Music** out of the UAE
- **Launched online store** in conjunction with souq.com in April 2011, but only lasted six months before **closed down** due to 'logistical issues'

Sony Music
- Opened **Sony Music Entertainment Middle East** office in Dubai in 2009, having operated in the region previously through **local distributor Megastar**
- **Signed first local artist,** Tash, in February 2012– fusion artist blending pop and R&B with Arabian and eastern rhythms

Universal Music
- **Universal Music Publishing Group**, based in the UAE, entered the region through a deal with **Fairwood Music Arabia** in 2008; its focus has been on **licensing its catalogue**
- In February 2010, made signed **content agreement with Qtel** to provide music downloads

One of the major challenges for record companies in the Arab world is the lack of royalty payments, which is leading to a severely undervalued music publishing industry. In most Arab countries, copyright laws relating to music rights are established, but not properly enforced. In recent years, steps have been taken at governmental and industry levels to improve this situation, but not enough for a viable music publishing business on a pan-Arab basis. In the UAE, for example, the copyright law of 2002 states that copyright infringement is punishable by a fine of approximately USD2,700 and two months in prison, but this law is often not enforced for TV and radio stations. Rotana claims that it has been losing USD5 million a year in missed royalty payments in the UAE alone.[81]

Recent steps towards progressing the copyright protection system indicate a positive sign for the industry, but their influence over the development of the industry in the future remains uncertain. For example, in November 2011 the International Confederation of Music Publishers (ICMP), which represents the interests of the music publishing community worldwide, agreed to the formation of a Middle East branch. The organisation, known as the Middle East Music Publishing Association (MEMPA), was designed to lobby regional governments over important issues such as the enforcement of copyright laws. Such initiatives should help grow the industry in the long-term, but little has been heard from them since the announcement in 2010, indicating that the organisation never really took off on any scale. Similarly, French royalty collection agency SACEM and UK-based PRS both attempted to set up initiatives in the region, but with little impact. Overall, there is a clear gap in the market for a regional copyright protection initiative, but it would require influential stakeholders on a pan-Arab basis and a heavily co-ordinated effort across the region to make it work. As such, there seems to be a long way to go before large scale royalty collection becomes a viable business in the region.

8.3.2 Distribution/ retail

While the physical retail sector in the Arab region is well established, distribution over other platforms has presented some major challenges. The sale of physical CDs and DVDs online has been facilitated in international markets by big players such as Amazon which benefit from economies of scale. In this region, online commerce in general is relatively underdeveloped, but attempts to sell physical music online even in the more advanced markets such as the UAE have met with limited success. In April 2011, EMI Music Arabia announced the launch of its online store on Souq.com, offering a unique concept in the UAE. The store offered a range of 6,000 CDs to buy online which were to be shipped to homes around the Emirates. Yet just five months after launching, EMI closed down the store, citing logistical issues in supplying orders. More recently, Virgin Megastore opened an online store in conjunction with e-commerce player Nahel, which may provide a boost to the region's e-commerce sector in music.

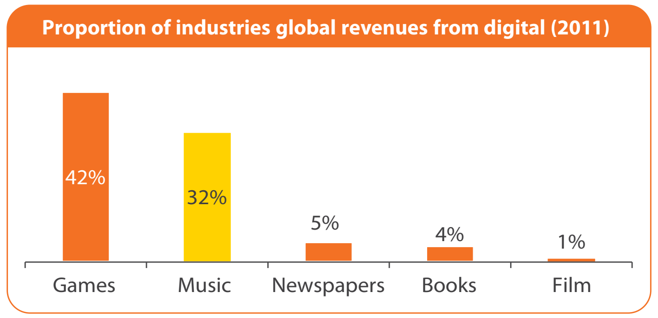
In addition to the digital distribution of physical music, it is also of course important to consider the digital distribution of digital music. The fragmented nature of the music industry in the Arab region has opened up a gap in the distribution chain which has so far been filled mostly by content aggregators. The need for B2B aggregators to provide content for telecom operators, as well as to serve the B2C market, has turned this into a growing industry. In this sector, local players in the Arab region have proven more successful than international ones in terms of music aggregation. Qanawat is an example of a regional player which has successfully capitalized on the rising need for music content across different platforms. Founded in 2001 and headquartered in Dubai, the company has now developed strategic partnerships with around 32 mobile operators in 25 countries and over 200 local and international providers of content. Music is a core part of its offering, bringing content from international labels Sony, Universal and EMI, as well as local ones including Mazzika and Arabica. In the Arab region, the ongoing high demand for ring-back tones has primarily been driven by the interest from telecom operators to date, but full-length music tracks will no doubt present a growing opportunity going forward.

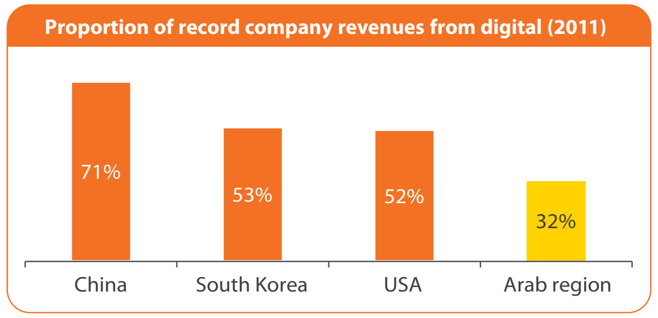
The distribution of digital music is of growing importance to all players in the recorded music value chain. A high-level comparison with international markets indicates that the Arab region has room for growth in terms of the proportion and absolute size of the digital music market. As the next exhibit demonstrates, the global music industry was one of the most reliant creative industries on digital sales in 2011, second only to books. The Arab world is actually roughly in line with the global average in terms of the proportion of music revenues from digital, but falls behind some of other markets such as the US and China where over 50% of industry sales now come from digital.

80 Hitmarker.com, Corporate websites, Deloitte analysis

81 The National

Exhibit 114 : Importance of digital platforms in music[82]





- **Digital music revenues to record companies grew by 8% globally** in 2011, with music being the second biggest segment of the media industry in terms of proportion of revenues from digital sources
- In the MENA region, the **growth has also been significant, but not quite as steep**
- While digital music revenues constitute **over half of industry revenues** in many markets, in the Arab world they account for just ~32%
- This indicates **strong potential for growth** in the region, assuming that industry players can find a way to combat the strong threat from piracy

With major international digital music players such as iTunes offering a very limited presence in the region (focused on the applications market, rather than music), there is theoretically a major opportunity for regional record labels and music aggregators to launch high quality music download sites. There have been several attempts by local players to tap into this market, but with limited success to date. The next exhibit provides a sample of the online music download sites available in the region, which include not only legal, paid content initiatives, but also some of the many sites offering free downloads.

Exhibit 115 : Online music portals in the Arab world (non-exhaustive)[83]

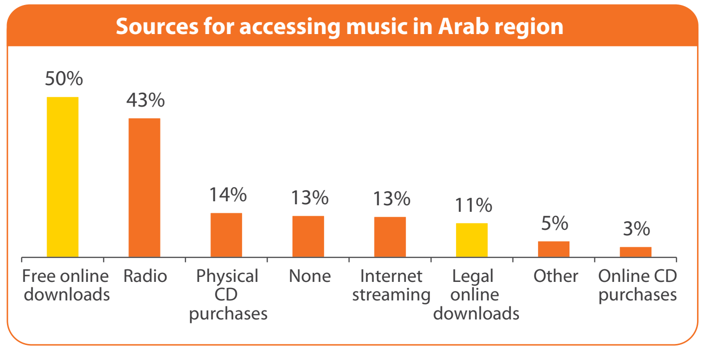
Independent music portals	Telco-backed music portals	Free download sites
Dubai-based music distributor launched own music download site in Feb 2011	Content portal from Etisalat, includes limited full track music offering	Range of semi-legal music sites available across the region, offering free downloads to consumers
Egyptian digital music download site, focused on Arabic content	Digital content platform backed by du, includes Arabic and International music	
Largest distributor of Bollywood & South Asian content, offers online downloads	Music download service from Qtelwith Universal Music, MazzikaHun-gamaand Melody	
(Intigral) Mobile music portal with regional and international labels launched in 2010; coming soon to an online portal	Nokia's Ovimusic service available in the Middle East, with international and limited Arabic content	

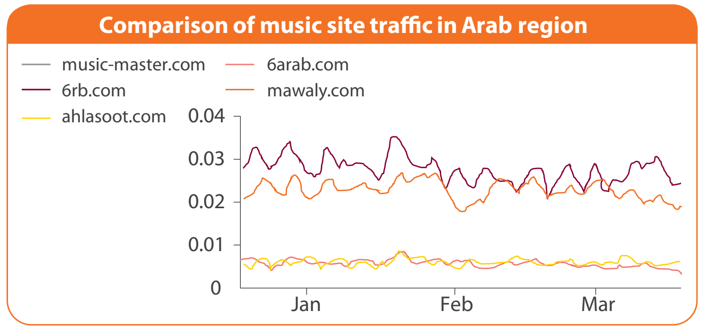
One of the most recent initiatives in this space, Music Master, was launched by the Dubai-based global music distributor in February 2011. The site offers a catalogue of around one million tracks featuring both local and international artists through deals with label giants Universal, EMI, Sony and Warner. With tracks priced from just USD0.81 and albums from USD8.16, it should provide an affordable alternative to the free options which are already so popular in the region. Another recent initiative, the Sult'n portal from Intigral, has already encountered some early success with its mobile version and will soon be going online. This initiative presents a new business model for the industry, offering a subscription-based service for music downloads.

However, the main challenge for all these new sites will be to provide a competitive alternative to the abundance of illegal websites offering free, pirated music across the Arab world. Some services, such as 6arab.com, are even earning revenues by selling advertising space on the site. Indeed, the extent of the damage done by pirate sites to the regional music labels is evidenced by the fact that many have so far chosen to simply follow the trend and offer their content online for free. This explains Rotana Media's affiliation with Musicnation.me, for example, which offers free music downloads through a legal site.

The following exhibit highlights the strong challenge that music download sites face in the Arab world when trying to compete with pirated online content. It underscores the popularity of illegal sites, with 50% of those surveyed in our market research admitting to accessing free music downloads online. It should also be noted that consumer market research often underrates the true level of piracy usage, since not all consumers are willing to admit to downloading content illegal. Therefore, the real proportion of users downloading illegal content may, in fact, be even higher.

Exhibit 116 : Evidence of free music downloads in the Arab region[84]





- Market research from across four major Arab markets indicates that 50% of Arab consumers illegally download music, while just 11% use legal online downloadsas a source for accessing music
- An analysis of traffic trends on various music sites in the Arab world also shows clearly the prevalent use of free download sites over legitimate sources
- Free download sites 6rb.com and mawaly.com (among others) proved far more popular than their legal counterparts such as music-master.com which cannot even be tracked on Alexadue to a ranking lower than 100,000 on the web

Combating the problem of online piracy is not a simple task, and governments all over the world continue to tackle this challenge. However, there are measures that the regional music industry could take to help improve the situation, including:

- **Political commitment:** Specialized IPR units to deal with copyright infringements could be set up by those governments which do not already have such initiatives, and inter-ministerial taskforces established to help drive change.
- **Enforcement efforts:** An effective anti-piracy initiative requires enforcement as well as policy-setting. Training for enforcement officials and prosecutors specialized in copyright issues could help educate legal professionals on online piracy issues and encourage enforcement of the law.

In addition to working to combat piracy, artists in other markets have been practicing unique monetization models to help drive interest in, and ultimately sales of, their music online. Back in 2007, UK band *Radiohead* opted to self-release its latest album In *Rainbows* as a digital download, asking listeners to pay for it whatever they thought it was worth. Although the exact revenues from this initiative were never publicly disclosed, the album did reach number one in the album charts in the week

82 IFPI, Deloitte analysis
83 Company websites, Deloitte analysis

84 Ipsos (based on data from across four countries – Egypt, Morocco, Saudi Arabia, UAE), Alexa, Deloitte analysis

of its retail release and the band's publisher announced that it had sold three million copes (including digital and physical sales) in the twelve month post-launch online. Similarly, the *Plastic Beach* album from *Gorillaz* in 2010 was available for streaming for free on The Guardian's website a week before the album's official release, and additional online games and content were available to users who actually bought the album. Similar initiatives could be explored more creatively by Arab artists as well, which would help market their music in the online space in the hope to eventually drive sales.

8.4 LIVE MUSIC

In a market where recorded music and publishing revenues are low, live music is an incredibly important part of the industry. Live performances constitute the lion's share of Arab artists' income[85] and remain a major focus for singers. The rising number of venues to accommodate live music events and the increasing number of festivals to host different genres of music is supporting growth of the industry. As an example, the next exhibit explains the expansion strategy for one particularly successful live music venue, Music Hall.

Exhibit 117 : Case Study on Music Hall[86]

Music Hall - Beirut

- Music Hall is a live music venue in Beirut which was launched in 2003 by Michel Elefteriades
- The venue is famed for offering an eclectic mix of music genres, from opera and hip hop to cabaret and rock
- Music Hall is sold out most weekends, filling an extremely popular gap in the market for lively, atmospheric musical entertainment in the Middle East
- In 2008, Music Hall's owner decided to franchise it; the first franchise was due to open in Qatar in 2009; however the idea was postponed due to economic difficulties

Expansion in Dubai

- Following its success in Lebanon, Music Hall is set to open a venue in 2012 in Dubai at Jumeirah Zabeel Saray hotel
- The venue will offer a vast stage area and capacity of up to 1,000 people
- It will feature over 10 unique acts per night, making it a unique venue for live music in Dubai

Implications for live music

- The success of the live music industry is partly dependent on the availability of large scale, high-tech entertainment venues
- In a region where piracy is high and copyright laws are limited, live music is an essential source of revenue for Arab artists
- The launch of new, quality venues such as Music Hall across the MENA region, will support the growth of the industry and promote interest in the music sector

Indeed, the UAE has become one of the major hubs for live Arabic music in the region. High profile artists with pan-Arab popularity, such as Nancy Ajram, Amr Diab, Elissa, Majed Al Muhandes and Ragheb Alama have all performed in the UAE over the last few years. Events such as Layali Dubai help to promote regional Arabic artists in the country. In fact, the political unrest in some Arab countries during 2011, and the ongoing uncertain social and political conditions in some markets, has helped the UAE be considered as a more stable platform for performances. In Tunisia, for example, performances by Nancy Ajram and Elissa were reportedly banned by the Minister of Culture from the Carthage Festival in 2012.

In addition to the more mainstream forms of contemporary Arabic music, heavy metal rock music also has fairly significant following, although the opportunities for live performances are fewer due to strict regulations in some countries. The drive to bring rock music to the Arab world was heavily influenced by the Dubai Desert Rock Festival, which for several years attracted metal fans from all over the Middle East. The 2008 event boasted as many as 28,000 attendees, in spite of limited publicity. For more conventional genres, major live music festivals can receive sponsorship funding from private companies, but rock or metal events have to rely on financing from band members which limits overall exposure. In 2009, the organisers decided to stop running the festival.

Yet the rock music fanbase is still alive in the region. Saudi Arabia has a rock community which is represented by the Saudi Arabia Rock and Metal Society. In Bahrain,

85 Dr Nagla Rizk, Professor of Economics at American University of Cairo
86 Press releases, Deloitte analysis

Scarlet Tear announced themselves as the first all-female rock band in the country in a progressive move in 2010. Considering the affinity which rock music traditionally has with the emotions of angst and despair, its popularity could be set to rise in the context of the ongoing political troubles in some countries. Syrian rock and metal band *Gene*, for example, specifically addresses the aspirations of Arab youth. Furthermore, soft rock song Sout Al Horeya, or The Voice of Freedom, became one of the theme songs of the uprisings in Tahrir Square in Cairo.

By contrast, the market for international live music has a slightly different structure. The UAE is the largest market for concerts by high-profile international artists. In both Dubai and Abu Dhabi, big names from the US and UK music industries continue to appear on stage, with an ever-increasing number of venues supporting tens of thousands of customers every year. In Abu Dhabi most of the major concerts are organised through government-owned Flash Entertainment which is able to support the large fees requested by major international artists. In Dubai, meanwhile, the promoter market is more fragmented with strong competition leading to a more commercial approach to talent agreements. The next exhibit provides an overview of the two distinct markets in live music.

Exhibit 118 : International live music promoters in the UAE[87]

	Main Promoters	Main Venues (Capacity)	Recent Performances	Business Model
Abu Dhabi	FLASH	• YasArena (26,000) • CornicheBreakwater (25,000) • Emirates Palace (15,000)	• Madonna (2012) • Elton John (2012) • David Guetta (2012) • Coldplay (2011) • Janet Jackson (2011) • Snoop Dogg (2011) • Shakira (2011) • Stevie Wonder (2011) • Rihanna (2010) • Andrea Bocelli (2009)	• Dominant promoter Flash Entertainment is a subsidiary of Abu Dhabi government • With the government investing heavily, fees for booking artists can be over the commercial limits
Dubai	SANDANCE PEPPERMINT EXPERIENCE VIBE	• Meydan Racecourse (25,000) • Trade Centre (10,000) • Sevens Stadium • Festival City • The Palladium (7,000) • Nasimi Beach (5,000)	• Faithless (2012) • Snow Patrol (2012) • Duran Duran (2012) • Kasabian (2012) • Joe Cocker (2011) • Westlife (2011) • Usher (2011) • Amy Winehouse (2011) • David Guetta (2010)	• The market in Dubai is far more fragmented, with a number of promoters competing for artists • Tickets today remain relatively affordable after some initial teething problems with taxes on ticket sales

There are a few reasons for the success of the live music industry in the UAE, which may not be suitable for replication in other Arab countries, including:

- Relatively affordable ticket prices compared to average income, usually starting at around USD65.
- In some cases, subsidies from the government which would not be feasible for many authorities.
- Large expatriate community driving high demand for Western music.
- Range of high quality venues with capacities of up to 25,000 enable scale. With some venues, such as Nasimi Beach in Dubai, moving up the value chain to become promoters as well, this enables further synergies.

Given these favourable conditions, the UAE looks set to remain the leading market for Western music concerts going forward.

All in all, the music industry in the Arab region has strong potential for growth. Recorded music sales may continue to decline in the short-term, but long-term growth will be driven by the introduction of high quality, paid music download sites which can effectively compete with their illegal counterparts. Music publishing revenues are dependent on changes to intellectual property rights (IPR's) regulation and enforcement which is witnessing some gradual progress in parts of the Arab world. The growing presence of major international labels, which rely on being able to collect royalties for their publishing business, could support these efforts. Finally, live music has two very distinct markets: the live international music industry is expected to continue to be dominated by the UAE, which provides world-class facilities and strong demand to support it; the live Arabic music segment is on the rise across different genres, and will remain the staple of regional music industry revenues for the foreseeable future.

87 Company websites, Deloitte analysis

REGIONAL UPDATE

INTRODUCTION

As in the past editions, this "Regional Update" section focuses on the media market of each of the 17 countries covered in the 4th edition of the Arab Media Outlook. For each country we provide an analysis of the key recent trends in the local media market as well as our projections over the 2011-2015 period for advertising across all media platforms. We have included two additional markets in this year's report: Iraq and Libya. While these two countries have experienced turbulent times in the recent past, there is no doubt that both have the potential to become significant players in the Arab media industry in the coming years.

In order to best assess the changing habits of media consumption across the region, we conducted, for the second time after the 2009-2013 edition, an extensive market research on four key media markets. Three of these markets are the same as in 2009 - Egypt, Saudi Arabia and the UAE - which allowed us to draw some conclusions on the evolution of media in these countries. This year, we added a second North African country, Morocco, to our market research. We conducted the research on samples of 400 to 500 people over the age of 15 in each of the four markets. For the first time in AMO, we separately looked at trends in media consumption of younger age groups (10-14).

The market research has identified a few common traits in the Arab region when it comes to the way people engage with media including the migration to digital, the prevalence of social media and the rise of news consumption following the events in 2011 in the region. It also outlines the specificities of individual countries in the region in particular around local content consumption, readership behaviour and preferred TV genres.

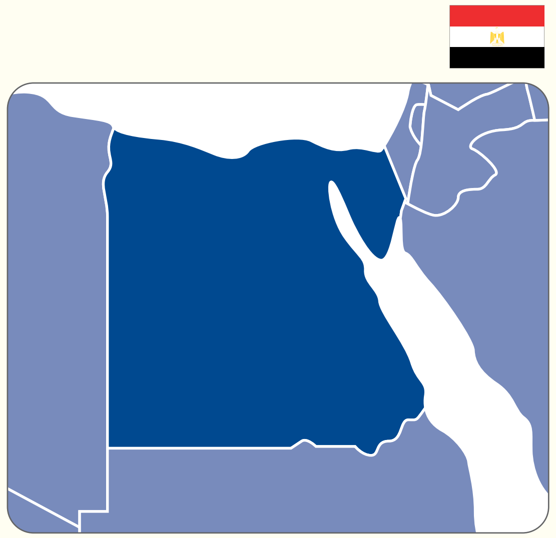
We discuss in the following chapters each of the 17 markets in detail.

IN-FOCUS COUNTRIES

1. EGYPT

Exhibit 1 : Egypt snapshot[1]

Key Indicators 2011	
Population Size (millions)	79.9
Area (Square Km)	1,001,000
GDP per Capita (USD)	2,892
Size of the ad market (USD million)	505
Advertising spend per Capita (USD)	6.3
Number of daily newspapers	21
Total TV penetration on HHs	96%
Mobile penetration on population	86%
Broadband penetration on population	2.2%



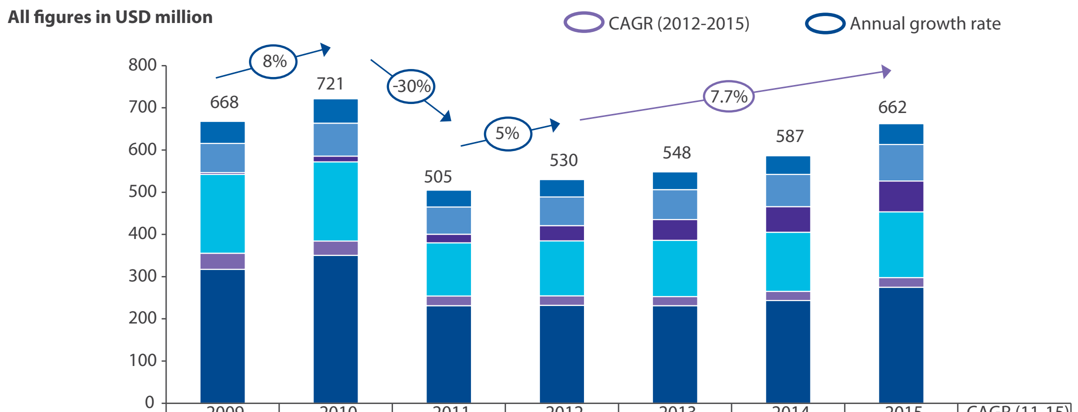
With a population of close to 80 million, Egypt is by far the most populous of all the countries in the Arab region. Over 60% of Egypt's population is below the age of 30 and the country's current literacy rate is 71%, which is slightly below the regional average of just under 78% across the rest of the Arab region. Economic growth has stalled in recent years as a result of the political climate. The country registered a 5% increase in real GDP in 2010 and 1.2% increase in 2011. The economy is forecast to experience subdued growth in the near term (i.e. between 1-2%), but as the political environment stabilises we expect an improvement in consumer confidence and growth to gain momentum towards the outer end of our projection period.[2]

The advertising market has suffered from an uncertain political environment resulting in a significant drop of 30% in advertising spend in 2011[3]. The country had the third largest advertising market in the region in 2011, representing 11% of total regional advertising spend. This is a step downwards from its regional positioning in 2009 when it was the second largest advertising market in the region. In the intervening years, Egypt has lost ground to Saudi Arabia. We expect the advertising market to grow at a CAGR of 7.7% over the period from 2012 to 2015, increasing from approximately USD505 million to USD662 million with renewed interest from advertisers seen post-2012.

With a vibrant print and audio-visual content production sector, the media industry in Egypt is well established in the Arab region despite recent events which greatly impacted production. Egypt has one of the region's oldest media zones, the Egyptian Media Production City, launched in 1997 with the goal of producing and promoting media across all platforms.

1 Arab Advisors Group, Informa, IMF, MENA Media Guide, Deloitte analysis
2 Deloitte analysis
3 Deloitte analysis

Exhibit 2 : Egypt net advertising spend[4] (2009-2015)



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Cinema/ Outdoor	52.1	57.7	39.9	41.2	41.9	44.1	49.0	5.3%
Radio	69.1	78.1	64.3	68.0	70.9	76.4	86.9	7.8%
Digital	4.4	13.4	20.4	35.9	49.5	60.7	72.9	37.5%
Television	187.0	187.5	126.2	130.5	132.9	140.0	155.6	5.4%
Magazines	38.1	34.3	22.7	22.5	21.9	22.0	23.2	0.5%
Newspapers	317.2	350.2	231.3	231.9	231.0	243.3	274.8	4.4%
Total	668	721	505	530	548	587	662	7.0%

Print

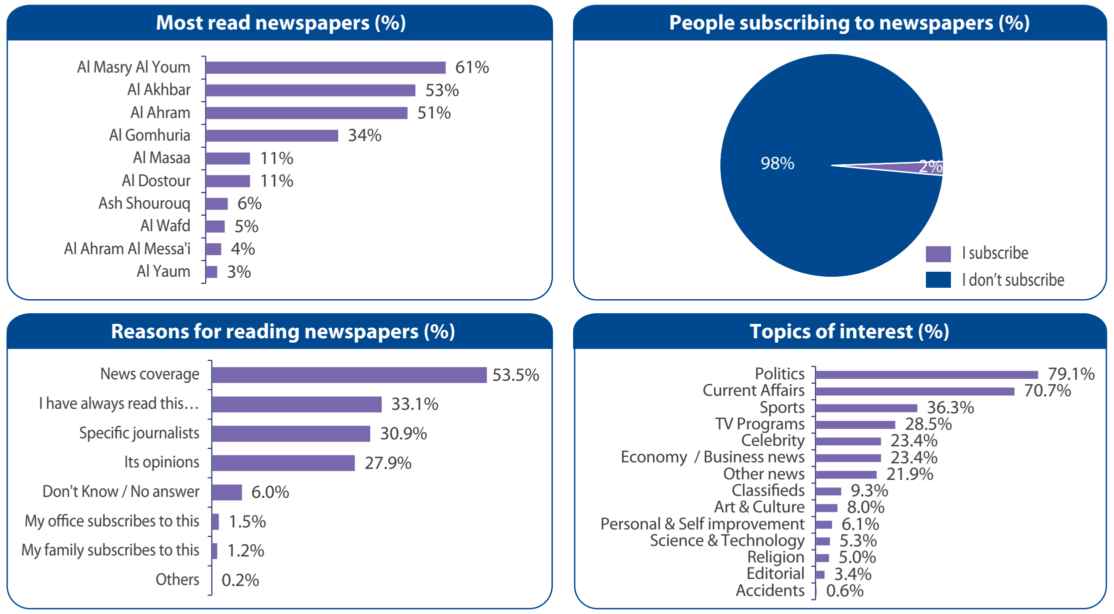
The advertising market in Egypt remains heavily dependent on print media, but less so than in other markets in the Arab region, with newspapers accounting for 45% of total advertising expenditure in 2011 and magazines for approximately 5%. Over the period 2011-2015, we believe that the newspaper industry will remain robust, growing from USD231 million in 2011 to USD275 million in 2015. As with most countries, the contribution of the print industry to total advertising revenues will show a slight decline over the period from 2011 to 2015, from 50% in 2011 to 45% in 2015.

Newspaper circulation continues to remain strong, with Egypt being one of the few markets where newspaper circulation has continued to grow in the last few years. In the period between 2009 and 2011, claimed circulation grew at a CAGR of 7.5%, significantly faster than the rest of the Arab region[5]. Egypt alone has a total claimed circulation of 43% of the overall Arab region's newspapers' circulation.

While the print media is diverse in Egypt, it remains largely owned by the state and other political parties. The newspaper industry in Egypt has witnessed several new launches against the backdrop of the charged political climate. These include *Al Tahrir*, an independent newspaper launched in July 2011 and *Al Horia We Al Adala* which was launched in October 2011[6]. In addition, a weekly edition of the popular independent newspaper *Al Masry Al Youm* was launched in English.

4 Zenith Optimedia, Ipsos, PARC, Deloitte analysis
5 Very few of the newspapers are audited
6 Arab Media Guide 2012

Exhibit 3 : Newspapers in Egypt – market research results (sample = 500)[7]



Key findings from our market research on the newspaper market in Egypt:

- **Consumption habits**: Newspaper readership is high in Egypt, with approximately 45% of the population reading a newspaper every day. In comparison to Saudi Arabia, where newspaper readership is 41%, Egypt fares better, yet it is lower than that of the UAE at 56%. Newspaper subscriptions are also low, with close to 98% of the population not subscribing to newspapers, suggesting potentially high free circulation. In addition, propensity to pay for premium news content is limited, with only a small fraction of respondents willing to pay for premium content. There is strong willingness to read online editions of newspapers in Egypt, more so than the UAE where 59% of respondents use only print and KSA where the same percentage stands at 47%.

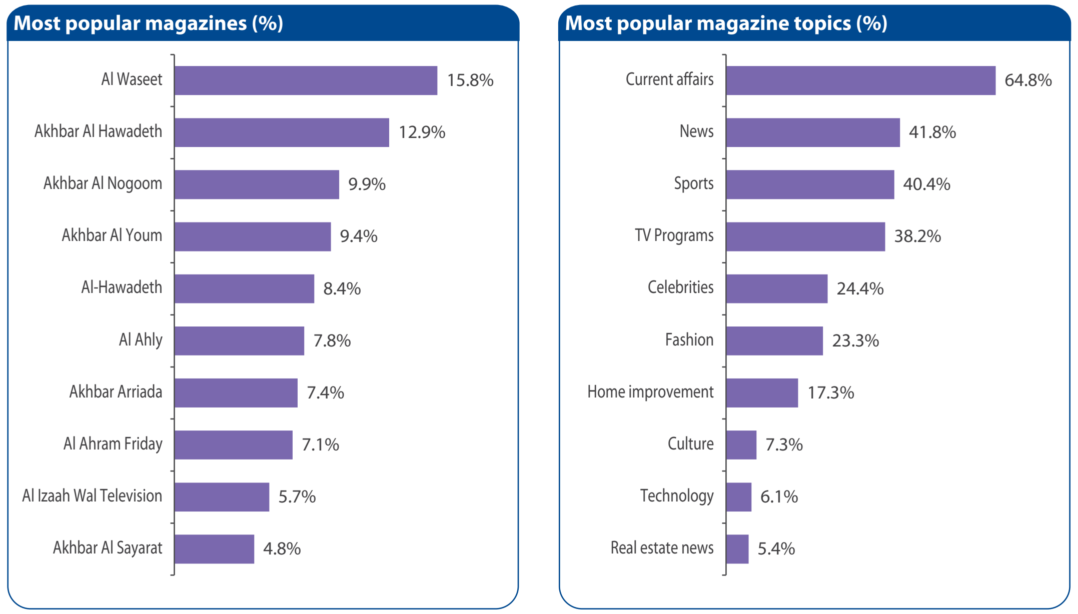
- **Most popular titles:** Whilst the independent newspaper *Al Masry Al Youm* is the most read newspaper in the country across all age groups, *Al Akhbar* newspaper, one of the historic papers in Egypt, finds favour amongst Egyptians above 45 years old, suggesting a possible dichotomy in the editorial tone of newspapers preferred by younger and older generations. While "historic" papers such as *Al Ahram* and *Al Gomhuria* remain very popular despite recent events, it is interesting to see the rapid rise of independent papers such as *Al Dostour,* which claims the 6th spot in our research.

- **Reasons for reading newspapers and top read newspapers**: Unsurprisingly the coverage of the news (followed by habitual factors and a preference for specific journalists) was the main reason for choosing to read specific newspapers in Egypt in 2012, as it was in 2009. The main topic of interest was politics, with people keen to stay abreast of developments against the backdrop of political instability in the country.

Magazine advertising spend in 2011 was estimated at USD23 million and is projected to grow at a CAGR of 0.5% over the period up to 2015. Magazine advertising contributes 4.5% of total advertising spend and this share of the total is expected to decline to 3.5% by 2015 under the effect of digital migration.

7 Ipsos

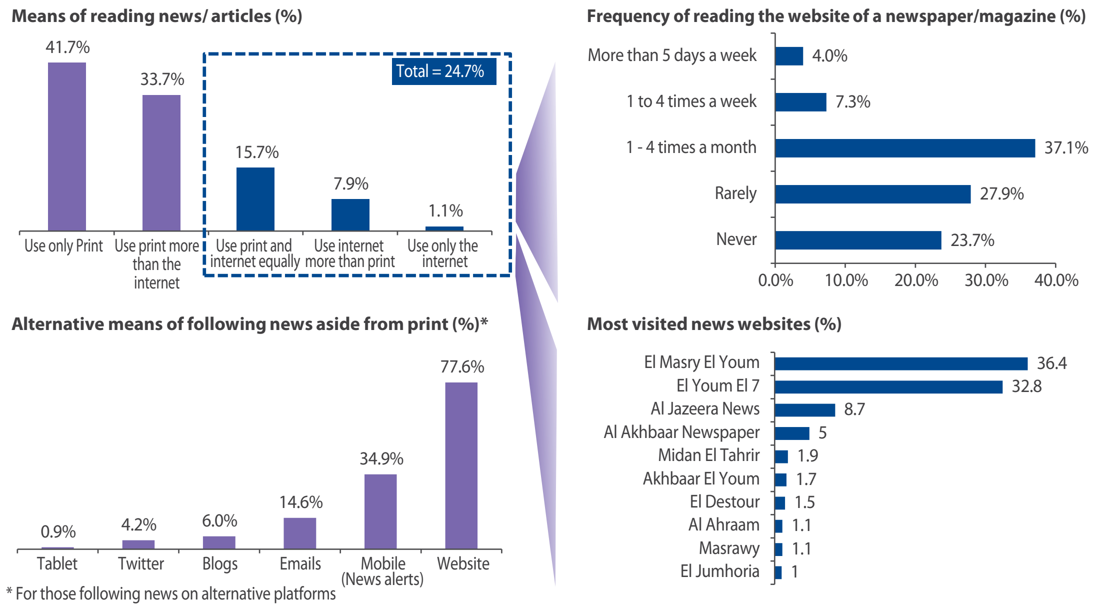
Exhibit 4 : Magazines in Egypt – market research results (sample = 500)[8]



Key findings from our market research on the magazine market in Egypt:

- **Most popular magazines**: Overall, it should first be noted that magazines are significantly less popular in Egypt compared to the rest of the region, even in the women's segment. Close to 69% of the population do not indicate a preference for any magazine. *Al Waseet* is the most popular magazine in Egypt, having overtaken *Akhbar Al Nogoom* which was the most popular in 2009.
- **Most popular topics**: Unsurprisingly in 2011, the most read topic within magazines in Egypt was current affairs, read by 65% of magazine readers. News and sports fared second and third respectively, with approximately 40% of magazine readers choosing each of these as preferred topics.

Exhibit 5 : Converging print & digital in Egypt – market research results (sample = 500)[9]



Print to online migration: As in other countries, the print industry in Egypt has started its migration towards digital, with 25% of those surveyed using the internet to access news. In spite of the lower broadband penetration this proportion is higher than markets such as the UAE (20%), reflecting the strong interest in news in Egypt.

In terms of frequency of news consumption on digital platforms, only 11.3% of the population read newspapers and magazine more than once a week. The use of Twitter for news consumption remains small, with just 4% opting for this platform in spite of the much publicised role of the micro-blogging platform during the uprisings. Interestingly, eight of the top 10 news websites visited are affiliated to newspapers. Considering *Al Jazeera* is third on the list, traditional media has done well in Egypt in capturing audience migration to digital. Interestingly *El Youm El 7*, which operates both print and digital editions, does not appear in the top read newspapers for its print edition, but it is second in the list of most visited news websites in Egypt.

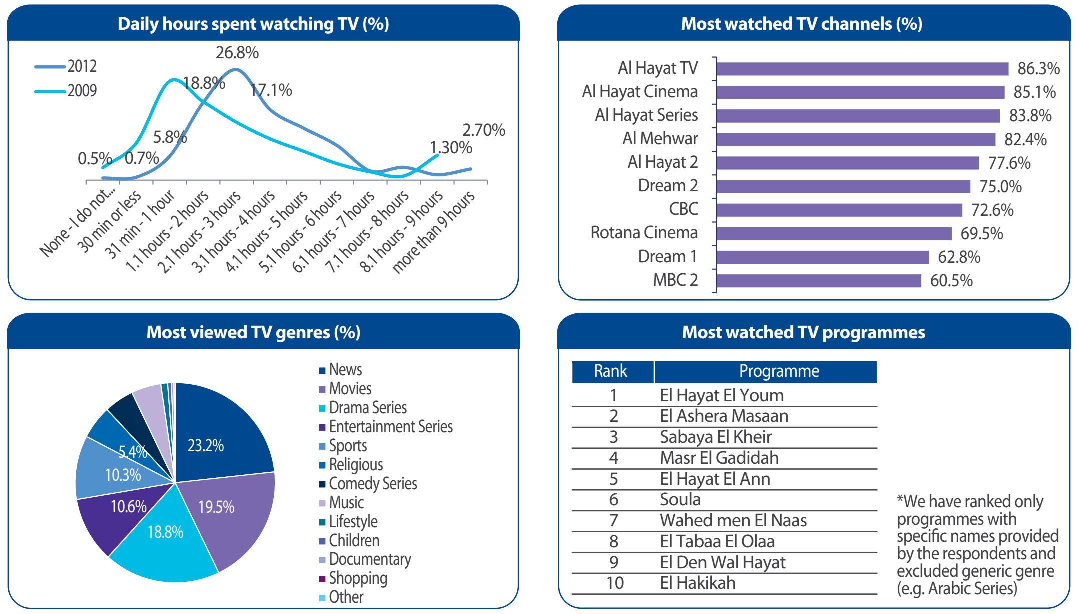
Television

Television, which constitutes 25% of total advertising spend in 2011, remains the second largest contributor to advertising spend in Egypt. While free satellite TV is the dominant platform in the country, there is also a good base of terrestrial viewers. In fact, at 41%[10] of total viewers, analog terrestrial's share of households in Egypt is one of the highest in the region. As a major regional media hub, Egypt remains among the largest producers and consumers of content. As a result, unlike most other Arab markets where satellite is the dominant platform, terrestrial TV in Egypt also enjoys a strong following, offering locally customised and appealing content across the country. The popularity of terrestrial TV is the largest contributing factor to the high proportion of total advertising that terrestrial television continues to enjoy.

The *Egyptian Radio and Television Union (ERTU)*, a government entity, remains the sole organisation to broadcast terrestrially and owns all 17 terrestrial channels. *Channel 1* and *Channel 2* are the network's main channels and broadcast across Egypt. The other six channels, although regional, are also broadcast across the country. State-owned *Nile TV*, which also broadcasts on satellite, offers a bouquet of nine channels in different genres and remains very popular among Egyptians. Two private satellite stations, *Al-Mehwar* and *Dream*, are also in operation, and the government has a financial stake in both channels. *Dream*, *Melody* and *Al Hayat* all represent success stories for the Egyptian TV industry. While *Dream*, one of the earliest channels to be launched, became popular for its customised Egyptian programming (talk shows, drama, news, sports etc.), *Melody*, which started as a music video channel and later diversified into entertainment and films, has performed well amongst the youth[11].

Since the recent political revolution in Egypt, a number of channels have launched including *Tahrir TV* and news channels *25TV* and *Egypt 25*. More importantly *CBC*, and to some extent *Al Nahar*, are new TV channels launched in 2011 (see within next exhibit)[12] which have managed to attract significant viewership after a limited time on air. *CBC* ranked 7th amongst the most watched channel in Egypt and ranked 5th amongst the most preferred channels. The channel (which is in fact a bouquet) is doing particularly well in the 25-34 year old female segment. The pan-Arab TV group Rotana also expanded its portfolio with the launch of *Rotana Misriya*, a general entertainment TV channel broadcasting programmes and series specifically aimed at the Egyptian market.

Exhibit 6 : TV in Egypt – market research results (sample = 500)[13]



Most watched TV programmes

Rank	Programme
1	El Hayat El Youm
2	El Ashera Masaan
3	Sabaya El Kheir
4	Masr El Gadidah
5	El Hayat El Ann
6	Soula
7	Wahed men El Naas
8	El Tabaa El Olaa
9	El Den Wal Hayat
10	El Hakikah

*We have ranked only programmes with specific names provided by the respondents and excluded generic genre (e.g. Arabic Series)

8 Ipsos
9 Ipsos

10 Informa
11 MENA Media Guide 2012
12 MENA Media Guide 2012
13 Source: Ipsos

Key findings from our market research on the TV market in Egypt:

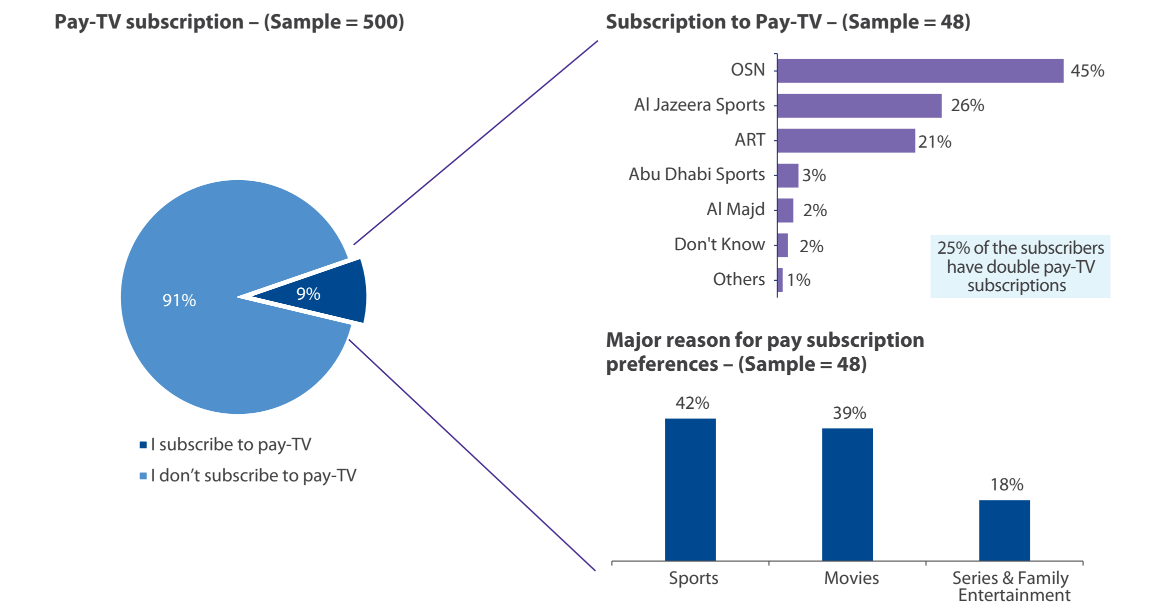
- **TV consumption habits**: Egyptians spend a significant amount of time watching television with 40% of people watching up to 4 hours of television per day. Only a small fraction of respondents (0.5%) do not watch any television at all. TV consumption has increased notably from 2009 with people watching actually more TV on average per day.

- **Top genres**: News has overtaken sports amongst the most viewed genres of TV programs, ranking number one in 2012 compared to third place in 2009. Much of this change in ranking is attributable to the uprisings which incited greater interest in political developments. Drama series rank third in 2012 overall, but second as the preferred genre amongst women. As in 2009, the research shows the popularity of movies as a TV genre in Egypt, in part driven by the strength of the local film industry. Movies ranked second in 2012 as they did in 2009.

- **Preferred channels**: Consumers prefer local Egyptian content, with eight of the top 10 preferred channels being Egyptian. The *Al Hayat* bouquet remains the most popular in the country, as it did in 2009, with its general entertainment channel *Al Hayat TV* reported as the most watched, with a strong female following. *Al Hayat* has four channels in the top 5 watched channels. *Al Mehwar* completes the list, ranking high in third place, consistent with the results of 2009. Pan-Arab channels such as *Rotana Cinema* have relatively strong viewership (albeit with a lower rank than in 2009), however there are just two non-Egyptian pan-Arab channels in the top 10, a unique position within the region, reflecting the strong preference for local content and the strength of local media outlets. Talk shows figure prominently amongst the top watched TV programs with the top 2 programs, *El Hayat El Youm* and *El Ashara Massan* (Dream TV), both featuring prominent political personalities. Finally, in terms of language preferences, Arabic language programmes continue to be the preferred option in Egypt.

Pay-TV penetration is still low in Egypt, estimated to be 9%[14] in 2011[15]. Pay- TV is not expected to see significant growth in penetration amongst households over the period from 2011-2015.

Exhibit 7 : Pay-TV in Egypt – market research results[16]



Key findings from our market research on the pay-TV market in Egypt:

- **Subscriptions:** Only 9% of respondents in Egypt claim to subscribe to pay-TV. This is largely a result of the high level of piracy in the country. Research reveals that about 11% of the population use illegal decoding cards such as Dream Box and about 61% share their subscription with their neighbours.[17]

- **Subscription drivers:** Of those respondents who do subscribe to pay-TV, the most common reasons for their pay subscription are to watch sports and movies. OSN is the most popular subscription pay-TV provider, along with Al Jazeera Sports and ART.

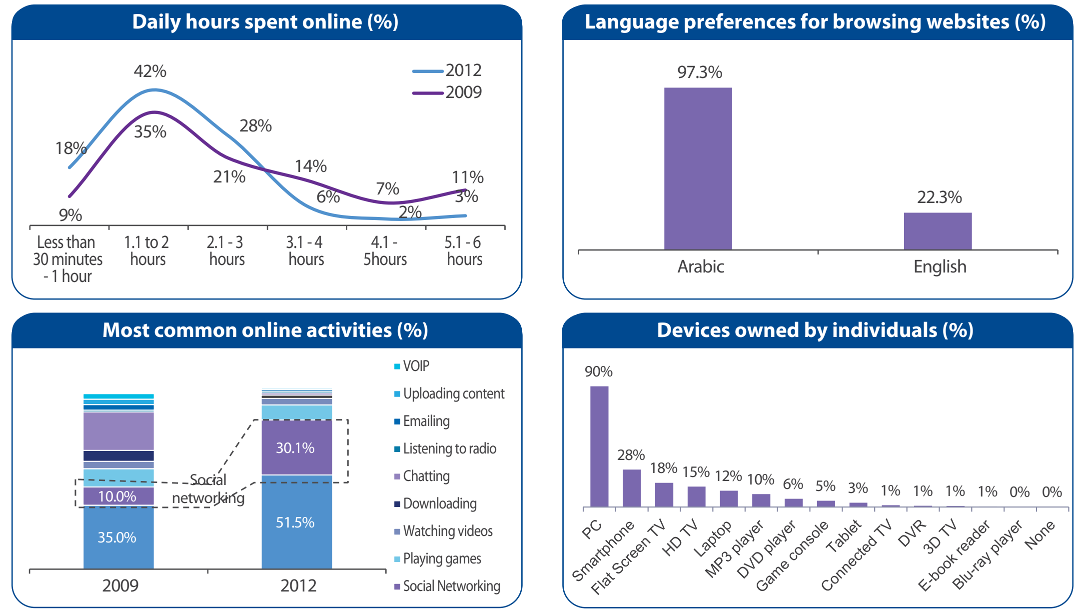
14 Claimed ownership and therefore could be overstated.
15 Informa
16 Ipsos
17 Arab Advisors Group

Digital

While fixed broadband penetration is currently low at 2.2% (on population), mobile broadband is seen as a strong substitute in Egypt. As a result, mobile broadband accounts for approximately 80% of broadband subscriptions in the country.

As in other markets, we expect that the strongest growth in advertising will come from digital media over the projection period. This will transpire as brand advertisers see benefits in digital market campaigns leveraging the strong reach of the internet. We estimate growth in digital advertising spend at a CAGR of 38% in the period up to 2015 reaching USD73 million by 2015.

Exhibit 8 : Online trends in Egypt – market research results (sample = 500)[18]



Key findings from our market research on the online market in Egypt:

- **Internet usage**: Egyptians spend nearly three hours a day online, similar to the amount of time spent watching TV, with internet usage particularly high among the younger generations. Internet usage has been impacted significantly by recent political developments and is an increasingly popular means of accessing current affairs information in lieu of television and newspapers. In fact, amongst the 15-24 demographic, our research shows that young Egyptians would rather give up watching TV than connecting to the internet.

- **Online behaviour**: A unique feature of Egyptians' online behaviour is the concentration of online activities around two key areas, getting information and social networking, which together make up over 80% of the most common activities. The most common online activity is obtaining information, which accounts for over half of all activities. This is a marked increase compared to 2009, probably explained by news consumption related to the uprisings in the Arab region. The second activity is social networking which also saw a significant increase in popularity from 10% to 30% between 2009 and 2012, partially driven by the migration of the "chatting" activity (reported at 21%) in 2009 to social networking.

- **Most popular sites**: *Facebook* (both Arabic and English) is reported as the most visited site. Apart from this, local content websites such as *El Youm El 7* (professional careers and news portal), *Masrawy* (variety of news and video channels portal) and *Al Masry Al Youm* (news portal) figure strongly amongst the top Arabic websites. It is worth noting that *Masrawy*, one of the oldest Egyptian portals, has also managed to capture a good share of online audiences on a pan-Arab basis. There is a strong preference for Egyptian content; however Arabic content from other countries is also well received.

18 Ipsos

Exhibit 9 : Social networking trends in Egypt – market research results (sample = 500)[19]

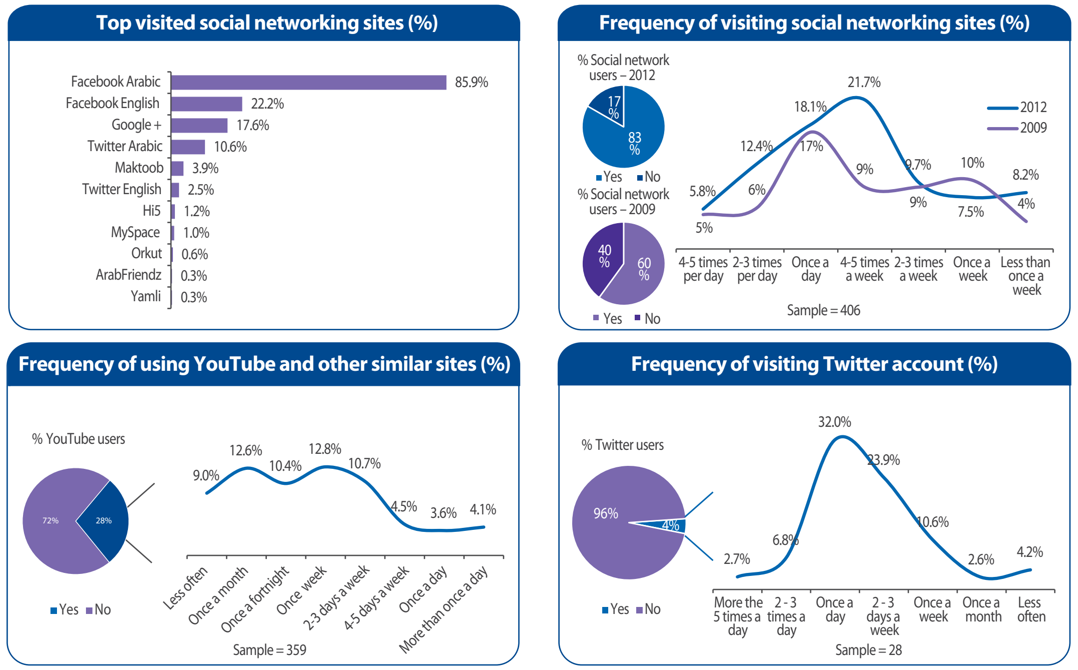
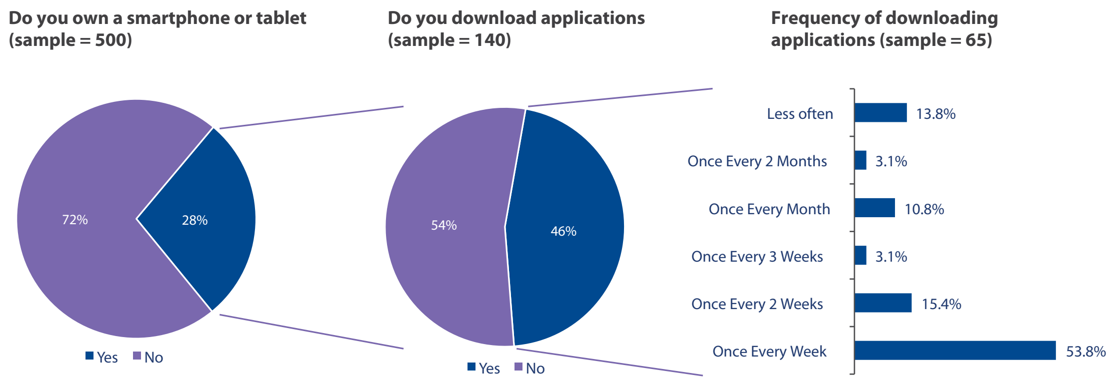


Exhibit 10 : Mobile applications trends in Egypt – market research results (sample = 500)[20]



Key findings from our market research on the social networking market in Egypt:

- **Social media consumption:** The popularity of social networking sites continued to grow in 2012 relative to 2009, with 83% of people on social networks in 2012 vs. 60% in 2009. In addition, approximately 22% of people in 2012 are now using social networks 4-5 times a week compared to just 9% in 2009. The increased interest in social networking sites is partially attributable to the political events in the country which were influenced by such media platforms. *Facebook* is by far the dominant social networking site in the country, as expected, but in line with other markets we also see *Google+* gaining some interesting traction. Regional sites such as *Maktoob* and *Arab Friendz* are yet to gain popularity in Egypt.

- **Mobile applications:** Egypt has a relatively low penetration of smartphones (28%)[21] compared to other markets in the region such as the UAE. Despite this, 46% of the smartphone and tablet users in the country claim to download an application regularly, with close to 54% of them downloading applications on a weekly basis.

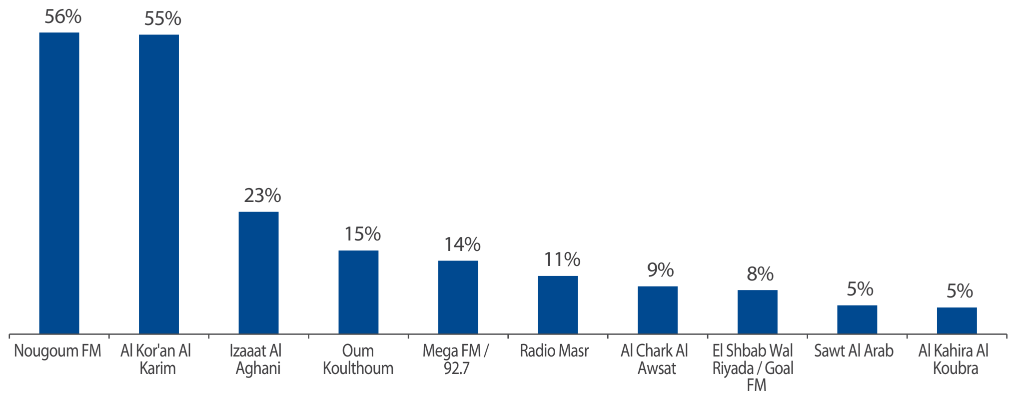
19 Ipsos
20 Ipsos
21 Claimed ownership and therefore could be overstated.

Radio and out-of-home

Radio advertising represents around 13% of total advertising spend in Egypt. This is an increase from 2009 when it accounted for 10% of the total. In absolute terms, this corresponds to USD69 million in 2011 and is expected to rise to USD87 million by 2015. Radio advertising has seen a strong surge, as private radio stations began to operate in what was previously a state-owned sector controlled by ERTU. Of the twelve radio stations in Egypt, only two stations, *Nile FM* and *Nugoom FM* are private. *Radio Misr* was launched in 2009 with hybrid ownership (private and government) and is allowed to broadcast news content (since it is part owned by ERTU). We expect radio advertising spend to be resilient in terms of contribution to total spend over the period 2011-2015. The private radio station *Nugoom FM* ranks the highest in the country in terms of popularity with its audience being particularly strong in the youth segment (15-24) and in Cairo. The station with second highest listenership is the religious station *Al Koran Al Karim*, which is popular across demographics in the country.

Exhibit 11 : Radio consumption in Egypt – market research results (sample = 500)[22]

Most listened to radio stations (%)



Egypt has the largest cinema market from a production and distribution (number of theaters) point of view in the region. Plans to expand many cinemas were put on hold in 2011 due to the political and economic difficulties, while some theatres closed down altogether. However, it is expected that two major movie complexes will continue with their plans to open in 2012, bringing the total number of screens to around 400. Cinema and outdoor advertising in Egypt are together expected to grow at a CAGR of 5% between 2011 and 2015 as going to the cinema remains a popular hobby for Egyptians. As an evidence of this, box office revenues continue to remain robust, with the last edition of the Harry Potter series earning USD1.3 million, the highest revenue for a foreign film in the history of Egyptian cinema.

Content

As with TV series, the Arabic film production industry has historically been dominated by Egypt, where actors, directors and other artists have gathered over the years and contributed to the development of a major hub for content creation in the Arab region. In 2011, the country suffered a decline in local film productions as a result of on-going political and economic challenges, with many Egyptian cinemas largely ignoring their quota regulations. In 2010, Egyptian films accounted for between 70- 80% of total box office revenues in the market, while US films contributed just 20%, yet last year the share of Egyptian films dropped to 50% of the total box office revenues. While part of this decline can be attributed to the impact on local production of the political instability in Egypt, there is still strong support for cinema in the country.

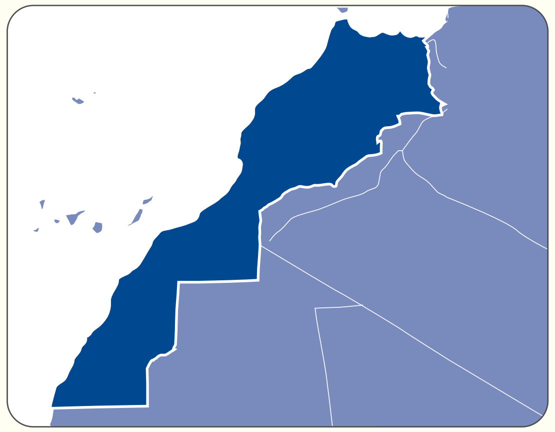
As Egypt continues to struggle with internal challenges, competition in the Arab region for the international film business is becoming increasingly intense. Countries are now competing aggressively to attract major motion picture productions from Hollywood, Bollywood and Europe. Egypt Media Production City (EMPC) is currently experiencing some problems in attracting foreign film production. Some of these challenges are linked to security issues, while others relate to bureaucracy and lack of adequate film commission. The Egyptian government has extended regulations in relation to domestic films protection in 2011. For example, the Ministry of Culture successfully managed to protect local films by imposing quotas and limiting the exhibition of foreign titles. Such efforts partly explain the strong popularity of local films in Egypt and the level of growth the industry has seen[23].

22 Ipsos
23 Press clippings

2. MOROCCO

Exhibit 1 : Morocco snapshot[1]

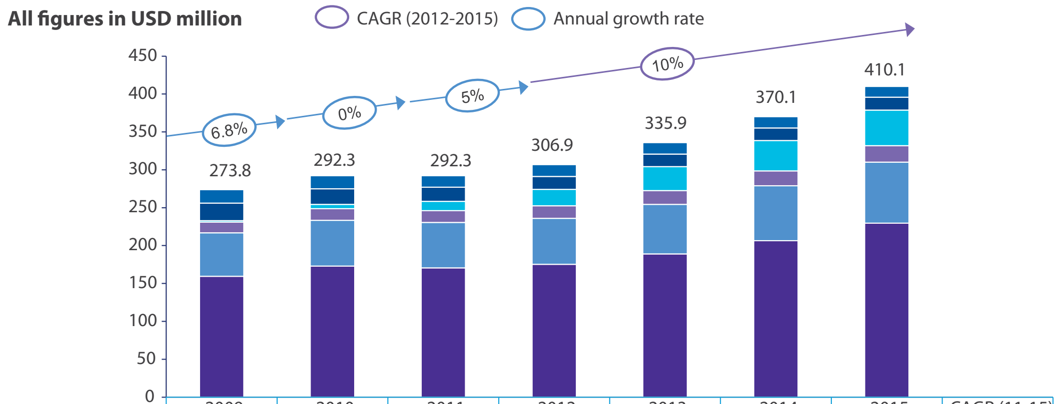
Key Indicators 2011	
Population Size (millions)	31.9
Area (Square Km)	710,850
GDP per Capita (USD)	3,117
Size of the ad market (USD million)	292
Advertising spend per Capita (USD)	9.2
Number of daily newspapers	23
Total TV penetration on HHs	90%
Mobile penetration on population	109%
Broadband penetration on population	1.8%



The Moroccan economy has grown at a CAGR of almost 4% since 2009 and is estimated to grow at a CAGR of 5% between 2012 and 2015[2]. Despite the government's strategy to diversify the economy, and notwithstanding the increasingly large contribution made by the services sector, GDP is expected to remain vulnerable to shifts in agricultural production. With a population of nearly 32 million, Morocco is one of the largest countries in the Arab region. Yet its GDP per capita, at just USD3,117 is relatively low. During early 2011, Morocco witnessed some protests which were undoubtedly spurred by events in neighboring Egypt and Tunisia. However, elections were held later in the year and the government introduced some reforms which are expected to help maintain political stability over the coming few years. The country's literacy rate is just 52%, one of the lowest in the region, which has an impact on overall media consumption habits.

We estimate that Morocco's total advertising expenditure remained almost constant in 2011, following a mild recovery of close to 7% in 2010. Morocco is the 5th largest advertising market in the region after Kuwait, accounting for 6% of the total expenditure for the region. We project a 5% increase in advertising spend in 2012 as advertisers gain more confidence in the region overall. Morocco's growth in 2012 is expected to be higher than the regional average thanks to the relative immunity it has shown to recent events in 2011. Going forward, we expect total advertising spend to grow at a faster CAGR of 10% between 2012 and 2015.

Exhibit 2 : Morocco net advertising spend[3] (2009-2015)



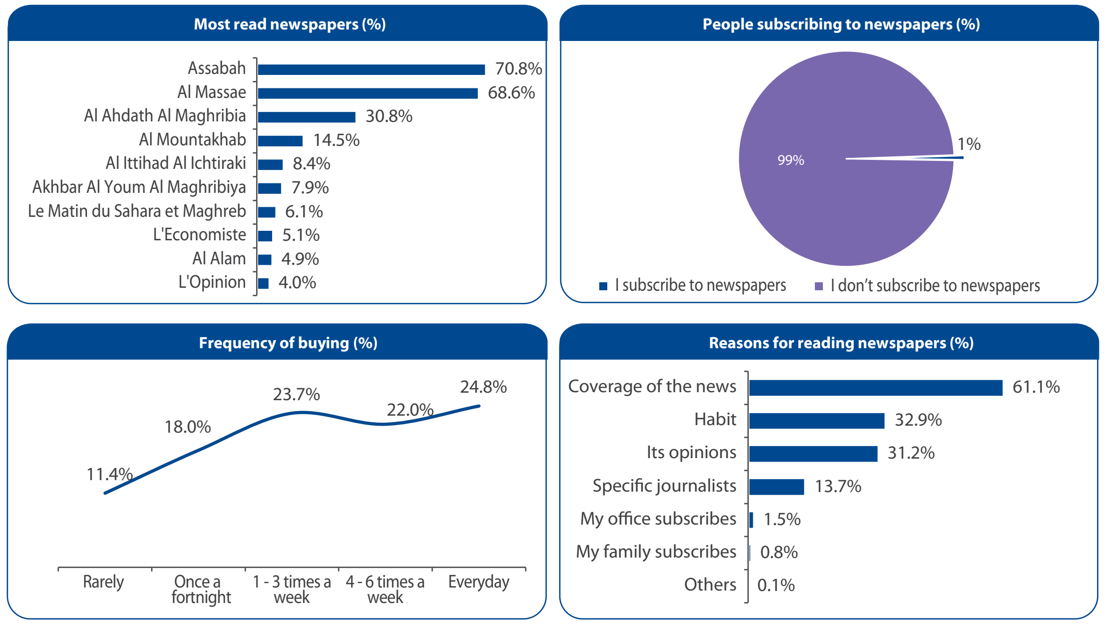
	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Magazines	17.8	17.2	15.2	15.7	15.1	14.8	14.4	-1%
Newspapers	23.0	20.8	18.7	17.1	16.5	16.7	16.8	-3%
Digital	1.9	5.7	12.3	21.7	31.7	40.1	47.2	40%
Radio	14.2	15.2	15.5	16.4	18.1	19.6	21.7	9%
Outdoor/ Cinema	57.5	60.3	59.9	60.8	65.5	72.5	80.4	8%
TV	159.5	173.1	170.6	175.3	189.0	206.5	229.7	8%
Total	274	292	292	307	336	370	410	9%

1 Arab Advisors Group, Informa, IMF, MENA Media Guide, Deloitte analysis
2 IMF
3 Deloitte analysis

Print

The newspaper market in Morocco had over 20 national dailies by the end of 2011. Close to 70% of the press is privately owned, while the rest is owned by the government. Newspaper readership is limited, with circulation dropping by 3% since 2009 and expected to drop a further 8% on an annual basis until 2015. The newspaper advertising market is small and represents just 6.4% of total advertising spend. Total newspaper advertising expenditure has decreased by almost 10% in 2011 and we expect it to decrease by a further 9% in 2012.

Exhibit 3 : Newspapers in Morocco – market research results (sample = 400)[4]



Key findings from our market research on the newspaper market in Morocco:

- **Top read newspapers:** Newspaper readership levels in Morocco are below the regional average, with 29% of news readers in the country stating that they read a newspaper every day, compared to 56% in the UAE, 45% in Saudi Arabia, and 42% in Egypt. This overall readership masks, however, some significant disparities in terms of age and gender. While 46% of men claim to read newspapers daily, only 14% of women do the same. Similarly, 49% of people above the age of 45 read newspapers every day, compared to less than 13% in the 15-24 age group. Interestingly, the two preferred newspapers in Morocco (*Assabah* and *Al Massae*) belong to a new wave of independent newspapers in the country launched since 2000. *Assabah* is the preferred newspaper for around 71% of readers in Morocco, followed by *Al Massae* for 69%. In terms of overall share of readership, these two newspapers represent more than 60% of the market.

- **Buying habits:** Subscription to newspapers in Morocco is virtually non-existent with less than 1% of the population subscribing to newspapers according to our research. Readers who do subscribe mostly subscribe to *Al Massae*, *L'Economiste* and *Attajdid*, which have equal market shares of around 27% and together constitute around 80% of total subscriptions. On average, people in Morocco buy newspapers more than 3 times a week.

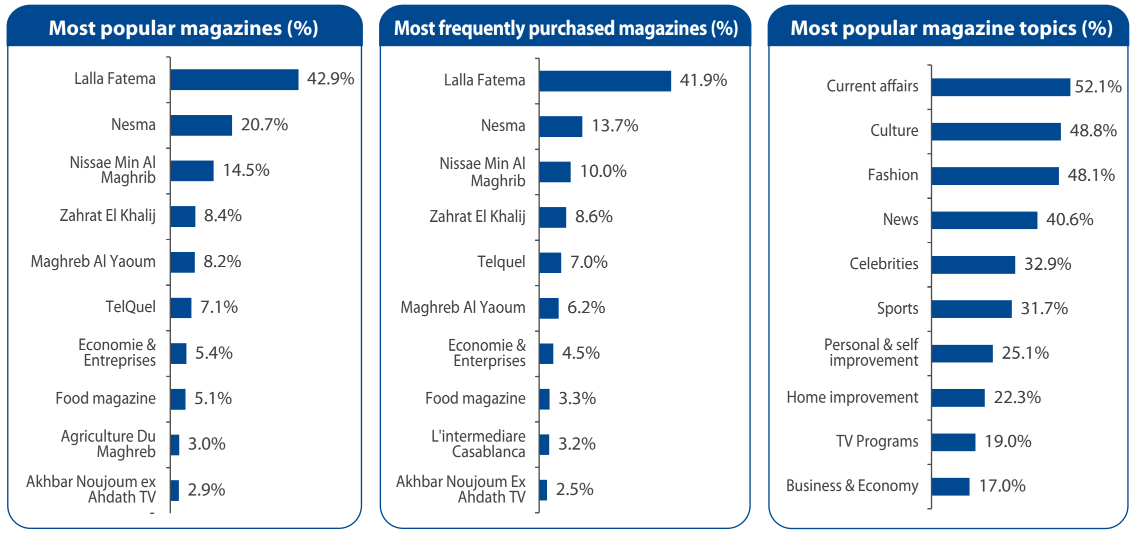
- **Newspaper content:** The top reasons for reading specific newspapers in Morocco include their coverage of news and reading 'out of habit'. While the level of disruption from the regional uprisings in Morocco was significantly lower than that in Egypt or Tunisia, coverage of news became a key factor when selecting a newspaper in Morocco.

Going forward, we expect newspaper advertising to decline at a CAGR of 3% over the projection period, with its share of the total advertising market in Morocco declining from 6.4% in 2011 to 4% in 2015.

Advertising spend on magazines also remains relatively low in Morocco, representing just 5% of total advertising spend in the country. Magazine advertising expenditure decreased by almost 12% in 2011, but is expected to show a 3% recovery in 2012.

4 Ipsos

Exhibit 4 : Magazines in Morocco – market research results (sample = 400)[5]



Key findings from our market research on the magazine market in Morocco:

- **Top read magazines:** The most popular magazines in Morocco are *Lalla Fatema*, with 43% of readers preferring this magazine, followed by *Nesma* at 21%. Unsurprisingly, the magazine market is driven by the female population, with the top titles being female lifestyle and family magazines targeting women. Indeed, while 82% of females in the country expressed a preference for specific magazines, the majority of males (54%) said that they had no preference for magazines, possibly indicating limited readership of magazines amongst males. In terms of total magazine readership market share, *Lalla Fatema* and *Nesma* represent more than 50% of the market. In addition, *Lalla Fatema* is also the most frequently bought magazine, followed also by *Nesma* magazine.

- **Buying habits:** As with newspapers, subscription rates for magazines are generally low, with around 99% of the population not subscribing to any magazines. This value is significantly higher than other regional markets such as the UAE where around 54% of people do not subscribe and Saudi Arabia where around 80% of the people do not subscribe.

- **Magazine content:** Magazine content is also very polarized by gender. Overall, current affairs is the preferred topic in magazines, most likely driven by the regional unrest. This is followed by culture and fashion, which are also the two preferred content types amongst females, whilst sport ranks first among males.

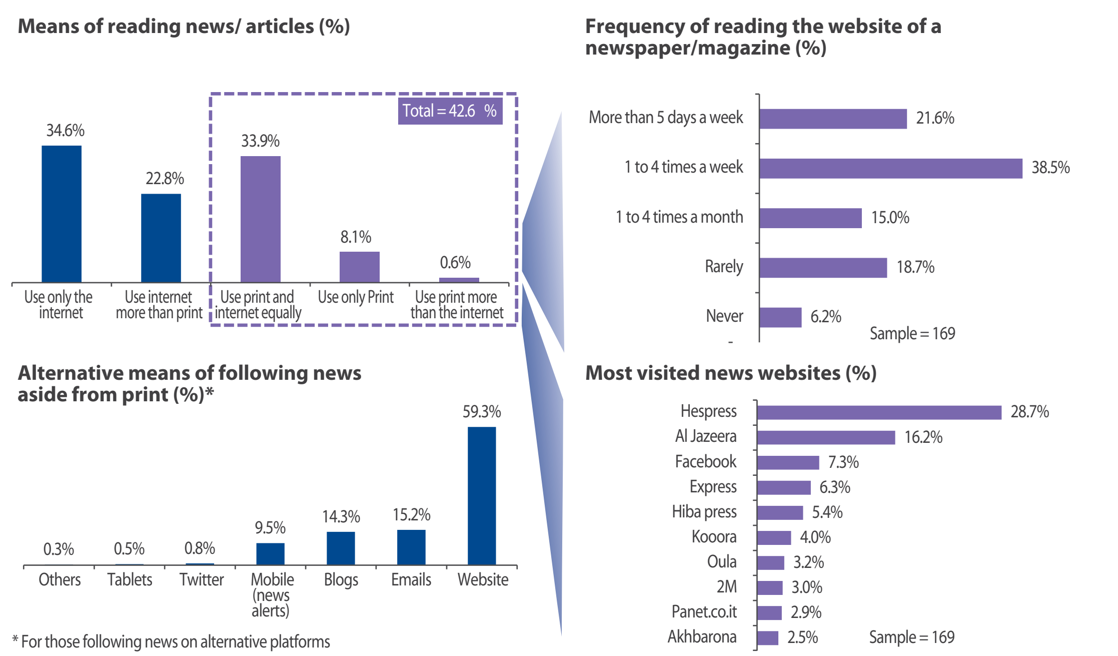
- **Language preference:** 50% of the readers in Morocco stressed that they absolutely prefer Arabic translation over international editions of magazines, whilst 14% were indifferent. Only a small percentage of around 6% prefer international editions over the Arabic translation.

Going forward, we expect advertising expenditure on magazines to decrease at a CAGR of 1% over the projection period, with its share of total spend declining from 5% in 2011 to 3.5% by 2015.

As in other markets, Morocco is experiencing a shift to online news consumption which is affecting the way newspaper and magazines content is consumed.

5 Ipsos

Exhibit 5 : Converging print & digital in Morocco – market research results (sample = 400)[6]



- **Online print consumption**: Although print remains the dominant platform for reading news, 60% of people in Morocco stated that they read newspapers/magazines online more than once a week. Overall, websites are the most popular means for reading news after print with 60% of people accessing news this way, while almost 49% use *Facebook* as an alternative source of news. Apps and Twitter remain marginal platforms for alternative news consumption. In addition, less than 10% are willing to pay for premium news content online, while 52% are not willing to pay at all. The most popular news websites in Morocco are *Hespress*, which is a daily electronic newspaper, with 29% preferring this website, followed by the site of the pan-Arab TV channel *Al Jazeera*. Interestingly, in the top 10 preferred news sites, only two (*Al Jazeera* and *2M*) are affiliated to traditional media, in this case TV.

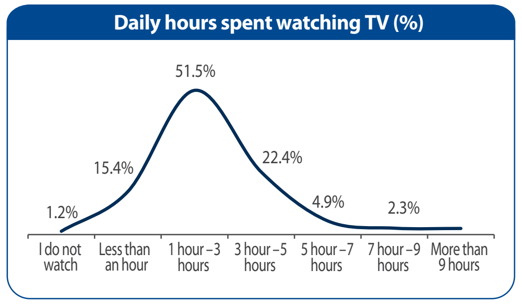
Television

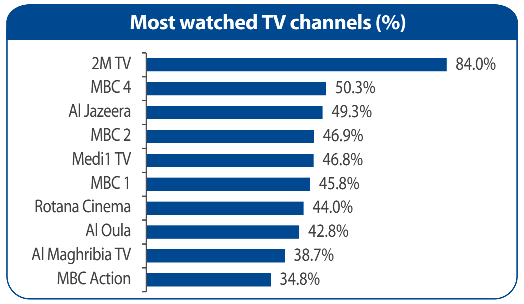
Compared to other markets in the region, local TV plays a more prominent role in the Moroccan advertising landscape, accounting for 58% of total advertising spend in the country. This is primarily due to the relatively high number of households still viewing terrestrial TV, with aerials more affordable than satellite dishes. Terrestrial TV viewing (both analogue and digital) is estimated at 20% of total TV households in 2011. TV advertising expenditure decreased by around 1% in 2011, yet this is expected to grow by around 3% in 2012. The Moroccan local TV market has developed over recent years, with IPTV being offered by Maroc Telecom and gradual uptake of DTT surfacing with 41 national and foreign channels. On this front, although DTT penetration in the country remains low, the national broadcaster SNRT aims to complete digital switchover by 2015.

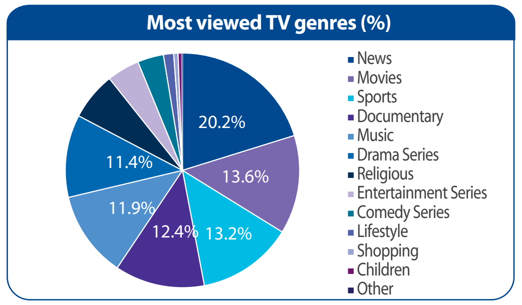
Morocco has eight domestic FTA channels: six government owned, one privately owned, and one of mixed ownership. *2M* channel was the first privately owned terrestrial TV channel to launch in Morocco in 1989. However, due to financial difficulties, around 70% of its capital was bought by the government and it became a mixed ownership channel. *Medi1TV* channel is a privately owned TV channel, although 50% of its shares are owned by the public sector. The other six TV channels are all government owned.

6 Ipsos

Exhibit 6 : TV in Morocco – market research results (sample = 400)[7]







Most watched TV programmes

Rank	Programme
1	Akhtar El Moujrimin
2	El Khait Labiad
3	45 Dakika
4	Moukhtafoune
5	Tahkik
6	Arab Idol
7	Les infos
8	El Ittijah El Mouakiss
9	Moudawala
10	Bidoun Haraj

Key findings from our market research on the TV market in Morocco:

- **TV consumption:** On average, 2.7 hours are spent watching TV daily in Morocco, compared to a regional average across the four markets (Egypt, Morocco, KSA and UAE) of 3.1 hours per day. Approximately 52% of the viewers in Morocco spend one to three hours watching TV daily, compared to 50% in the UAE, 46% in Egypt and 43% in Saudi Arabia. 26% spend three to six hours daily and 2% spend more than 9 hours.

- **Top genres:** As in other markets, news, which increased in popularity due to the region's unrest, is the favourite genre on TV. This is particularly true in the male segment (41% choose news as their top genre) and in the older age group (50% of the 45+ age group vs. only 19% in the 15-24 age group). While movies and sports are the next two preferred genres, it should be noted that sports is selected as the preferred genre by the male population (30% of males picked sports as their first choice) while drama is the first choice among women (32% of females picked drama as first choice).

- **Preferred channels:** *2M* TV channel is by far the most watched channel in Morocco, cited by 84% of TV viewers. The GCC pan-Arab channels fare well in Morocco, with four MBC channels in the top 10 as well as one Rotana channel and Al Jazeera. *MBC4*, with a mix of talent shows (e.g. Arab's Got Talent) and imported dramas (such as Turkish series), and to some extent *MBC1* (which airs *Arab Idol*) have a strong following amongst Moroccan women (ranking 2nd and 3rd). The rest of the top 10 channels include Moroccan channels such as *Medi1TV* and *Al Oula*.

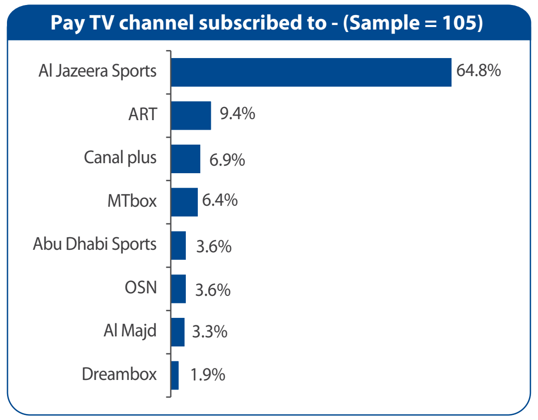
- **Top viewed programmes:** The most popular TV programmes in Morocco are *Akhtar El Moujrimin*, which airs on *2M* and is about crimes in Al Maghreb and their consequences, and *El Khait Labiad* which also airs on *2M* and revolves around a TV presenter entering a circle of competition, love, hatred and jealousy. Inevitably, *Arab Idol*, the *MBC1* pan-Arab show, is also a popular programme in Morocco, ranking 6th across all demographic groups and being the most watched show in the 15-24 demographic segment (26% of this age group).

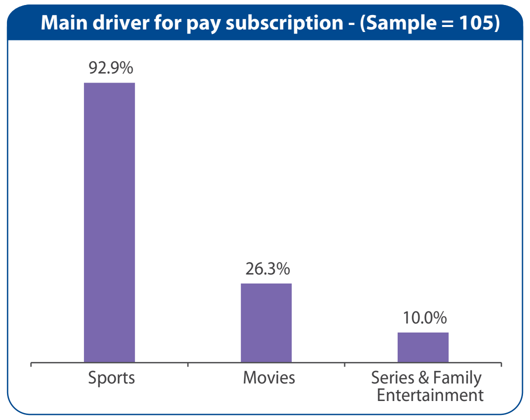
- **Language preference:** Viewers in Morocco show a stronger preference for the Arabic language, followed by French, and then English.

As evidenced by the market research, advertisers are likely to continue to reach Moroccan audiences both through local Moroccan TV channels and pan-Arab channels. Considering also the transition to DTT in the country, we believe there is still room for growth in local TV advertising. Therefore, we expect local TV advertising expenditure to increase at a CAGR of 8% over the projection period, with its share of the total advertising market decreasing marginally from 58% in 2011 to 56% in 2012.

7 Ipsos

Exhibit 7 : Pay-TV in Morocco – market research results[8]





Key findings from our market research on the pay-TV market in Morocco:

- **Subscriptions:** Approximately 75% of those surveyed do not subscribe to pay-TV in Morocco, due to the widespread availability of popular local and pan-Arab TV channels. Unauthorised services such as Dreambox remain a challenge for pay-TV providers in the country. With higher competition in the Moroccan pay-TV market from local players such as MTbox from Maroc Telecom, operators are trying to enhance their services. *Al Jazeera Sports* remains the most popular pay-TV bouquet in Morocco, with around 65% of those who do subscribe to pay-TV subscribing to *Al Jazeera Sports*.

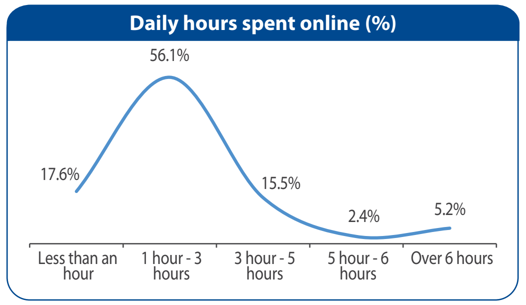
- **Subscription drivers:** Sports is the major driver for pay-TV subscriptions. Al Jazeera has managed to capitalise on this by gaining rights to key leagues and, as a result, has driven subscriptions in key markets across the region, including Morocco.

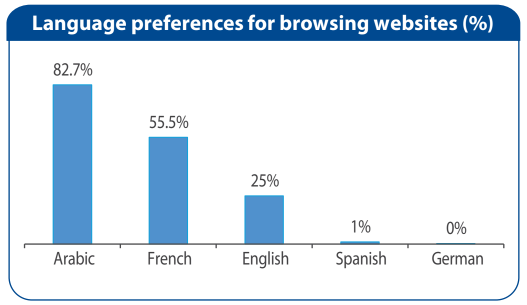
Digital

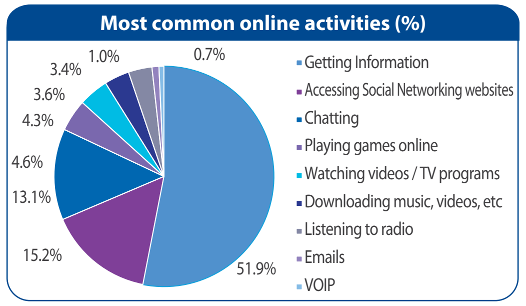
Digital advertising expenditure increased dramatically in 2011 and is expected to increase by a further 76% in 2012 albeit from a very low base. Going forward, we expect digital advertising expenditure to increase at a CAGR of 40% over the projection period, with its share increasing noticeably from 4% of total spend in 2011 to 11.5% in 2015.

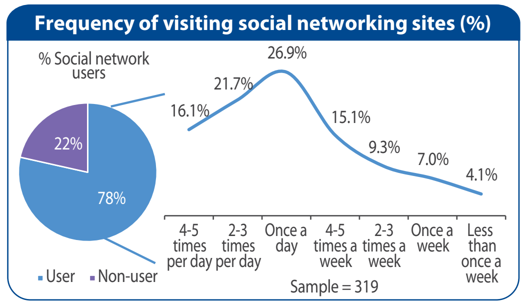
This platform is expected to display the strongest growth rate among all advertising platforms in Morocco. Growing broadband subscriptions and high mobile penetration are key drivers for this growth, with both expected to accelerate in this increasingly competitive market with three operators Maroc Telecom, Meditel and Wana.

Exhibit 8 : Online trends in Morocco – market research results (sample = 400)[9]









8 Ipsos
9 Ipsos

Key findings from our market research on the online market in Morocco:

- **Internet usage:** Approximately 56% of the people in Morocco spend one to three hours online daily, and around 16% spend three to five hours. More time is spent online by the younger demographic, i.e. on average these users spend 2.3 hours online per day which is similar to the UAE market.

- **Content preference:** Approximately 83% of Moroccans prefer to browse online in Arabic, 56% prefer French and 25% prefer English.

- **Social networking trends:** More than 50% of Moroccans go online for the purposes of getting information, followed by around 15% who go online for social networking (low when compared to 32% in UAE, 30% in Egypt and 24% in Saudi Arabia). The research shows a particularly low preference for social networking in the 35+ age group (below 10%). More than 51% of the people going online for social networking access social sites more than once per day. The social networking trends are examined in further detail below.

Exhibit 9 : Social networking trends in Morocco – market research results (sample = 400)[10]

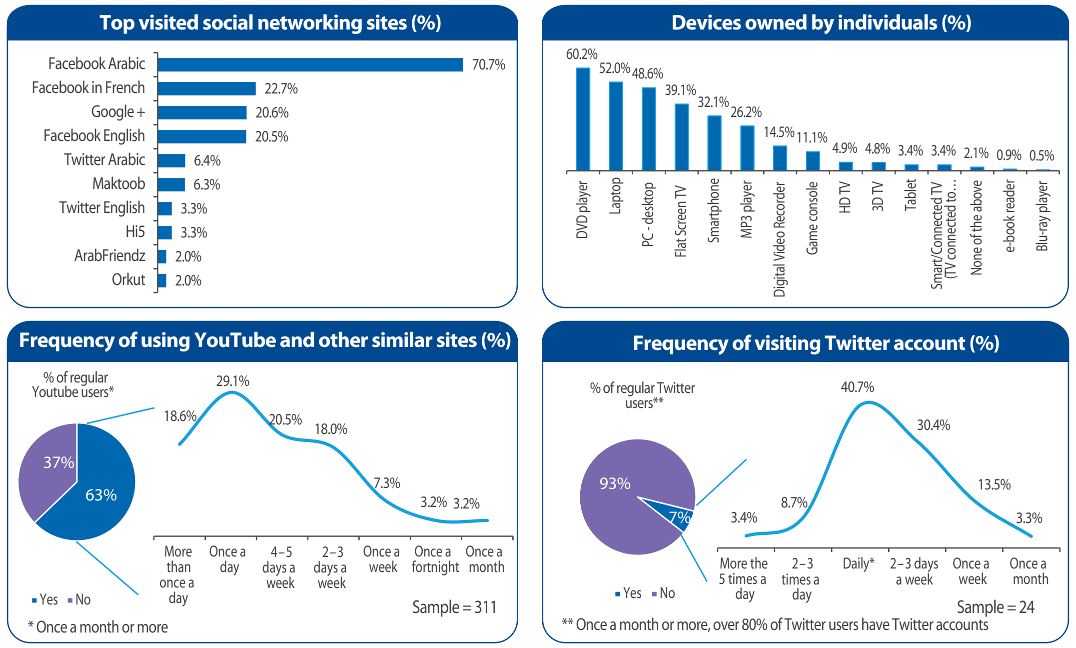
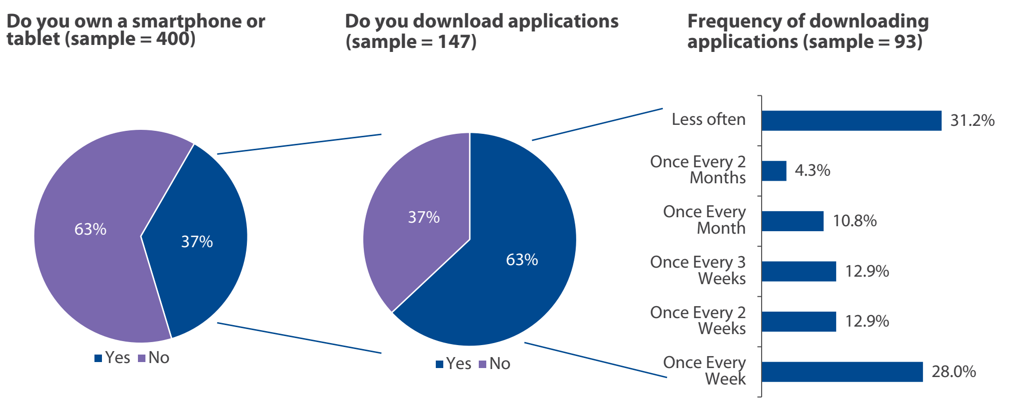


Exhibit 10 : Mobile applications trends in Morocco – market research results (sample = 400)[11]



Key findings from our market research on the social networking market in Morocco:

- **Social media consumption:** *Facebook Arabic* is the top visited social networking site in Morocco, with around 70% preferring this site, followed by *Facebook French* and *Google+*. Interestingly, *Google+* was only launched in the market in 2011 but has successfully captured users in a very short time frame. It ranked third in Morocco, in line with other markets, with a share of around 21%. In terms of devices, PC (laptop or desktop) and smartphone penetration remain low in Morocco when compared to GCC countries.

- **YouTube users:** Approximately 63% of internet users are regular *YouTube* users in Morocco, accessing *YouTube* on average 6 times a week. *YouTube* gained further popularity in Morocco as users have been following uploaded videos of the events that took place during the region's unrest in 2011.

- **Twitter users:** *Twitter* has a niche presence in Morocco, with just 7% of internet users being regular *Twitter* users, among whom more than 80% have *Twitter* accounts. However, for those users, the frequency of access is high: approximately 41% of those users who have *Twitter* accounts access it daily and, overall, users access their *Twitter* accounts nearly once a day on average.

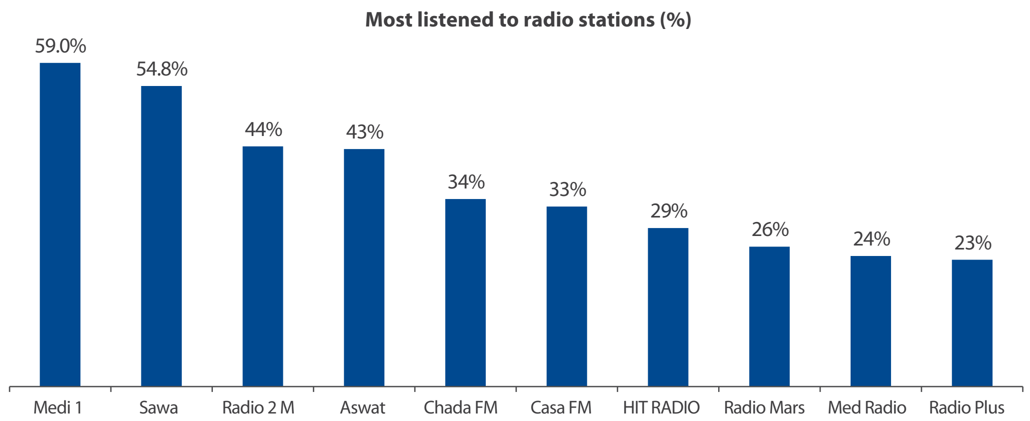
- **Favourite ways to communicate:** Social networking is the second most common way for people to communicate with friends and families, after mobile calls. However, in the younger age group (15-24) social networking is actually the preferred way to communicate.

- **Mobile applications:** The penetration of smartphones/tablets in Morocco is approximately 37%, higher than that of Egypt but lower than both Saudi Arabia and the UAE. However, 63% of the smartphone and tablet users in the country claim to download an application regularly, with 28% of them downloading applications on a weekly basis, which is higher than that of the UAE and on par with users in Saudi Arabia.

Radio and out-of-home

Radio currently accounts for approximately 5% of total advertising spend in Morocco. There were 27 radio stations in July 2009, which grew to 33 by the end of 2011. The additional six stations which launched during that period are privately owned. In total, there are 16 government owned radio stations and 17 privately owned stations. The radio platform witnessed 2% growth in advertising spend in 2011 and is expected to grow a further 6% in 2012. Going forward, we expect total radio advertising expenditure to increase at a CAGR of 9% over the projection period, maintaining a stable share of total advertising expenditure.

Exhibit 11 : Radio consumption in Morocco – market research results (sample = 400)[12]



Key findings from our market research on the radio market in Morocco:

- **Radio consumption:** *Medi1*, a French language privately owned radio station is the most popular radio station in Morocco. This is followed by *Sawa radio*, an Arabic U.S. backed radio that is available across different countries in the region. While *Medi1* has a wide appeal across all demographics, *Sawa radio* is primarily popular amongst younger women (15-24).

Out-of-home advertising accounts for a significant proportion of total advertising spend, at approximately 21%. Over the projection period, we expect out-of-home advertising to maintain a stable share of around 20% of total advertising expenditure. Out-of-home is less subject to the impact of online migration compared to other platforms, and, as such, is expected to grow at a CAGR of 8% over the projection period.

10 Ipsos
11 Ipsos
12 Ipsos

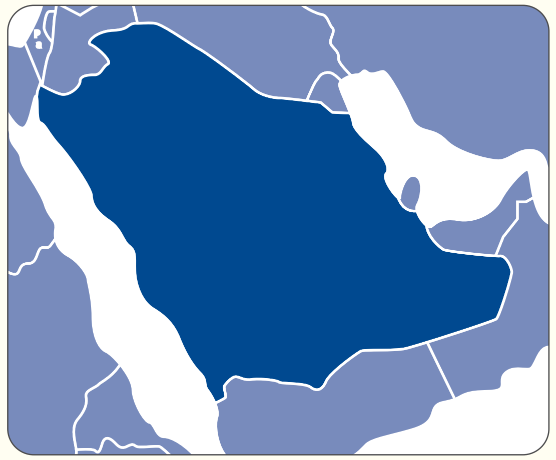
Content

From a content creation perspective, Morocco is possibly most well-known for its film industry, having marketed itself on an international level as an attractive filming location. At its peak before the global economic crisis, Morocco had a strong reputation with up to 10-12 foreign films per year being filmed in the country. More recently, it has attracted high profile international movies such as Prince of Persia: The Sands of Time, Inception and Sex and the City 2, though the overall volume of output seems to have declined in line with the overall decline of Hollywood movie production. Morocco also has a relatively vibrant music industry. While Moroccan music covers a wide range of genres, including Arabo-andalouse, Malhoune, Chaabi, Classic, Berber, Rifi and Soussi music, it is also quite distinct from other styles of Arabic music. A few singers of classical Moroccan-style music have become popular on the pan-Arab, and even the international level; a notable example is Samira Said.

3. SAUDI ARABIA

Exhibit 1 : Saudi Arabia snapshot[1]

Key Indicators 2011	
Population Size (millions)	26.5
Area (Square Km)	2,149,690
GDP per Capita (USD)	21,685
Size of the ad market (USD million)	760
Advertising spend per Capita (USD)	29.1
Number of daily newspapers	16
Total TV penetration on HHs	98%
Mobile penetration on population	168%
Broadband penetration on population	6.8%

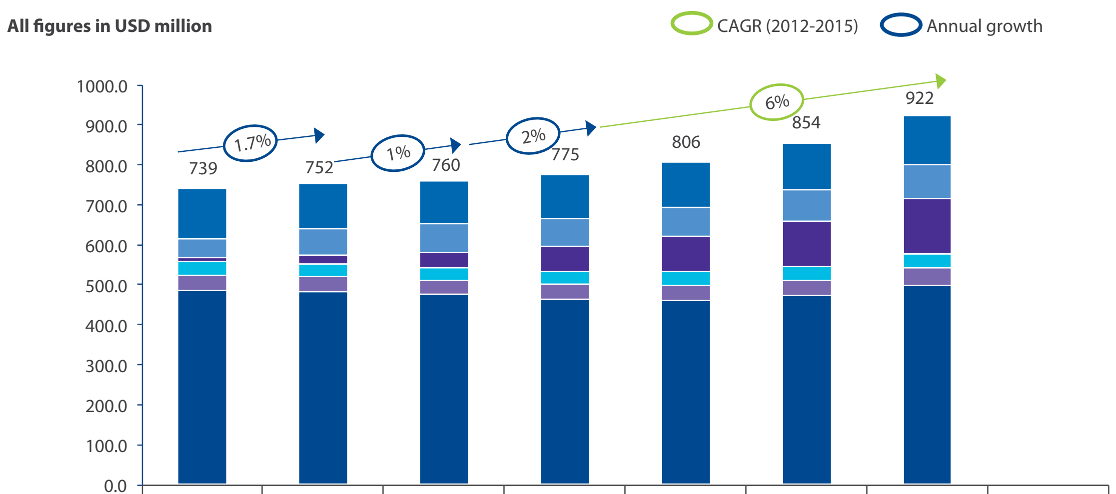


Saudi Arabia has consolidated its position as a key market for media in the region. With strong growth in oil prices (i.e. oil prices rose more than 40% over the last year), nominal GDP has grown by 25% in 2011 compared to 2010. Saudi Arabia has the largest GDP in the region and the largest population in the Gulf, with favourable demographic as close to 50% of the population is under the age of 25. The media industry in the region, from a media consumption and advertising point of view in particular, has become increasingly concentrated around markets such as Saudi Arabia. This can partly be attributed to the country's relative resilience to the regional uprisings which affected traditional media hubs such as Egypt.

However, as in other regional markets, the advertising market has suffered from both international factors (euro debt crisis, tsunami in Japan, prolonged economic slowdown, etc.) and regional ones (indirect impact of regional uprisings) affecting both regional and international advertising budgets. Nevertheless, highlighting the relative resilience of Saudi Arabia compared to other markets, total advertising expenditure which currently accounts for 16% of total regional advertising spend, increased by 1% in 2011. We estimate growth to continue at a moderate rate of 2% in 2012. Going forward, we expect total advertising spend to recover at a faster CAGR of around 6% from 2012 to 2015, as international brands regain confidence in the regional outlook and regional advertisers gradually increase their budgets.

1. Arab Advisors Group, Informa, IMF

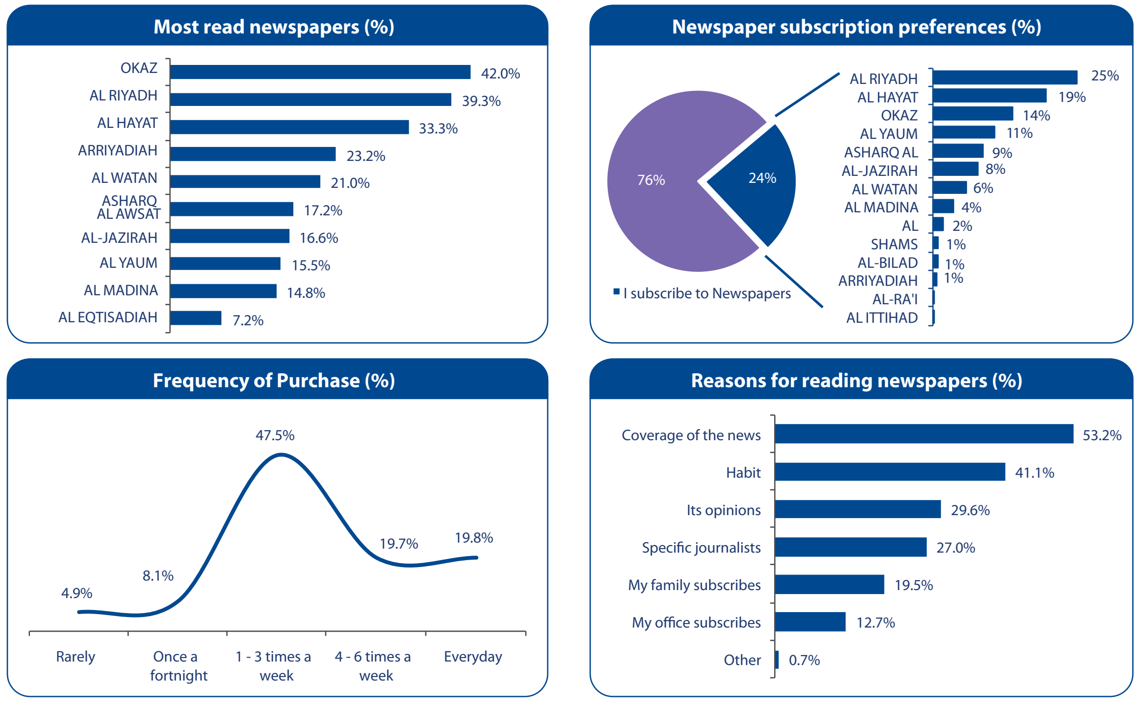
Exhibit 2: Saudi Arabia net advertising spend[2] (2009-2015)



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Outdoor	124.1	114.0	108.3	108.7	111.2	115.9	120.8	3%
Radio	47.2	65.0	70.2	71.6	74.6	79.1	85.5	5%
Digital	9.3	21.1	39.2	62.7	88.7	114.2	138.3	37%
TV	36.4	33.5	31.9	31.9	32.6	33.8	35.0	2%
Magazines	37.7	36.1	35.0	35.8	37.4	39.8	43.3	6%
Newspapers	484.8	482.6	475.2	464.2	461.6	471.6	499.2	1%
Total	739	752	760	775	806	854	922	5%

Print

Exhibit 3: Newspapers in Saudi Arabia - market research results (sample = 546)[3]



The country's literacy rate is approximately 79% which is higher than the average literacy rate in the region. Newspapers remain the dominant advertising platform in Saudi Arabia, accounting for approximately 63% of total advertising expenditure. While newspaper advertising spend is on a declining trend (i.e. its share has declined by 3 percentage points over the past two years) it still maintains the biggest share of the total advertising market. Saudi Arabia has nine Arabic dailies, three sports dailies, a business daily and two English dailies. Further, *Al Hayat* and *Asharq Al-Awsat* both produce Saudi editions. All newspapers are currently privately owned.

2. Deloitte analysis
3. Ipsos

Key findings from our market research on the newspaper market in Saudi Arabia:

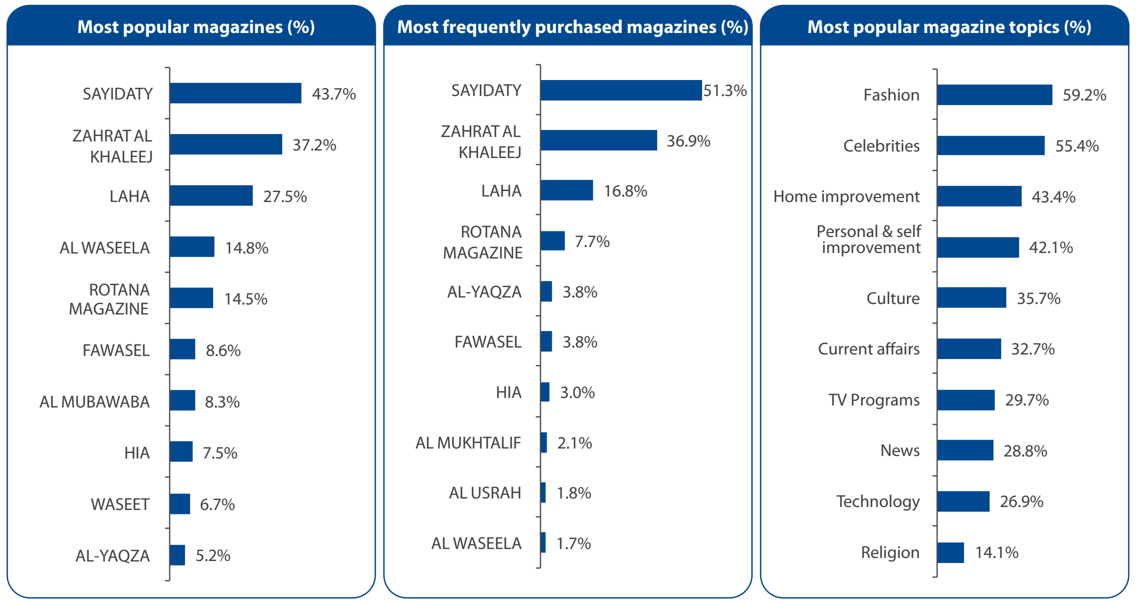
- **Top read newspapers:** *Okaz*, which was also number one in 2009, continues to be the most popular newspaper in Saudi Arabia, followed by *Al Riyadh, Al Hayat, Arriyadiah, Al Watan* and *Al-Asharq Alawsat*. While *Okaz* has a very strong following amongst the older age groups (60% of the people in the 45+ segments), in Jeddah and within the Saudi population, *Al Riyadh* unsurprisingly has a strong foothold in Riyadh but also attracts slightly younger age groups (being particularly popular amongst the 35-44 segments). *Al Hayat*, being pan-Arab, is particularly popular amongst Arab expats and has a good base of subscribers, only second to *Okaz*.

- **Newspaper content:** Despite being relatively less affected by the regional uprisings, coverage of news grew significantly in importance. In addition, specific journalists and news opinions were ranked amongst the top reasons for reading publications, with politics, current affairs, and sports being the most popular topics. Interestingly, while Okaz is overall number one, *Al Riyadh* was actually the most popular newspaper during the height of the regional uprisings.

- **Buying habits:** Overall subscription to newspapers remains relatively low with only 24% of the population claiming to subscribe. Around 26% selected *Okaz* as the newspaper to buy from time to time without subscribing, whereas 18% buy it on a daily basis. Out of the people who read newspapers, almost half of them read newspapers between one and three times a week.

Going forward, we expect newspaper advertising spend to grow at a CAGR of 1% over the projection period, with a declining share of 8 percentage points from total advertising spend.

Exhibit 4: Magazines in Saudi Arabia - market research results (sample = 546)[4]



Magazines remain popular especially amongst Saudi females; however total magazine advertising expenditure decreased by just over 3% in 2011 but is expected to grow by 2% in 2012.

Key findings from our market research on the magazine market in Saudi Arabia:

- **Top read magazines:** The polarization of the magazine markets between males and females is more pronounced in Saudi Arabia than in any of the other markets researched; while 70% of males do not have any favourite magazines, 92% of women have top of the mind recall for specific magazines. It is no surprise therefore that the top three most read magazines are *Sayidati, Zahrat Al Khaleej* and *Laha*, which are pan-Arab women's magazines. These three magazines were also the top three ranked in the research conducted in 2009. All three magazines have a well distributed readership across all age groups (with lower penetration across the board in the 45+ segment) and *Zahrat Al Khaleej* has a particularly strong base of readers in Jeddah.

- **Magazine content:** Being predominantly driven by the women's segment, it is not a surprise that the preferred topics for magazine readers in Saudi Arabia

4. Ipsos

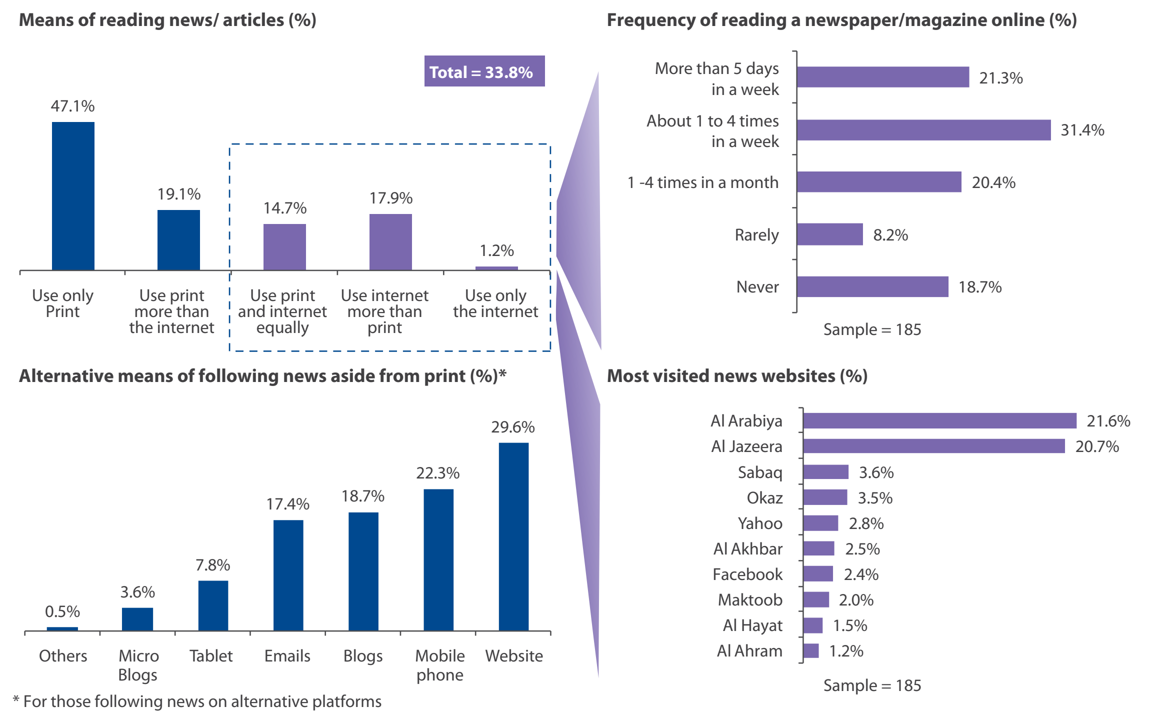
are fashion and celebrity news. These topics were also the preferred magazine topics in 2009.

- **Buying habits:** Subscription rates are generally low, i.e. around 88% of the people in Saudi Arabia do not subscribe to any magazine compared to 59% in the UAE. However among those who subscribe; *Laha*, *Al Mubawaba Dammam*, and *Zahrat Al Khaleej* magazines have the highest subscription rates.

- **Language preference:** Almost 84% of the magazine readers in Saudi Arabia show a strong preference for the Arabic versions when it comes to reading international magazines, with only 10% being indifferent and 6% preferring international versions. Interestingly this proportion (i.e. 84%) represents the highest of all the markets surveyed.

Going forward, we expect the magazine market in Saudi Arabia to continue to favourably benefit from its strong exposure to the women's segment. With a format (glossy paper) and targeted audience particularly well adapted to the fashion and beauty sectors, we expect that women's magazines will continue to attract advertisers in the upcoming years. We therefore forecast advertising expenditure on magazines to grow in line with the overall market and with stronger growth than newspapers and TV platforms over the projection period.

Exhibit 5: Merging print & digital in Saudi Arabia - market research results (sample = 546)[5]



- **Online print consumption**: As in the case of the other four researched markets countries, print remains the dominant platform for reading news in Saudi Arabia, although 34% of the population use the internet at least as much as print as a source of news. In fact, almost 53% of the people in Saudi read the online sites of traditional newspapers/ magazines more than once a week. Overall, the website is the most popular means for reading news with 56% of people having that preference, while Twitter remains niche (<1%) despite a strong proportion of people using blogs as an alternative source of news (14%). As in other markets there is limited willingness to pay for news content online with around 42% of people not willing to pay at all for online news content. Interestingly the most visited news sites according to our market research do not emanate from the traditional print industry but from broadcasting with the pan Arab channels *Al Arabiya* and *Al Jazeera* ranking first and second, similarly to the situation in 2009.

While print still remains the dominant source of news, the shift to online is quite significant as 66% use print more than the internet as a source of news compared to 75% in 2009. This shows that Saudi Arabia has also started the transformation from traditional print to digital.

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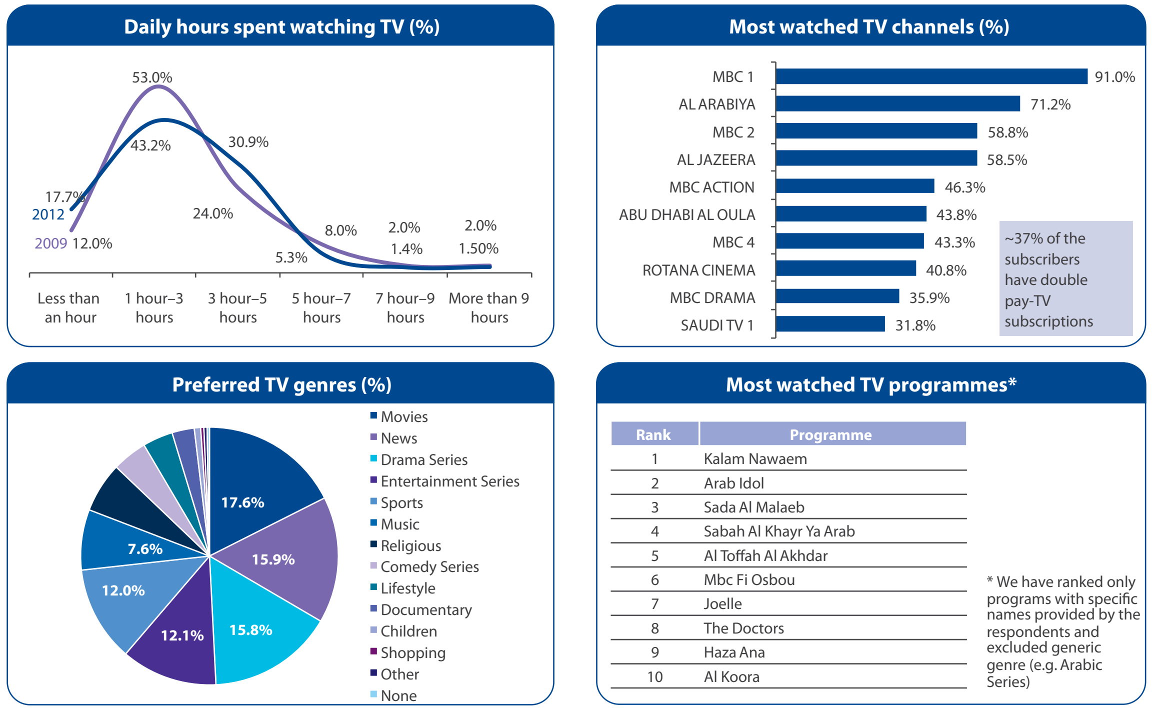
Television

Exhibit 6: Satellite TV in Saudi Arabia - market research results (sample = 546)[6]



Most watched TV programmes*

Rank	Programme
1	Kalam Nawaem
2	Arab Idol
3	Sada Al Malaeb
4	Sabah Al Khayr Ya Arab
5	Al Toffah Al Akhdar
6	Mbc Fi Osbou
7	Joelle
8	The Doctors
9	Haza Ana
10	Al Koora

* We have ranked only programs with specific names provided by the respondents and excluded generic genre (e.g. Arabic Series)

The local TV market in Saudi Arabia is small, accounting for approximately 4% of total advertising expenditure. In 2011, total local TV advertising spend decreased by 5% and is not expected to grow in 2012 as pan-Arab TV continues to dominate. While satellite dishes are still officially banned in the country, Saudi Arabia has the second highest satellite TV penetration in the Arab region, at 97%[7]. There are 85 FTA satellite channels headquartered in Saudi Arabia and two of the largest pan-Arab satellite TV broadcasters, Middle East Broadcasting Corporation (MBC) and Rotana, are Saudi owned. Since there are no licenses for private TV channels in Saudi Arabia, many Saudi owned satellite channels continue to operate from the free media zones in the region. Saudi broadcasters continue to expand their bouquet of channels with the launch of MBC Drama and the launch in 2012 of two new channels by Rotana - Rotana Aflam and Rotana Classic.

In terms of new TV platforms, in 2006 Saudi Arabia launched its DTT roll-out initiative. The first digital terrestrial multiplex embraced five main cities, including Riyadh, Jeddah and Dammam. In 2010, Saudi Arabia had expanded its network with 100 TV broadcasting towers in the country covering nearly 90% of the population. The rest of the network, which includes the smaller villages, is presently being upgraded. However, probably due to the adoption of multichannel TV on satellite, the uptake of DTT remains limited; it is currently estimated at 1% of total households.

Key findings from our market research on the TV market in Saudi Arabia:

- **TV consumption:** Approximately 43% of the viewers in Saudi Arabia spend one to three hours watching TV daily. On average, 2.7 hours are spent daily watching TV in Saudi Arabia, compared to 2.8 hours in 2009, which is actually lower than the regional average across the four markets of 3.1 hours per day

- **Top genres:** The most preferred (Top 3) TV genres in Saudi Arabia are movies, news (driven by males and by the region's unrest) and drama series (driven by females especially with Turkish series continuing to capture a strong following in the region). There has been little evolution in favourite genres since 2009 as these three genres already occupied the top 3 spots - however news has gained in popularity being cited the most by 28% of the people surveyed as their first choice. While dramas are the preferred TV genre for female viewers (61% of women selected it as their first choice), sports and entertainment programs (e.g. talent shows) are the first choices of Saudi men (61% for sports). Entertainment programs, mostly driven by talent shows are the most popular genre of the 15-24 age group. Saudi Arabia also displays some interesting geographic differences with 'movies' being a strong favourite in Jeddah while 'news' is preferred in Riyadh.

- **Preferred channels:** As expected, MBC in its "home turf" has seven of the top 10 most watched channels in the country. MBC 1 has maintained its number one position since 2009, being watched by over 90% of the people in Saudi Arabia. Al Arabiya is the second

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7. Informa

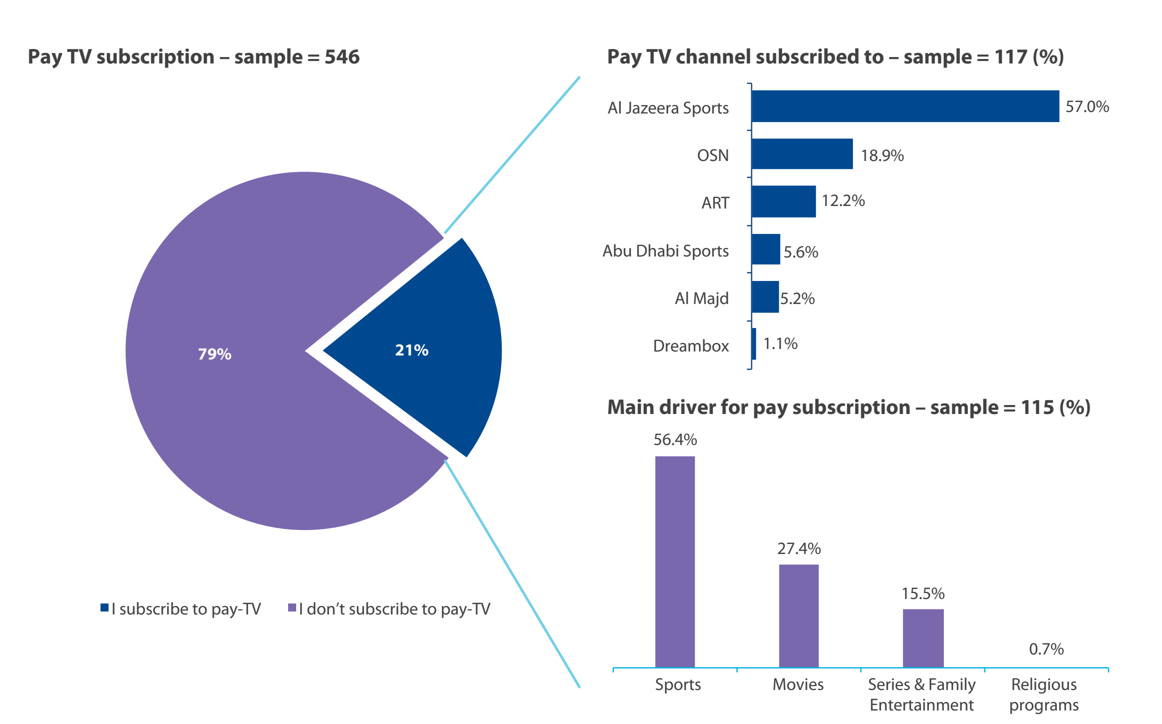
most preferred channel which surpassed MBC2 as the second most preferred channel in 2009, on the back of the increased interest in following the latest events and political situation in the region. With Al Jazeera in third place, two of the three most watched channels in KSA in 2011 were news channels. However we see an important generation gap with the ranking of both news channels amongst the 15-24 segment being significantly lower than in the older brackets. Finally, the national TV broadcaster, Saudi TV, stands significantly lower, occupying the tenth position.

- **Top viewed programmes:** *Kalam Nawaaem*, which is a popular female-hosted Arabic talkshow presented by four Middle Eastern women discussing various societal topics, and *Arab Idol* both showing on MBC are the most popular TV programs in Saudi. *Kalam Nawaem* has increased in popularity over the past two years and *Arab Idol* has gained a significant foothold in the "kids" segment - our research shows that 50% of the 10-14 segment chose Arab Idol in their top 5 programmes - significantly more than any kids programs. Following *Kalam Nawaem* and *Arab Idol*, *Sada Al Malaeb*, which is a sports talkshow, is the third preferred show in Saudi Arabia that is chosen as one of the top shows by around 56% of the males in the country. *Sada Al Malaeb* was ranked as the most popular show in 2009 followed by *Kalam Nawaem* ranking as second in that year.

- **Language preference:** Viewers in Saudi Arabia show the strongest preference of all markets for the Arabic language with almost 99% preferring watching Arabic TV shows. When it comes to dialogue and production, Arabic content and Arabic subtitles to Western content are the most preferred.

As evidenced by the market research, advertisers are likely to continue to spend more on pan-Arab channels than on local TV to reach out to the large audience in Saudi Arabia. However, going forward and as seen in other markets, we expect viewers to increasingly tune in to local TV, as they focus more on the domestic issues as compared to 2011 where their interest was diverted to regional events. In addition, for the case of Saudi Arabia, the fact that Saudi TV holds the FTA rights for the Saudi Professional League should bring additional advertising revenues over the next three years. Consequently, we have considered limited growth in local TV advertising with a CAGR of 2% over the projection period, resulting in a slight decline in its share of the total advertising market.

Exhibit 7: Pay-TV in Saudi Arabia - market research results[8]



Key findings from our market research on the pay-TV market in Saudi Arabia:

- **Pay-TV adoption**: As in the case of Morocco and Egypt, the pay-TV market in Saudi Arabia remains small. The current penetration on pay-TV is estimated at 21% although most of these subscriptions come from the relatively low-ARPU bouquet of Al Jazeera sports channels. However, due to the current absence of cinema in the country and the launch of IPTV by STC (InVision, which was launched in Riyadh, Jeddah and Dammam) in 2010 - there is still room for pay-TV penetration to increase in the projection period.

- **Subscriptions**: Approximately 80% of the people do not subscribe to pay-TV in Saudi Arabia due to two reasons: the cost of pay-TV and the availability of similar content on free satellite channels. Since its launch as a pay-TV bouquet in 2009, *Al Jazeera Sports* has managed to become one of the largest pay-TV players in the market in terms of subscriptions, with a market share of 59% according to our market research. It should be noted that a number of people who subscribe to pay-TV in Saudi Arabia have dual subscriptions (e.g. *OSN* and *Al Jazeera Sports*); from the market research this proportion of pay-TV households is estimated at 37%. In terms of subscription drivers, sports is by far the main content influencing the decision to subscribe to pay-TV. In line with the findings from the research conducted in 2009, *Al Jazeera Sports* has managed to capitalize on this across key markets in the region.

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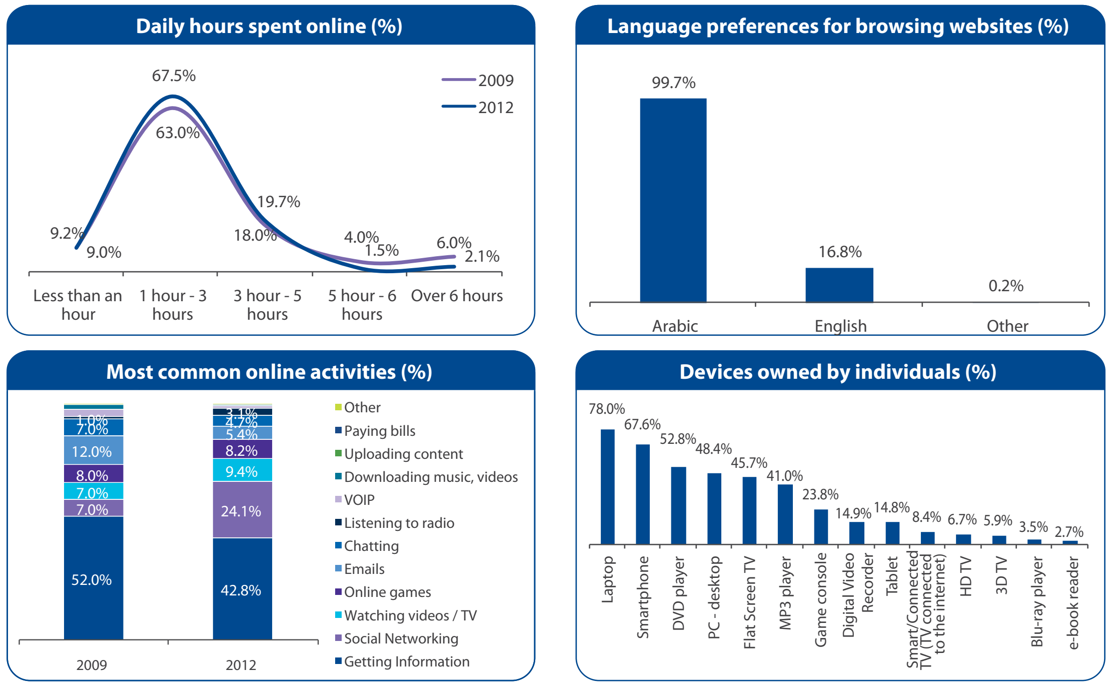
Digital

Exhibit 8: Online trends in Saudi Arabia - market research results (sample = 546)[9]



Digital advertising spend is witnessing a significant growth in Saudi Arabia which can be attributed to the increase in fixed and mobile broadband subscriptions in the country as well as to the trends in evolution of online consumer behaviour detailed below. Total digital advertising expenditure experienced a 86% increase in 2011 and we expect it to grow by 60% in 2012. Going forward, we expect digital advertising spend to grow at a CAGR of 37% over the projection period with its share of the total advertising spend increasing from 5% to 15%.

Key findings from our market research on the online market in Saudi Arabia:

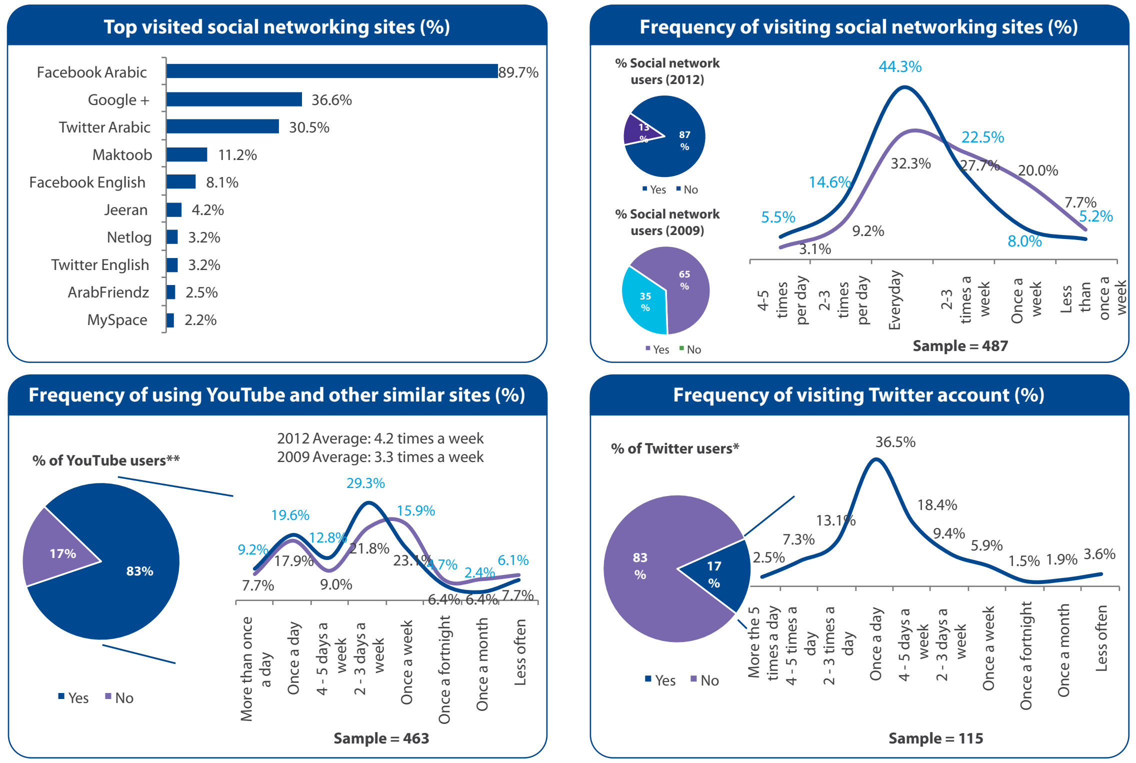
- **Internet usage:** On average people spend 2.4 hours online per day which is just slightly lower than the amount spent watching TV and in line with the average time spent online in the UAE and Morocco. More time is spent online by the younger demographic, especially the 15-24 age segment and to a lesser extent the 25-34 age segment, as compared to the older age groups of 35 and above. In addition, amongst the younger demographics, using the internet is the media activity they would miss the most - more than TV. In Saudi Arabia, 68% of the people own a smartphone and 78% own a laptop, confirming the multiple entry points for the Saudi population to the internet.

- **Content preference:** Approximately 99% of Saudis prefer to browse online in Arabic, but given the relatively low proportion of internet content generated by Saudi Arabia, the majority of users do not have a preference for local Saudi content over other Arabic content. 43% of the people in Saudi go online for the purpose of getting information

9. Ipsos

compared to 52% in 2009; whereas going online for the purpose of social networking has grown from 7% in 2009 to over 24% in 2012. "Watching videos" online is the third most popular activity in Saudi Arabia. In 2011, a separate version of YouTube was introduced for Saudi Arabia. There has been a 260% year-on-year increase in uploads and views, with 100 million page views a day[10] from the Kingdom alone.

Exhibit 9: Social networking trends in Saudi Arabia - market research results (sample = 546)[11]



* More than 70% of Twitter users have Twitter accounts

Key findings from our market research on the social networking and mobile internet usage in Saudi Arabia:

- **Social media consumption:** In Saudi Arabia, the number of people using social networking sites has increased over the last couple of years, with currently approximately 87% of the people using social networking sites compared to 65% in 2009. Around 45% of the people on social networks, access these sites more than once per day compared to 34% in 2009 and we estimate that the frequency of usage has increased overall by 30%. Similar to the other researched countries, *Facebook Arabic* is the top visited social networking site and has maintained its top ranking since 2009. Interestingly the second preferred social networking site is *Google+*, which has gained a noticeable popularity over a short period since its launch thanks to some regional "hangout" initiatives such as the one done with Amr Diab

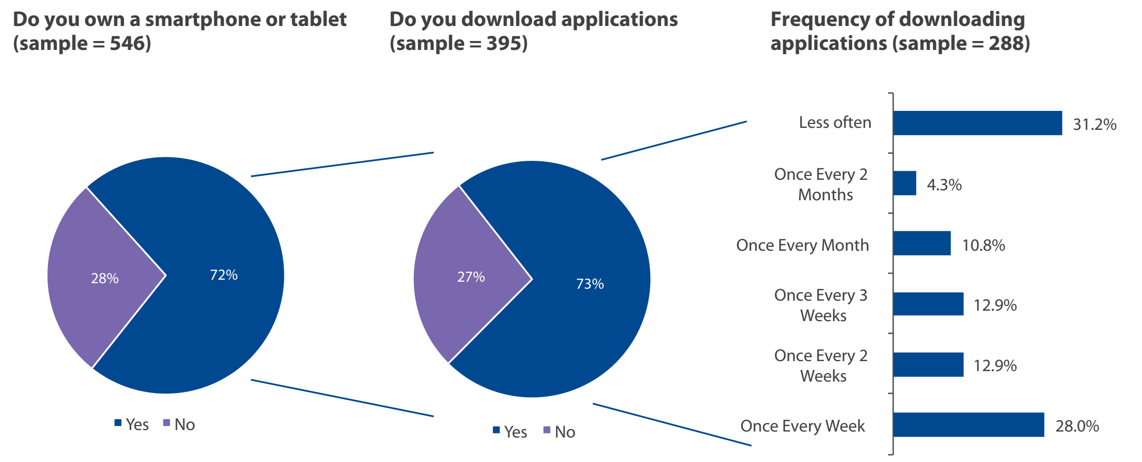
- **YouTube users:** Approximately 83% of internet users are regular *YouTube* users in Saudi Arabia accessing *YouTube* on average 4 times a week compared to 3 times a week in 2009. *YouTube* has gained popularity in the region overall as a source of videos portraying the ongoing political events in 2011 but it has also grown in Saudi as an educational tool ("how to" videos). It is estimated that Saudi Arabia alone generates 100 million daily views of YouTube videos.

- **Twitter users:** *Twitter* is also increasingly popular in Saudi Arabia and now reaches 17% of internet users, out of which more than 70% have *Twitter* accounts. This places Saudi Arabia second to the UAE in terms of Twitter penetration out of the countries considered in the market research. Frequency of usage is also high with approximately 59% of those users who have a *Twitter* account accessing it more than once a day.

- **Mobile internet:** Mobile internet and mobile apps usage is on a growing trend in Saudi Arabia, where around 72% of the people own a smartphone or a tablet, out of which most of the users - more than 70% - download applications. Around 28% of the people who download applications do that more than once every week.

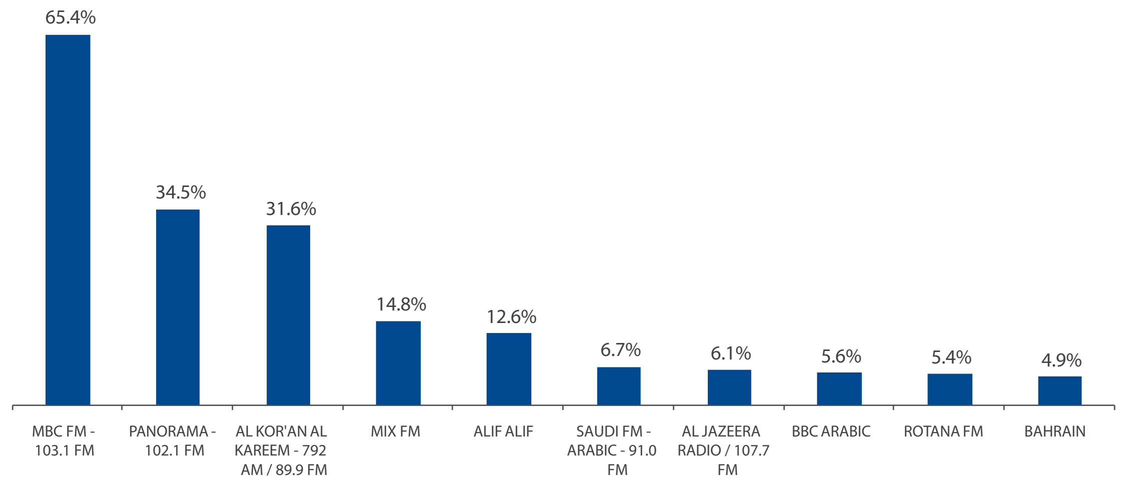
10. Google interviews
11. Ipsos

Exhibit 10: Mobile Applications usage in Saudi Arabia[12]



Radio and out-of-home

Exhibit 11: Radio consumption in Saudi Arabia - market research results (sample = 546)[13]



Radio currently accounts for approximately 9% of total advertising spend in Saudi Arabia. There are 11 radio stations in the country, with seven state owned stations and 4 privately owned. In 2010, Saudi Arabia offered five private radio licenses, which were granted to *U FM*, belonging to Shams Radio Consortium, *Radio Mix*, owned by Creative Edge, *Alif Alif FM*, Rotana, and *Tahalouf Al-Mawarid* which is the only one that did not launch yet. In addition, *MBC FM* is a pan-Arab private radio which broadcasts and targets the youth in Saudi Arabia. In 2011, the radio platform grew by 8% in terms of advertising spend and is expected to grow by 2% in 2012. Going forward, we expect total radio advertising expenditure to increase at a CAGR of 5% over the projection period with a stable share of total market advertising spend.

Out-of-home advertising (including cinema and outdoor) accounts for approximately 14% of total advertising spend in Saudi Arabia, and expenditure has decreased in 2011 by 5%. Driven largely by advertising from the telecommunications sector, we expect out-of-home advertising to increase at a CAGR of 3% over the projection period. We also see 'indoor advertising' i.e. in malls etc. gaining significance and contributing to the growth in out-of-home advertising.

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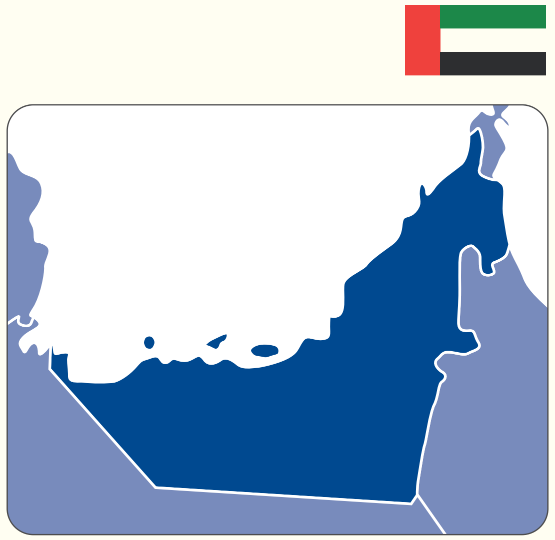
13. Ipsos

4. UAE

Exhibit 1 : UAE snapshot[1]

Key Indicators 2011	
Population Size (millions)	5.2
Area (Square Km)	83,600*
GDP per Capita (USD)	66,625
Size of the ad market (USD million)	661
Advertising spend per Capita (USD)	127.1
Number of daily newspapers	14
Total TV penetration on HHs	95%
Mobile penetration on population	267%
Broadband penetration on population	14.8%



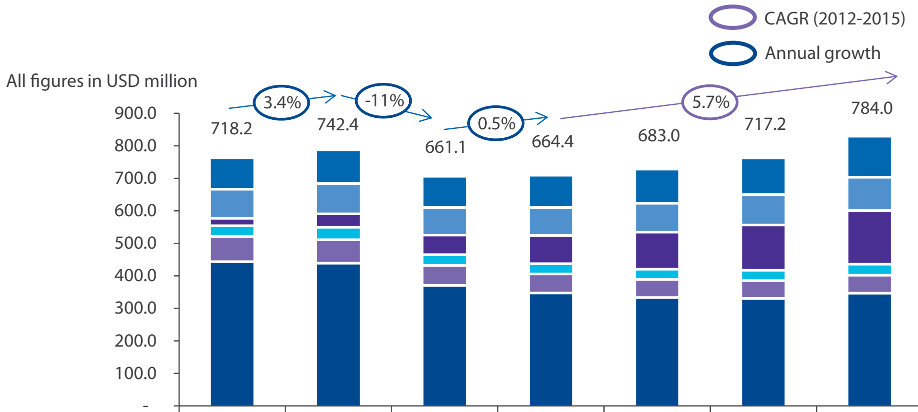
During 2011-12, the UAE economy has benefited from relative stability within the context of the wider Arab region. The country has gained from increased tourism and foreign investments over the last two years, as many investors sought diversification within the region. At the same time, however, Dubai's still ailing real estate market and large debt repayment schedule in 2012 are expected to constrain growth to some extent. As such, IMF estimates suggest that real GDP in the UAE grew by 3.3% in 2011 and is forecasted to increase by 3.8% in 2012. In the outer years of our projection period, we expect this growth rate to rise.

The UAE population has witnessed marginal growth of 0.3 million between the end of 2009 and the beginning of 2012, partly due to the initial recovery of the economy following the economic crisis. Furthermore, the unrest in some regional markets has undoubtedly enhanced the relative risk profile of the UAE for potential investors and boosted oil revenues. In the near term, there is likely to be a continued diversion of commercial, investor and tourism activity from some less stable parts of the region.

The demographic breakdown of the population remains unique, with close to 90% of the population being expatriates (primarily from Asia). Around 65% are under the age of 35, in line with the regional average. The overall literacy rate in the UAE is 78%, which is also in line with the regional average of 78.1%. This composition affects preferences in consumption patterns as is evident from the following sections.

The UAE continues to have the highest number of free trade zones related to media in the region, highlighting the strong presence of the media sector in the country. Dubai Media City has continued to grow in importance as a regional media hub and to some extent with the effect of the recent regional events on other locations including Bahrain. A number of broadcasters have chosen the UAE in the past two years as their headquarters including OSN in Dubai Media City (Orbit was in Bahrain) or more recently Sky News Arabia in twofour54. It is also the largest market in terms of advertising spend, having surpassed Egypt in 2011. The advertising market rebounded slightly in 2010 following the effects of the economic crisis the previous year, but showed a decline of 11% in 2011, largely due to low advertiser confidence on a global level. This decline comes partially from the regional unrest but even more in the case of UAE from other external factors impacting international brands including the euro debt crisis and the tsunami in Japan which had a negative impact on Japanese electronics' advertising spend. The UAE is the second largest advertising market in the region after Saudi Arabia, accounting for 14% of the total expenditure in the region in 2011. In 2012, advertising in the UAE is expected to remain fairly flat, growing at 0.5%, before showing stronger signs of recovery in 2013. The cautious outlook for 2012 is attributable to recent cuts in government budget impacting the public sector's advertising spend. In the long-term, strong spending in the retail sector with increasing footfalls, as well as the presence of international brands opening an increasing number of exclusive outlets, will continue to keep advertising spend steady in the period up to 2015, growing at a CAGR of 5.7% between 2012 and 2015.

Exhibit 2 : UAE net advertising spend[2] (2009-2015)



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Out-of-home (inclusive of cinema)	88.9	95.3	87.7	91.1	96.6	104.5	117.6	7.6%
Radio	81.1	85.4	76.7	77.7	80.6	85.3	94.1	5.2%
Digital	14.6	33.0	52.2	78.8	105.8	130.6	156.8	31.6%
Television	24.5	30.2	24.5	23.3	23.2	23.7	25.9	1.4%
Magazines	70.1	63.8	53.4	50.2	48.1	46.8	47.0	-3.1%
Newspapers	439.0	434.7	366.6	343.3	328.8	326.3	342.6	-1.7%
Total	718.2	742.4	661.1	664.4	683.0	717.2	784.0	4.4%

The UAE's advertising market is forecast to grow to reach USD784 million by 2015, driven by digital platforms which are expected to witness the strongest CAGR of 32% over the forecast period. Whilst TV is also expected to witness growth, print is anticipated to decrease by over 2%. Print, in line with the rest of the local markets in the region, remains the largest contributor to advertising revenues, representing 64% of the total in 2011. However, this share is estimated to decline slightly to 50% by the end of the projection period, as other platforms such as digital gain momentum.

Print

As the contribution of print to total advertising revenues declines, the trend for consuming news online is expected to rise. Newspapers remain the dominant print platform, accounting for 55% of the total advertising spend in 2011. The UAE newspaper market now consists of eight Arabic dailies (including one business daily) and six English dailies inclusive of Sport360°. Of the 14 papers, four remain state-owned, while the remainder are privately owned. Circulation figures are amongst the highest in the region, and the UAE also has the highest proportion of publications with audited circulation figures in the region. Total claimed circulation for daily newspapers in the UAE amounted to over 1 million in 2011.

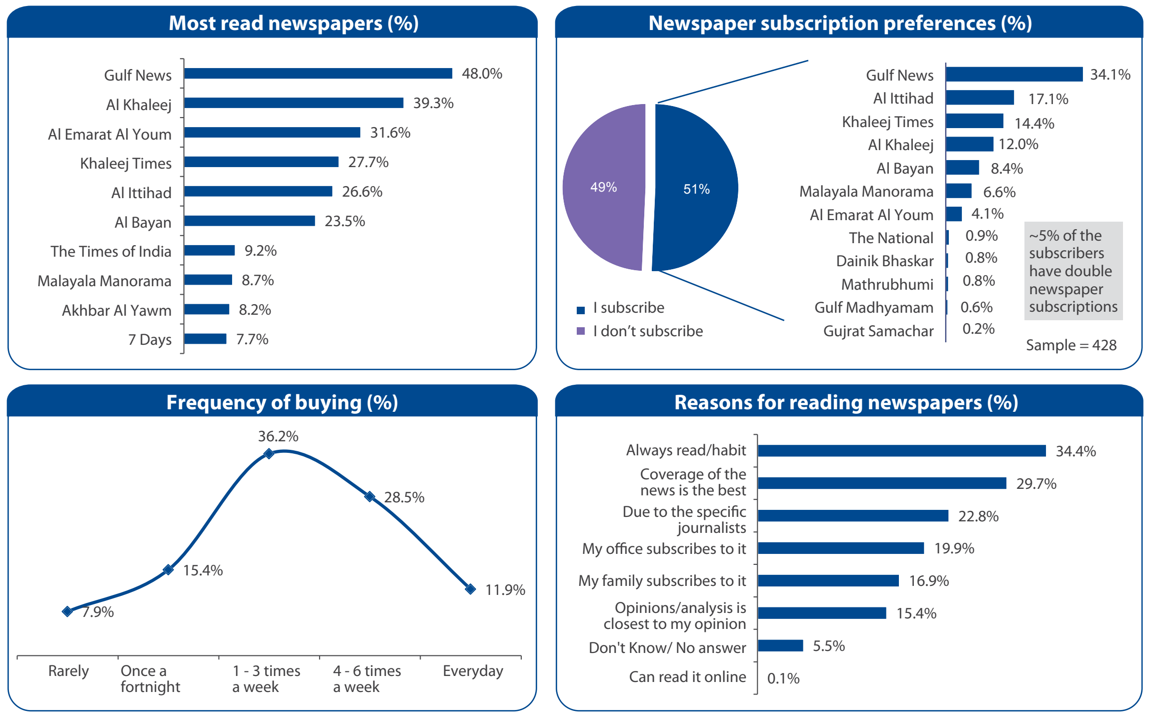
Despite the total number of Arabic and English dailies in the UAE remaining at the same level since 2009, the newspaper industry has witnessed some interesting developments. The print version of Emirates 24/7 ceased publishing in June 2010 and instead started up online, whilst a significant introduction to the market in 2012 was that of Sport360° - the first English daily sports newspaper not only regionally but also, interestingly, internationally.

According to our estimates, newspaper advertising at the end of 2015 is likely to decline slightly to USD343 million compared to the level of spend in 2011 with a lower overall contribution to total advertising revenues of 44%.

1 Arab Advisors Group, Informa, 2011, IMF, MENA Media Guide, Deloitte analysis, (*inclusive of islands)

2 Zenith Optimedia; Deloitte analysis

Exhibit 3 : Newspapers in UAE - market research results (sample = 430)[3]



Key findings from our market research on the newspaper market in the UAE:

- **Top read newspapers:** It is estimated that 56% of news readers in the country read a newspaper every day, compared to 45% in Saudi Arabia and 42% in Egypt. *Gulf News* (an English language paper targeting non-Arab expatriates) has taken over *Al Khaleej* since 2009 as the most read newspaper in the UAE by 48% of respondents. However, *Al Khaleej* has remained popular amongst readers, ranking second in terms of readership followed by *Al Emarat al Youm* as well as *Khaleej Times*. Two Indian newspapers, namely the *Times of India* and *Malayalam Manorama* also ranked in the top ten most read papers reflecting unique market demographics and ethnicity within the country.

- **Newspaper content:** Out of habit, coverage of news and preference for specific journalists were amongst the top reasons for selecting specific newspapers. Interestingly 'preference for specific journalists' has become increasingly important in the eyes of news readers, previously ranking near the bottom in 2009. This can be attributed to shifting readership trends which have occurred as a result of the recent regional unrest. In terms of topic choice, current affairs, politics, and other news ranked on top, preferences which have remained relatively unchanged since 2009, with sports falling into fourth place.

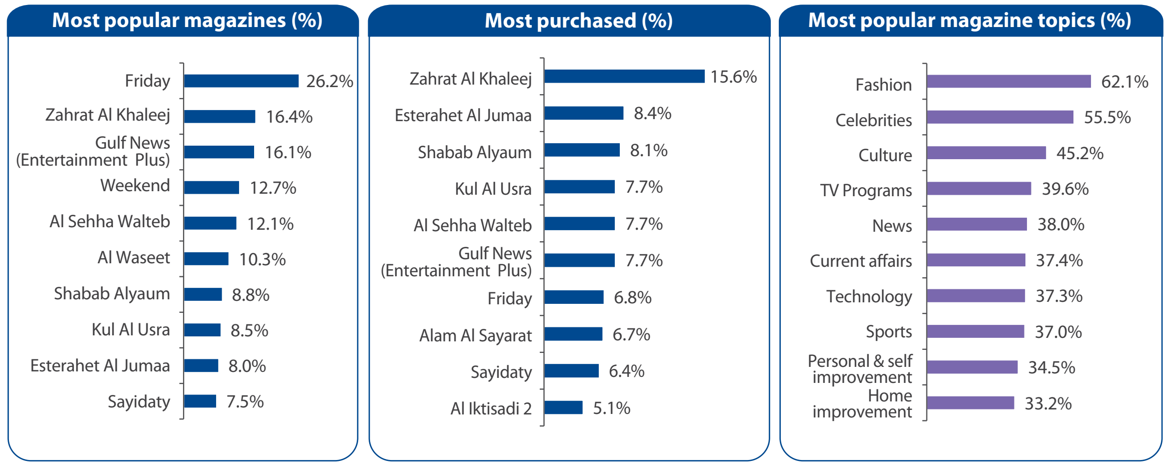
- **Buying habits:** Only 12% of news readers in the UAE would buy a newspaper every day and a sizeable proportion (15 %) would only buy a newspaper every fortnight. The frequency of buying a newspaper on a daily basis is low when compared to other markets such as Egypt, where 32% of readers buy a newspaper every day and below the regional average of 22%. Close to 50% of newspaper readers subscribe to newspapers, which is high for regional standards. For those who do subscribe to a daily paper, *Gulf News* and *Al Ittihad* recorded the highest subscription rates at 34% and 17%. Since 2009, the trend has remained for expatriates to show a strong preference for *Gulf News*.

Going forward, we expect newspaper spend to increase marginally at a CAGR of 1.4% over the projection period, with a declining share from total advertising spend.

Magazine advertising spend has declined since 2009 in line with overall spend. Despite reduced consumption, magazines still account for 8% of total spend. The UAE has witnessed a number of new high profile introductions to the market, namely Middle East editions of Cosmopolitan and Good Housekeeping magazines in 2011, both of which are targeted at a female audience and produced in English by ITP publishing in the UAE. Dubai Media Incorporated (DMI) also launched a new magazine called Ara in October 2011. The magazine aims to reflect the spirit of Dubai and the Arab region as a whole and is the only magazine produced by DMI.[4] Fashion (with a focus on women) has remained a primary topic of interest, whilst current affairs has suffered, falling down in rank since 2009. The UAE remains a unique market, given the demographic profile of the country, with a mix of international magazines and editions appealing to various ethnicities. Women remain the key target audience with 82% having a clear preference for a specific magazine against only 60% for men. Women's lifestyle magazines remain an attractive market segment for publishers such as ITP and Motivate Publishing due to their high circulation and positive growth, especially for the upmarket titles.

3 Ipsos
4 DMI

Exhibit 4 : Magazines in UAE - market research results (sample = 430)[5]



Key findings from our market research on the magazine market in the UAE:

- **Top read magazines:** *Friday* (an English magazine), *Zahrat Al Khaleej* and *Gulf News* (Entertainment Plus) ranked as the top three favourite magazines in terms of readership in the UAE. It should be noted however that both *Friday* and *Gulf News Entertainment Plus* are weekly supplements to the popular newspaper, hence their wide reach and appeal. *Zahrat Al Khaleej*, a women's lifestyle weekly magazine, was the favourite amongst UAE nationals and other expat Arabs, whilst Friday was most popular amongst expatriates.

- **Magazine content:** The most preferred topics for magazine readers in the UAE include fashion, celebrities (both particularly amongst females), culture and news, which is relatively in line with the trend witnessed in 2009, with the exception of current affairs. "Current affairs" was the top read magazine topic in 2009, primarily driven by the economic events which occurred during that period.

- **Subscription habits:** Subscription rates of 41% are high for the region, for instance when compared to other markets such as Saudi Arabia, where around 88% of the people do not subscribe to any magazine. Among those who subscribe, *Friday*, *Weekend* and *Gulf News* (*Entertainment Plus*) are the most popular amongst expatriates with an average subscription rate of 14%. However, as noted above, these trends reflect more the popularity of subscription to the underlying newspapers (*Gulf News* and *Khaleej Time*) than true magazine subscription. Subscription rates are particularly low among UAE nationals.

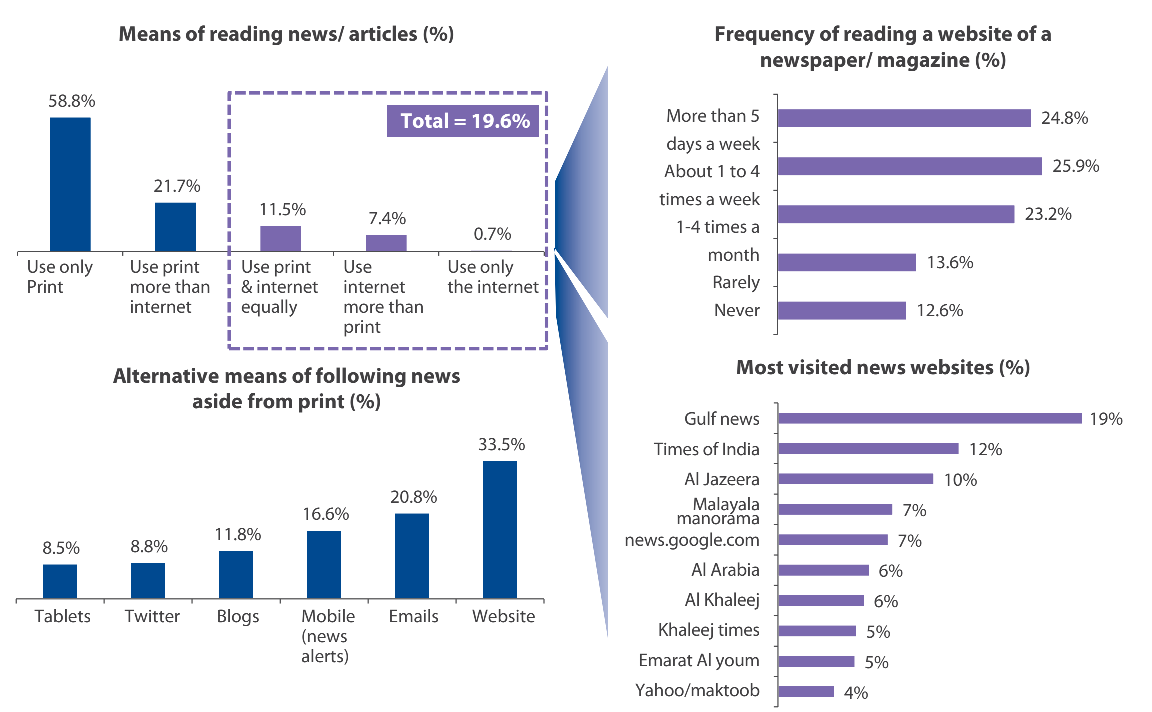
- **Language preference:** Of the Arabic readers in the country, the majority (56%) either "completely" or "somewhat" prefer Arabic translation over an international edition.

Magazines have had limited room for recovery on the back of the economic crisis and the recent regional troubles. Beside online migration, magazines also face competition from alternative segmented platforms such as radio. Going forward, we expect advertising expenditure to decrease slightly at a negative CAGR of 3.1% over the projection period, with a declining share from total advertising spend in the overall market.

A prevalent trend across the region has been the growth in digital over the last two years. This has affected consumption habits, with newspapers and magazines increasingly being viewed online.

5 Ipsos

Exhibit 5 : Converging print & digital in UAE - market research results (sample = 430)[6]



- **Online print consumption:** Although print remains the dominant platform for reading news, as many as 50% of news readers in the UAE read news online more than once a week, of which 25% read news online more than five times a week. Apart from websites which are the most popular means of reading news online overall, the second preference among UAE nationals is news alerts on mobile phones. Opportunities to monetize premium content online appear limited, with 83% having never paid for news content online or on mobile and 53% of all readers currently not willing to pay for such content. Despite an increasing number of consumers reading news and magazines online, print still remains the only source of news and magazine readership for 59% of people. That said, 7% of consumers are now using the internet as a medium for news more intensively than print and magazines. Expatriate Arabs account for the majority of this segment, while UAE nationals account for the smallest portion. While the UAE is more advanced in the transition to digital as compared to other regional markets, it remains at a nascent stage when compared to markets in Europe and North America. The trend to read news online is expected to increase going forward.

According to a media habits survey of university students in the UAE, 22% rely on online news websites as a source for news compared to 20% for print newspapers and magazines[7]. University students in the country are of the opinion that people resort to online news rather than print as it's easy and simple to access[8]. However, when asked if they felt print media would come to an end in the near future, 67% felt it would not, suggesting the continued relevance of the print platform amongst this digitally engaged population. This being said, television and radio are the most popular sources for news amongst this segment with 23% of respondents indicating the view, whilst social news is the most popular genre.

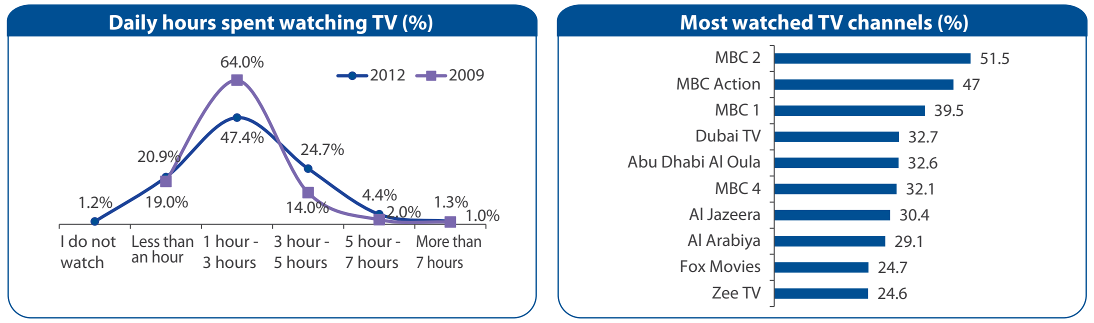
Television

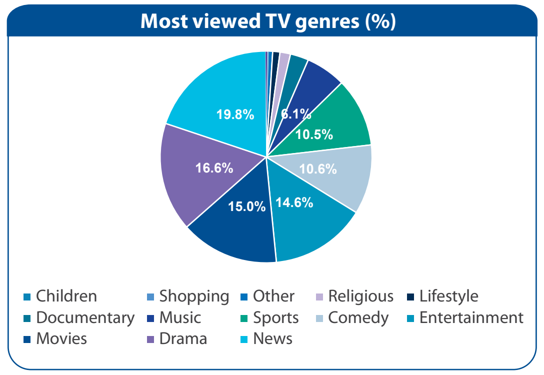
Pan-Arab TV advertising continues to attract a significantly higher proportion of advertising revenues compared to local television, as is the case across the region overall. This, of course, is due to the wider reach of pan-Arab channels. The recent introduction of the People Meter initiative in the UAE has been welcomed by major players and niche broadcasters alike and will introduce further transparency in the market for advertisers. Until now the region has lacked a standardized audience measurement system and although it will take some time before the benefits can be witnessed, this represents a positive development for the industry. Local TV advertising in the UAE accounts for less than 4% of total advertising revenues, a similar value to that of 2009 when it was worth USD25 million. We expect TV advertising spend to diminish further during the early years of the projection period, before picking up slightly towards 2015.

In 2011, the UAE was the main headquarters to 72 FTA channels, falling slightly behind Egypt and Saudi Arabia in terms of the total number of channels. The UAE also had 16 terrestrial channels, of which 13 are state-owned and three are independent channels. Abu Dhabi Media (ADM) and Dubai Media Incorporated (DMI) remain the two most significant media organisations in the country, operating 10 out of the 16 local channels in the country. There were no new channel launches in 2011. However, *Abu Dhabi Drama* was launched in 2010 under the ADM umbrella, as a new Arabic language channel.

DMI has a mix of channels largely focused on content catering to local Emiratis with the possible exception of Dubai One. They also have a number of sports broadcast rights including the Bundesliga and the UAE Pro League. ADM, meanwhile, acquired the rights to some major sports, namely the English Premier League, as well as the exclusive rights to the Formula 1. It is evident from the research that sports have become an increasingly important driver in relation to pay-TV uptake. A major introduction to the market in 2012 is the launch of *Sky News Arabia*.

Exhibit 6 : TV consumption in UAE - market research results (sample = 430)[9]





Most watched TV programmes*

Rank	Programme
1	Al Etijah Al Moakes
2	Arab Idol
3	Dance India Dance
4	Jeopardy
5	Comedy Circus
6	Sada Al Maleb
7	Bade acche lagte hai
8	Crime Patrol
9	Hareem Al Sultan
10	CID

*We have ranked only programmes with specific names provided by the respondents and excluded generic genre (e.g. Arabic Series)

Key findings from our market research on the television market in UAE:

- **TV consumption:** The unique demographics of the UAE population are reflected in the television consumption habits in the country. However, there are some key channels which are popular amongst all viewers, as discussed below. Close to 50% of viewers spend between one and three hours watching TV per day. Of the different nationalities in the country, UAE nationals watch the highest amount of TV, with 53% watching between three and six hours per day. The mean time spent watching TV is interestingly on the rise 2.5 hours on a weekday, compared to 2.0 hours in 2009, showing the resilience of TV despite the shift to online.

- **Top genres:** News and drama are the most popular genres of TV, followed by movies and entertainment. News is most watched amongst Arab expats, which can be largely attributed to the widespread interest in the regional unrest which occurred in 2011 and 2012. Drama, on the other hand, is most popular amongst UAE nationals.

- **Preferred channels:** Pan-Arab channels continue to dominate the most watched channels list in the UAE. MBC channels remain at the top of the list, as was the case in 2009, particularly among expat Arabs, while *Zee TV* remains at the top among other expats due to the strong preponderance of South Asians in this group. *Abu Dhabi Al Oula* also remains a popular choice.

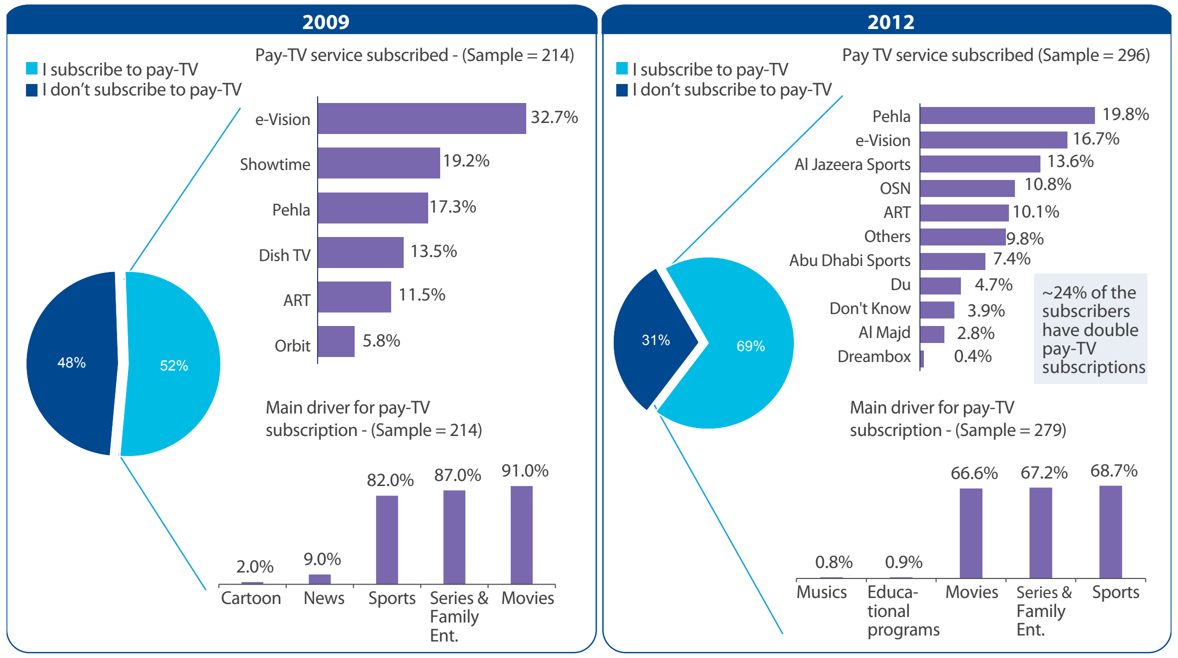
- **Top viewed programmes:** *Al Etijah Al Moakes* is a popular choice in the UAE. However, *Arab Idol*, which is broadcast on MBC, is a huge hit in the local market (by far number one in the 15-24 segment) as was the Arabic version of *Jeopardy*.

6 Ipsos
7 Dubai Press Club, sample = 917
8 Dubai Press Club, sample = 917

9 Ipsos, The Nielsen company, Deloitte analysis

The TV market in the UAE remains complex, given the wide mix of nationalities in the country. However, the initial results from the audience measurement system, once established, should help to provide further clarity in terms of highlighting key channels in the market. IPTV penetration on households in the country was estimated at 33% in 2011. We see some potential for growth for this platform in the UAE, driven by increased investment in fibre infrastructure and bundled offerings (TV, mobile, fixed and broadband) offered by the two telecom operators in the country - Etisalat and du. One such example is elife now offered by Etisalat. The IPTV service is delivered via Etisalat's new Fibre-to-the-Home (FTTH) network and offers catch-up TV, PVR capabilities and video-on-demand in addition to the standard programming[10]. Although FTA television remains dominant, there has been an increase in pay-TV take-up of 17% since 2009, with higher levels of subscription in the UAE compared to other markets. Pay-TV operators are likely to take advantage of the increasing interest in services such as online video and catch-up TV, as broadcasters such as OSN look to minimize churn and target their competitors' subscriber base.

Exhibit 7 : Pay-TV in UAE - market research results[11]



Key findings from our market research on the television market in UAE:

- **Pay-TV uptake:** The number of subscriptions to pay-TV services has increased since 2009, a positive sign for players in this sector. Accounting for double subscriptions, we estimate that Pay TV take-up in the UAE is around 45%. Expat Arabs make up the majority of those who do not subscribe to any pay channels, whilst other expats account for the highest proportion of subscribers.

- **Subscriptions:** Pehla, a premium Asian entertainment offering owned by Arab Digital Distribution has significantly increased its standing since 2009 as the most popular bouquet subscribed to. *Al Jazeera Sports'* strong value proposition has helped build its position amongst the leading pay-TV providers. OSN's initiatives to battle piracy have also been favourable in terms of fighting illegal subscriptions, leading to a marked decline in the share of illegal satellite services (e.g. Dreambox). *OSN* offerings have strong standing among non-Asian expatriates and UAE nationals.

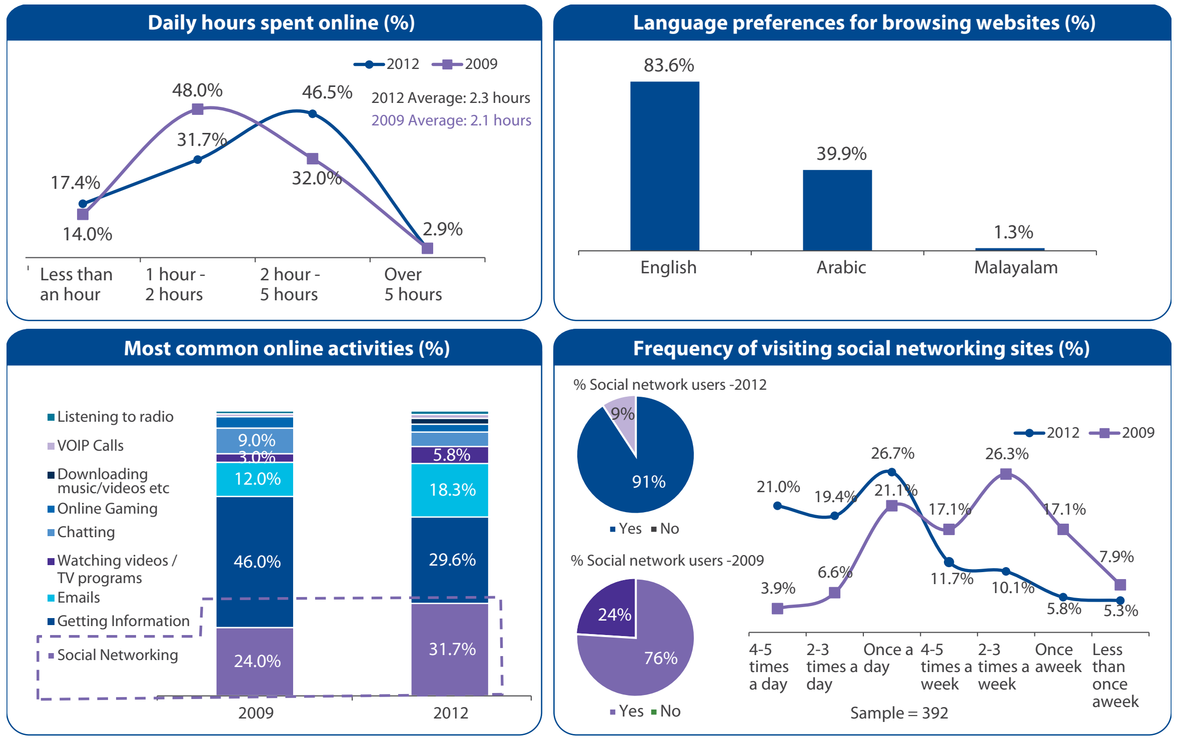
- **Preferred genres:** Sports content, as in other mature markets, is a key driver for pay-TV uptake. Al Jazeera has managed to capitalize on this with rights to key European football leagues, such as the UEFA Champions League and Spanish La Liga, as well as the FIFA World Cup and Euro 2012. Movies and series also remain popular channel genres.

10 IPTV News
11 Ipsos, The Nielsen Company, Deloitte analysis

Digital

The internet is increasingly becoming a key platform in terms of advertising spend and we expect strong growth in this segment going forward, particularly at the expense of print. The UAE's continued emphasis on the digital sector, its robust broadband infrastructure and the presence of international brands which are increasingly spending more on digital marketing, is expected to boost digital advertising spend in the years to come. In 2011, the digital platform accounted for 8% of total advertising spend compared to just 2% in 2009. We anticipate double digit growth at a CAGR of 32% over the projection period, with digital advertising spend expected to reach USD157 million by 2015, accounting for close to 20% of total revenues. The region is still at an early stage in terms of use of digital as a platform, but with increasing fixed and mobile broadband penetration in the years to come, the digital platform is expected to become even more attractive to advertisers in the region.

Exhibit 8 : Online trends in UAE - market research results (sample = 430)[12]



Key findings from our market research on the online market in the UAE:

- **Internet usage:** Compared to 2009, when the mean time spent online was 2.1 hours per day, there has been an increase in the amount of time spent online in the UAE to a mean time of 2.3 hours. Whilst 48% of internet users spent between one and two hours online in 2009, roughly the same proportion of users now spend between two and five hours online. Males generally spend more time online compared to females, and the majority of users spending more than three hours per day online are under the age of 35. Close to 14% of users under the age of 24 spend more than four hours online per day.

- **Content preference:** Although there is still a clear distinction between those who prefer to browse in English and Arabic (with 85% of UAE nationals preferring to browse in Arabic), English is by far the preferred language overall. The popularity of social networking has increased by nearly 8 percentage points since 2009, to become the most common online activity amongst users.

- **Social networking trends:** Over 90% of internet users now use social networking sites on a regular basis. Since 2009, the frequency of visiting social networking sites has increased substantially. 21% of users now visit a site four to five times a day, compared to just 3% in 2009. Expat Arabs are amongst the highest users in terms of frequency of use, as well as those under the age of 35. Overall, there has been a significant increase in the mean time spent using social networking sites from 5.4 times per week to 11.9 times per week.

12 Ipsos, The Nielsen Company, Deloitte analysis

Exhibit 9 : Social networking trends in UAE - market research results (sample = 430)[13]

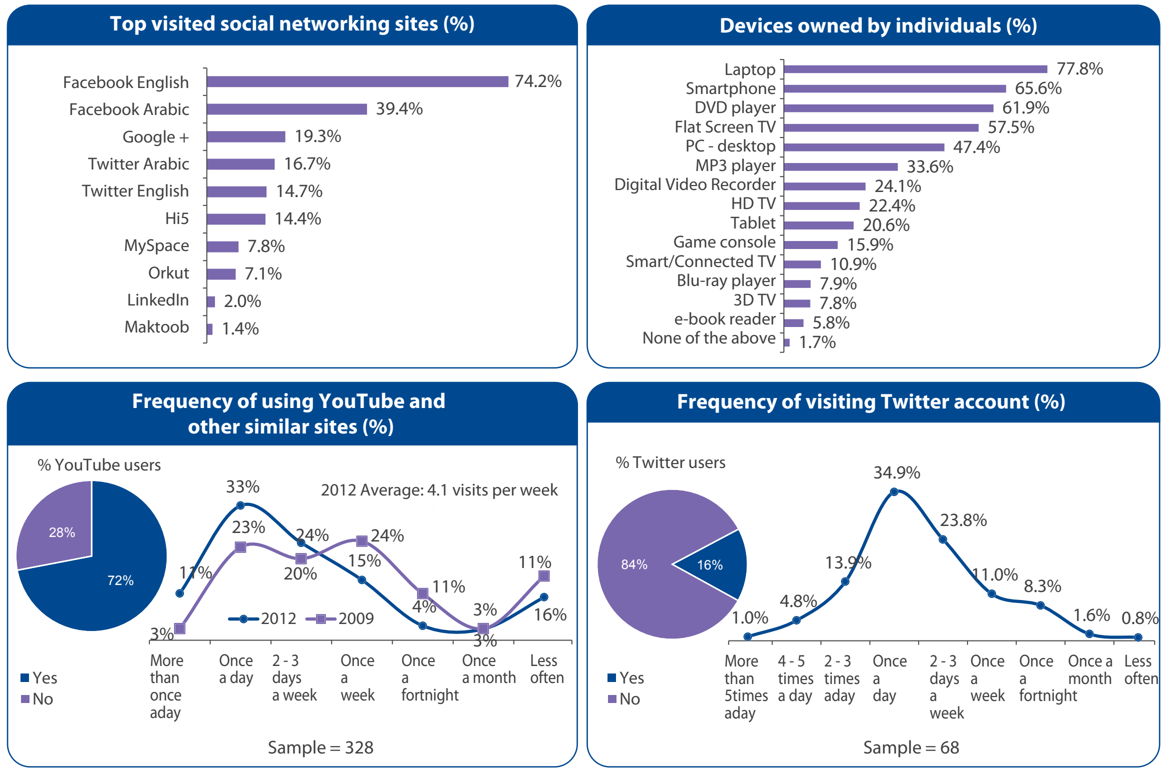
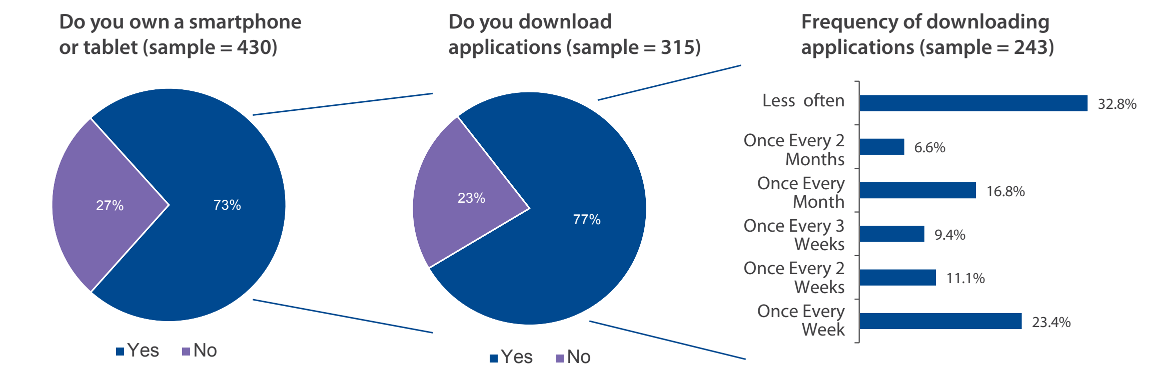


Exhibit 10 : Mobile applications trends in UAE - market research results (sample = 430)[14]



Key findings from our market research on social networking in the UAE:

- **Social media consumption:** With over 65% of the population owning a smartphone, and close to 78% in possession of a laptop, the range of devices enabling consumption of content "on the go" is increasing. *Facebook Arabic* and *Facebook English* remain the top visited social networking sites. Interestingly, *Google+*, having only been launched in the market in 2011, has gained a strong presence in a very short time frame and is particularly popular amongst UAE nationals. *Linkedin*, on the other hand, is visited less frequently than in some other markets, which could be largely due to the lack of an Arabic site.

- **YouTube users:** 76% of internet users are users of *YouTube* and 64% are regular users in the UAE (more than once a month). Since 2009 there has also been an increase in the frequency of its use where more than 11% of users used *YouTube* or similar sites more than once a day. The mean number of visits per week is now 4.1, up from 2.6 in 2009. Of the various segments, expatriates account for the greatest number of users who are not regular users of sites such as *YouTube*.

- **Twitter users:** *Twitter* is also gaining in popularity, as 63% of internet browsers are now using a *Twitter* account on a regular basis. *Twitter* is most popular amongst expatriates (96% in possession of an account), whilst over 50% of both UAE nationals and Arab expats do not have an account at all. Surprisingly, 50% of internet users under the age of 24 do not have an account either.

13 Ipsos
14 Ipsos

- **Mobile applications:** The UAE has one of the highest penetrations of smartphones in the region, broadly in line with mature markets such as the US or the UK. 77% of the smartphone and tablet users in the UAE claim to regularly download applications with almost a quarter of them downloading applications on a weekly basis.

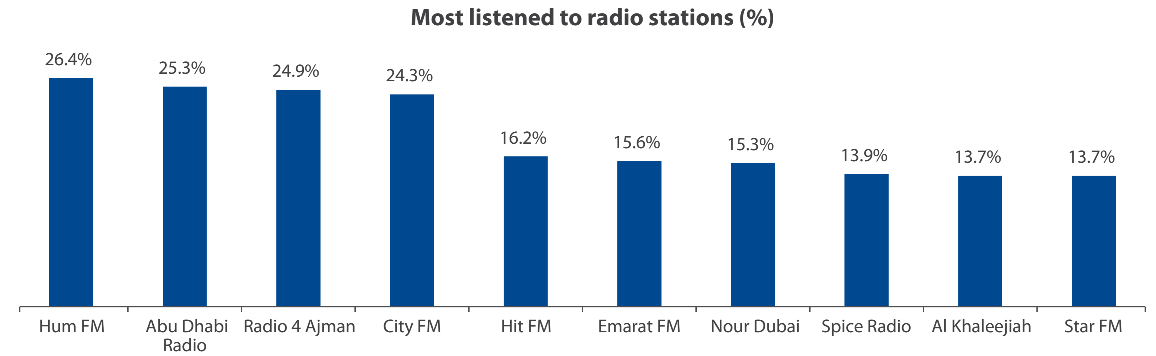
As the number of people who own internet connected devices increases, the use of social networking sites is also expected to rise given the ubiquitous access points provided by such devices to these sites.

Radio and out-of-home

Radio currently accounts for just short of 12% of total advertising spend. We expect radio advertising spend to increase at a CAGR of 5.2% over the projection period to reach USD94 million by 2015. The radio market in the UAE is relatively diverse compared to other markets in the region, broadcasting in a mix of languages to cater to the unique demographic segments in the country. However, advertising spend on radio remains relatively low, partly due to the significant audience fragmentation.

The number of local radio stations in the UAE has increased by 58% from 24 stations in 2009 to 38 at the end of 2011. An important entry in 2011 was Radio Shoma which was launched by ARN to cater to the large number of Iranian expatriates in Dubai[15]. Other recent launches included *Dubai FM*, *Rock Radio* (unique to Fujairah Media), *Suno 1024 FM* as well as *Super 94.7 FM*. Although all radio stations in the country are independently run by different networks, the largest being ARN and ADM, all stations remain state owned. However, there are also four regional stations broadcast in the country - namely *BBC*, *Radio Sawa*, *Radio Monte Carlo* (RMC) as well as *Sout Al Khaleej*. Of the local FM stations, 16 are broadcast in Arabic only, whilst other languages include English, Urdu, Hindi, Filipino, Malayalam as well as Russian (e.g. Russian Radio).

Exhibit 11 : Radio consumption in UAE - market research results (sample = 430)[16]



HUM FM, which is broadcast in Hindi, is the most popular radio station in the country, driven by the large number of South Asian listeners in the country (46%). It is also a popular station amongst those over the age of 45. *Abu Dhabi Radio* is the second most popular radio station in the country, broadcasting classic Arabic music, news programmes as well as Holy Qur'an readings.

Out-of-home (inclusive of cinema) currently accounts for the second highest proportion of advertising spend (13.3%) after newspapers. In the past, out of home advertising spend has been primarily driven by the real estate industry in the country. Despite the industry suffering in recent years, outdoor advertising spend has remained positive largely due to its 'quick return on investment' appeal in the region. This point was also highlighted through our industry interviews. We expect out-of-home advertising to increase at a CAGR of 7.6% over the projection period to reach USD118 million by 2015. Furthermore, the UAE has the highest number of cinema screens per capita in the region and, given the varied demographics and ethnicities present in the country, we forecast steady growth for cinema advertising in the years to come.

Content

The UAE has positioned itself as a commercial hub for regional content producers. TV and film production studios in both Dubai (Dubai Studio City) and Abu Dhabi (twofour54) provide facilities for production and post-production of content to the companies housed in their free zones. Major international content producers such as

15 MENA Media Guide 2012
16 Ipsos

Cartoon Network, *Sky News Arabia* (launched in 2012), *CNN*, and *BBC Arabic*, as well as regional content creators such as *Al Arabiya* and *O3 Productions* (both MBC subsidiaries) are all based in the UAE. The UAE does compete with the vast production facilities offered at competitive rates in Egypt, Lebanon and Syria and its output, as a result, is not as high as that of some of its regional peers. However, it continues to raise the bar for production and technology, and to market itself as a suitable filming location. As a recent prominent example, the filming of Mission Impossible: Ghost Protocol in Dubai during 2011 marks one of the first international big budget films to be filmed in the UAE, also raising the stature of the country in the international film industry in the process. In addition to actual content creation, the UAE has certainly positioned itself as a centre for doing business related to production and has attracted significant international interest as a result.

As an aside, the UAE continues to diversify its offering in order to attract different segments and tastes. In March 2012, it was announced that a new Modern Art Museum and Opera House District would be developed in the Downtown district of Dubai[17]. This coupled with the introduction of HIPA (Hamdan Bin Mohammed Bin Rashid Al Maktoum International Photography Awards) in March 2011, aim to further strengthen the UAE's aim to become the cultural hub of the region

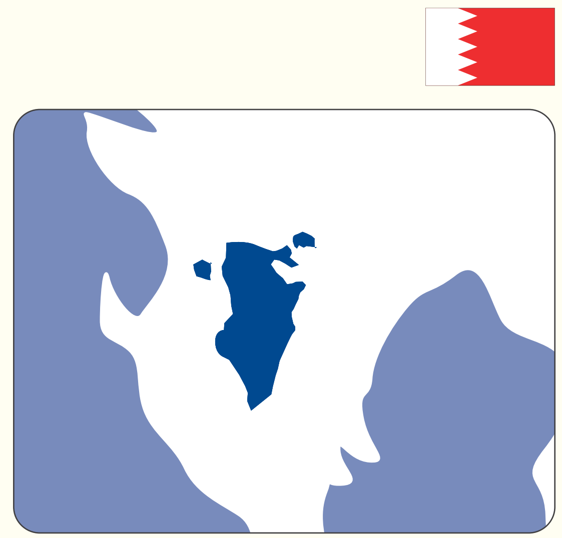
17. Khaleej Times

COUNTRY-BY-COUNTRY UPDATE

5. BAHRAIN

Exhibit 1 : Bahrain snapshot[1]

Key Indicators 2011	
Population Size (millions)	1.2
Area (Square Km)	741
GDP per Capita (USD)	23,410
Size of the ad market (USD million)	49
Advertising spend per Capita (USD)	40.8
Number of daily newspapers	8
Total TV penetration on HHs	97%
Mobile penetration on population	202%
Broadband penetration on population	13%

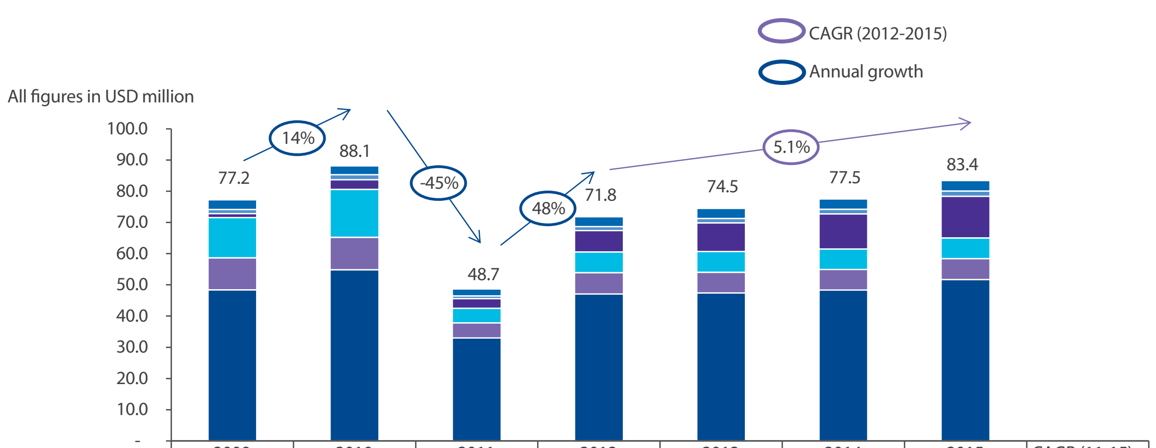


In 2011, Bahrain's economic growth slowed as a result of the domestic unrest. With the hydro-carbon sector accounting for one-third of Bahrain's economy, the country's growth in 2012 will depend in part on the movement of oil prices. Bahrain, a Gulf financial hub, was hit hard in 2011 by social unrest and total investment held within Bahrain's mutual funds dropped by nearly USD800 million in 2011. Government spending is a key driver for growth in the country and IMF estimates suggest the economy will pick up momentum in 2012.

The advertising market in Bahrain shrank by 45%[2] in 2011 as a result of the general economic difficulties in the country and was estimated at USD49 Million. However, in 2012, the advertising market is expected to see a rebound with the level of advertising spend closer to that seen in 2009. In the period up to 2015, we expect to see steady growth, driven by a gradual recovery in confidence of advertisers in the market. Our estimates suggest that after a 48% recovery in 2012, advertising spend will grow at a CAGR of 5% over the period from 2012 to 2015, driven by strong growth in digital platforms and radio. Nevertheless, advertising spend per capita still remains below other GCC markets and provides room for growth in the years to come.

1. Arab Advisors Group, Informa, 2011; IMF; MENA Media Guide; Deloitte research
2. Zenith Optimedia, Deloitte analysis

Exhibit 2 : Bahrain net advertising projections[3]



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Cinema/ Outdoor	3.1	2.8	2.2	3.1	3.2	3.2	3.3	11.3%
Radio	1.4	1.6	0.9	1.3	1.4	1.5	1.7	17.5%
Digital	1.3	3.1	3.1	6.8	9.2	11.3	13.3	44.3%
Television	12.9	15.3	4.7	6.7	6.6	6.5	6.7	9.0%
Magazines	10.2	10.4	4.8	6.8	6.7	6.6	6.7	8.4%
Newspapers	48.4	54.8	33.0	47.1	47.4	48.4	51.7	11.9%
Total	77.2	88.1	48.7	71.8	74.5	77.5	83.4	14.4%

The media market, both in print and online, is heavily regulated. The Media Reform Plan (MRP) issued by the government calls for the establishment of a High Media Council, the consolidation of all media laws into one law, and the establishment of a world-class educational institute to train future journalists and other communication professionals. Bahrain is in the final stage of development of a Media City which is expected to attract foreign media and provide an opportunity for the private sector to invest in the media field. The Rotana Group is one of the first anchor tenants of the Media City and will launch the upcoming Al Arab news channel from Manama. Furthermore, Bahrain is expected to serve as the hub for Rotana's operations and several members of the senior executive team will also move from Riyadh to Manama[4] on the completion of the Media City's legal and organisational framework.

Print

The newspaper industry accounts for a significant share of the advertising sector of Bahrain and the size of the newspaper advertising market was estimated at USD33 Million in 2011. In 2012, our estimates suggest that the market will recover, with advertising spend projected to grow at a CAGR of 48%. The expected annual growth over the period from 2011 to 2015 is estimated to be around 14%. Bahrain has five Arabic dailies, two English and one Malayalam. The daily *Akhbar Al Khaleej* claims to have the highest circulation, with 36,000 copies. Circulation numbers for the industry have shown a declining trend and the daily newspaper *Al Waqt* shut down in 2010. The daily newspaper *Al Meethaq* turned into a weekly newspaper after it failed to secure enough funds to publish on a weekly basis.

Magazine advertising expenditure has seen some decline between 2010 and 2011 and the industry has witnessed no new entrants during this period. Given the small size of the market, the magazine industry in Bahrain is primarily reliant upon pan-Arab titles such as *Layalina* and *Zahrat Al Khaleej*. The magazine industry contributed approximately 10% of total advertising spend in the country in 2011. Bahrain benefits from a high literacy rate and as the advertising market is set to recover, magazine advertising expenditure is expected to grow at CAGR of 8.4% over the period up to 2015.

Television

The TV industry accounted for 10% of total advertising spend in 2011 and is expected to show some growth in the years to come. The size of TV advertising spend in 2011 was estimated at just USD4.7 million as TV viewers are primarily drawn to the pan-Arab platform. In comparison with other markets in the GCC, however, the relative proportion of TV spend in the overall advertising spend in the market, is higher in Bahrain (10% of the total) as compared to Kuwait, Saudi Arabia or the UAE. The public sector is the largest contributor to advertising on television.

3. Zenith Optimedia, Deloitte analysis
4. Press clippings

Bahrain has seven FTA channels, of which four are privately owned. New launches include Qur'an Channel, a religious channel promoted by the Information Affairs Authority (IAA), and Bahrain International Channel. Interestingly, Bahrain, which historically hosted a number of important broadcasters in the region, such as Orbit before the OSN merger, and the *MBC2* channel, could be the home to the *Al Arab* channel funded by Saudi Arabia's Prince AlWaleed bin Talal (Rotana) that will cover political, economic and social issues related to the Arab region. Bahrain has also emerged as the regional editorial hub for CNBC in 2010. The regional hub now co-ordinates business and financial news gathering from the Middle East with a studio and production facility linked to CNBC's global network.

Public service broadcaster Bahrain Radio & TV Corporation (BRTC) has increased its output of local productions, particularly dramas, in the key Ramadan period. The most popular BRTC channel is Channel 44, which broadcasts 24 hours a day in Arabic. Around 35-40% of its output is locally produced[5]. In terms of penetration of TV platforms, free satellite remains dominant, representing 51%[6] of households in Bahrain. There is existing, but marginal, cable TV penetration in the island (4% of households[7]) via BRTC through MMDS ("wireless cable"). In addition, the country has a relatively high pay-TV penetration when compared to other markets, estimated at 51% in 2011. The three main regional pay-TV operators with operations in the country are OSN, ART - with distribution handled by its sister company, Arab Digital Distribution (ADD) - and Al Jazeera Sports. The IPTV platform has been deployed by ISPs such as Neutel and by the incumbent fixed line operator Batelco in select areas such as the Reef Island and Amwaj Island. Batelco's IPTV service, which launched in 2011, offers video-on demand, catch-up TV services, time shift and PVR features. We foresee DTH to continue its dominance of the pay-TV space; however IPTV will make some inroads into the market in the years to come.

Digital

Bahrain has one of the highest broadband penetrations in the Arab region and the broadband market is very competitive, with 11 ISPs by the end of 2010. There are currently five commercial broadband access technologies in the Bahraini market, including DSL, WiMAX, VSAT, FTTx, and 3G. Recognising the importance of broadband for socioeconomic growth, Bahrain's government has published a National Broadband Network (NBN) policy to improve broadband access. The government has declared that excess capacity will be made available on the fibre-optic network of the Electricity & Water Authority (EWA), on an open access basis and at 'fair and reasonable' prices. Bahrain Internet Exchange (BIX) has been made responsible for overseeing all operational aspects of the planned NBN, in accordance with the Kingdom's National Economic Strategy 2009-2014. In 2011, the Telecommunication Regulatory Authority (TRA) issued an order for Batelco, the incumbent fixed line operator to commercially launch Local Loop Unbundling to further open competition in the broadband market.

Social media has blossomed in Bahrain over the last few years. As events progressed in the 2011 uprisings in Bahrain, more and more people used Facebook in the search for a source of information other than state-run media and Facebook now has a penetration of 39% of the population[8].

Smartphone and tablet penetration in Bahrain is already high and is set to further rise in the coming years. The mobile market has seen intense competition due to the entry of third operator Viva Bahrain. Viva Bahrain has recently gained significant market share at the expense of both operators Zain and Bahrain Telecommunications Company (Batelco). Viva and Batelco have announced their 4G Long Term Evolution (LTE) services in 2012.

The Bahrain digital media market is still in the early stage of development when compared to other markets in the region. However, Bahrain's Economic Vision 2030 is aimed at maintaining Bahrain's position as a media hub in the region. Bahrain's eGovernment strategy aims to have over 90% of key services available online. The Bahraini government has defined strategies to promote the Bahraini digital society and e-government which, in turn, has driven adoption of local content. The eContent award which is organized by the eGovernment authority and the Bahrain internet society has the objective of selecting innovative eContent and promoting innovative and creative new media applications. Given Bahrain's favourable positioning in terms of ICT readiness, we estimate strong growth for digital advertising spend in the years to come. Our estimates suggest that digital advertising spend will grow at a CAGR of 44% in the period between 2011 and 2015 and will contribute close to 16% of the total advertising spend in the country.

5. Press clippings
6. Informa
7. Informa
8. Arab Social Media Report

Radio and out-of-home

Radio advertising spend in Bahrain remains relatively small. There are a total of 14 radio stations in Bahrain, including six regional stations, seven state-owned stations and one private station. The latest edition in 2010 was *Shabab FM* which targets the youth of Bahrain.

The cinema industry is small and has lacked funding. Major cinema advertisers include telecom operators such as Batelco and consumer goods companies.

Many short films are produced by independent filmmakers. In 2006, the Bahrain Cinema production company with private and government support was formed and has produced two feature films to date. 2011 saw a first entry film produced by a Bahraini director, titled *The Power of Generations*, win the third prize at the Gulf Film festival.

Content

Last but not least, Bahrain has been an early entrant on the sports scene since 2004 (before the strong push from its neighbours Qatar and UAE) with the first F1 Grand Prix in Manama. Following the cancellation of the Grand Prix in 2011, it will be held in 2012 under the slogan 'UniF1ed - One Nation in Celebration' to reflect the united spirit of F1 fans who are waiting to see the event take place in Bahrain. Abu Dhabi Media has the exclusive broadcast rights for the event in the Arab region from 2010 to 2012.

6. IRAQ

Exhibit 1 : Iraq snapshot[1]

Key Indicators 2011	
Population Size (millions)	31.4
Area (Square Km)	434,320
GDP per Capita (USD)	3,306
Size of the ad market (USD million)	101
Advertising spend per Capita (USD)	3.3
Number of daily newspapers	12
Total TV penetration on HHs	80%
Mobile penetration on population	87%
Broadband penetration on population	0.1%

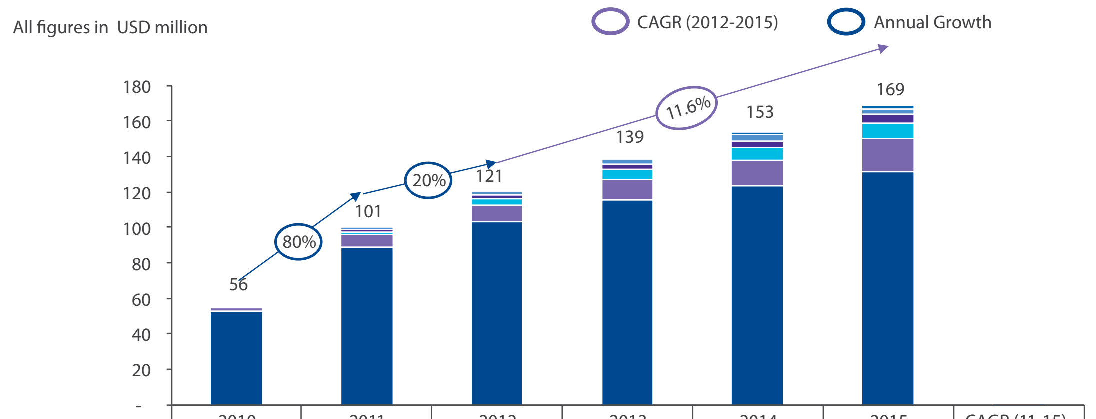
Iraq is a new addition to the coverage of the Arab Media Outlook. The last nine years in Iraq have been rather unstable following the conflict in the country which began in 2003. The country is going through a reconstruction phase with economic and financial institutions currently being set in place and new infrastructure being developed. The economy is expected to show strong growth in the years to come with real GDP forecast to grow at a CAGR of 10% in the period up to 2015[2]. Returns on energy investment, healthy oil prices, and the promotion of non-hydrocarbon sectors of the economy are the primary factors which will drive the growth of the economy.

Advertising spend in the country has grown dramatically in the last few years, and we estimate an 80% growth over 2010 numbers to reach USD101 million in 2011. This can be attributed to the economic recovery initiatives in place to rebuild the country, which have stimulated a virtually non-existent advertising market following years of internal disruption. Going forward, as market confidence grows in the country, we expect advertising spend to show robust growth at a CAGR of 12% over the period from 2012 to 2015, to reach USD169 million. Advertising spend per capita estimated at USD3.2 is still extremely low, when compared to the regional average of USD15 million suggesting adequate room for growth.

Following the invasion of Iraq in 2003, at a time when security and political instability was widespread in the country, the state media collapsed thus causing limited regulation of the media market. It was therefore necessary to implement an official body in the country in order to develop, regulate and organize the media landscape in Iraq. In June 2004, Iraq's Communication and Media Commission (CMC) was set up with the legal authority to approve and grant licenses for all the country's media, telecommunications, broadcasting and information services[3]. There are also plans in place to set up the country's first media free zone based in Baghdad - the Baghdad Media City. The Media City project will be carried out at an estimated total cost of USD128 million and is targeted for completion towards the end of 2014[4].

1.Arab Advisors Group, Informa, 2011; IMF; MENA Media Guide; Deloitte research
2. IMF estimates
3. MENA Media Guide, 2012
4. Zawya

Exhibit 2 : Iraq net advertising projections (2010-2015)[5]



	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Magazines	0	1	1	1	1	2	35%
Radio	1	2	2	3	3	3	14%
Outddor	0	1	2	3	4	5	50%
Digital	0	2	4	6	7	8	46%
Newspapers	2	7	9	12	15	19	27%
TV	52	88	103	115	123	132	10%
Total	56	101	121	139	153	169	14%

Television

TV has been the largest contributor to the advertising spend in the country in 2011 accounting for just under 88% of the total advertising spend. In the following years, we expect TV's contribution to advertising spend to decline as other platforms develop. Our estimates suggest that TV advertising will grow at a CAGR of 10% in the period between 2011 and 2015 reaching USD137 million by 2015.

Satellite dishes were banned in the country up to 2003; there were a limited number of national terrestrial stations in the country. However, after 2003 when satellite dish sales surged and FTA channels entered the market there was a significant shift in the TV market. In 2011, Iraq was the main headquarters to 49 FTA satellite channels (24% of which are general private sector channels), one of the highest number in the whole region. Sixteen terrestrial channels are now operated in the country, of which three are state owned (by the US funded state broadcaster Iraqi Media Network) and the remainder are independent channels. There have been no new channel launches since 2009; however, in March 2011, *Al Jazeera* was once again granted rights to re-establish operations in the country following their ban in 2004. This is a positive sign in a market where pay-TV in particular remains scarce.

Given the paucity of local content and the potential of the country, regional broadcasters are keen to participate in the development of content for the Iraqi market. The Middle East Broadcasting Centre Group (MBC) is planning a dedicated transmission to Iraq, in addition to Egypt and North Africa by the end of 2012[6]. Other public broadcasters are also actively considering the launch of a dedicated channel for the Iraqi market.

Print

The literacy rate in Iraq stands at 74%, slightly below the regional average of 78%. The newspaper industry in Iraq is the second largest contributor to overall advertising spend in the country, accounting however for only 8% of the total advertising spend in 2011. The share of newspaper advertising has been growing in recent years albeit from a low base, a trend which is distinct from other Arab markets and we estimate that the contribution of newspaper advertising to total spend in 2015 will be 11%.

In 2003, the Iraqi Media Network was set up by Parliament. It is composed of a number of newspapers, TV and radio channels. At the end of 2011 there were approximately 50 newspapers being published in Iraq compared to the huge number of 250 or so newspapers which entered the market in 2003. The Iraqi Media Network owns the *Al Sabah* newspaper which claims to have the largest circulation in the country (i.e. claimed circulation of 55,000) in 2011[7]. It is argued that the newspaper monopolizes advertising in the country. Given that the state funds a significant portion of advertising, independent newspapers struggle to attract much advertising. The newspapers which distribute 20,000 copies or more in the country are few, which make commercial viability an issue of concern.

5. Deloitte analysis, Ipsos
6. Arabian Business.com
7. MENA Media Guide, 2012

Al Sabah and *Azzaman* (Iraq edition) remain the most circulated newspapers in the country, both with daily claimed circulation figures of above 50,000 (i.e. circulation numbers are currently not audited). The *Azzaman* paper was founded in 1992 in London[8]. These two papers are considered to be the most influential papers to have emerged in the country.

Smaller independent newspapers however are struggling to attract private sector and international advertising. Most common advertisements relate to government bids, auctions and mobile service offerings. In Kurdistan, real estate companies dominate newspaper advertising followed by malls and city tourism companies. The daily *Al Ittihad* is also published in Arabic and Kurdish to cater to the large population of Kurds in northern Iraq. There have been no new entrants in the newspaper industry since 2009 and circulation numbers have grown at an annual rate of 3.4% since 2009. In September 2009, the Iraqi government submitted a proposal outlining a new media law to defend journalists by providing them with security and protection as well as the ability to carry out their activities in a free and safe manner[9]. However, the new media law has not yet been passed.

The magazine segment in Iraq accounts for a minimal proportion of the total advertising spend in the country. We expect good growth in absolute terms for magazines in the country; however, the contribution to the total advertising market is expected to remain low.

Digital

Internet infrastructure has been severely damaged in the aftermath of the war in the country. Most users currently depend on VSAT, microwave links and Wifi hotspots from private companies, usually unlicensed. Some fixed-wireless services are offered by WLL and WiMAX licensed operators, such as Kalimat and IBN. Moreover, some private companies provide internet services through fibre cables leased from other private firms, but subscriptions are very limited due to the high prices of these services. Broadband penetration in the country was virtually negligible in 2010. In 2011, the Iraq Telecommunications and Post Company (ITPC), the incumbent fixed operator announced two FTTH access network projects in Iraq. 3G services are currently being offered by Mobitel in the Kurdistan region.

With a relatively young population (i.e. 67% are under the age of 30) there is potential to develop the digital market amongst these early adopters as has been the case in other markets such as Qatar. Online websites such as *Koora.com* are becoming increasingly popular in Iraq as are social networking sites. The number of new *Facebook* users in Iraq in 2011, as a percentage of the total population, was 2.2% - higher than other regional markets such as Bahrain and Lebanon[10], however the number of *Twitter* users remains minimal in the country. Expectedly, penetration of social networking platforms in the country is relatively higher than fixed broadband penetration, suggesting that users adopt alternative avenues (e.g. mobile phones, shared internet connections and internet cafes) to access social networks. Mobision, part of Alsumaria Broadcasting Service Company, is the single mobile TV (DVB) service provider in Iraq.

Iraq's digital market is currently at a very early stage compared to other countries such as Qatar and the UAE. However we foresee strong growth in digital advertising spend, reaching 5% of the total advertising spend in the country by 2015.

A few digital e-government initiatives which have been launched include the "University Professor website" project which encourages university professors to publish their research in Arabic and provides a sustainable link to share information, experiences and ideas between the universities and the professors. The Iraqi e-governance programme portal's goal is to deliver public services online[11] and includes sections for Iraqi citizens, businesses and NGOs.

Radio and out-of-home

Radio advertising expenditure accounts for the third highest proportion of overall advertising spend after newspapers. In 2011, radio accounted for 2% of total advertising spend at USD2 million[12]. The Iraqi Media Network is the state broadcaster which operates radio and television stations in the country. Under its umbrella there are three state owned stations, whilst there are an additional ten national stations and 16 regional stations (the majority of which are Kurdish). Of the radio stations which are broadcast on a pan-Arab basis, *BBC Arabic (UK)* *Panorama FM, Radio Sawa (US), Radio Monte Carlo (France)* and *Sout al Khaleej* are all broadcast in Iraq. At the end of 2009, there were 33 radio stations in the country - this has now reduced slightly to 29 stations. Going forward we expect radio advertising's contribution to overall spend in the country to remain stable at 2% of the total spend by 2015.

Out-of-home is currently a developing platform in relation to contribution to advertising spend in the

8. MENA Media Guide, 2012
9. MENA Media Guide, 2012
10. Arab Social Media Report, Dubai School of Government
11. ITU
12. Deloitte analysis

country. Outdoor advertising sector at first witnessed chaotic, arbitrary billboard postings, with aspiring advertisers trespassing on public property to post make-shift signs marketing their products[13]. The situation now is moving in the right direction, with town municipalities exhibiting more control and signing agreements with advertising agencies that have proved willing to operate on a professional and ethical basis and with a long-term vision. Advertisers are increasingly relying on billboards to promote their products and services. Out-of-home accounted for approximately 1% of the total advertising spend in the country in 2011 and this contribution is forecast to grow to 3% of advertising spend by 2015.

Content

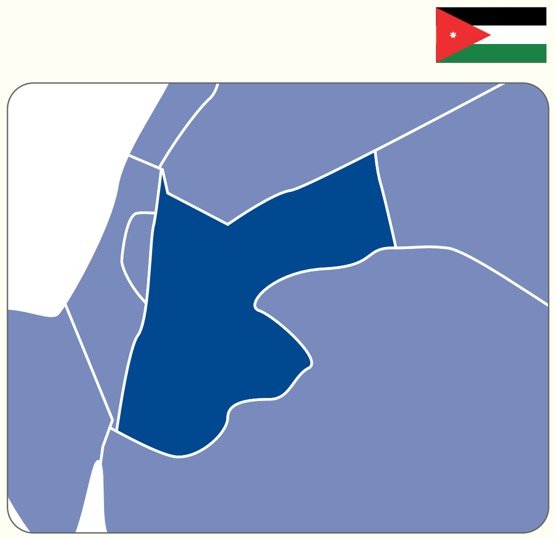
The Iraq Independent Film & Television College was set up in Baghdad in 2004 as a not-for-profit organisation, and is the first of its kind to exist in the country. The college was formed with the primary goal of providing free of charge intensive short courses that relate to film and television technique, in addition to theory and production. The college provides training to Iraqi film makers. It encourages and supports their film production initiatives by providing access to production facilities and information regarding funding and further training possibilities[14].

13. Diyar Outdoor Advertising
14. Independent Film and Television College

7. JORDAN

Exhibit 1 : Jordan snapshot[1]

Key Indicators 2011	
Population Size (millions)	6.5
Area (Square Km)	89,342
GDP per Capita (USD)	4,541
Size of the ad market (USD million)	105
Advertising spend per Capita (USD)	16.2
Number of daily newspapers	8
Total TV penetration on HHs	95%
Mobile penetration on population	110%
Broadband penetration on population	4.7%



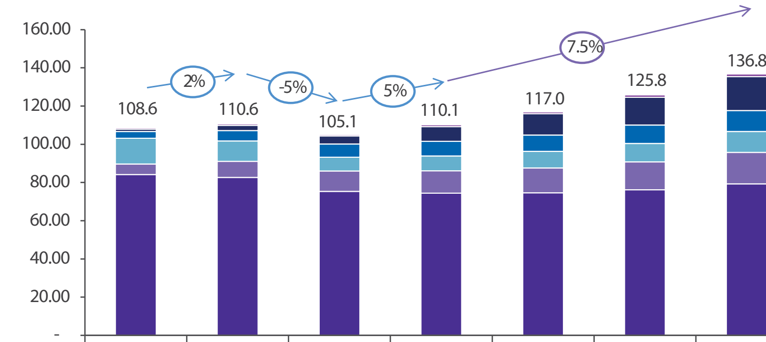
Jordan's economy, dominated by the services sector, is one of the smallest economies in the Middle East. Like many other Arab countries, Jordan's population is skewed towards the younger demographic with 37% under the age of 15 and more than half of the population under the age of 30. The global economic slowdown and regional turmoil, however, have depressed Jordan's GDP growth, impacting export-oriented sectors, construction, and tourism. Jordan's financial sector has been relatively isolated from the international financial crisis because of its limited exposure to overseas capital markets. IMF estimates suggest that the economy expanded by 2.5% in 2011 and projects an average growth of 4% in the period up to 2015. However growth is unlikely to reach the stellar levels seen before the economic downturn (i.e. 7-8%).

The Jordan Media City (JMC) is one of the oldest in the region, established in 2001 and is privately owned. JMC currently transmits 120 channels across Australia, Europe, Middle East and parts of Africa.

Jordan's advertising expenditure declined by 5% in 2011, as the economy faced sluggish growth. The major contributors to the advertising spend in Jordan are the telecommunications, banking and real estate sectors. Advertising spend is expected to rebound by 5% in 2012 and grow at a CAGR of 7.5% over the period up to 2015.

Exhibit 2 : Jordan net advertising projections[2]

All figures in USD million



	2009	2010	2011	2012	2013	2014	2015	CAGR (11–15)
Magazines	0.65	0.72	0.74	0.85	0.99	1.16	1.37	16.8%
Digital	1.18	2.69	4.20	7.72	11.16	14.57	17.78	43.4%
Out-of-home (includes Cinema)	3.57	5.46	6.92	7.64	8.53	9.62	10.94	12.1%
Television	13.46	10.62	7.14	7.82	8.65	9.69	10.94	11.2%
Radio	5.53	8.45	10.71	11.72	12.98	14.53	16.41	11.3%
Newspapers	84.18	82.67	75.36	74.38	74.65	76.23	79.33	1.3%
Total	108.6	110.6	105.1	110.1	117.0	125.8	136.8	6.8%

CAGR (2012–2015) Annual growth

1. Arab Advisors Group, Informa, IMF, Arab Media Guide, Deloitte analysis
2. Deloitte analysis

Print

The Jordanian press is regulated by the Press and Publication law. Accounting for 72% of the total advertising spend in the country, newspapers have the highest contribution amongst all platforms. Newspaper advertising spend was estimated to be USD75 million in 2011 and is projected to grow at a CAGR of 1.3% over the period up to 2015.

Jordan has seven Arabic dailies of which *Ad Dustour, Al Ghad* and *Al Rai* claim circulation in excess of 50,000. Apart from this, Jordan has an English daily, *The Jordan Times* and 16 Arabic weekly newspapers. Polls amongst users suggest that *Al-Rai* is the most popular newspaper in the country[3]. Most newspapers have online portals and the propensity to use the web to read news is high (i.e. 44% use the internet as a source for daily and global news)[4].

Magazine's contribution to the total advertising spend is expectedly small, given the dearth of local magazines in the market. In 2011, a new magazine was launched called *Luxury*. Popular magazines include *Anty*, a women's magazine, *Majaletna*, covering youth interests, local news and opinions and *Layalina*, a pan regional magazine with a circulation of 15,000 copies in Jordan.

Television

The local TV advertising market is relatively small. TV advertising spend has seen a recovery since 2009 and is projected to grow at a CAGR of 11% reaching USD11 million by 2015. The TV viewership is dominated by pan-Arab satellite with terrestrial TV accounting for 16% of TV households in the country[5]. The state broadcaster is the Jordan Radio and Television Corporation (JRTV), which operates a domestic channel and broadcasts internationally via the Jordan Satellite channel. There are no government initiatives to provide digital Terrestrial TV in the near future. The independent local channel Watan TV broadcasting local news, dramas and a variety of political, social and economic programmes was re-launched as Roya TV in 2011.

There are 29 FTA satellite channels headquartered in Jordan of which the main genres include children and youth and promotional channels[6]. Pay-TV penetration is currently low in the country, estimated at 4% in 2011. *Al Jazeera Sports* is the most popular pay-TV service provider with close to 60% share of the pay-TV market[7]. IPTV services are provided by Orange Jordan which commercially launched IPTV services in the last quarter of 2008. Orange Jordan is also the only provider of mobile TV services in the country.

Digital

Currently, there are a total of four commercial broadband technologies in the Jordanian market: DSL, FTTx, WiMAX and 3G. Broadband penetration was estimated at 4.1% in 2010.

In addition, and as a complement to broadband access networks currently deployed by commercial operators, the Ministry of Information and Communication Technology (MoICT) is rolling out a national broadband network (NBN) across the country. The NBN is an open access network established by the government of Jordan to support the growth of traffic demand as the pace of technology diffusion accelerates. It has connected over 600 public schools and universities, in addition to 58 government entities[8]. Several health-care institutions and "Knowledge Stations" around the country were also connected with a fibre-optic network and IP/Ethernet technologies. Future plans are being studied to utilize the network to support the business sector in Jordan. The internet market in Jordan is competitive. By the end of November 2011, there were 16 operational ISPs in the country.

Jordan's mobile telecom industry remains one of the most competitive in the Arab region. Mobile penetration stands at more than 100%. The leading service providers are France Telecom-backed Jordan Telecom (Orange), Zain Jordan, and Bahrain Telecom (Batelco)-owned Umniah. Orange was the first telecom provider in Jordan to launch 3G+ services in 2010, as well as mobile TV. Zain Jordan also launched 3G services in the following year.

Jordan is developing into an important hub for regional digital media and internet companies. Digital advertising spend in Jordan was estimated to be USD4.2 million in 2011 and is expected to grow at a CAGR of 43% reaching USD18 million by 2015. The Jordan based Jabbar Internet Group is one of the leading integrated online service providers in the region with a range of properties across segments and verticals including e-commerce and online marketplaces (i.e. *Souq.com*, *sukar.com*), cash payment platforms (i.e. *Cash U*), Group Buying Services (i.e. *Cobone*), online gaming (i.e. *Tahadi Games*), online travel (i.e. *joob.com*), digital ad agency (i.e.*Ikoo*).

Jordan has also emerged as one of the hotspots for online gaming with several multiplayer online gaming portals such as *Tarneeb* (card game), *Fuzztak* (table game), *Happy Oasis* (farm game), *Yahoo! Maktoob Games* developed by Jordanian based companies. Prominent game developers and publishers include Aranim Media Factory, a social games and comic book company, Quirkat studios (headquartered in the UAE and with development studios in Jordan), Tahadi Games, Wizards Production, and Beladcom (game development start-up focused on developing client-based 3D virtual worlds). Jordan's Oasis 500, a leading incubator in the region has also actively encouraged the development of the online gaming ecosystem with the set-up of an interactive electronic gaming laboratory which provides training on the essentials of game design.

Radio and out-of-home

Jordan Radio and Television Corporation (JRTV) is the state broadcaster of Jordan. There are 30 radio stations in Jordan, with an equal share of state-owned and private stations. The liberalization of the audio-visual sector in Jordan occurred in 2003, which allowed private local and foreign companies to obtain licenses for radio and television. The majority of radio stations are commercial stations playing Arabic and English pop music, but a number of community radio stations have also emerged including *Farah Alnas* (women and youth) as well as stations broadcasting from Jordan University in Amman.

One of Jordan's most popular stations, *Radio Fann* re-launched in 2011 on a new frequency. *Hala FM* was launched in October 2010 and is owned by the Jordanian Armed Forces. The station broadcasts Arabic music hits and news updates. Radio advertising spend was estimated to be USD11 million in 2011 and is projected to grow at a CAGR of 11% over the period up to 2015.

Out-of-home advertising accounts for a higher proportion of the total advertising spend than magazines and digital at approximately 7%. Over the projection period, we expect out-of-home advertising to increase slightly in terms of overall share to around 8%. In line with the overall region, out-of-home is less subject to the impact of online migration compared to other platforms, and, as such, is expected to grow at a strong CAGR of 12% over the projection period.

Content

Jordan is an important local Arabic TV series producer. Key local production houses include the Arab Tele-Media Group and Issam Hijjawi for Art Production. Since its launch in 1984, the Arab Tele-media Group (ATP) has produced 90 Arabic television series in different genres i.e. Bedouin, historical and social. ATP productions for the first nine months of 2011 include *Otter Al Nair* aired on Kuwait TV, Dubai TV and Qatar TV, the comedy series *Kilma O No*s and *Defater Al Tofan*. Similarly, Issam Hijjawi produced the series *Wain ma Toujha Ouja* in 2010 which was aired on LBC during Ramadan of 2011. The production of Jordanian Bedouin drama has however fallen recently due to the lack of private and government support[9]. In 2011, the Ministry of Culture announced that it is working on a plan to return the Jordanian arts and culture scene to its former glory, especially in national songs and dramas.

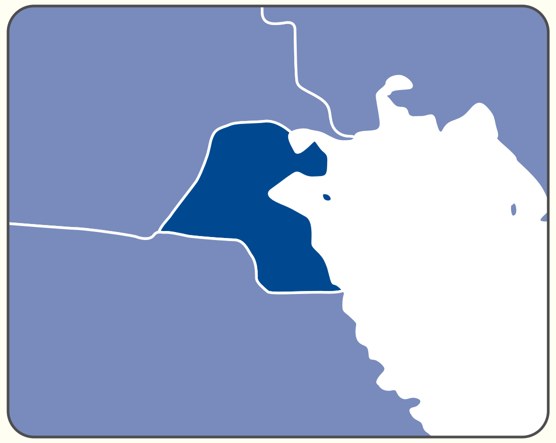
After receiving the Best Short Film Award at the Palm Springs International Film Festival in 2011, the Jordanian film *Bahiya and Mahmoud* qualified for the Oscar Nomination in 2012 in the short film category. Furthermore, The Royal Film Commission- Jordan (RFC) and the Ministry of Culture launched the Jordanian Film Caravan in 2011, a film screening program which aims to enhance and promote film culture in the Kingdom's governorates.

3. Jordan Media survey
4. Arab Advisors Group
5. Informa
6. Ibid
7. Informa
8. ITU
9. Press clippings

8. KUWAIT

Exhibit 1 : Kuwait snapshot[1]

Key Indicators 2011	
Population Size (millions)	2.5
Area (Square Km)	17,818
GDP per Capita (USD)	46,460
Size of the ad market (USD million)	396
Advertising spend per Capita (USD)	158.4
Number of daily newspapers	18
Total TV penetration on HHs	99%
Mobile penetration on population	149%
Broadband penetration on population	9.7%



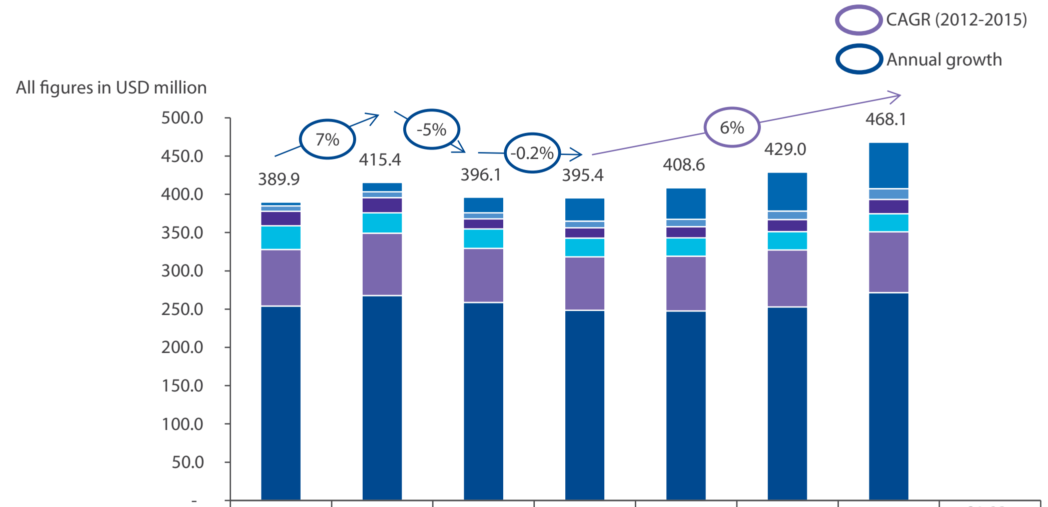
Kuwait is a small, but wealthy state with a relatively open economy. It accounts for roughly 9% of the world's oil reserves. Kuwait boasts one of the highest literacy rates in the region, close to 95%, as a result of the extensive government support for the education system. While the domestic economy was hit hard in 2009 as a result of lower oil prices and production cuts, an expansionary fiscal stance and improved oil prices resulted in nominal GDP growth[2] of 21% in 2010. Despite the pace of growth, foreign direct investment in Kuwait is limited.

Kuwait's Development Plan mandates spending in excess of USD130 billion in the period up to 2014 to provide the economic stimulus for the growth of the non-hydrocarbon sector and to turn Kuwait into a dynamic trading and financial hub. However, implementation of the plan remains a challenge. The economy was also affected somewhat by political uprisings between February and May 2011.

Kuwait has the fourth highest advertising spend in the Arab region, after the UAE, Egypt and Saudi Arabia. In 2011, total advertising spend in Kuwait was estimated to be USD396 million. As with other markets, the advertising market in Kuwait has been fluctuating in recent years, experiencing growth of 7% in 2010, but reversing the trend with a 5% decline in 2011. In the period up to 2015, we expect some strengthening in the market, staying roughly stable in 2012 but growing at a CAGR of 6% for the period between 2012 and 2015.

1. Arab Advisors Group, Informa, 2011, IMF, MENA Media Guide, Deloitte research
2. IMF data

Exhibit 2 : Kuwait net advertising projections[3]



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Digital	5.2	12.0	20.4	30.5	41.1	50.8	60.9	31.5%
Radio	7.0	7.7	7.8	8.6	9.8	11.1	14.0	15.7%
Out-of-home (includes Cinema)	18.8	19.8	13.1	13.6	14.6	16.0	18.7	9.3%
Magazines	31.0	26.5	25.6	24.4	24.0	23.9	23.4	-2.2%
Television	73.9	81.6	70.6	69.8	71.4	74.3	79.6	3.0%
Newspapers	254.0	267.7	258.7	248.5	247.6	252.9	271.5	1.2%
Total	389.9	415.4	396.1	395.4	408.6	429.0	468.1	4.3%

Print

The largest contributor to advertising spend in Kuwait is the print industry. Newspaper advertising spend was estimated to be close to USD260 million at the end of 2011 and is forecast to grow at a CAGR of 1.2% in the period up to 2015. Following the introduction of a new press law in 2006, which ended a 30 year ban on the issue of daily newspaper licenses in the country[4], a large number of newspapers entered the market. The newspaper market in Kuwait now consists of 18 daily newspapers, 15 of which are in Arabic and three in English. With by far the highest number of newspapers per habitant of the whole region, there is not enough advertising spend to ensure sustainability for all outlets. Consequently several newspapers including *Awan*, *Arrouiah* and *Assawt* shut down between 2008 and 2010. The majority of Kuwait's newspaper companies are privately owned, unlike the country's radio and television stations. *Al Mustaqbal* and *Al Kuwaitiah* were two new daily entrants to the market in 2011[5]. With such a high number of newspapers, some consolidation can be expected in the newspaper industry in the years to come. *Al Anba* and *Al Rai* currently claim the highest circulation in the market.

Kuwait is the second largest market in the Arab region for magazine advertising after Saudi Arabia. Kuwait has a vibrant magazine industry with many local titles across different segments. Yet some gaps still remain, for instance, in the listings and technology segments. New titles to emerge in the last few years include the luxury, lifestyle and fashion magazine *Lazzaro*, which is published monthly in Arabic and English by the A.I.C. Group and covers fashion trends, news, health and travel.

Television

Unlike other countries in the Gulf, there is a relatively established local television advertising market, with the combined reach of terrestrial and cable equating to 20% in 2011[6]. Television advertising spend has been relatively resilient in recent years despite regional economic challenges. We forecast marginal growth in TV advertising spend over the period up to 2015, with pan-Arab satellite continuing to erode the share of local platforms. Television advertising spend was estimated to be USD71 million at the end of 2011 and is projected to grow at a CAGR of 3% over the period to 2015. The state broadcaster Kuwait TV operates the domestic channels including *KTV1* (music shows, films, news and current affairs), *KTV2* (family programmes in English) and KTV3 (sports). *KTV1* and *KTV3* broadcast on the terrestrical and satellite platforms while *KTV2* broadcasts only on the terrestrial platform.

There are 28 FTA satellite channels headquartered in

3. Zenith Optimedia, PARC, Ipsos, Deloitte Analysis
4. Informa
5. MENA Media Guide
6. Informa

Kuwait, of which 21 are privately owned. We estimate that pay-TV penetration (from an existing healthy base for the region of 50%[7]) will grow in this market, given the high GDP per capita and the strong presence of pay-TV providers such as Al Jazeera and OSN. DTH is likely to continue to be the dominant platform in the pay-TV space. KCV is the only provider of cable TV in the market and we see limited growth potential for this platform in the near term. In 2012, the Kuwaiti ISP FASTelco launched an OTT platform on its IP network. Given the competitive ISP market and the limited potential for price of service differentiation, we foresee other ISPs exploring partnerships for a "content play", leveraging alternative platforms such as VOD.

Digital

Despite its relatively high broadband penetration at 81% of households,[8] Kuwait is the lowest ranked (75[th]) of all the GCC countries in terms of the networked readiness for ICT[9] largely due to the limited development of ICT infrastructure and the absence of competition in the fixed line sector. Recent signals from government such as the set-up of an independent regulator for the telecoms sector and introduction of competition in the fixed line sector are seen as positive in terms of introducing innovative products, bundling of services and increased competition in the telecoms sector. As with other countries in the Gulf, Kuwait's mobile penetration is high. Other notable developments in the mobile space, include the launch of LTE services in 2011 by third-ranked mobile operator Viva. Market leader Zain was the first operator to start LTE network trials in Kuwait.

Kuwait, like many other markets in the Arab region has a relatively young population, with approximately 66% of the population below the age of 35. Kuwait has one of the highest penetrations of Facebook in the Arab region, estimated at 34% at the end of 2011[10]. Yet digital advertising spend in the country remains low. Our estimates suggest a gradual increase in the share of digital spend over the forecast period, albeit at a slower rate than other GCC markets. By 2015, digital advertising spend is expected to account for 13% of total advertising spend.

Radio and out-of-home

Kuwaiti radio, like television, also comes under the patronage of the Ministry of Information. Currently there are eight state-owned radio stations and two private ones stretching out to wider audiences beyond the borders of Kuwait. In 2011, a new radio station named Huna Al Kuwait began broadcasting Kuwaiti programmes on the occasion of the 60th anniversary of Kuwait radio station[11].

Back in 2007, there have been some attempts to upgrade to digital radio with the Digital Audio Broadcast (DAB) trial, but little has been implemented since then. Six audio programs are broadcast from Liberation Tower on Band III, covering almost the whole country. This experimentation led by Kuwait Radio could evolve to T-DMB and DAB+ trials and commercial roll-out eventually.

Content

In terms of content creation, Kuwait has shown some interesting activities in the recent years. In 2011, the Kuwait International film retreat was hosted in Kuwait City featuring both international feature films, as well as local short films. Students had the opportunity to attend workshops hosted by regional film making stalwarts. A Kuwait Young Film Contest was also held under the umbrella of the film retreat[12].

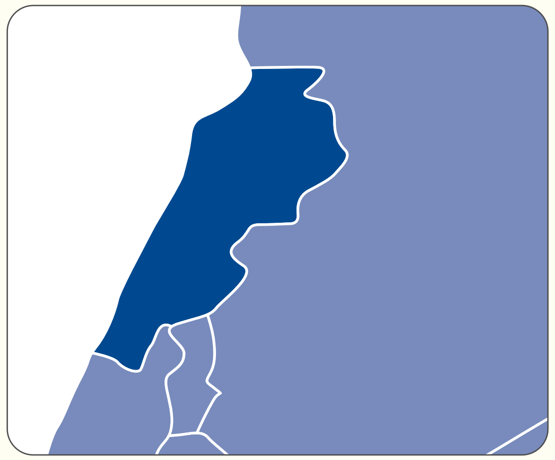
A notable example in the content creation industry is the popular animation brand "The 99" from Kuwait-based Teshkeel Media Group. The brand began as a comic in Arabic, and later English, which has expanded to international distribution. In 2009, the company secured funding to create both an animation series and a feature film in conjunction with international production company Endemol. This represents a major development for a locally grown content brand from Kuwait and a significant accomplishment for the Arab media industry in general.

7. Informa, Deloitte analysis
8. Informa
9. The Global Information Technology Report 2010- 2011
10. Arab Advisors Group
11. MENA Media Guide, 2012
12. Press clippings

9. LEBANON

Exhibit 1 : Lebanon snapshot[1]

Key Indicators 2011	
Population Size (millions)	4.1
Area (Square Km)	10,452
GDP per Capita (USD)	10,747
Size of the ad market (USD million)	144
Advertising spend per Capita (USD)	34.7
Number of daily newspapers	17
Total TV penetration on HHs	93%
Mobile penetration on population	76%
Broadband penetration on population	7%



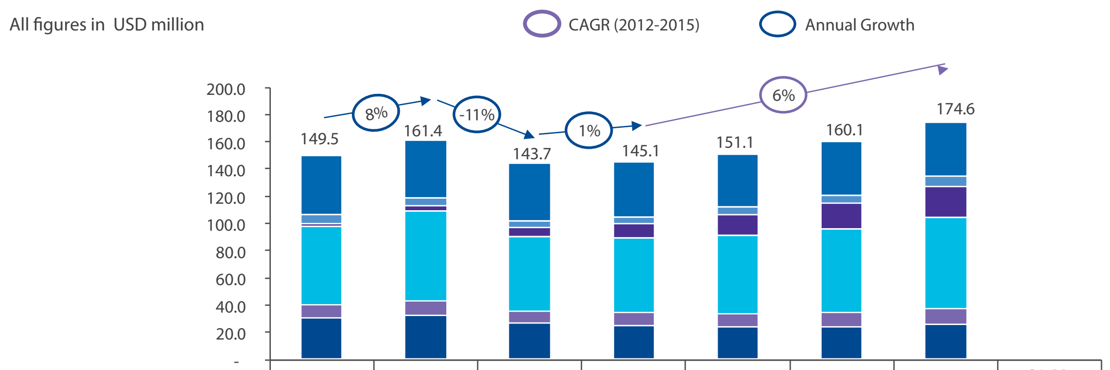
The Lebanese economy has seen robust expansion in recent years with average real GDP growth estimated at 8% over the period from 2008 to 2010. However economic activity slowed down in 2011, reflecting the unstable economic and political environment in the region and particularly in neighbouring Syria. Lebanon's economy is dominated by the service sector which accounts for more than 78% of total GDP. The tourism industry was significantly impacted with tourism arrivals dropping significantly in 2010 and 2011. Despite this, Lebanon has avoided a recessionary environment. The demographics of the population are favourable with a large young population and a relatively high literacy rate of 87% (i.e. compared to a regional average of 78%).

Lebanon has a well-developed and diverse media landscape, especially in the television, audio-visual production and advertising sectors reflecting the country's vibrant political and cultural mosaic.

The banking and telecom sectors in Lebanon are among the top advertising contributors. In 2011, Lebanon's advertising spend decreased by around 11%,[2] commensurate with the decline seen across non-GCC markets (excluding Iraq) in the Arab region. We expect advertising spend to rebound in 2012 by 1% and project an estimated CAGR of 6% over the projection period reaching USD175 million by 2015.

1. Informa, IMF, Deloitte analysis
2. Zenith Optimedia, PARC, Deloitte analysis

Exhibit 2 : Lebanon net advertising spend (2009-2015)[3]



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Out-of-home (including cinema)	42.5	42.9	41.8	40.0	39.3	39.3	40.1	-1%
Radio	7.1	5.0	5.0	5.3	5.7	6.2	7.0	9%
Digital	1.6	3.9	6.4	10.2	14.4	18.5	22.7	37%
Television	57.2	66.2	54.2	54.8	57.2	60.7	66.3	5%
Magazines	10.5	11.2	10.0	10.1	10.5	11.2	12.2	5%
Newspapers	30.6	32.2	26.3	24.8	23.9	24.2	26.2	0%
Total	149.5	161.4	143.7	145.1	151.1	160.1	174.6	5%

Television

Local television is the dominant advertising platform in Lebanon, with a share of close to 38% of total advertising spend in 2011. We expect local television advertising spend to grow at a CAGR of 5% over the period from 2011 to 2015 reaching USD66 million by 2015. There are two significant platforms in the Lebanese market, i.e., analog terrestrial (14% of households) and free satellite (83% of households)[4]. There is also a relatively high penetration of cable TV in the country compared to the rest of the region, however the high prevalence of illegal cable connections imply that the official cable penetration rate is low (<5%[5]). The domestic broadcasting scene in Lebanon is well developed with 22 FTA satellite channels headquartered in Lebanon and one government owned TV channel, which is *Tele Liban* established in 1957. Several TV channels are politically affiliated, and serve as an important platform for expression of political views. Lebanon was also the only country in the region before the introduction of People Meter in the UAE this year to have an audience measurement in place for terrestrial TV households (TAM study conducted by Ipsos in around 600 households).

LBC was launched as the first private TV network in Lebanon in 1985. Other TV channels include *MTV Al Lubnaniya, Future TV, Al Manar TV, NBN, Al Jadeed TV* and *Orange TV* amongst others**.** While the overall size of the domestic TV advertising market estimated at around USD50 million is high for regional standards, it is low considering the highly competitive nature of the market with many FTA broadcasters. The 2011 drop in advertising budgets has severely impacted some of the smaller channels and many survived thanks to alternative funding, as a number of channels are supported by political parties. To compound this fragmentation of the TV market in Lebanon, a number of new channels (such as *Mayadine*) have launched in 2011, triggered by the regional unrests and often backed by political parties.

In terms of popularity, domestic channels in the country and *LBC* in particular have historically ranked the highest, unlike other countries where pan-Arab channels dominate. However, the popularity of channels depends on the platform. While the local channels claim the top spots overall, pan-Arab satellite TV viewers are more likely to tune in to the large pan-Arab broadcasters, in particular, the MBC channels[6]. *LBC* is considered to have the largest audience share in the market. *Al Jadeed* and *MTV Al Lubnaniya* which attract primarily SEC AB viewers. *OTV* and *Future TV* complete the list of the most watched channels in the country[7].

Pay-TV penetration continues to remain low at around 5% of households[8] in 2011 due to rampant piracy in the country. As mentioned above the vast majority of cable connections in the country are currently illegal pay-TV subscriptions and we do not anticipate major changes in the fortunes of pay-TV in the country in the next three years. Amongst those who do subscribe to pay-TV, cable operators such as Cablevision and DTH providers such as OSN, Al Jazeera Sports and Al Majd are most popular[9].

We expect TV advertising spend in Lebanon to grow at a CAGR of around 5%, to reach close to USD66 million by 2015, with the relative contribution of TV to total advertising spend remaining static at around 38% during the period up to 2015.

3. Zenith Optimedia, PARC, Ipsos
4. Informa
5. Informa
6. Ipsos, Deloitte research
7. Deloitte research, Zenith Optimedia
8. Informa
9. Informa

Print

Newspaper advertising spend represents approximately 18% of total advertising spend in Lebanon. Newspaper advertising decreased by 18% in 2011 and we expect newspaper advertising expenditure to decline by a further 6% in 2012 and relatively flat growth over the rest of the projection period reaching USD26 million by 2015. There are 17 daily newspapers in Lebanon, with *An-Nahar, Al-Balad* and *As-Safir* having the highest circulations and reach in the country consistently over the past three years[10]. Major product and service advertisers include banks, automobiles, fast moving consumer goods and real estate. In line with the TV market, most newspaper owners in Lebanon are politically affiliated. Lebanon is ranked relatively higher than its regional peers in terms of press freedom; it was ranked 93rd in the Press Freedom Index, Kuwait being the only Arab country ranked higher in the index. *Al Joumhouria* became Lebanon's latest addition to the pool of daily newspapers, following its launch in 2011. In the last edition of the Arab Media Outlook we had highlighted the nascent migration of readership from print to online. *Al Akhbar*, the country's fifth ranked newspaper in terms of print readership, is ranked amongst the top 20 sites in the country in terms of online traffic (i.e. the highest amongst all the online news websites)[11].

Magazine advertising spend saw a 11% decline between 2010 and 2011, however a rebound is expected in 2012, with modest growth. Magazines form around 7% of total advertising spend in the country with the most popular titles in terms of circulation and reach being the weekly lifestyle magazine *Achabaka* (i.e. circulation of 113,000 copies), the entertainment weekly *Al Jaras* and the women's monthly *Al Hasna*, all of them catering to women's segments with a mix of celebrities news, fashion and societal issues. As a consequence the women's fashion sector is the highest spender of all advertisers on Lebanese magazines.

Digital

As with the rest of the region, share of digital advertising spend is relatively small and estimated at 4% of the total advertising spend in the country in 2011. However we see some positive drivers for the growth of digital in the country. Our estimates suggest that digital will grow to 13% of the total advertising spend by 2015 (despite the currently low broadband penetration) driven by increased mobile broadband uptake, robust internet usage and a thriving media sector in the country.

Internet user penetration was estimated at 31% in 2011[12]. Internet services are provided by the government-owned fixed operator "OGERO", which is under the supervision of the Ministry of Telecommunications (MOT). In 2010, Internet and wireless broadband services were provided by 16 licensed Internet service providers (ISPs) suggesting a competitive market for internet services in the country. While fixed broadband penetration is relatively low, mobile broadband is a viable substitute with mobile penetration estimated at above 60%. Further the launch of 3G services by MTC Touch in 2011 in the country is expected to further boost mobile broadband usage. MTC Touch plans to roll out its 3G services to cover the entire country by 2012. Given a young and highly educated population, there is already strong uptake of digital services. Venture capital funds such as Lebanon's Berytech fund have actively supported the development of the local digital content, evidenced by its investment in *Yalla Play***.** Lebanon also ranks amongst the top five countries in the region in terms of usage of Facebook, whilst it tops the list of Arab countries using English for social media.

Traditional media players in Lebanon are also increasingly using the digital platform as an alternative way to engage with audiences. Most Lebanese broadcasters offer some form of live-streaming on their portal. MTV is investing in its digital platform with the launch of MTV online and a free mobile application which enables live streaming of *MTV Al Lubnaniya*, news alerts with photos and videos, video-on-demand and archived bulletins and shows.

Unsurprisingly, the most popular website in Lebanon is *Facebook*, with a penetration of 30% (significantly higher than the fixed broadband penetration) followed by *YouTube* and *Twitter*. As for local content, political websites figure strongly amongst the Top 20 websites in the country.

Radio and out-of -home

Radio currently accounts for approximately 3% of total advertising spend in Lebanon. We expect the share of radio advertising spend to increase to 4% by 2015. There are around 32 radio stations in the country[13]. Lebanon being unique in its political and cultural structure, a number of radio stations are affiliated to political parties. Lebanon was the first country in the region to allow private stations. However, the government has control over the content broadcasted on all radio stations. There are two categories of radio stations, i.e. those which

10. Deloitte research, Nielsen, IPSOS
11. Alexa, Zenith, Deloitte research
12. ITU
13. Arab Advisors Group

broadcast news and political events and those which are purely entertainment related. A new radio station launched in 2011 was *Al Balad FM* which replaced *Sawt Al Mousika*, after the latter was bought by Integra Publishing and Marketing Solutions.

Cinema and outdoor advertising in Lebanon account for almost 29% of total advertising spend. Lebanon has the second highest number of cinema screens per capita in the Arab region, (i.e. 37), falling just behind UAE (with 42 screens per capita), however significantly lower than markets such as the US (127 screens per capita) and the UK (60 screens per capita). International blockbusters such as *Inception* performed well in 2011 in terms of box office revenues as well as the Egyptian film *Nour Eieny*.

Outdoor advertising in Lebanon has a significant share (as compared to other regional markets) of the overall market due to a large inventory with less strict urban regulations compared to other markets in the region. Major outdoor advertisers include restaurants, banking, retailers and real estate[14]. Going forward, we expect out-of-home advertising to decline at a CAGR of 1% to reach USD40 million by 2015.

Content

The Lebanese TV production industry is uniquely positioned due to the significant pool of local media talent available and the lower cost of production relative to the GCC. Significant proportion of the content on local Lebanese television is produced in the country - we estimate from the interviews with local broadcasters that around 80% of content on Lebanese TV is locally produced. Other than the production for local TV channels, Lebanese production companies have had a successful run on pan-Arab TV channels. These include the production of InMedia for popular talkshow *Kalam Nawaem* on MBC that ranked as the most viewed TV program in Saudi Arabia. In addition, a number of locally produced popular shows airing on Lebanese TV channels were able to attain high popularity across a wider regional audience. A case in point is the locally produced show, *Heik Minghani* which is currently having its second run on MBC 4 due to its popularity. Amongst the prominent local production houses, Cedars Art Production produced three major productions in 2011 including *El Shahroura* (biography), *Jafnat Al Enab* (drama), *Mata Nanam* (drama).

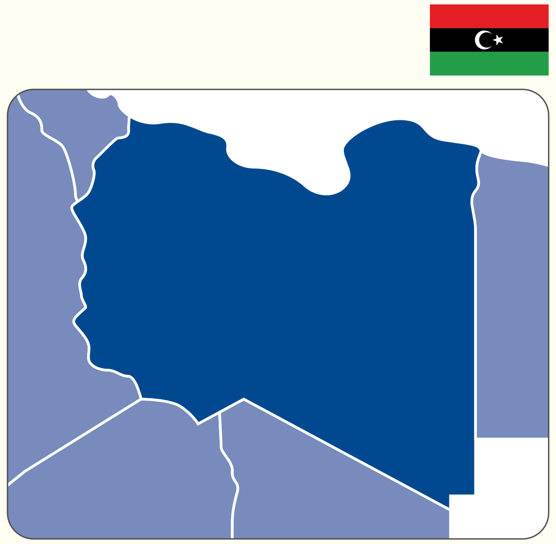
The film industry in Lebanon remains small but has come to the forefront in recent years on the back of some success stories. The number of movies produced per year remains small and the industry is heavily dependent on foreign funding and international box office revenues due the limited size of the domestic market. However, the recent successes of local filmmakers are changing the shape of the Lebanese filmmaking industry. Landmark movie productions include *Hallaa La Wein* by the Lebanese director Nadine Labaki which won the People's Choice Award at the Toronto Film Festival and got nominated as Lebanon's entry for the Foreign Language Film Oscar. In terms of box office revenues, the film has outperformed all other Arabic films and was ranked 7th amongst the highest grossing movies of all time in Lebanon. The film also performed creditably in other regional markets such as UAE, Kuwait, Egypt, Qatar and Tunisia and exported well in western markets including France following another box office success of Labaki's *Caramel*.

14. Zenith Optimedia

10. LIBYA

Exhibit 1 : Libya snapshot[1]

Key Indicators 2011	
Population Size (millions)	6.5
Area (Square Km)	1.8 million
GDP per Capita (USD)	10,872 (2010)
Size of the ad market (USD million)	18 million
Advertising spend per Capita (USD)	2.7
Number of daily newspapers	1
Total TV penetration on HHs	76%
Mobile penetration on population	232%
Broadband penetration on population	1.2%



Libya is one of the countries covered for the first time in this edition of the Arab Media Outlook. From a research point of view, the country presents the double challenge of a very limited amount of information coupled with uncertainties given the economic and political climate. We have based our assessment on anecdotal evidence and interviews conducted with a few key industry stakeholders.

The Libyan economy depends primarily upon revenues from hydrocarbons, which contribute about 95% of export earnings, 65% of GDP, and 80% of government revenues. Libya, in the past five years, has made progress on economic reform, as part of a broader campaign, to reintegrate the country into the international fold. The contribution of the service and construction sectors, which account for roughly 20% of GDP has expanded over the past five years and could have a larger contribution to GDP once the political uncertainty subsides.

However, following the uprisings, which began in the country in February 2011, the outlook for the country remains unpredictable. IMF estimates suggest that the economy contracted by 27% in 2011 and given the uncertain political situation, no forecasts of economic growth for the period from 2011 to 2015 have been provided.

Until the fall of the previous regime in August 2011, media had been under state control. However, following this, the media environment in the country has undergone a rapid and near complete overhaul in terms of freer conditions for journalists and new media outlets replacing the incumbents.

There are several challenges on the near term agenda of the media industry. Most significant of these is that the media industry in the country is virtually operating in a legal vacuum. As a result, media is entirely free, with no rules or regulations setting out the standards or licensing criteria. Secondly, the legal vacuum has left the role of the government, and its relationship to state owned and privately held media, unclear. Most of the independent media platforms in the country are still embryonic and are severely lacking in professional skills. New media outlets which have emerged in the aftermath of the political uprisings currently employ mainly volunteers and with the absence of a well-defined business model it is difficult to predict their long term sustainability and future growth.

The current dearth of media laws therefore poses many challenges to Libya, but there is an opportunity to develop a robust regulatory framework which will see Libya's media sector integrate itself further with the regional media industry.

The Media Affairs Department at the National Transitional Council (NTC) is currently in charge of defining the principles and action items which will serve as the guideposts for creating an independent national media system in the country. Principles which have been defined to guide the transitional period and inform future decisions about media policy include: a free, open and independent media and communications system, encouragement to private media, setting up of an independent regulator to direct technical, structural and reform regulation and to promote the development of

1 Arab Advisors Group, Informa, 2011, IMF, MENA Media Guide, Deloitte analysis

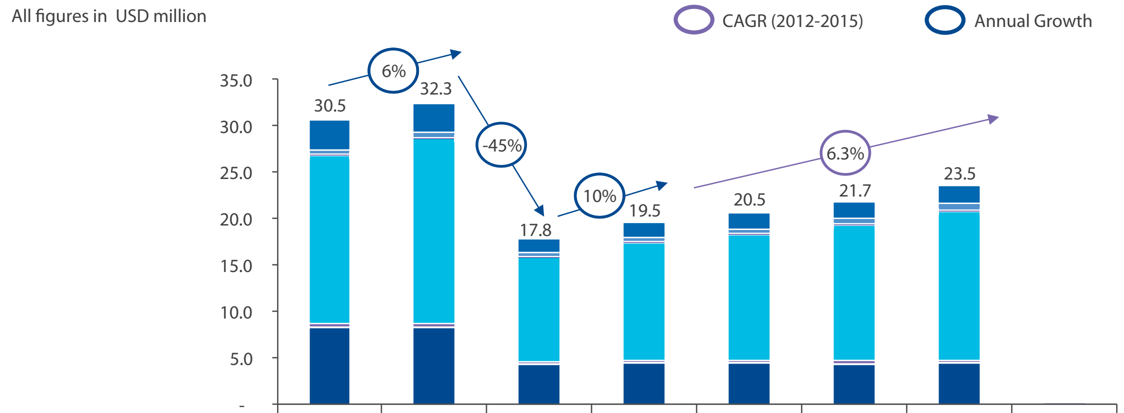
broadcasting and telecom services[2]. Further, there should be a robust system for media literacy and journalism education and training.

In 2010, before the troubles in the country began, we estimate that the advertising market had reached USD 32 million - a growth of 6% over 2009. Following the outbreak of the political uprisings in 2011, the advertising market declined dramatically by 45% between 2010 and 2011 to reach USD18 million. The impact to Libya's fledgling advertising market has no doubt been greater than other markets impacted by the political uprisings such as Egypt. Going forward, as mentioned above and despite the uncertainties, we expect the advertising spend to rebound by 10% in 2012, but this growth is heavily dependent on the successful conduct of elections in 2012. The uncertain political and security situation in the country has made advertisers wary; the elections if held successfully in June 2012, should provide a measure of comfort for advertisers and a boost to advertising spend in the near to medium term.

In the long run, we expect advertising spend to increase at a CAGR of 6.3% over the period up to 2015, reaching USD23 million.

Advertising spend per capita estimated at USD2.7 in 2011 is significantly lower than the regional average of USD15.9 suggesting room for growth.

Exhibit 2 : Libya net advertising spend (2009-2015)[3]



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Out-of home (including cinema)	3.2	3.1	1.5	1.7	1.7	1.8	1.9	5.3%
Radio	0.5	0.5	0.3	0.4	0.5	0.6	0.7	21.8%
Digital	0.1	0.1	0.1	0.1	0.1	0.2	0.2	34.8%
Television	18.1	19.9	11.4	12.7	13.5	14.6	16.0	8.9%
Magazines	0.4	0.5	0.3	0.3	0.3	0.3	0.4	7.2%
Newspapers	8.2	8.2	4.2	4.4	4.3	4.3	4.3	0.8%
Total	30.5	32.3	17.8	19.5	20.5	21.7	23.5	7.2%

Print

Literacy rates in Libya are amongst the highest in the region at 83%, above the regional average by five percentage points. Print is the second most significant advertising platform in the country accounting for 26% of the total advertising spend in 2011. We estimate print advertising spend to grow at a CAGR of 1.2% to reach USD4.70 million by 2015.

The print industry has seen dramatic changes after the political uprisings. Before the events, the country had five Arabic dailies - *Al Fajr Al Jadeed, Al Jamahiria, Al Shames, Azzahf Al Akhder* and *Quryna* - all controlled by the previous government. All state-affiliated newspapers ceased to exist after the change of regime which lead to an explosion of the number of independent papers.

The bulk of media production takes place in Benghazi. For instance, before the uprising, Benghazi had two print publications. After the uprisings, around 60 publications have registered with the Benghazi Municipal Council alone. *Al-Qurnya* was re-launched and renamed *Brnieq*. While there are several newspapers published in the city, very few are distributed further afield. *Qurnya Al Jadida* is the most significant newspaper in terms of circulation with a claimed circulation of 10,000 copies[4].

Libya February 17th was the first independent newspaper to be published in the liberated areas of Libya. *Libya February 17th* has the traditional layout of a newspaper and a circulation of around 7,000 copies, relatively high in comparison with other papers[5].

Sawt is another newly formed, weekly newspaper. It has been developed by a student and with a professional layout, it targets a young audience. The newspapers' unique proposition is that it gathers most of its material from public contributions submitted through the post box. The newspaper is beginning to raise money through advertising and its future goals include expanding its activities beyond media to broader social roles. *Asda' al-Suluq*, is a small newly established newspaper based in Benghazi and in the village of Suluq whose first issue was published on May 1st 2011 and has a circulation of around 2000 copies. *Bernice Post* is a weekly bi-lingual journal located in Benghazi. *The Tripoli Post*, an English language morning daily paper which was launched in 1999 has continued to publish and enjoys a circulation of 7,000 copies.

The Libyan magazine is a bi-weekly magazine distributed in Benghazi, Tripoli, Albaydah, Dernah, Almarj, Toubrouk and Jalou. The magazine covers politics, business, culture and the arts.

In addition, a few online news sites have also become extremely popular suggesting the strong preference of Libyan to read news online. *Libya Herald* is one such website which went live on February 17th, 2011 and covers politics, business, sports, culture, education, health issues and social stories. At the time of writing this report, *Libya Herald* was planning to launch a print edition in mid 2012.

The news website of *Libya Al Watan* (alwatan-libya.com) is ranked amongst the Top 20 websites in the country.

Television

Television is the most significant platform in the country in terms of contribution to advertising spend. At the end of 2010 television penetration in the country was estimated to be 76%. Our estimate suggest that local television accounts for 64% of the total advertising spend in the country in 2011.

The current state of the television market in Libya is relatively unclear, particularly in relation to state channels. Before the turmoil broke out in the country in 2011, there were eight FTA satellite channels' headquarters by May 2010, seven of which were state owned and run channels (owned by the Libyan Jamahririya Broadcasting Corporation), which therefore restricted content coverage. Following the disruption which began at the beginning of 2011, Libya was home to as few as four FTA channels– one of the lowest in the region[6]. After National Transitional Council (NTC) forces took hold of Tripoli in August 2011, state television and radio stations quickly went off air[7] at this time. Prior to the uprising, satellite TV was the most popular Television platform. In terms of pan-Arab channels *Al Jazeera* and *Al Arabiya* were the main sources of information, but these targeted a regional and not national audience.

According to the BBC, Libyan Radio and TV (LRT) has become the successor to the Gaddafi-era state broadcaster, LJBC, and more than 20 TV stations are said to be broadcasting from various cities in the country as well as from other Middle Eastern media hubs[8].

The *Libya Channel* broadcasts on UHF, with most of the staff made up of former employees of the Benghazi TV station[9]. The station produces four hours' new daily programming, played twice a day.

Amongst the new independent satellite channels to have launched in 2011, were *Al Watan TV, Alassema TV, Libya TV* as well as *Libya Al Hurra*, all of which broadcast news, talk shows and current affairs[10]. Further development of the TV platform is expected to have a significant involvement of Libyan business interests, both at home and throughout the diaspora. The private satellite TV station, *Libya Lekon Ahrar*, has been established with assistance from Qatar (supported by the *Al Rayyan TV* station), while *Libya Al Hurra* broadcasts from Benghazi. The NTC issued a press release announcing the intention to establish *Libya Al Hurra* as a public service broadcaster.

In addition, several online video sites have emerged as a result of the political uprisings in the country. These include the website *Alive in Libya*, an online video portal, which provides material to an international audience of on the ground events during the uprisings. In the post uprising scenario, the website is debating its future direction and could potentially evolve into a production house, providing material to upcoming satellite TV stations in the country.

The media market and the economy as a whole will take some time to reach a healthy pre-uprising state. The political situation in the country has greatly hindered the growth of the television market in a country which is already far behind that of the rest of the region in terms of maturity.

2 Media Vision for Libya sponsored by Northwestern University in Qatar and the National Transitional Council
3 Deloitte analysis, Industry interviews
4 MENA Media Guide, 2012

5 Internal Media Support - Media in north-eastern Libya
6 MENA Media Guide 2012
7 MENA Media Guide, 2012

8 BBC, March 2012
9 Internews: Libya Media assessment
10 MENA Media Guide, 2012

Digital

Libya's broadband market encompasses a variety of technologies. Currently fixed broadband services are provided through DSL and WiMAX, and mobile broadband services through 3G. Libya Telecom and Technology (LTT) is the only operational ISP in the country. Broadband penetration is negligible, and overall internet user penetration was estimated at 14% in 2010[11]. Libya was one of the first countries in the region to have mobile penetration exceeding 100% and the penetration today stands at 232%.

In January 2009, LTT launched its WiMAX services covering 18 Libyan cities as a first phase. By end 2009, LTT's WiMAX network was expanded to cover an additional six cities. In April 2009, LTT signed a contract to deploy an FTTH network covering 800 buildings in Alzohor District, Tripoli, and expand the existing network. Damage to the internet and telephony infrastructure in the country as a result of the conflict represents a major challenge.

This being said, there are promising signs for the development of digital in the country. Online websites such as *maktoob.com* and the site of Al Jazeera are becoming increasingly popular in Libya as are social networking sites such as *Facebook*. *Facebook* penetration in the country is estimated at more than 6% with close to 430,000 *Facebook* users[12]. However, *Twitter* usage is comparatively low within the country, with most Twitter active users extending across the diaspora.

Home grown websites such as *opensook.com*, a free classified advertising website is ranked amongst the top 10 websites in the country in terms of traffic with more than 36 million page views per month and has more than 180,000 registered users[13].

We estimate digital advertising spend to grow at a CAGR of 22% over the period up to 2015.

Radio and out-of-home

Radio advertising contributes 2% of the total advertising spend in the country and we expect this share to grow to 3% by 2015.

All radio broadcasts before the uprisings were state-run. The political changes brought about a dramatic transition in the radio market in the country as new privately owned stations appeared and foreign broadcast signals were no longer blocked. The number of local FM radio stations in Libya has increased from five in 2009 to seven at the end of 2011 as some stations closed and new ones started up.

Of the local FM stations which exist today, five remain 'state owned' by the now Libyan Radio and TV (LRT) broadcaster[14] previously controlled by Libyan Jamahiriya Broadcasting Corporation (LJBC). Further several make-shift radio stations have emerged since 2011.

Shabab Libya FM launched its first broadcast in April 2011 and is considered to be the country's first independent radio station. The radio station represents the endeavour of a group of high-school alumni, with production taking place in their old school.

Oher introductions included *Libya Al Hurra* (Voice of Free Libya) as well as *Tribute FM*. *Libya Al Hurra* is the name used by three radio stations aligned to the Libyan rebels which began broadcasting in February 2011 and played an important role during the uprisings in the country. *Tribute FM* is the first English station to broadcast in Libya as English broadcast was previously banned in the country. *Tribute FM*, was originally broadcast only online and is run by Libyan youth from the diasporas in Great Britain and the USA which have returned to the country.

Voice of Benghazi al-Hurra[15] is a Benghazi focused media outlet within the structure of the Media and Culture department. *Radio Free Libya Misrata* is broadcast on two frequencies (AM and FM). The AM frequency covers the city of Misrata, while the FM frequency covers the bulk of the country. The programming includes news bulletins, interviews with politicians and council leaders, and some religious programs.

Although seven radio stations are broadcast on a pan-Arab basis in the region, only *Radio Monte Carlo* (France) is broadcast in Libya as well as the more recently launched *BBC World Service Arabic* which is broadcast in Tripoli, Benghazi and Misrata .

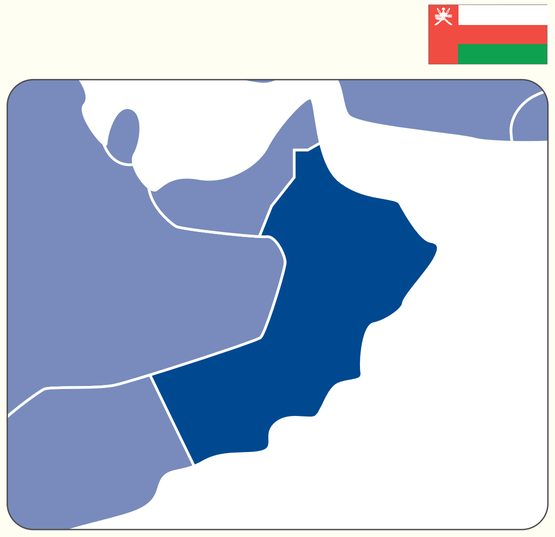
Out-of-home advertising, particularly cinema advertising, was impacted during the uprisings. Screening of movies in cinemas came to a virtual standstill with most cinema halls being closed during the revolution period. Libya's film industry is very nascent but there is optimism that the industry will grow. We see some potential for growth in the advertising expenditure on this platform in the years to come.

11 ITU
12 Arab Advisors Group
13 Alexa, opensook.com
14 BBC Libya report, March 2012
15 BBC Libya report, March 2012

11. OMAN

Exhibit 1 : Oman snapshot[1]

Key Indicators 2011	
Population Size (millions)	3
Area (Square Km)	309,500
GDP per Capita (USD)	21,421
Size of the ad market (USD million)	68
Advertising spend per Capita (USD)	22.4
Number of daily newspapers	9
Total TV penetration on HHs	90%
Mobile penetration on population	182%
Broadband penetration on population	2.8%



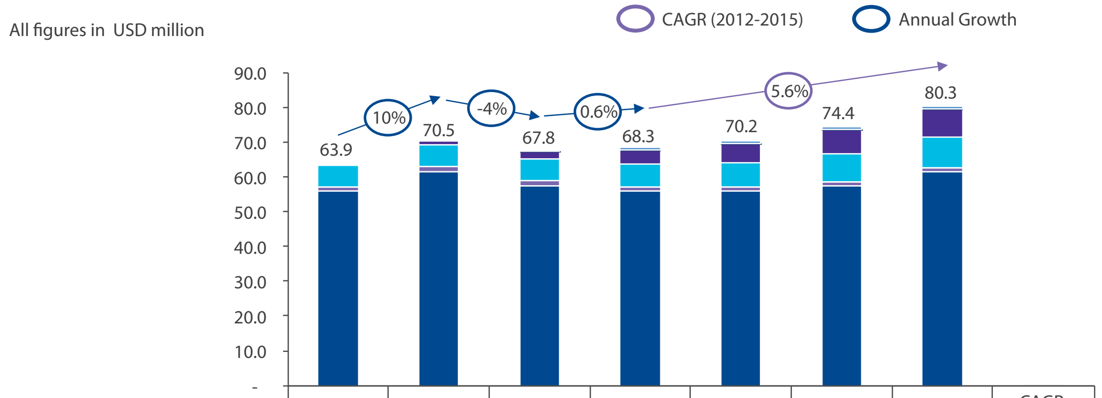
Despite the geopolitical changes and unrest in the region, the Omani economy has been resilient in 2011 and is expected to continue to expand in 2012, in part due to targeted government spending. The Sultanate is expected to have steady growth in the short to medium term and IMF estimates suggest an average compound annual growth of 4% in the period up to 2015. The economy exudes a promising outlook for 2012, with huge investments in strategic infrastructure projects beginning to have a positive impact on growth. Moreover the government's continued spending to create jobs and improve key infrastructure are expected to have a positive impact on economic growth. Oman is striving towards economic diversification through the development of sectors such as tourism, industry, agriculture and fisheries.

The short-lived political unrest in the country has not had a significant impact on the non-oil economy and growth prospects.

The size of the advertising market in Oman was estimated at USD68 million in 2011. Advertisers have traditionally displayed greater confidence in pan-Arab platforms to reach Omani consumers, given Oman's relative small size and the under-developed nature of local platforms. In 2011, advertising spend saw a decline of 4%; however we anticipate a modest rebound in 2012. The advertising spend per capita, currently estimated at USD23 lags behind the GCC average of USD88. Our estimates suggest that advertising spend is expected to grow at a CAGR of 4.3% over the period from 2012 to 2015.

1. Arab Advisors Group, Informa, 2011, IMF, ITU, MENA Media Guide, Deloitte research

Exhibit 2: Oman net advertising spend[2] (2009-2015)



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Out-of home (including cinema)	0.2	0.3	0.3	0.4	0.5	0.7	0.8	24.0%
Radio	-	-	0.0	0.0	0.0	0.0	0.0	4.3%
Digital	0.4	1.2	2.5	4.2	5.8	7.0	8.0	34.0%
Television	6.2	6.3	6.0	6.7	6.7	8.2	8.8	10.0%
Magazines	1.4	1.5	1.4	1.1	1.1	1.2	1.3	-3.4%
Newspapers	55.7	61.3	57.5	55.8	56.0	57.3	61.4	1.6%
Total	63.9	70.5	67.8	68.3	70.2	74.4	80.3	4.3%

Print

Newspapers make up the largest portion of advertising spend in Oman contributing 87% of the total (i.e. USD60 million) in 2011. Newspaper advertising spend is expected to show marginal growth over the period up to 2015[3], however the contribution to total advertising spend will decline to 76% by 2015. Magazines constitute only 2% of total ad spend and this proportion is expected to remain constant throughout the period up to 2015. In 2011, Deenar Press and Publishing introduced *Autobloid*, a monthly tabloid styled magazine covering the auto industry in the Sultanate. The business magazine, *Oman Economic Review* which is distributed across the GCC has a circulation of 25,000 copies. Other magazines which are popular in the Sultanate include weekly news magazines such as *Futoon, Koora W Bas, the Week* and *H!.*

Oman now has ten daily newspapers including five in Arabic, four in English and one in Malayalam (Gulf Madhyaman - Oman edition). Unaudited circulation figures indicate growth in circulation numbers in both 2010 and 2011 with the prime beneficiaries being *Al Shabiba* which grew circulation from 37,000 to 45,000 copies in 2010 and *Al Watan* whose circulation grew at a CAGR of 11% between 2008 and 2011. Apart from this Oman also has a sports weekly titled *Al Malaib* which enjoys a weekly circulation of 50,000 copies. Amongst product categories, cars and banking and financial services figure strongly in terms of advertising spend in 2010, with the largest local bank, Bank Muscat and the telecom operator Nawras accounting for the largest share of advertising spend on newspapers in 2010[4].

Television

Television accounts for the second largest portion of advertising spend in Oman, contributing 9% of the total in 2011. Advertisers tend to prefer pan-Arab television which has traditionally limited the growth of local advertising despite relatively strong penetration of terrestrial TV. Unlike other GCC countries, there is a relatively strong penetration of analog terrestrial with around 48% of the TV households on terrestrials, and 48% on satellite. In the long run, advertising spend is expected to grow at a CAGR of 9% over the period from 2012 to 2015, with the share of television in total advertising spend growing to 11%.

There were six FTA channels headquartered in Oman at the end of 2011, significantly lower than other GCC markets such as Saudi Arabia (85 channels), UAE (72), Kuwait (28) and Qatar (15). Four of these channels are privately owned. In 2011, *Jai Hind TV* has been launched in Oman, becoming the fourth Malayalam TV network to enter into the Sultanate, reflecting the diverse ethnicity of the country. Muscat Film Production and Distribution Company LLC is the franchisee of *JaiHind TV* in Oman.

The passing of the Private Radio and TV Companies Law in 2004 ended the state's monopoly on TV broadcasting. The first independent TV station *Majan TV* launched in 2009. The Top 10 television programs in 2010 included *Al Youm Al Maftouh* and *Huna Oman*[5] (a local talk show). One sees very few local and regional brands among the top ten television advertisers in the country, with the public sector accounting for the lion's share of advertising spend.

The most prominent platforms in the country include analog terrestrial and Free DTH. Oman's GDP per capita is significantly lower than the GCC average which explains the low pay-TV penetration in the country. Only 7% of households, compared to the GCC average of 31%, have access to pay- TV with the popular DTH service providers being OSN, Al Jazeera Sports and ADMC[6].

2. Zenith Optimedia
3. Deloitte analysis
4. Zenith Optimedia
5. Ibid

Radio and out-of-home

Radio accounts for a small fraction of total advertising spend in Oman[7]. There are four state-owned and four privately radio stations in Oman. Oman's state broadcast monopoly ended with the introduction of the Private Radio and TV Companies Law in August 2004 which enables Omani citizens to apply for renewable 10 year licences to operate independent radio and TV stations. State-owned radio stations are under the control of the Ministry of Information Oman. The Sultanate of Oman Radio broadcasts four radio stations: the General Program, Shabab (Youth) Program, English Program and the Holy Quran Program.

A new addition in May 2011 was the English - language station *Merge 104.8*, which was launched by the family-owned *Sabco Group* to compliment *Al Wisal* - the commercial Arabic station launched in March 2008. Both stations play contemporary hit music targeting listeners aged 18-40 years old.

Cinema and outdoor advertising constitute a very small portion of the total advertising spend in the country. The Oman Arab Cinema Group is investing in building cinemas across the country and 12 cinemas were planned for launch by the end of 2011 including smaller towns such as Buraimi, apart from the larger cities. We expect out-of-home advertising (including cinema) to grow at a CAGR of 24% in the period from 2011 to 2015, albeit from a small base.

Digital

Digital currently constitutes a small portion of total ad spend in Oman at 3% and is estimated at just under USD1 million.

There are three commercial broadband technologies available in the Omani market; two fixed (wired) -broadband technologies (i.e. DSL and WiMAX), and mobile broadband with 3G. Current fixed broadband penetration is relatively low at 2.8%, however internet penetration stands currently ay 62%.

Recent broadband projects in the country include the deployment of mobile -broadband technology by Omantel (3G/3.5G), and the roll-out of WiMAX by *Nawras* in 2011.

Both operators have launched mobile content services. *Nawras* was the first operator to launch mobile TV services in January 2009, followed by the incumbent, Omantel in March of the same year. We expect digital advertising to grow at a CAGR of 34% over the period from 2011 up to 2015, given the high internet and mobile penetration in the country.

Content

Oman's nascent film-industry has produced only one feature film titled *Al Boum* in 2006. Omani filmmakers are currently absorbed in making documentaries and short films. One such film titled *The Guard* was entered in the 10th Arab Film Festival in Rotterdam. In 2012, Oman celebrated its Annual International Film Festival attracting international film makers and actors to Muscat. The film festival showcased both Hollywood and Bollywood films and has been running for the last eight years. This festival has helped to raise Oman's profile within the industry as a destination for film making.

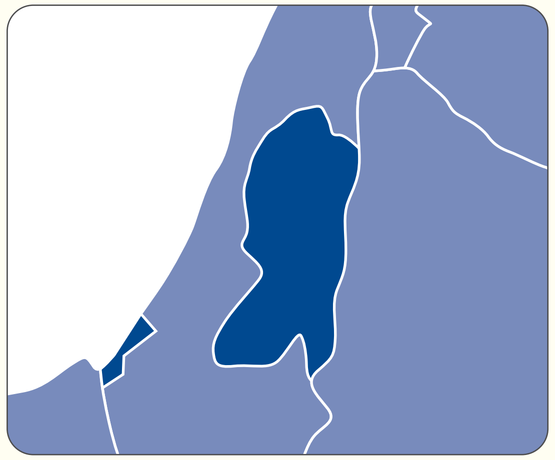
Oman's Royal Opera house was officially opened on October 12th, 2011, with a production of the opera Turandot, conducted by Spanish tenor Plácido Domingo. The Royal Opera House reflects contemporary Omani architecture. The Opera House serves as an important reference point for culture and arts across the region and has also been promoting Arabic shows. In 2012, Egypt's first Broadway-style musical titled *Praxa* was performed at the Royal Opera House supported by an orchestra from Kazakhstan.

6. Informa
7. Deloitte analysis

12. PALESTINE

Exhibit 1: Palestine snapshot[1]

Key Indicators 2011	
Population Size (millions)	4
Area (Square Km)	6,220
GDP per Capita (USD)	2,900
Size of the ad market (USD million)	4.6
Advertising spend per Capita (USD)	1.1
Number of daily newspapers	4
Total TV penetration on HHs	94%
Mobile penetration on population	66%
Broadband penetration on population	2.5%



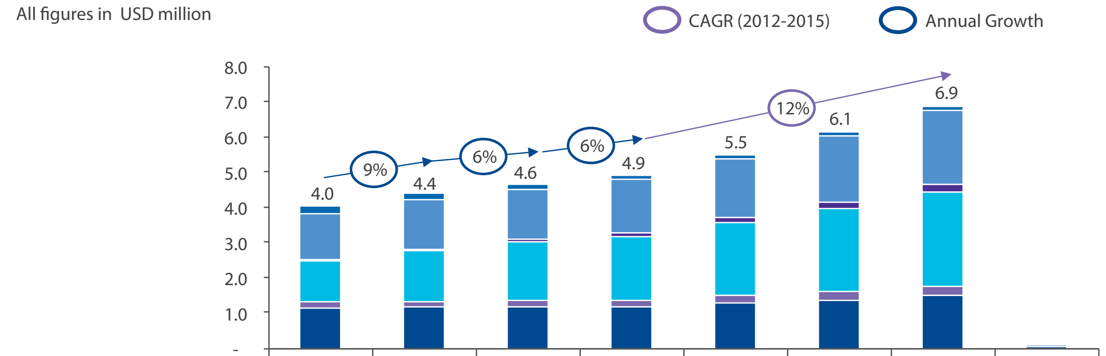
The Palestinian Territories of the West Bank and Gaza have shown an average real GDP growth between 2006 and 2010 of 4.8%. Development initiatives by the state include the Palestine Investment Conference initiated in 2009 from which ensued plans to develop the first modern Palestinian city of Rawabi. The West Bank and Gaza economies have become heavily reliant on foreign aid which stood at USD1.8 billion in 2008. Palestine has a high proportion of young people, with 40% of the population under the age of 15 and around 70% under the age of 30, as well as a literacy rate of 97%, the highest in the Arab region[2].

The economic upsurge however has not necessarily translated yet into higher growth for the advertising sector in the country. There is limited information available on the advertising market in Palestine. Therefore in order to derive our forecasts for total advertising spend as well as the platform split, we have used a number of data points including evidence from the interviews conducted with the local media players as well as anecdotal evidence from our secondary research.

In 2010, advertising spend increased by 9% while in 2011, advertising spend grew by 6% (a trend distinct from that seen across the Arab region). However the future is more encouraging with a CAGR of advertising spend estimated at nearly 12% over the period from 2012 to 2015[3], dependant to an extent on the political situation in the country. Total advertising spend is expected to reach USD6.9 million by 2015.

1. Arab Media Guide, Informa, IMF, Zenith Optimedia
2. Deloitte analysis
3. Deloitte analysis

Exhibit 2: Palestine net advertising spend[4] (2009-2015)



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Out-of home (including cinema)	0.2	0.2	0.2	0.1	0.1	0.1	0.1	-7.4%
Radio	1.3	1.4	1.4	1.5	1.7	1.9	2.1	10.5%
Digital	0.0	0.0	0.1	0.1	0.1	0.2	0.2	41.0%
Television	1.2	1.5	1.7	1.8	2.1	2.3	2.7	12.0%
Magazines	0.2	0.2	0.2	0.2	0.2	0.2	0.3	11.7%
Newspapers	1.1	1.1	1.2	1.2	1.3	1.4	1.5	6.4%
Total	4.0	4.4	4.6	4.9	5.5	6.1	6.9	10.2%

Television

Our estimates suggest that television accounted for close to 36% of the total ad spend in Palestine in 2011. We expect the share of television in total advertising spend to grow to 39% by 2011 reaching USD2.7 million by 2015.

Palestine has a large number of terrestrial television channels, many of which are privately owned. There are five satellite TV channels in Palestine of which one is government owned. Television broadcasters in the country derive their revenues largely from political party financing (for those affiliated) and grants from international organisations such as UNESCO[5]. *Wattan TV* is an example of a private TV station not affiliated to any political party. The channel focuses on local content including news, talk shows and debates. The state broadcaster is the Palestinian Broadcasting Corporation, which switched broadcasting from Gaza to Ramallah in June 2007 after Hamas took control of the Gaza Strip. Palestine TV started official transmission in September 1996 and the *Palestinian Satellite Channel* started broadcasting regionally on Arabsat and Nilesat in 1998. Hamas launched its own TV channel, *Al Aqsa* TV in January 2006[6]. Additional channels include *Nablus TV* and *Al Quds Satellite Channel*.

Going forward television advertising spend is expected to grow at a CAGR of 12% from 2011 to 2015 as the country continues to rebuild and with economic growth gathering some pace[7].

Radio

Radio is an important contributor to total advertising spend with 31% share of the total spend in the country in 2011. The share of radio is expected to remain fairly flat over the period up to 2015.

Palestine has the third largest number of FM radio stations in the Arab region with several private radio stations operating from the West Bank and Gaza mainly affiliated to political parties. The official state broadcaster is the *Palestinian TV and Radio Broadcasting Corporation* which operates the *Voice of Palestine* radio station. State media comes under the jurisdiction of the Palestinian president since 2006; a move intended to prevent the government from exerting control over the official media.

Hamas has its own broadcast stations, the *Izaat Sawt Alaqsa* (Voice of Al Aqsa) radio station, which launched in June 2003, and *Al Aqsa TV* which has been on air since January 2006. A new addition in 2010 was *Nisaa 96FM*, a commercial non-political radio station broadcasting from Ramallah, targeted towards empowering women in the region[8]. Radio is expected to have a CAGR of 10.5% over the period from 2011 to 2015.

4. Deloitte analysis
5. Deloitte interviews
6. MENA Media Guide 2012
7. Deloitte analysis
8. Deloitte analysis

Print

Print accounted for around 29% of the total advertising spend in 2011. Newspapers account for 86% of the total print advertising spend. This is not surprising considering the region's high literacy levels and therefore a higher propensity to read news through the print platform[9]. Palestine ranks 153rd amongst 179 countries in the Press Freedom Index in 2011-2012 reflecting the harsh conditions under which journalists currently operate in the country[10].

Palestine has four daily newspapers and a number of weeklies, which are published from the West Bank and Gaza. Jerusalem based Arabic daily newspaper *Al Quds* has the largest circulation in the country estimated at 70,000 copies[11]. *Al Ayyam*, launched in 1995 and operating out of the West Bank has a circulation of 18,000 copies, while the Arabic daily *Felasteen* has a circulation of 5,000 copies. The *Palestinian National Authority* owns a majority stake in *Al Hayat Al Jadedah* while many of Palestine's weekly papers are affiliated to political organisations, including *Al Rissalah* which is published by Hamas through its media division *Al Ribat Communications and Artistic Productions*[12].

Newspaper advertising is expected to grow at a CAGR of 6% in the period from 2011 to 2015 whilst magazines are expected to have a much higher CAGR in the same period of 12%. This is distinct from the rest of the region where the relative share of the print platform in total advertising spend has showing a declining trend and reflects the strength of the print industry in the country.

Digital

Digital advertising spend is currently estimated at 1% of total ad spend in Palestine. However this is expected to increase to approximately 5% of total ad spend by 2015[13]. We expect digital advertising spend to grow at a CAGR of 41% from 2011 to 2015 albeit from a low base.

Total internet penetration in the country was estimated at 14% at the end of 2010[14]. Palestine has two telecom operators, Paltel and Wataniya Palestine, which launched GSM services in the West Bank in 2009. Palestine's Ministry of Telecoms and IT (MTIT) is planning to use dark fibre and power cables from the country's utility companies as an alternative means of delivering broadband. Projects to provide broadband over power lines in the West Bank and Gaza are also in progress and homes in some parts of Ramallah are already being provided with the service, enjoying speeds of up to 5Mbps.

Content

Palestine's cinema is in its infancy as compared to the rest of the Arab region but has nevertheless grown in stature with a number of feature films and short films shown outside the country. However, theatres have been running in the country for some time. Two theatres in the cities of Jenine and Ramalla were closed down for a while and now have reopened. A number of Palestinian films are created with the financial support of European funding. Palestinian movies are not exclusively produced in Arabic with some also being made in French and English. Palestine is home to some talented film makers however it lacks in infrastructure with respect to film schools, theatres and studios in order to foster film production. All films require approval from the Ministry of Culture prior to being shown amongst the public.

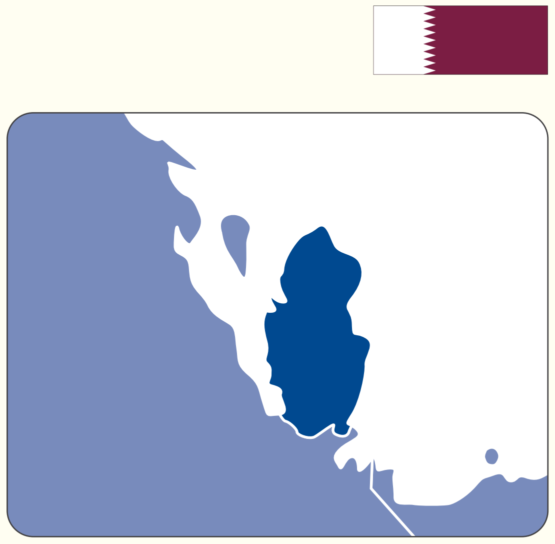
There are a number of examples of successful recent films created by Palestinian film makers. Hany Ali Assad's film *Paradise Now* was nominated for an Academic Award for Best Foreign Language Film in 2006 and has won the Golden Globe for Best Foreign Film. Further, Michael Khleifi's *Wedding in Galilee* won the International Critics Prize at Cannes Film Festival in 1987 while its 2009 feature film *Zindeeq*, about a Palestinian filmmaker from France visiting his hometown of Nazareth, won the award for Best Arab Feature Film at the Dubai International Film Festival.

9. Deloitte analysis
10. Press Freedom Index, 2012
11. MENA Media Guide 2012
12. MENA Media Guide 2012
13. Deloitte analysis
14. ITU

13. QATAR

Exhibit 1 : Qatar snapshot[1] (2009-2015)

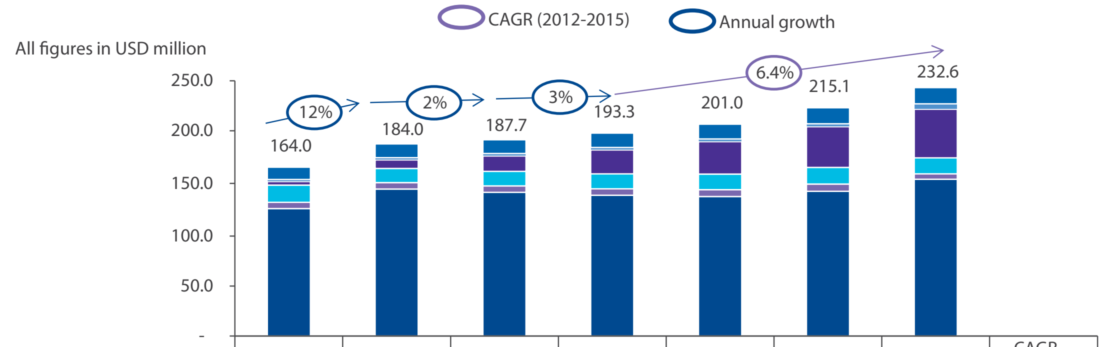
Key Indicators 2011	
Population Size (millions)	1.8
Area (Square Km)	11,586
GDP per Capita (USD)	97,967
Size of the ad market (USD million)	188
Advertising spend per Capita (USD)	104.4
Number of daily newspapers	7
Total TV penetration on HHs	92%
Mobile penetration on population	204%
Broadband penetration on population	9.6%



Qatar has been one of the most stable economies in the region over the last few years, continuing to register double digit real GDP growth in both 2009 and 2010. The government remains committed to its Vision 2030 blueprint of building a knowledge-based economy, and several projects have been undertaken coherent with this long-term vision. Qatar has outlined a plan to spend around USD100 billion on infrastructure projects as part of its agenda to modernize the economy. Qatar's successful bid for the 2022 World Cup is expected to see increased investment in the country and will also act as a stimulant to the advertising industry across the region.

Advertising spend remained robust in 2010 recording growth of 12%, but 2011 saw a modest 2% increase in overall spend. The total size of the advertising market in 2011 was estimated to be USD188 million. We estimate advertising spend to show some growth in the outer period of the analysis (i.e. 2014 and 2015). Overall advertising spend is expected to grow at a CAGR of 6.4% in the period between 2012 and 2015, reaching USD233 million by 2015, driven largely by growth in the digital, radio and outdoor segments.

Exhibit 2 : Qatar net advertising spend[2] (2009-2015)



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Out-of-home (includes cinema)	10.7	11.8	12.0	12.3	12.8	13.7	14.0	3.9%
Radio	1.7	2.0	2.0	2.1	2.3	2.5	4.7	22.9%
Digital	3.0	7.4	13.3	20.6	28.0	35.3	41.9	33.1%
Television	15.0	12.2	12.4	12.8	13.3	14.2	14.0	2.9%
Magazines	5.2	5.5	5.6	5.7	5.9	6.3	4.7	-4.5%
Newspapers	128.4	145.2	142.3	139.7	138.8	143.2	153.5	1.9%
Total	164.0	184.0	187.7	193.3	201.0	215.1	232.6	5.5%

1 Informa, Arab Advisors Group,IMF
2 Deloitte analysis

Print

The newspaper industry is the largest contributor to total advertising spend in Qatar, accounting for more than 75% of the total in 2011. As with the rest of the region, we expect to see a gradual decline in the share of print media going forward, due to the increased propensity to read news online. Online migration, however, appears to be muted compared to mature markets, where dailies have seen a consistent decline in circulation. Newspaper advertising spend was estimated at USD142 million in 2011 and is expected to grow at a CAGR of 1.9% in the period from 2011 to 2015, reaching USD154 million by 2015. Banking and real estate companies ranked significantly amongst the major newspaper advertisers in 2010.

There have been no new entrants in the newspaper industry since 2007, and there has been little increase in the claimed circulation numbers which have shown a CAGR of 1% since 2008. All of Qatar's seven daily newspapers are privately owned. *Al Sharq* and *Al Raya* remain the most circulated newspapers in Qatar. *Gulf Times* is the preferred online newspaper website in Qatar amongst users of such sites,[3] followed by *Al Sharq* and *Al Raya*. The magazine segment, though small in terms of overall contribution to advertising spend, has been fairly resilient over the last few years. Six new magazines were introduced, including *Whizzkid* (Children and Youth), *Fact Qatar* (Lifestyle), and *HauteMuse* (Fashion and shopping), all of which are claiming encouraging circulation numbers from the first year of launch.[4]

Television

Television was the third largest contributor to advertising revenues in 2011. TV advertising spend in Qatar has shown a declining trend since 2009 and accounts for a relatively small share of total spend in the market, representing just 6.6% of total spend in 2011, this is largely due to viewers' (and advertisers') preferences for pan-Arab satellite TV. Television advertising spend was estimated at USD12.4 million in 2011 and is expected to grow at a CAGR of 3% in the period up to 2015.

Penetration of pay-TV is significantly high in Qatar when compared to other markets in the Arab region, at close to 83% in 2011. There are 15 FTA channels headquartered in Qatar, of which 13 are state-owned. Most prominent channels include those related to the *Al Jazeera* network (i.e. news, sports, documentaries, children) which enjoy a pan-Arab presence. In 2011, *Al Jazeera* launched an English language children's edutainment network targeted at the Asian and North American markets. As with other regional satellite news channels, *Al Jazeera* witnessed growth in viewership during the period of the uprisings. The state-run Qatar General Broadcasting and Television Corporation operates two domestic channels and the Qatar Satellite channel.

In terms of TV platforms, Qatar is one of the few markets in the region with existing cable penetration, although these customers (on Qtel) are being migrated to IPTV. IPTV and DTH are the two dominant pay-TV platforms in the county. Qtel, which provides IPTV services in Qatar, has invested in rolling out a high speed fibre network, in parallel to the roll-out by Q.NBN described below, and recently launched its Mosaic HDTV offering, featuring fast forward, rewind, pause live TV and video-on-demand features. With several real estate developments in Qatar and the roll-out of FTTH infrastructure, we see sustained growth of IPTV in Qatar in the near term.

Digital

Digital advertising spend was the second highest contributor to advertising spend in 2011. It is slated to show significant growth in the next few years, driven by government-led initiatives to boost the digital ecosystem and operator-led initiatives to strengthen broadband infrastructure. The government has consistently prioritized ICT diffusion and usage in recent years, which has prompted ICT uptake from citizens. The Digital Content Cluster set up by ictQATAR aims to attract innovative Qatari talent to invest in the digital space as well as to stimulate innovation in the sector. Qatar boasts household broadband penetration of more than 100% in 2011 and is ranked amongst the top 25 countries in the world in terms of its network readiness[5].

In spite of this, digital advertising spend remains fairly low when benchmarked with markets that have similar infrastructure and readiness.

The Qatar National Broadband Network (Q.NBN), led by the government but launched as an independent company, aims to roll out fibre to 95% of households by 2015, providing access to passive infrastructure to service operators who, in turn, will deliver speeds of up to 100Mbps. The company plans to work closely with the private sector, specifically with network operators that are investing in a fibre-network to ensure efforts are not duplicated and assets are shared to maximize impact. Fixed competition has been introduced to the market in 2010, with the grant of the second fixed license to Vodafone Qatar. Furthermore, both Qtel and Vodafone have deployed 3G/HSPA, catering to a population with very high smartphone uptake. Qtel has also launched new Long-Term Evolution (LTE) program in 2011.

Qatar has a fairly young population, with approximately 30% of the population in the 15 to 29 age group. With high penetration of digital devices, this segment constitutes the early "adopters" of digital media. More than half of the digital media users are in the age group of 15-29. While social networking is an increasingly dominant online activity by users across the region, Qatar has the fourth largest penetration of Facebook in the region and has one of the largest penetration of *Twitter*[6]. Given these favourable developments on both the demand and supply side, we see digital advertising spend growing significantly over the next few years, at a CAGR of 33% over the projection period reaching 18% of the total by 2015.

Radio and out-of-home

Radio advertising expenditure accounts for just over 1% of total advertising spend in the country. There are currently six state-owned radio stations in the country as well as five regional stations which are broadcast privately. In recent years two new radio stations were launched, including Qatar Foundation *QF radio* and *Oryx FM*, which is the result of a partnership between the Qatar Media Company and Radio France Internationale which started broadcasting in 2011[7].

Finally in terms of platforms, outdoor represents around 6% of total spend. Q.Media is the main player in this market. In 2011, Q.Media acquired a 60% stake in Qatar Cinema and Film Production Company (QCFS). In the years to come, Q.Media plans to invest in developing more than 50 multiplexes both in Qatar and across the region.

Content

The Doha Film Institute was established with a view to building a sustainable film industry in Qatar with strong links to the international film community. From a local content perspective, DFI (Doha Film Institute) has emerged as a key player in film production and an incubator of local filmmaking talent in the region. Co-produced with Quinta Communications, Black Gold was the first major international co-production for DFI and Qatar in 2011.

In terms of other media developments, government backed institutions continue to play an important role in the realisation of the government's vision. Qatar Foundation (QF) continued to play a key role by investing in human capital and the build up of a human knowledge society. Qatar Music Academy (QMA) is the latest addition to Qatar Foundation. The academy was established with the vision of fostering a thriving music culture in Qatar and the region. The academy aims to develop promising young talent from the region to be the next generation of world-class musicians, by providing a comprehensive music education program which draws on practice, music theory and incorporates both Arab and Western classical music curricula.

As the Arab region went through turbulent times, the Doha Centre for Media Freedom played an extremely important role in strengthening freedom of expression over the internet and other media worldwide. Most recently, the centre launched a social media training workshop for journalists in Qatar in 2012.

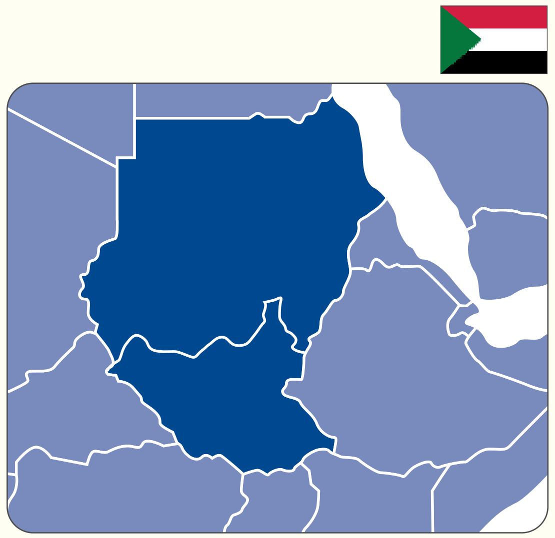
3 Qatar Digital Media Landscape 2011
4 MENA Media Guide
5 Global Information technology report 2010-2011(GITR)

6 Arab Social Media Report – Dubai School of Government
7 MENA Media Guide, 2012

14. SUDAN

Exhibit 1 : Sudan snapshot[1]

Key Indicators 2011	
Population Size (millions)	41.1
Area (Square Km)	2,505,000
GDP per Capita (USD)	1,823
Size of the ad market (USD million)	18
Advertising spend per Capita (USD)	0.4
Number of daily newspapers	29
Total TV penetration on HHs	17%
Mobile penetration on population	51%
Broadband penetration on population	-



In recent years, the Sudani economy has contended with social conflict, civil war and the July 2011 secession of South Sudan, a region of the country that has been responsible for about three-fourths of the former Sudan's oil production. Sudan's long running civil war ended with the signing of a Comprehensive Peace Agreement which granted autonomy to what was then the southern region of the country, thereby creating South Sudan. The focus of this analysis is on Sudan.

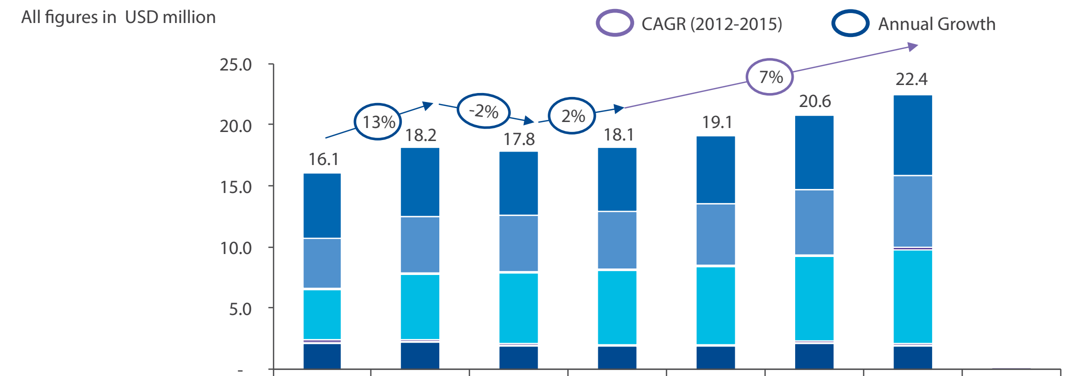
Despite the political instability Sudan's real GDP has shown impressive growth in recent years averaging 7% over the period from 2007 to 2010. While estimates[2] for 2011 suggest sluggish growth, Sudan is forecast to average 5.6% growth over the period from 2011 to 2015. The non-oil sector remains buoyant and should underpin economic growth in the medium term through the continued revival of agriculture and increased investment in infrastructure.

The agricultural sector constitutes a third of the country's GDP and employs 80% of Sudan's work force. Sudan is one of the largest countries in terms of population amongst the countries covered in the Arab region, standing at 41.2 million in 2011. Over half of the population is below the age of 20 and 70% of the population is under the age of 30. The literacy rate in Sudan is 61% but there are discernible variations across the country with some parts of South Sudan having literacy levels below 20% (i.e. notably lower than the average for the Arab Region of 78%).

Our estimates show that the total advertising spend in 2011 was USD18 million and is projected to rise to USD22.4 million by 2015 based on an increase in advertising spend between 2012 and 2015 at a CAGR of 7%[3]. Advertising spend per capita, estimated at USD0.39, is one of the lowest in the region, comparable with that of Yemen. For our projections on advertising spend, we have relied on direct industry interviews and anecdotal evidence given the limited information on the media industry in the country.

1. Informa, 2011, IMF, MENA Media Guide, Deloitte research
2. IMF
3. Ipsos, Deloitte analysis

Exhibit 2: Sudan net advertising spend (2009-2015)[4]



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Out-of home (including cinema)	5.4	5.7	5.2	5.3	5.6	6.1	6.6	6.5%
Radio	4.1	4.7	4.6	4.7	5.0	5.4	5.8	6.0%
Digital	0.0	0.1	0.1	0.1	0.1	0.2	0.2	36.2%
Television	4.2	5.4	5.9	6.0	6.4	6.9	7.6	6.8%
Magazines	0.2	0.2	0.2	0.2	0.2	0.2	0.2	6.0%
Newspapers	2.1	2.2	1.9	1.8	1.8	2.1	1.9	0.2%
Total	16.1	18.2	17.8	18.1	19.1	20.6	22.4	6.0%

Print

While the market is open for privately owned non-political publications there have been several restrictions on the press in the country and the trend has continued in recent years. Sudan has been ranked 170th out of 179 countries surveyed under the Press Freedom Index[5] Since South Sudan became an independent state in 2011, a few newspapers such as *Al Rai Al-Shaab* (linked to the country's main opposition party) have been shut down and in the case of other titles such as *Al Midan* (linked to the Sudanese Communist Party), the print-runs has been confiscated. Apart from this, newspaper circulation is constrained by the high levels of illiteracy in the country inhibiting its growth as a viable advertising platform. *Al-Sahafa* and *Al-Rayan* are popular English language newspapers in the country.

Newspapers are the third most significant contributor to total advertising spend in 2011, however we expect newspaper advertising spend to grow marginally at a CAGR of 0.2% in the period up to 2015 as other platforms increase their contribution to total advertising spend. The contribution of newspaper advertising to the total advertising spend is expected to decline from the 2011 level of 11% to reach 9% by 2015.

Television

Television accounted for about 30% of total advertising spend in Sudan and is expected to increase its contribution, to more than one-third of the total advertising spend by 2015. A major obstacle to the growth of TV advertising so far has been the low TV penetration of around 17% as many households cannot afford the cost of a satellite dish. There are no private terrestrial TV stations broadcasting in Sudan and the government operates TV channels through the *Sudanese Radio and Television Corporation*. While satellite dishes are common in affluent areas and pan-Arab channels are popular, terrestrial TV is the dominant platform.

Sudan has 18 terrestrial TV channels, 17 of which are government owned and just one (i.e. *Blue Nile*) with mixed-ownership. *Sudan TV* is the main terrestrial TV channel which is government owned and operated and it also broadcasts on satellite.

There are eight[6] free-to-air DTH channels headquartered in Sudan of which five are privately owned, two are government owned and one has mixed ownership. IPTV is not operational, given the low broadband penetration in the country, although there are no regulatory hurdles for national fixed and mobile licensees to offer the service. Pay-TV penetration is virtually negligible in the country. Some growth in TV advertising is expected over the period 2011 to 2015 with a CAGR of 7% as we foresee growth in penetration of TV sets amongst households and local television is expected to be the biggest beneficiary of this increased penetration[7].

In terms of mobile TV, the Sudanese Radio and TV Corporation is the official body which grants licenses for offering this service in the country, having granted Sudani a Mobile TV license in January 2011. As of May 2011, Sudani began carrying out internal testing on the

4. Deloitte analysis, Ipsos
5. Press Freedom Index, 2012
6. Arab Advisors Group

7. Deloitte analysis

system, however at the time of writing, the packages and final list of channels to be offered to Sudani's customers was not yet determined. The National Television Council (NTC) expects Sudani to launch its Mobile TV service commercially to the market in the coming few months[8].

We expect digital advertising spend to increase quite dramatically, albeit from a very low base, at a CAGR of 36% reinforcing the positive prospects for the digital sector in Sudan[9].

Radio and out-of-home

Outdoor and radio advertising represent an important proportion of the total advertising spend in the country accounting for 29% and 26% of total advertising spend respectively. This is not surprising given the low literacy rates in the country and the limited development of alternative platforms.

The Sudanese state has a strong hand in the radio broadcast sector in Sudan with all state and private owned radio stations required to reflect Sudan's government policies. *Sudan National Broadcasting Corporation (SNBC)* licenses all radio stations in Sudan, both state and private owned. Private radio stations in Sudan are not allowed to broadcast any news content. There are seven state owned FM radio stations and 11 private FM radio stations[10]. Many state owned radio stations used to operate in Sudan. However due to financial difficulties, many of these radio stations were forced to shut down. We expect radio advertising spend in Sudan to grow at a CAGR of 6% over 2011-2015[11]. The popularity of radio as an advertisement platform can be attributed to its reach particularly as a means to cover a wider audience at a relatively lower cost in a nation spread across vast geographical distances.

Similar to radio, out-of-home represents an effective medium for advertising in Sudan. The overall small size of the advertising market, the underdevelopment of other advertising platforms, and the high reach and visibility that the out-of-home platform offers have resulted in an overall contribution of 29% of total advertising expenditure in 2011. This level has changed marginally since 2009. Going forward a small CAGR in advertising spend of 6% is expected for this platform.

Digital

Digital advertising spend is virtually non-existent in Sudan. There are three main broadband technologies prevalent in the market i.e. one fixed broadband technology (DSL) and two wireless broadband technologies (UMTS/HSPA and CDMA). DSL has been deployed by Sudatel and Canar whilst MTN launched 3G/3.5G services in 2007, followed by Zain Sudan and Sudatel in 2009[12].

Even though fixed (wired) broadband penetration is low, there is significant potential for mobile broadband uptake with cellular penetration of above 51%. In 2005, the National Telecommunication Corporation (NTC) granted Zain and MTN the license to offer 3G services to their customers in Sudan. MTN launched their 3G services commercially in the same year they had the license but Zain commercially launched their services one year later. Sudani (part of Sudatel) won the 3G license in 2006 and commercially launched the service to the Sudanese market in the same year.

We estimate digital advertising spend to grow at a CAGR of 36% in the period up to 2015, albeit from a small base.

8. ICT adoption and prospects in the Arab region
9. Deloitte Analysis
10. Arab Advisors Group
11. Deloitte Analysis
12. ITU

15. SYRIA

Exhibit 1 : Syria snapshot[1]

Key Indicators 2011	
Population Size (millions)	22.5
Area (Square Km)	185,180
GDP per Capita (USD)	3,050
Size of the ad market (USD million)	33
Advertising spend per Capita (USD)	1.5
Number of daily newspapers	5
Total TV penetration on HHs	93%
Mobile penetration on population	53%
Broadband penetration on population	0.6%

After a few years of sustained growth and economic transformation, the Syrian economy has suffered a significant setback with the effects of on-going political unrest which started in 2011. Syria is a middle-income country with an economy dependent heavily on agriculture, oil, tourism. The agricultural sector still plays a major role in the Syrian economy, with a contribution of 17% (i.e. highest in the Arab region after Sudan) to GDP. Economic growth has slowed as a result of the international sanctions and reduced domestic production and consumption. IMF estimates suggest a decline of 3% in real GDP growth in 2011 and further decline in 2012 dependent on the political instability in the country. The political turmoil has seen risk premiums rise and private financing and tourism decline significantly. Prior to March 2011, Syria embarked on a transformation of its public sector and capital markets in order to attract foreign investment, turn around the public sector's performance, and fight high rates of unemployment. Investment from the GCC has now been curtailed and the government's efforts to attract capital needed to boost the economy have been harmed. In this context, oil revenues are particularly important for Syria as its tourism industry, which normally accounts for around 12% of the economy, has been badly affected by the political situation in the country.

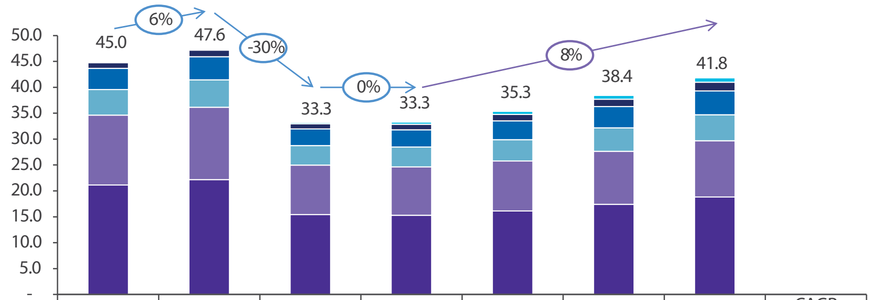
The political situation had a direct impact on the media market in Syria. Syria's advertising industry contracted by 30% in 2011 to USD33 million, one of the smallest in the region, with a very low advertising spend per capita of approximately USD2. The largest contributor to advertising spend is from the newspaper industry which accounted for 46% of the total advertising spend in 2011. Given the low advertising spend per capital in the country, we see strong upside potential once the economic situation stabilizes. One of the big obstacles to advertising in Syria is the lack of accurate data making it difficult for advertisers to define well targeted campaigns as a result of market research companies being severely restricted in the country. Detailed information on the market is limited after the local operations of IPSOS closed down. Further, the absence of any truly national brands as with other markets where telcos contribute significantly to advertising spend has hindered the growth of the market. It is also worth noting that most of Syria's print and broadcast media are owned by the government, although a law was passed in 2001 which allows the publication of independent newspapers.

Given the significant uncertainty in the country in the ongoing political situation this year, we have not factored any growth in 2012. However, should the political situation stabilise, we expect the advertising market to grow again from 2013 and forecast a CAGR of 7.9% reaching USD42 million by 2015.

1. Informa, 2011, IMF, MENA Media Guide, Deloitte analysis

Exhibit 2 : Syria net advertising spend (2009-2015)[2]

All figures in USD million



	2009	2010	2011	2012	2013	2014	2015	CAGR (11–15)
Digital	0.1	0.2	0.2	0.4	0.6	0.7	0.8	36.0%
Radio	1.1	1.3	1.0	1.1	1.2	1.4	1.7	13.8%
Magazines	4.0	4.4	3.2	3.3	3.6	4.1	4.6	9.3%
Television	4.9	5.3	3.8	3.8	4.1	4.5	5.0	7.4%
Out-of-home (includes cinema)	13.5	13.9	9.5	9.3	9.7	10.2	10.9	3.3%
Newspapers	21.1	22.2	15.4	15.3	16.1	17.4	18.8	5.1%
Total	45.0	47.6	33.3	33.3	35.3	38.4	41.8	5.9%

CAGR (2012–2015) Annual growth

Print

Newspaper advertising spend was USD15.4 million in 2011. In the period from 2011 to 2015, newspaper advertising spend is projected to grow at a CAGR of 5.1% reaching USD19 million in 2015. The newspaper industry had a total of 11 daily newspapers in 2011 with the state owned Baladna newspaper claiming the highest circulation of 90,000 copies[3]. While *Al Watan* and *Baladna* are privately owned, *Teshreen, Al Baath* and *Al Thawra* are all state owned. A new addition in 2011 was the Arabic business weekly *Sada Al Aswak* which covers the Syrian economy, property market, stocks and investment. Claimed circulation numbers across the industry are low and have grown modestly over the last few years.

The magazine industry has a few titles such as *Tabibok* with a claimed circulation of 150,000 and a distribution footprint across Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria and UAE. Two newly launched newspapers which gained an audience amongst activists are *Souriyatna* (Our Syria) and *Horriyat* (Freedoms).

Amongst local magazines, the genre which has the most number of titles is news and current affairs. *Forward Magazine*, an English-language monthly magazine launched a digital edition in 2009. The magazine has an American focus in its coverage of international affairs[4].

Television

While television is the most popular media platform in Syria, enjoying a penetration of more than 93% of households, the TV industry is dominated by free pan-Arab satellite[5], leaving limited room for local TV. As in other Levant markets, terrestrial TV retains some cost conscious households (lower cost of aerials vs. satellite dishes) and continues to be the TV platform of choice for 15%[6] of Syrian households. However, terrestrial is gradually giving way to pan-Arab free satellite. As for pay-TV penetration, it is virtually negligible at about 0.2% of households[7].

There are seven FTA channels headquartered in Syria with three owned by the government. Private channels include *Addouonia TV, Al Rai* and the recently launched *Ninar TV*. Recent developments include the launch of two new television channels, one titled *Syria al-Shaab* in 2011 via the Nilesat satellite network and the other titled *Sama TV* which broadcasts entertainment, culture, social, travel, health and fashion programmes. *Syria al-Shaab* positions itself as the "voice of the free, freedom fighters and those who aspire for a Syria of hopes and dreams"[8]. The channel also broadcasts programs aiming to convey the pulse of the street such as "The Voice of the People".

2 Deloitte analysis
3 Most newspapers do not have audited circulation numbers
4 MENA Media Guide 2012
5 Informa
6 Informa: Analog TV households in percentage terms of total TV platforms declined from 25% in 2007 to 15% in 2011
7 Informa
8 Press clippings

Digital

For a number of factors linked to infrastructure development and mobile and broadband penetration, digital advertising is currently very low in Syria. We estimate it to be around USD0.24 million, i.e. less than 1% of total advertising spend in the country. Digital advertising spend is however expected to grow at the fastest pace of all platforms over the period from 2011 to 2015, although given the significant improvement required in ICT adoption in the country we believe it will continue to contribute less than 2% of the total advertising spend by 2015.

Mobile penetration rates are significantly lower than parts of the Arab region at 48% in 2010 due in part to the high tariff rates and the limited competition. Two mobile service providers (i.e. MTN and Syriatel) operate under a Build-Operate- Transfer arrangement with STE (a government agency which is controlled by the Ministry of Telecommunications and Technology). The significantly high revenue sharing arrangement with the government provides little incentive for these mobile operators to invest in infrastructure roll-out and reduce tariffs. Syria introduced a competitive tendering process for the entry of a 3rd mobile operator in 2010 but the political situation resulted in the auction process being postponed. Fixed infrastructure remains the monopoly of state-owned Syrian Telecommunications Establishment (STE). The country had 11 ISPs in 2011 acting as resellers of STE's ADSL services. Syria's broadband penetration is one of the lowest in the Arab region and we do not see much investment in the broadband infrastructure until the volatile political situation is resolved. Effective cost of broadband services is one of the highest in the region[9] and this has impacted the uptake of broadband services.

Nevertheless, *Facebook* penetration in Syria is far higher than the current fixed broadband penetration. Syria added 192,000 additional *Facebook* users in the period from Jan to April 2011 alone. In the same period Syria had 40,000 active *Twitter* users. The internet and social media have played a significant role in Syria. The main *Facebook* page on the Syrian revolution titled "Syrian Revolution 2011" has more than 380,000 followers.

Away from the spotlight of the mainstream Arab media, a number of youth activists from the Syrian opposition are using alternative forms of media, such as blogs, and social media thereby circumventing the limitations of traditional media which are controlled by the government. *Facebook* pages such as the "The Syrian People Know their Way" show a collection of posters, photos and videos that aim to reflect the spirit of the revolution and provide further inspiration for the on-going struggle.

Radio and out-of-home

Radio advertising is another segment with much potential for growth. Syria had 19 radio stations at the end of 2011 of which three are privately owned and one is a regional station. Three news stations we launched in 2011. Three out of the 19 are state-owned. Radio stations are only permitted to broadcast entertainment and commercial programs without any news or political content. The Ministry of Information is responsible for licensing private radio stations. A new addition in 2010 was the hit music radio station *Radio Fann*, which targets listeners in the age group of 15 to 45 years. The Ministry has also granted a license to the private radio station *Fuse FM*, which is expected to start broadcasting in 2012 on the FM frequencies 91.1 MHz in Damascus and 90.9 MHz in Aleppo.[10] Based on our estimates, radio advertising will grow at a CAGR of 14% in the period from 2011 to 2015 to reach USD1.7 million.

The General Program radio station is the main radio station in Syria which transmits on eight FM frequencies. It offers political, cultural and social programs in Arabic as well as local and international news. Programming includes issues relevant to the Syrian population and music shows. New private radio stations include *Ninar FM* and *Fann FM* both launched in 2010.

Outdoor advertising was traditionally one of the largest contributors to advertising spend in the past but has lost ground in recent years to television and print. Estimates suggest that outdoor advertising will grow at a CAGR of 3.3% in the period between 2011 and 2015. Billboard advertising has suffered with politically driven posters and slogans taking the place of commercial advertising on the streets of the capital.

9 Arab Advisors Group
10 MENA Media Guide 2012

Syrian soap operas are extremely popular across the Arab region and in order to support the local soap opera industry, the state broadcaster, General Organisation of Radio and Television launched the Syrian drama channel in 2009. It shows Kuwaiti, Lebanese and Syrian productions. The Syrian drama industry had flourished between 2006 and 2010, but since then there has been a severe reduction in output. Syrian Ramadan dramas are typically sold domestically to government-backed channels, and, more lucratively, to television networks in Lebanon and the Gulf.

In 2010, there were 19 productions, however in 2012, industry sources reveal that there are unlikely to be more than 3-4 productions[11]. A few production houses, such as Sama for Art productions which had produced three dramas in 2010, had virtually no production in the first nine months of 2011.

The Syrian drama industry has been severely impacted by the political crisis, with key actors and directors actively looking at other markets in the region such as Egypt and Lebanon which are likely to benefit from their expertise and which are independent from Gulf productions. Popular Syrian dramas which continue to enjoy significant viewership during the Ramadan period include *Bab Al Hara* (The Neighbourhood Gates) which had the highest viewership amongst all Arab TV series. The industry is heavily dependent on funding from the GCC investors whether it is in the form of co-productions or direct investment.

The industry also suffers from poor distribution with the lack of an independent satellite television market in Syria and is therefore dependent on distribution on satellite platforms across the rest of the Arab region. Nevertheless, some of the drama companies are going ahead with their production schedule. These include the Kabnad Production Company which is producing the series titled *Tawk-Al-Banat* (Girl's Collars), and Clacket for Artistic Production which began filming *Banat Al- Eila* (Family Girls).

With the significant success of the Turkish soap opera, Noor, which was dubbed into the Syrian dialect in 2008, the Syrian dubbing industry has achieved success across the region. Noor, which was broadcast by the MBC Group, had initially failed in Turkey, but was a resounding success on a pan-Arab level when MBC chose to dub the show in vernacular Syrian Arabic[12].

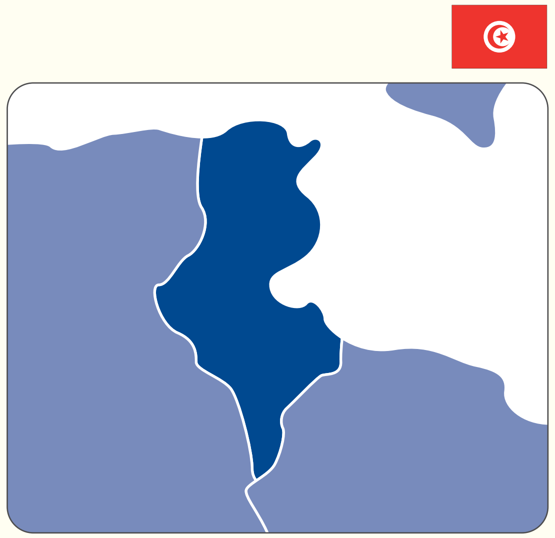
The popularity of foreign movies and dramas in the region is dependent on the quality of dubbing into local dialect and can be a huge factor in determining its success. Turkish soap operas dubbed into Syrian colloquial have gained a truly regional stature, thus providing a gateway for Turkish drama into the wider Arabic cultural sphere. The Syrian dialect continues to be one of the most popular for the purposes of dubbing Hollywood and Bollywood movies for the local Arabic palate. Recent examples of films made especially popular in the region as a result of effective dubbing include Harry Potter and previous notable examples include *The Godfather* and *300*.

11 Interviews with broadcasters
12 Press clippings

16. TUNISIA

Exhibit 1 : Tunisia snapshot[1]

Key Indicators 2011	
Population Size (millions)	10.7
Area (Square Km)	163,610
GDP per Capita (USD)	4,375
Size of the ad market (USD million)	38
Advertising spend per Capita (USD)	3.6
Number of daily newspapers	8
Total TV penetration on HHs	94%
Mobile penetration on population	114%
Broadband penetration on population	5%



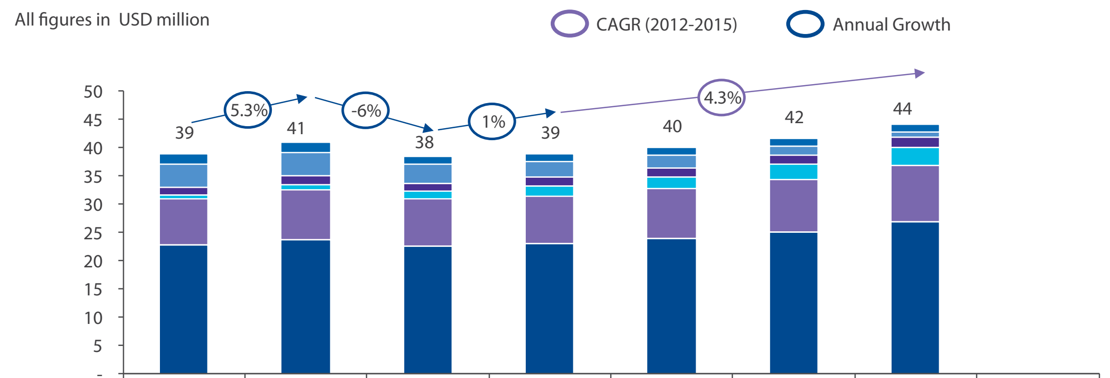
Tunisia, the epicentre of the political uprisings across the Arab region has undergone a number of changes as a result of the revolution that initiated the regional uprisings. Prior to the events, Tunisia had an impressive record of economic performance. The country recorded an average real GDP growth of 5% between 1997 and 2007 and since 2008, economic growth has been modest at 3-4%. In the near term, growth estimates suggest stagnation of the economy in 2012 and moderate growth in the period up to 2015, as structural reforms are needed to build a dynamic private sector that provides momentum to the economy. Tunisia also needs to navigate a number of economic hardships such as a decline in exports and the influx of Tunisian migrant workers from Libya all of which resulted in virtually no growth in the economy in 2011. Similar to other Arab countries covered in this report, the majority of Tunisia's population (i.e. 51%), remain below 30 years of age, while the country's literacy rate is 74%[2].

In a break from the past, one of the first acts of the transitional government has been to lift restrictions on information. Two months after the end of the previous regime, the interim government abolished the Ministry of Information, a key institution controlling the media sector.

Given the unstable political situation during and after the revolution, advertising spend in Tunisia declined by 6% in 2011. Historically, telecom operators such as Orascom Telecom and Tunisia Telecom had the lion's share of advertising spend in Tunisia but in the post revolution scenario, the largest spenders include the Supreme Independent Body for the Elections (ISIE) and political parties. In the period from 2012 to 2015 we see advertising spend growing at a CAGR of 4.3% driven by radio, out-of-home, digital and television. The post-revolutionary media landscape has grown considerably more diverse, as several media have outlets emerged on the scene.

1. Arab Advisors Group, Informa, 2011, IMF, MENA Media Guide, Deloitte research
2. International Monetary Fund (IMF)

Exhibit 2: Tunisia net advertising spend (2009-2015)[3]



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Magazines	2	2	2	1	1	1	1	-4.0%
Newspapers	4	4	3	3	2	2	1	-23.9%
Radio	1	2	1	2	2	2	2	4.6%
Digital	1	1	1	2	2	3	3	23.1%
Out-of-Home	8	9	8	9	9	9	10	5.0%
TV	23	24	22	23	24	25	27	4.4%
Total	39	41	38	39	40	42	44	3.5%

Television

The advertising market in Tunisia has remained concentrated in television which accounted for just under 60% of the total advertising spend in 2011. Following the recent uprising, we expect Tunisians to tune in more and more to local platforms, including domestic broadcasters. As Tunisia is seeing some growth in the numbers of domestic channels and with the take-up of DTT in the country, we expect TV advertising spend to slightly out-pace the growth of the advertising market overall at a CAGR of 4.4%. TV household penetration in Tunisia is 94%, which is in line with penetration levels for the rest of the Arab region overall. The dominant platform in the market is free satellite as is seen across most of the developing nations in the Arab region. However, the terrestrial platform reaches around 15% of the households, split between Analog and DTT, which explains the size of the local TV advertising market. Tunisia has four Free-to-Air (FTA) channels of which one channel is state-owned. These include *Tunis Al Wataniya 1 and 2, Nessma TV and Hannibal TV.*

Five new stations have been recommended for licensing by the National Authority to Reform information and Communication (INRIC), the body established to oversee the media following the revolution. The new stations include *Golden TV, Ulysse TV, Khamsa TV, TWT* and *El Hiwar Ettounsi,* which are set to join the existing *Hannibal TV* and *Nessma TV* as independent channels. The two national channels operated by the Tunisian Radio and TV Establishment have undergone management changes since the revolution, and consequently changes in programming and content.

Print

The print industry accounted for approximately 13% of total advertising spend in 2011, with newspapers accounting for 10% of the total market; a relatively lower contribution as compared to other markets across the Arab region. Over the period from 2011 to 2015, we expect newspaper advertising spend to decline at a CAGR of close to 24%, albeit from a relatively low level. Since the revolution, the Tunisian government proposed to prepare a new bill to regulate press operations in the country. The new bill, prepared by the media and audio-visual communication committee (a sub-section of the High Commission for the Realization of Revolutionary Goals, Political Reforms and Democratic Transition), with support from the Thomson Media Foundation, includes sections that would make journalists take responsibility for their actions.

After the change in regime in Tunisia, there have been some significant changes in titles read within print, with the revival of some formerly popular titles. The *Al Fajr* newspaper which was discontinued in 1990 was relaunched in April 2011. Arabic daily *Al Maghreb* is another title which used to be banned but has recently been relaunched. The *Al Horia* (Arabic) and *Le Renouveau* (French) newspapers are no longer in existence which is not surprising since these used to be owned by the former political party in power.

There has also been a strong preference of reading news online as seen with other North African markets such as Egypt. *Tunisia Live,* Tunisia's first English language news website was launched in 2011, by a group of young Tunisians who felt the need to share the news of their country with the rest of the

3. Deloitte analysis

world. On another note, the Award winning Tunisian blog, *Nawaat* in partnership with CONFEJES[4] and Canal France International launched a project to create citizen journalism clubs in youth centres. These citizen journalism collectives allow people to use the computers of the youth centres to disseminate news and views.

Radio and out-of-home

Radio is currently a relatively small portion of total ad spend at 3% but presents some growth potential over the period 2011 to 2015. There were 18 radio stations at the end of 2011 with six added during 2010 and 2011. Radio advertising is expected to grow at a CAGR of 4.6%[5] in the period up to 2015.

In 2012, a number of new radio stations are likely to launch in Tunisia after the granting of twelve licences to operate regional stations in June 2011. These channels consist of *Radio Chambi FM* in Kasserine, *Radio Saut El Mangem* in Gafsa, *Radio 6* in Tunis, *Radio Oasis* in Gabes *and Oxygene FM* in Bizerte. Tunisia's National Authority for Reform of Information and Communication (INRIC), held a workshop in August 2011 to discuss ways of transforming state radio from a government enterprise to a public company working in accordance with professional standards. Structural reforms to the media sector in Tunisia following the regime change are being overseen by the *INRIC*. The *Tunisian Radio and TV Establishment (ERTT),* the state-owned broadcaster operates nine radio stations: *National Radio, Radio Jeunes, Radio Culture, Tunis International Radio Station (RTCI)* and regional stations in Sfax, Montastir, Gafsa, Tatouine and Le Kef.

Out-of-home constituted 22% of total advertising spend in 2011. This platform is expected to grow at a CAGR of 5% over the period up to 2015.

Digital

Fixed broadband penetration in Tunisia was estimated at 5% in 2011, significantly higher than many of the North African and Levant markets but significantly behind the GCC average. Tunisia is one of the few markets outside the GCC to rank amongst the Top 50 countries in the world in terms of networked readiness[6].

Currently there are five commercial broadband technologies in the Tunisian market; three fixed-broadband technologies (DSL, FTTx and WiMAX), Mobile Broadband on 3G and satellite internet access via VSAT. Recent broadband projects in the country include the deployment of mobile-broadband technologies by Orange Tunisie and Tunisie Telecom. Broadband services based on fiber to the home networks are offered by three ISPs: HexaByte, Topnet and Tunet.

Given the favourable demographics in the country with a large young population, we see a large number of active users of *Twitter* and *Facebook*. *Facebook* penetration in Tunisia is 21% whilst the number of active *Twitter* users stood at 36,000 at the end of March 2011[7]. While *Facebook* and *Twitter* are popular websites, the home-grown portal *mosaiquefm.net* is one of the most popular online radio stations in the country providing live streaming and ranks amongst the Top 10 sites in the country in terms of traffic[8].

Content

Tunisia's film industry faces significant challenges particularly with regard to funding. In the light of this, the Tunisian government has recently set up a national committee to help the film industry and unveiled a stimulus package to provide a boost to film-making in the country. Tunisia is a country which boasts Africa's oldest film festival and enjoys one of the most liberal cinemas in the Arab world.

The government has set up the *National Committee for the Reform and Development of the Audio-visual Sector,* and decided to provide more money for film production, calling on TV stations, internet services providers and DVD vendors to make financial contributions. This comes at a time when a declining number of movies are being made in Tunisia, and the number of cinemas has fallen to 20 from over 100 in the 1960s.

Alongside this effort, the Ministry of Culture plans to increase the financial allowance it provides the film industry, which stood at USD2.72 million per year in 2011, in order to facilitate the production of more films. In 2010, only nine long feature movies received funding from the ministry, a factor which has contributed to its poor health. The Tunisian government will also aim to encourage private investment in addition to building modern cinemas in tourist destinations and shopping malls[9].

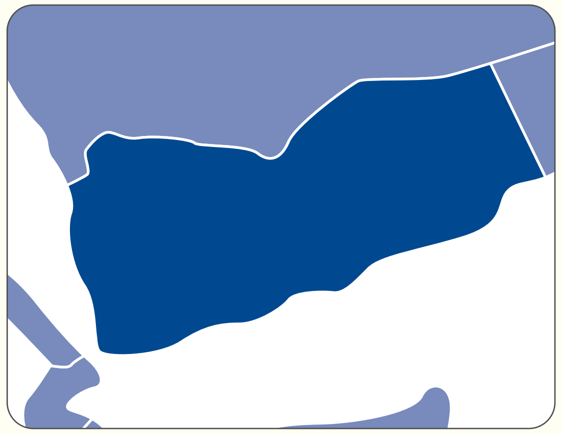
In 2012, the Tunisian Film Festival organized by the association named Free Tunisia took place in Hollywood. The festival aimed to showcase Tunisian culture and introduce it to a wider audience. The festival opened with a performance by the Tunisian artist MC Rai (best known for his song "Hen'alina") and was followed by the screening of *The Project,* a film by the Tunisian film-maker Mohamed Ali Nahd.

4. Conference of Ministers of Youth and Sports of Francophine
5. Deloitte analysis
6. The Networked Readiness Index measures the performance of a market on several parameters including environment (i.e. market environment, business environment political and regulatory environment, infrastructure environment) business usage and adoption of ICT and government success in ICT diffusion. Many markets across the Arab world tend to score poorly in terms political and regulatory readiness for ICT development. The Global Technology Information report 2010-2011
7. MENA Social Media Report
8 Alexa
9. People's Daily article, 2011

17. YEMEN

Exhibit 1 : Yemen snapshot[1]

Key Indicators 2011	
Population Size (millions)	24.1
Area (Square Km)	527,000
GDP per Capita (USD)	1,522
Size of the ad market (USD million)	11
Advertising spend per Capita (USD)	0.46
Number of daily newspapers	4
Total TV penetration on HHs	64%
Mobile penetration on population	48%
Broadband penetration on population	0.5%

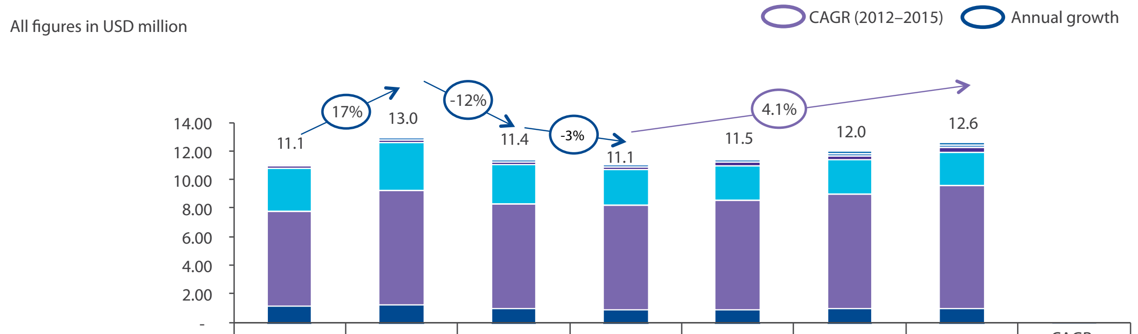


Yemen has one of the lowest GDP per capitas in the Arab region and its economy suffered from the effects of the political instability during 2011 and 2012. IMF estimates indicate that Yemen experienced a decline in real GDP in 2011 and it forecasts a continued decline in 2012. As a whole, Yemen currently faces mass unemployment and a budget deficit of USD3.75 billion. The nation's primary source of revenue is oil, accounting for 60% of income and 90% of exports,[2] however in 2011 the economy was further disrupted due to the political unrest in the country. In the medium term, Yemen faces a transition from dependence upon oil exports to a more diversified economy.

Yemen has a very young population, with more than 70% of the population under the age of 30 and more than 40% under the age of 15. At 50%, Yemen's literacy rate is significantly lower than the regional average of 78%. There is limited verifiable data on the size of the advertising industry in Yemen and our estimates are largely based on interviews conducted with stakeholders across the media industry in Yemen. Our estimates suggest that total advertising spend was USD11.4 million in 2011 and advertising spend per capita is one of the lowest in the world. Our analysis projects a modest increase in advertising revenues between 2012 and 2015, growing at a CAGR of 4%. Given the low advertising spend per capita, we expect significant potential upside for the advertising market if the political situation stabilizes.

1 Deloitte analysis, Informa, IMF, Arab Advisors Group
2 IMF

Exhibit 2 : Yemen net advertising spend[3]



	2009	2010	2011	2012	2013	2014	2015	CAGR (11–15)
Digital	0.02	0.04	0.05	0.06	0.08	0.10	0.13	28.7%
Magazines	0.15	0.19	0.17	0.17	0.17	0.18	0.19	2.4%
Radio	0.17	0.21	0.21	0.23	0.28	0.32	0.38	16.3%
Newspapers	2.99	3.28	2.71	2.49	2.43	2.37	2.32	-3.8%
Television	6.63	8.02	7.32	7.23	7.59	8.01	8.53	3.9%
Out of home (includes cinema)	1.18	1.25	0.98	0.94	0.95	0.97	1.00	0.5%
Total	11.1	13.0	11.4	11.1	11.5	12.0	12.6	2.4%

The government has exerted a tight control over media outlets including television, radio and the written press. Television is the dominant platform by far in terms of contribution to advertising spend accounting for 64% of the total advertising spend in 2011. We expect the share of television to grow at the expense of print in the period up to 2010, share of television increasing to 68% by the end of 2015.

As for other platforms, we expect digital to show the highest growth, given the strong propensity towards online migration particularly print media.

Television

Local television is the most significant media platform in Yemen. Indeed, given the low literacy rate in the country, television remains the main source of news for Yemenis, thus ensuring higher reach for advertisers than other platforms. Going forward, we expect TV advertising expenditure to increase at a CAGR of 6.4%. However, TV advertising spend is forecast to reach USD8.5 million by 2015 given the relatively low TV penetration in the country as compared to the rest of the region. There are six FTA[4] channels which are currently headquartered in Yemen, of which four are state-owned.

The government runs four terrestrial TV channels: *Yemen TV* (i.e. the flagship national TV station), *Aden TV*, *Sheba TV* (aimed at youth and students) and *El Aman TV* (covers religious issues). The Yemeni satellite channel is aimed at Yemeni expatriates abroad, whilst the opposition channel, *Suhail TV*, is currently headquartered in London. Due to the high price of satellite dishes relative to disposable income, terrestrial TV channels have the highest penetration, and there is minimal penetration of pay-TV.

Until recently, *Al Jazeera* and *Al Arabiya* were the most popular channels for news and information about events in Yemen, however *Suhail TV* gained in popularity after the political uprisings. A survey conducted by the *BBC* in 2010, revealed that only 14% of viewers preferred to watch Yemeni state-run TV rather than international satellite channels, suggesting strong preference for satellite channels beamed from overseas.

Print

The print industry is the second most significant platform in terms of contribution to total advertising spend, at approximately 24% of the total industry. A survey conducted by the BBC World Service Trust in 2010[5] revealed that only 12% of Yemenis read a newspaper daily and only 3% regard newspapers as an important source of news and current events in the country.

Yemen has four daily Arabic newspapers, eight weekly newspapers, as well as three English language newspapers. The state-owned newspaper *Al Thawra* had the highest circulation of close to 60,000 in the country. Amongst the independent newspapers, circulation numbers are currently low with daily newspapers *Akhbar Al-Youm* and *Al Gomhuriyah* enjoying the highest circulation[6].

3 Deloitte analysis, Industry interviews
4 Arab Advisors Group
5 Infoasaid.org
6 Claimed circulation, MENA Media Guide 2012

Independent newspapers are heavily dependent on advertising for revenues. Independent newspapers struggle to secure a small and impoverished readership which has declined with the advent of Satellite TV and the internet. The growing unrest in the country has led advertisers to withdraw their funds with dire consequences for the independent media in the country. For example, the independent English newspaper Yemen Times was forced to halve the number of pages in its edition from 16 to 8. Further, Yemen has seen the number of daily titles in publication decrease from a low of six to an even lower four from 2009 to 2011, reflecting the "high mortality" rate in the newspaper industry in Yemen. Some of the newspapers interviewed had seen a decline in revenues of 60 to 70% in 2011. On the other hand, state sponsorship secures considerable resources for the official publications ensuring a wide distribution.

Since many news web sites operate from outside the country, online news has served to circumvent heavy controls on information and enjoys a strong following. Some of the popular news websites include *AlMasdaronline.com* and *Marebpress.net*, both of which are ranked amongst the Top 15 websites in the country. Over the period from 2011 to 2015, we expect a declining contribution of print to to total advertising spend reaching a share of 19% of total spend by 2015.

Digital

Internet penetration in Yemen is currently low and estimated at 12% in 2011. The government owns the country's two Internet Service Providers (ISPs), which are TeleYemen and YemenNet (owned by the Public Telecommunications Corporation). Both provide services through DSL, whilst YemenNet also operate through WiMAX. The country has four mobile operators (i.e. Yemen Mobile, Sabafon, MTN Yemen and Y Telecom). Yemen Mobile offers 3G services in a few restricted areas across the country. Mobile penetration is estimated at 46%, significantly lower than other markets across the region.

Internet advertising expenditure remains very low in Yemen but is showing signs of growth relative to other advertising mediums. As discussed earlier there is strong preference for viewing online news suggesting that the print industry will be first to be impacted by migration to online in the years to come. Digital advertising is forecast to grow at a CAGR of 29% over the projection period, albeit from a very low base.

Radio and out-of-home

Radio is considered a more effective medium than newspapers in reaching the target audience in the country particularly in rural areas. A survey conducted by the BBC World Service Trust in 2010[7] found that only 19% of respondents listened to radio on a daily basis. Most radio listeners were people over 30 from the poorer sections of the country. Popular programmes include readings from the Qur'an and religious programmes. Further research reveals that "congratulation programmes" are popular in rural areas, where listeners call in to the studio to greet friends and relatives on air.

The first radio station, Sana'a Radio, started in 1946, whilst there were 14 radio stations in 2011, with one added during the year. All radio stations are owned by the government. The Ministry of Information administers and controls all broadcasting through the General Corporation for Radio and Television (YGCRTV). A new radio station launched in 2010 was *Shabwa Radio*. The Youth Radio station targets the youth population in Yemen and includes educational, religious and cultural programmes.

Radio advertising revenues are expected to show some growth over the period up to 2015, however, overall revenues are expected to remain low.

The share of out-of-home advertising in Yemen is in line with the average of the region i.e. close to 8%. With the development of other platforms, we see out-of-home advertising showing a marginal CAGR of 1% in the period up to 2015.

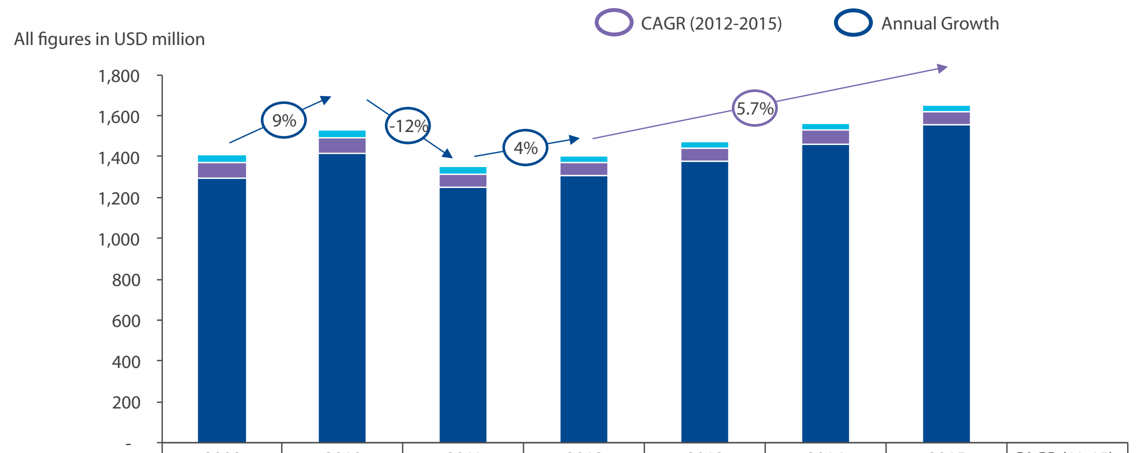
7 Infosaid.org

18. PAN-ARAB

Pan-Arab advertising expenditure refers to advertising spend by regional media outlets that cover multiple countries within the Arab Region. Satellite TV continues to account for a major share of pan-Arab advertising spend (i.e. 93% in 2011), thus explaining the lower proportion of domestic TV advertising spend at a country level. For the purpose of this analysis, we have considered digital advertising spend in individual markets based on an assessment of the number of internet users, ICT infrastructure, internet usage and consequently the volume of traffic of the various markets across the Arab region. While the internet has by definition a pan-Arab reach, we have attributed digital advertising spend to individual markets to reflect actual online consumption and consequently advertising budgets for each country in the outlook. As a result, we see varying levels of digital advertising spend across the individual markets but have not reported pan-Arab digital spend. This is detailed in greater depth in our analysis of individual countries.

The regional unrest which occurred in many markets throughout 2011 coupled with the overall economic climate in 2011 resulted in a decline of 12% of pan-Arab advertising spend between 2010 and 2011. We anticipate slight growth of 4% in 2012 as the market begins to recover, whilst over the period up to 2015 we expect advertising spend to grow at a CAGR of close to 6%, to reach approximately USD1.65 billion in that year. The outlook for the region suggests that economic and political headwinds in most markets across the region will result in constrained advertising budgets in 2012 and 2013. In addition as many of the advertisers on pan-Arab platforms are international brands (including cars, soft drinks and other FMCG in the top five advertising categories on pan-Arab) we believe that global uncertainties including the euro debt crisis and the prolonged economic crisis in western markets will continue to weigh heavily on pan-Arab advertising in the short term (2012 and 2013). However, with real GDP forecast to grow by close to 5% over the period from 2013- 2015, we see advertising growth showing a stronger uplift in the outer period of the analysis.

Exhibit 1 : Pan-Arab net advertising spend (2009-2015)[1]



	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Newspapers	39	40	34	33	33	33	33	-0.4%
Magazines	71	74	63	63	64	65	66	1.1%
Television	1,297	1,416	1,252	1,304	1,374	1,461	1,554	5.5%
Total	1,406	1,531	1,349	1,401	1,471	1,559	1,653	5.2%

Regional Satellite Television

Despite a decline in satellite television advertising spend in 2011, TV continues to account for the highest proportion of pan-Arab expenditure at 93% of the total spend. The major broadcasting groups are consolidating their position at the top (in terms of launching channels under the same umbrella), yet, 2011 has been a transition year for many of the FTA players in the market with a number of them going through major organisational changes as discussed in section 1 of this report.

Whilst MBC remains the dominant broadcaster across the region accounting for the majority of top watched channels particularly in the GCC (half of the top ten channels are MBC channels according to our market

1 Zenith Optimedia; Deloitte analysis

research in Saudi Arabia and the UAE), the introduction of the People Meter systems in both the UAE and shortly Saudi Arabia could bring to light some distortions with the current ratings (Telemetry) and benefit some smaller channels. Even if the status quo were to remain broadly unchanged, the new system would at least benefit advertisers with better market transparency. By providing a single reliable "currency" for advertisers it could also benefit channels with targeted audience (i.e. on specific demographics) offering better fit to individual brands, as seen in other markets.

As discussed in section 1 and further discussed in section 3, the market for pan-Arab news channels has seen a number of entries in 2011 and is set to become even more competitive in 2012 with the introduction of two new news channels, *Sky News Arabia*, and *Alarab* (a sister company of Rotana, owned by Prince Al Waleed bin Talal from Saudi Arabia), anticipated to begin broadcasting in December 2012[2]. In September 2011 *Alarab* announced a partnership with Bloomberg based in the US, which highlights the strong business angle intended for the channel. The pan-Arab FTA market has already witnessed growth of 44% between 2009 and 2011 in relation to news and current affairs channels in the region, with this segment becoming increasingly competitive compounded by the regional disruption in 2011.

Overall, Television is the only pan-Arab platform for which we foresee relatively strong growth (apart from digital which has been analysed at a country level) over the period up to 2015, highlighting the resilience of pan-Arab TV in the region. We believe that advertisers willing to reach mass audiences will continue to use pan-Arab TV at the expense of local TV for the following reasons:

- Satellite dishes in some countries (e.g. KSA) have almost reached full household penetration whereas in other markets (e.g. North Africa) there is a rapid growth of the satellite platform at the expense of terrestrial as the most practical way to deliver a true multichannel proposition to consumers (as DTT and IPTV take-up remains limited).
- The audience measurement initiatives (People Meter) in Saudi Arabia and the UAE will improve transparency in the market, increase the confidence of advertisers (regional and international) in the platform and in the long run will generate value for the industry as experienced in other markets where TV audience measurement was introduced.
- The leading pan-Arab channels, MBC in particular, continue to attract significant audiences across the region. There are no other platforms which can attract close to half of the population of Saudi Arabia to consume the same content at the same time.[3]
- While the number of FTA channels continues to rise (reaching close to 550 channels in 2011) the rate of growth is slowing down and we see further consolidation of new channel launches around the main FTA players[4]. This in turn will build scale, increase advertising premium and ensure higher budgets are allocated to quality content production, increasing the overall value of the pan-Arab advertising market.
- Broadcasters on pan-Arab are investigating new ways to better target sub regional audiences, for instance using dedicated transmission feeds to specific markets. MBC for example is planning specific feeds for Egypt, North Africa and Iraq which is expected to take place towards the end of 2012 or beginning of 2013[5]. Better targeting would indeed increase the value of the pan-Arab platform for advertisers.

Overall, we anticipate satellite TV advertising on the pan-Arab platform to increase at a CAGR of 6% over the projection period, reaching nearly USD1.5 billion by 2015 - 94% of the total pan-Arab advertising expenditure.

Regional Print

Literacy rates across the region, which average 78%, are relatively high compared to other developing markets such as Africa. Despite newspapers accounting for a sizeable proportion of advertising expenditure at an individual country level, magazines continue to make up a large proportion of print expenditure at a pan-Arab level. Print accounts for a small majority of the total pan-Arab advertising spend. In 2010 advertising expenditure on print was USD114 million, accounting for just over 7% of the total pan-Arab advertising spend in the year. The slower than anticipated recovery in advertising spend, compounded by the regional unrest which disrupted the Arab world, has had a negative impact on print expenditure in 2011, which decreased by 15% in 2011 to USD97 million. Although slower than in more developed markets such as Europe, the increasing trend to shift online is also affecting print advertising spend at a regional level. This being said, some well read newspapers such as *Al Hayat* and *Ashraq Al-Awsat* have remained popular as discussed in the section to follow.

Despite showing the most decline in advertising spend of all platforms between 2010 and 2011; regional magazines have become increasingly popular which can be largely attributed to the favorable demographics in the region. In particular consumer genres such as fashion and women's magazines have come out on top. *Zahrat El Khaleej* and *Sayidati* remain amongst the favorite magazines in key markets such as Saudi Arabia and UAE[6] as was the case in 2009. Other popular pan-Arab magazines include *Nisf El Dunia* (with circulation of over 250,000 in 2011) as well as *Al Nahda* - a news and political magazine produced out of Kuwait. Some significant new entrants to the market in 2011 included Arabic editions of US based *Martha Stewart Weddings* and German based fashion title *Burda Style*[7], as well as the previously mentioned Middle East versions of *Cosmopolitan and Good Housekeeping,* all of which are distributed on a pan-Arab basis. International magazine publishers are increasingly recognizing the potential and appeal which exists for international titles in the Arab region. A number of magazines have also fallen victim to the regional unrest and were forced to close such as the Near East Media company based in Jordan which produced magazines such as *Torque* (motoring), *Nox* and *Eye on Iraq,* among others.[8]

Although magazines have tremendous popularity in the region, we expect magazine advertising spend to remain fairly constant over the period up to 2015 as greater budgets are allocated to TV and magazine spend remains more conservative. We expect magazine advertising spend to increase marginally at a CAGR of 1.1% over the projection period to reach USD66 million by 2015.

Newspapers account for a minimal proportion of pan-Arab advertising expenditure (3% in 2011), yet there are several popular newspapers produced and distributed to Arab expatriates in Europe as well as other Arab markets made possible by printing via satellite. A number of Arabic newspapers are published from London, namely *Al Hayat* and *Ashraq Al-Awsat* - the highest pan-Arab newspapers in terms of circulation. *Ashraq Al-Awsat* alone claimed circulation of 250,000 in 2011, very high by any standards. Additional London based pan-Arab dailies include *Al Arab* and the Palestinian owned *Al Quds Al-Arabi*. A new entrant to the market in 2011 was the weekly Urdu *Taqat International* newspaper, which is produced out of Dubai to cater to the Asian population in the region. Going forward we anticipate newspapers to remain a small contributor to total pan-Arab advertising spend, declining very marginally at a CAGR of 0.4% over the projection period (the only pan-Arab platform to witness decline) to USD33 million in 2015.

2 Press clippings
3 Arab Idol's viewership was estimated at 43% of Saudi viewers
4 A high proportion of new channels which have entered the market since 2009 fall under the umbrella of the major broadcaster groups such as MBC, Al Jazeera, ADM, Rotana, etc.
5 Press clippings

6 Ipsos
7 MENA Media Guide
8 MENA Media Guide

THE MEDIA REVOLUTION

1. INTRODUCTION

The political events which have gripped the Arab region during 2011 and 2012 have been thoroughly documented and analysed across all media platforms. The result has been an unprecedented link between media and politics in the region, particularly with the introduction of social media into the mix. Much in the same way as politicians in other markets now use the internet as a core platform to publicise their campaigns, most notably during the election of Barack Obama in 2008, political commentary has become a central part of the discussions on social media platforms in the Arab world. At the same time, satellite channels and newspapers have played a pivotal role in reporting on events in the region, inspiring heated debates over the role that media outlets should play during times of conflict.

The role of both online news outlets and satellite TV channels in the coverage of recent events is examined in this section of the Arab Media Outlook. The rationale for selecting these two platforms for detailed analysis can be explained by the overwhelming influence they have had on the general public during this period. Our market research carried out in four major Arab countries[1] indicates that 87% of the public believe that social media sites played an important role in inciting events during the political issues. Meanwhile, 82% of those surveyed believe that the quality of coverage on major satellite news channels improved during the recent political events, and the time spent watching news on TV more than doubled during the same period. Similarly, feedback from Arab media industry professionals[2] indicates that 75% thought that TV played a key role in affecting public opinion during the uprisings, 69% thought the same of digital platforms, and only 7% thought that print played an important role. Therefore, while the impact on newspaper habits is also discussed in this section, it is given less prominence than other forms of media.

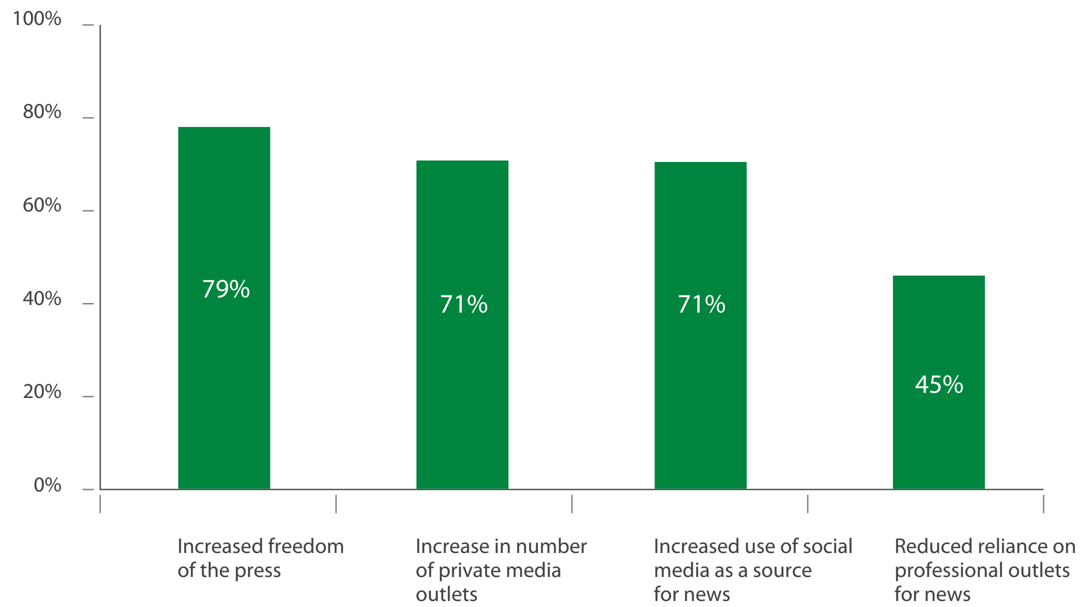
As a result, we study in this section the impact of the revolution on the extraordinary growth of social media in the region, while also analysing the extent to which such sites can be considered to have driven political change and the resulting consequences of the rising volume of user-generated content on professional news outlets. This is particularly influenced by the large size of the under-25 segment of the population, which can be considered one of the drivers of social and political change in the region. We will discuss the coverage of events on pan-Arab news channels and the ensuing perception of such reporting by the Arab public.

In addition, we will discuss the potential long-term impact of recent events on the future of media in the Arab region. The effects will be examined in terms of evolution of media laws, changes in licensing regulation, and diversification of content. We will also look at the increasingly important issue of online regulation which is being seriously considered by governments at both regional and international levels. Finally, the impact on advertising revenues and introduction of new commercial models as a result of recent political events are studied, in terms of both commercial structures for production of TV series and models for monetising news content online.

1 Egypt, Morocco, Saudi Arabia and the UAE
2 Based on sample of 67 interviewees

Ultimately, this final section of the report is driven by feedback from our extensive interviews with media professionals in the region. The results of these interviews indicate a consensus that there will be some long-lasting effects of the uprisings on the media industry in the region. Primarily, 79% believe there will be increased freedom of the press, while 71% think there will be both an increase in the number of private media outlets in the region and that the public will increasingly use social media as a source for news. Interestingly, only 45% believe that consumers will reduce their reliance on professional outlets as a source of news going forward, indicating an opportunity for the continued prominence of professional journalists in the production of news.

Exhibit 1 : Expected long-lasting effects of uprisings on Arab media industry[3]



In turn, these trends will have a significant impact on content creation, investment and monetisation and should be considered by Arab media organisations today when making strategic decisions for the future.

2. SOCIAL MEDIA

2.1 The rise and influence of social media during the Arab uprisings has strengthened the link between media and politics

During the political events of 2011-12 in the Arab world, the role of social media as a means to disseminate information, entice support for protests and as a logistical platform to organise events, has been very well documented and debated across the media industry. While the three most popular social media sites in the region, Facebook, YouTube and Twitter, had all been adopted to varying degrees for social purposes prior to the events, their popularity surged incredibly in 2011. Most often, the sites have been used to drum up support for anti-government uprisings, particularly in Egypt and Tunisia. However, there were also other uses for such sites which we will explore during this section, as we debate how much credit can be attributed to social media in the political events which ensued.

On one hand, the statistics on social media speak for themselves[4]:

- The **rate of growth in Facebook users** in Q1 2011 across the whole Arab region was 30%, compared to just 18% in the same period the previous year. Indeed, the Arab region (along with Africa and Asia) contributed the greatest number of new users to Facebook during the period, while the website saw slower growth (and some losses) in Europe and North America.

3 Interviews with industry professionals (sample = 91)
4 Arab Social Media Report, Inside Facebook

- By November 2011, the number of Facebook users in the region had **grown by 80% in one year**
- The top two Twitter hashtags in the region in Q1 2011 were 'Egypt' and 'January 25'
- During the week before Egyptian ex-president Hosni Mubarak's resignation, the total rate of **tweets about political change in Egypt went up by ten times**
- The number of **YouTube videos** tagged 'Sidi Bouzid' reached **30,000** in January 2011 alone

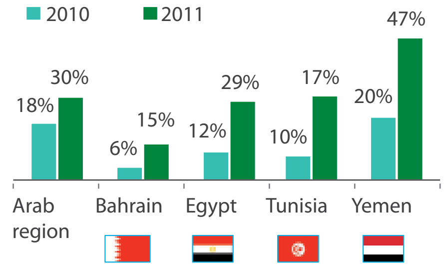
The next exhibit provides an illustration of the growth in usage of social media usage during the period.

Exhibit 2 : Growth in social media usage in the Arab region[5]

Unprecedented growth of Facebook users

- With Facebook being used to organise protests and share up-to-the-minute information on revolutionary activities at a local level, usage of the site in the Arab world more than doubled between Jan and Apr2011
- Strong growth in Facebook usage has been prominent in those countries where the revolutions have taken place
- In the past year, the total number of Facebook users in the Arab world has risen from under 20 million in Nov 2010 to 36 million in Nov 2011

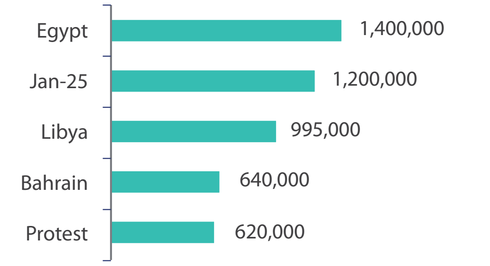
Growth in Facebook users in Arab region during period Jan-Apr 2010 vs. 2011



Twitter as information source

- The most popular Twitter hashtags in the Arab region in the first 3 months of 2011 were Egypt', Jan 25', 'Libya', 'Bahrain', and 'Protest'

Most popular hashtagson Twitter in Arab region, Jan-Mar 2011



The role of social media in accelerating political events in the Arab region can be viewed on several levels, including:

- As a **source of news**: keeping people informed about events both nationally and internationally, particularly in cases where official news outlets were not available
- As a **tool for organising protests**: acting as a catalyst for demonstrations through event organisation on social media sites
- As a **political awareness tool**: with various political parties using social media sites as a marketing tool for their policies

Some examples serve to indicate the strength of social media in these activities. In Tunisia when Prime Minister Mohamed Ghannouchi announced that he would take power as interim president (going against the existing constitution), Tunisian Facebook pages which had previously been covered with the revolt's slogan, "Ben Ali, Out," quickly made way for the name of the interim president with: "Ghannouchi Out". The protesters relied heavily on social media sites like Facebook and Twitter to circulate videos of each demonstration and issue calls for the next one. In Egypt, internet-savvy protesters used Twitpic, Facebook and YouTube to share videos and photographs and called on Egyptians to protest. Protesters provided minute-by-minute tweets concerning where to assemble in an effort to outwit police. In fact, more than 90,000 people signed up on a Facebook page for the January 25th 2011 protests, framed by the organizers as a stand against torture, poverty, corruption and unemployment.

The use of social media can also be considered to have played a role as a motivational tool. The discourse on such sites at times aimed to provide reassurance and inspiration to protesters, encouraging them to keep going during the uprisings and not to give up on their political aspirations. This is supported by a study carried out by the University of Washington on the usage of social media in the region, which concluded that the messages about freedom and

5 Arab Social Media Report, Deloitte analysis

democracy online played an important part in raising expectations for the success of the political uprisings.[6]

Interestingly, the concept of a 'social network' is not one which is limited to the current usage of the term which today refers to online networking. As The Economist has pointed out[7], the concept of spreading a message virally through a social network is one which can be linked to somewhat similar events in history, albeit based on a different kind of publishing technology. An early example dates back to the Reformation nearly 500 years ago, when Martin Luther and his allies took the new media of their day - pamphlets, ballads and woodcuts - and circulated them through 'social networks' to promote their message of religious reform. The unintentional but rapid spread of his "95 Theses on the Power and Efficacy of Indulgences" in this way alerted Luther to the way in which media passed from one person to another and could quickly reach a wide audience. This media environment, in a way similar to today's online ecosystem, was a decentralised system whose participants took care of distribution, deciding collectively which messages to amplify through sharing and recommendation.

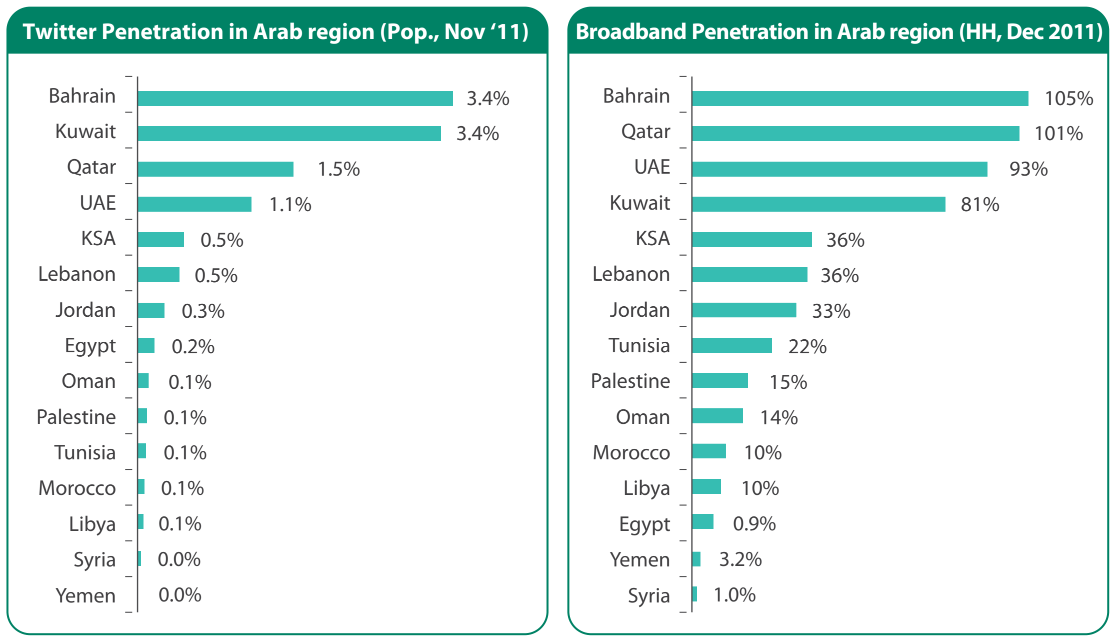
In this historical context (and there have been countless other examples through the ages), it is perhaps no surprise that the open platform for sharing information that the internet provides plays such an important role in modern day politics - particularly in parts of the world where freedom of expression is sometimes limited on other platforms.

It is also worth noting the importance of Generation Y, or the 'Millenials'[8], in influencing political change in the Arab world, both online and offline. With 53% of the population in the region under 25, and this demographic also portraying a much higher usage of digital platforms than other age groups, the impact of this generation cannot be ignored. Our market research carried out in Egypt, for example, indicates that 80% of those aged under 25 years old use social networking sites at least 4-5 times per week. As the penetration of technology enabling social media and other forms of online communication increases in the Arab world, their usage by young activists as a means of promoting change will also rise. Particularly now that the standard has been set for young people to witness how powerful the tools of social media can be, there is unlikely to be any retraction in its usage by Generation Y.

2.2 The role of social media must not be overplayed

In spite of the extensive discussions that have taken place about the role of social media in recent events in the Arab world, the situation should of course not be oversimplified into implying that social media was somehow the cause of such events. When considering the arguments against overplaying its role, there are a few key points to be made. Firstly, although the region has witnessed exponential growth in the number of social media users in the last year or two, it is also worth noting that on the whole the penetration of social media sites relative to the total population remains quite low. Indeed, population penetration of Facebook in Egypt is currently around 10%, while the penetration of Twitter is just 0.15%. Similarly, the penetration of broadband is still relatively low in the region. Some of these statistics can be found in the next exhibit.

Exhibit 3 : Penetration of broadband and Twitter in the Arab region, 2011[9]



6 University of Washington website
7 The Economist, How Luther Went Viral, December 2011
8 Refers to generation aged under 24 years old
9 Arab Social Media Report, Informa TM, Deloitte analysis

It is clear that there are several Arab countries with very low fixed broadband which also witnessed extreme social unrest in 2011-12. In Syria, for example, fixed broadband penetration is only 1% while in Yemen it is just 3%. Of course, it is important to consider that mobile broadband has become a strong substitute for fixed broadband in several Arab countries, with many people opting to access the internet via their mobile phones and through other mobile broadband devices such as dongles. In Egypt, for example, mobile broadband accounts for approximately 80% of total broadband subscriptions. Evidently, some of those involved in the uprisings were accessing the internet and social media sites through their mobile phones. Yet at the same time, mobile data prices remain high for the most part and affordability in most Arab countries is limited. Therefore, it is important not to overestimate the impact of social media through mobile broadband access. Furthermore, even in those countries where social media is believed to have played a prominent role, such as Egypt, the protests continued even when the internet was taken down, which would have affected both fixed and mobile devices. Similarly, in Libya, the government maintained strong control of the internet infrastructure, restricting the use of online tools almost completely.

Clearly, there are other important factors at play in such events, rather than just the use of social media. Indeed, most of the political activities in the Arab region have been organised through traditional means, such as rallying protesters from cafés, on the streets and by telephone. Social media could be considered purely as a useful, but not essential, tool in providing a medium of expression for socio-economic and political discourse. As Malcolm Gladwell observes in The Revolution Will Not be Tweeted, successful social movements long pre-dated social media. In a May 2011 interview with Fareed Zakaria[10] on CNN's Global Public Square, he asserts that protesters could have organized (and in fact did organize) in other ways, noting that East Germany overturned a government when only 13% had landline phones. Of course, there have been countless other examples of revolutions which have been successful in spite of limited communication lines, not least in France and the United States. Similarly, as others have pointed out, social media should be given some, but not all, of the credit for spreading the message of the uprisings.

2.3 Citizen journalism will continue to present both challenges and opportunities for professionals

It has been several years since news organizations across the world began to recognise that they are no longer the gate-keepers of information, whether that is in print or online. Citizen journalism started to be taken seriously by professional news organisations around 2005 when social media began to take off in western markets. It was in the same year that the BBC first realized that journalism had become somewhat of a 'partnership' between professionals and the general public. On the day of the London bombings that summer, the BBC were overwhelmed to receive more than 1,000 photographs, 20 pieces of amateur video, 4,000 text messages and 20,000 emails from people witnessing the events. People were participating in their coverage of the events in a way that journalists had not seen before. By the next day, the BBC's main evening TV newscast began with a package edited entirely from video sent in by viewers.

Over the years which followed, journalists have continued to battle with the dilemma of citizen journalism, unsure whether to class it as threatening competition or as a useful source of new information. As an example, during the Iranian elections of 2009 the news industry tended to view it as the latter. With access for foreign journalists in Tehran being limited, news outlets often relied on accounts from the general public, issued online through YouTube, Twitter and other blogging sites.

During the recent Arab uprisings, some parallels can be drawn with the previous events in Iran; at times, satellite was not available, at others professional journalists were unable to follow the rapid movements of the protests fast enough. As such, Iranian citizens took responsibility for reporting the events for themselves. The combination of easy dissemination of information on sites like Twitter and the widespread penetration of relatively low-cost 'video phones' has accelerated this trend dramatically.

In the meantime, journalists have been and should continue to be presented with several opportunities brought about by the growing level of user-generated news content, including:

- Increased number of **information sources** across the web
- **Alternative perspectives** on political and social events being brought to the foreground
- **New platforms** for dissemination of news available to journalists

Professional news organisations in the Arab world should take advantage of these opportunities from citizen journalism to increase the breadth of their reporting. Elsewhere, some news outlets are taking this one step

10 Editor of Time magazine and host of CNN show Fareed Zakaria GPS

further. For example, the UK newspaper The Guardian recently announced that it is moving towards an «open vision for journalism», whereby laypeople, who may not have any formal expertise, will be key to the media group's future. "[It] is a collaboration between journalists within the building and experts out of the building ... who are experts because they care about the subject matter as much as we do» according to Adam Freeman, Executive Director of Commercial at Guardian News & Media.

While also announcing plans to eventually close down its print operation and monetise its iPad application, The Guardian is taking leaps forward to embed itself in the world of digital media and citizen journalism. Such initiatives, while laudable, are only likely to work for those outlets which have successfully acquired scale with their existing spin-off digital businesses. While The Guardian may be one of those success stories, with over 63 million monthly unique users, professional Arabic news sites may need to increase their existing online reach before taking such leaps.

At the same time, citizen journalists have also drawn severe criticism from traditional media institutions such as *The New York Times*, which have accused proponents of abandoning the traditional goal of objectivity in the reporting process. Many traditional journalists view citizen journalism with some scepticism, believing that only trained journalists can understand the exactitude and ethics involved in reporting news. This presents professionals with two major challenges:

- **Authenticity** of user-generated content cannot always be verified, particularly since the amount at stake during times of conflict amplifies the intrinsic bias of citizen reporting

- Citizen journalism can be considered **competition** to professional journalism in some cases, moving eyeballs away from official news websites

Regarding the authenticity issue, there have been a number of cases in the last twelve months of 'hoax' blogs in the region, which have been picked up by professional news outlets without them first verifying their authenticity. One such case involved a so-called Syrian female blogger who was 'interviewed' and profiled by both CNN and The Guardian on the assumption that she was real, until the online community discovered that 'she' was in fact fictitious, a character devised by a male university student in Scotland. Another such case, around the identity of 'Liliane Khalil', is illustrated in the next exhibit.

Exhibit 4 : Case Study of hoax blogger Liliane Khalil[11]

Blogs start to question the source-checking processes of professional media outlets

- In recent months, there have been several cases of blog 'hoaxes' all over the world
- Blogger Liliane Khalil is one such example, an 'online journalist' writing for several professional news outlets such as Bahrain Independent and Cairo-based Bikya Masr, as well as boasting ~3,000 Twitter followers and claiming to have carried out several high-profile interviews with such personalities as Mohamed El-Baradei
- Once questions began circulating surrounding the authenticity of Liliane Khalil and her profile picture was matched with an unrelated health worker in Alabama, the blogger mysteriously disappeared and Bahrain Independent went offline

Implications for Journalists

- Such events bring into question the extent to which professional news outlets should use and source such bloggers in their own analysis of the news
- For journalists, the implications of such stories are significant:
  - Identities should be verified using information provided (in this case, the alleged full name of the blogger)
  - Where they can't be verified, sources from social media should be labelled as such
  - Journalists should be careful to use words such as 'allegedly' when repeating news taken from anonymous bloggers

While this particular case may be unusual, it highlights the need for professional journalists to adequately verify sources before printing or broadcasting material found online. As feedback from our interviews with news channels and publications in the region suggests, this authentication process is placing increasing, but necessary, strain on newsrooms. Most news organisations in the region now have dedicated personnel for monitoring social media sites for material which may be newsworthy, as well as verifying the authenticity of that material. Major news organisations in the region that we spoke with during the course of preparation for this publication all emphasised the importance of cross-checking information found online with several sources before using the information on air or online, and have entire teams dedicated to this process.

11 The Guardian, Al Jazeera, Deloitte analysis

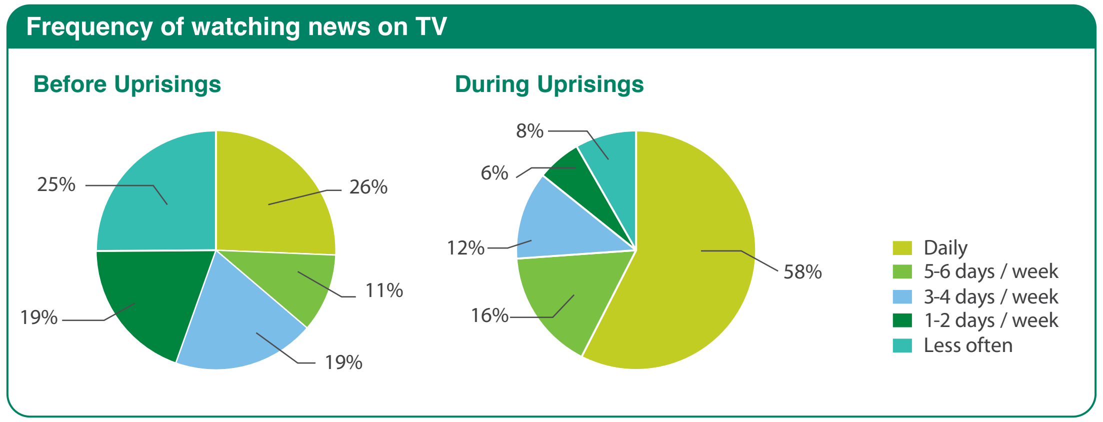
Of course, it is up to each individual news organization to decide whether to tackle the challenges presented by user-generated content head on by embracing citizen journalism and using it (with perhaps more caution that has been previously asserted with such hoax bloggers) as a viable source of news, or to continue with the traditional techniques of news gathering and competing directly with citizen news. Given the current unstable state of media in the region due to political interests often obstructing truly 'objective' reporting, as well as the vital importance of having citizens on the ground to rely on when reporters are suddenly cut off from political events, it is our belief that those outlets which do not attempt to embrace this change in one or another will eventually get left behind.

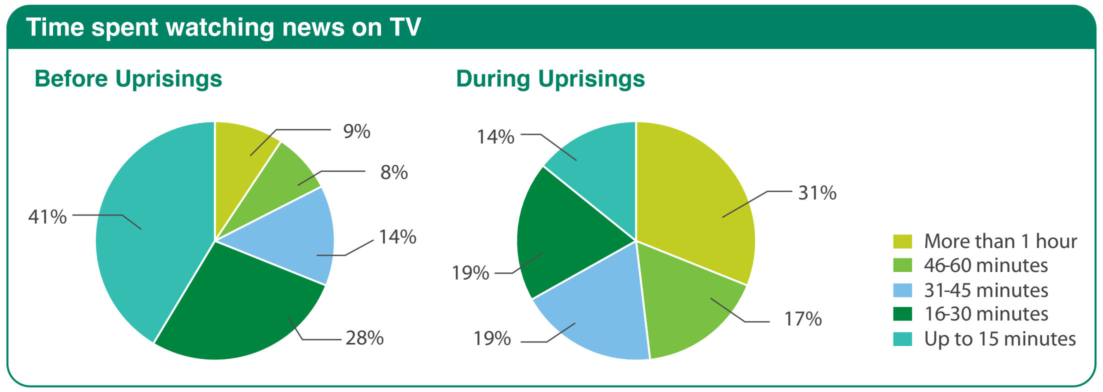
3. SATELLITE TV

3.1 The rise (and rise) of satellite news

International satellite news stations became well-known during the Arab Spring for pushing the boundaries of information in the Arab world. Some news channels experienced a significant increase in viewership in 2011, with Arabs all over the world glued to their TV screens watching the historic events in Egypt, Tunisia, Libya and Syria unfold. The trend has somewhat continued into 2012, with news being rated as the most preferred genre of programming in Egypt, Morocco and the UAE during our market research. Furthermore, as the next exhibit illustrates, news viewership increased dramatically during the uprisings in terms of both frequency and time spent watching news. Clearly, news channels are now successfully competing for eyeballs with the general entertainment channels that are usually found at the top.

Exhibit 5 : Impact of Arab uprisings on news viewership habits in selected Arab markets[12]





12 Ipsos

Evidence also suggests that a large number of people in the Arab region and beyond tuned into satellite news channels during the events of 2011 specifically to monitor the ongoing unrest in the region. Our market research carried out in Egypt, Morocco, Saudi Arabia and the UAE indicates that 73% of the people surveyed started watching particular news channels in 2011 in order to follow news of the uprisings. In particular, 68% of people surveyed stated that they were watching Al Jazeera to follow news of the uprisings, and 61% said that they were following Al Arabiya.

The role of pan-Arab and global news channels in covering the uprisings can be considered important in terms of the wider Arab media industry. This is both from the perspective of bringing alternative perspectives on the events which were not covered by many state TV channels, and in ensuring that up-to-date information is transmitted to the pan-Arab public, in some cases in areas where no other reporters were able to reach. It is also notable that some members of the public in the Arab region (82% in Egypt, 92% in KSA and 72% in UAE, for example) believe that the quality of coverage on major satellite news channels improved during the events of 2011. Industry experts that we met with during the preparation of this report also concurred, with 65% believing that the quality of coverage on satellite improved during the same period.[13]

On the back of this success, some channels have adapted their commercial strategies to deal with the growing interest in regional news. For example, Al Arabiya announced in March 2012 the launch of a new channel – Al Arabiya Al Hadath – to offer live coverage of important political events and satisfy growing demand for current affairs. The channel will compete with Al Jazeera's equivalent, Al Jazeera Mubashir.

At the same time, pan-Arab news channels also arguably played a role in sharing the message of the uprisings throughout the Arab world. For example, it is questionable whether the protests in Egypt would have been quite so powerful if Egyptians had not already witnessed the scenes of protest and ultimate removal of power from the regime in Tunisia just one month beforehand on satellite channels. Although the 'domino' effect of events from one country to another can be considered a natural path of any socio-political activity to some extent, it is likely that the wide dissemination of information and broadcasting of events on a pan-Arab basis played some role in accelerating that impact.

In a study conducted by the Centre for Strategic Studies at the University of Jordan in conjunction with CDFJ[14], the role of news media in the political uprisings was analysed. It found that 53% of those surveyed believe that Arab satellite channels helped "incite" the political unrest witnessed in the region.[15] This brings about an interesting debate over the role of news channels in reporting events at times of conflict, which we will discuss in the next sub-section below.

3.2 Subjectivity in news reporting….can it be justified?

It is generally accepted that there is some level of partisanship in the reporting of most news channels in the Arab world, as there is at an international level, which can lead to certain perspectives being emphasized in the news. Some pan-Arab satellite channels were considered by some to have strong views in their reporting of the conflicts in Egypt, Libya, Syria, Tunisia and Yemen.

Some media practitioners suggest that the role of news outlets should purely be to provide fact-based information which reflects the reality, rather than playing an active and direct role in promoting change. Yet some TV channels have been accused of inciting conflict.

On the one hand, it can be argued that all news reporting involves some level of subjectivity. Even the process of selecting top stories to fill limited airtime on news channels already involves an element of bias on the part of editors as they select what they believe to be the most relevant stories for their audience. Further, the concept of a one-narrative-fits-all style of reporting would also reduce the quality of the audience experience by inhibiting the breadth of perspectives. Indeed, such an approach would completely remove the need for diversity in news broadcasting.

A quick analysis of recent articles published by two news outlets which are deemed to be on differing sides of the global political fence highlights the role of subjectivity in today's news reporting. As an example, the next exhibit examines how the websites of Al Jazeera and Russia Today covered the Russian/Chinese veto of a UN Security Council resolution to intervene in the situation in Syria in February 2012.

13 Interviews with industry professionals (sample = 68)
14 Centre for Defending Freedom of Journalists
15 Alarabiya.net

Exhibit 6 : Coverage of the Syrian conflict in February 2012[17]

Al Jazeera

- Shortly after the Russian/Chinese veto of UN Security Council resolution on Syria in February 2012, all major news channels were reporting on the events
- Articles on the Al Jazeera website following the announcement included statements by various parties, ranging from the Russian Foreign Minister on one hand to the US President on the other
- However, the focus on Al Jazeera was undoubtedly on the ongoing attacks on civilians in Syria, reportedly by the Syrian army; a sample of quotes read:

" The army is 'shelling us, using rockets, using mortars, using Russian tanks,' [an activist in Bab Amr] said. 'Tanks are trying to break into the neighbourhood of Bab Amr.' "

" 'I am appalled by the Syrian government's wilful assault on Homs, and its use of artillery and other heavy weaponry in what appear to be indiscriminate attacks on civilian areas in the city,' a statement from [UN Rights Chief] Pillay said."

Russia Today

- An article on Russia Today's website around the same time, features, perhaps unsurprisingly, a very different perspective, insisting on a divide between "armed terrorist throngs" and "the legal authorities of Syria"

" For the Western mainstream media, all the blame lies with Bashar al-Assad's government…Today, Syrian news agency SANA gives a very different story on the Homs episode, reporting that 'armed terrorist groups on Monday attacked citizens and law-enforcement members at several areas in Homs'…"

- The fact that Russia Today's stance on the events contrasts so vividly with the positions taken by much of the Western media, as well as some of the Arab satellite TV stations such as Al Jazeera is testament to the importance of the role that politics clearly plays in news coverage

As we can see from the previous exhibit, it is nearly impossible for a journalist to cover such an event without giving some indication of his/her opinion on the matter at hand. Indeed, as readers (and viewers), our understanding of events would be very much limited if news outlets provided no analysis in their coverage to help us interpret those events. The mere fact that we can be exposed, if we so choose, to both of these perspectives via online services, should in theory help to broaden our comprehension of such events and enable us to develop our own, informed, political views.

Yet on the other hand, a non-violent popular uprising (or any other kind of non-violent news event) could perhaps be considered by journalists with a little less caution to bias than those involving life and death situations such as states of civil war. Clearly, this is a moral debate. It could be argued that situations of conflict are the ones which deserve the most attention to the 'victims' of that conflict. In some cases, the media has been widely considered to play a 'positive' role in raising awareness of issues by taking a stand against, for example, acts of genocide. Yet the issue arises when (as is the case in nearly every situation of conflict) there is no consistent global view on which party is the victim and which is the aggressor. In addition to recent events in the region which have raised such issues, the conflict in Iraq following the US-led invasion in 2003 was another such example where the international media had to 'take sides' in their reporting of the conflict.

In all these examples, the controversy over whether or not regional news coverage of recent events included a level of bias has been a widely discussed debate. In today's 24-hour news cycle world, journalists play an increasingly important role in the dissemination of up-to-the-minute information both domestically and internationally, and in times of conflict, their role as outside observers vs. analytical reporters becomes crucial. While all news outlets somehow have to and should, to some extent, take a stand on these controversial issues, there is clearly a fine line between focused reporting and overt bias, which remains a challenge for any journalist to maintain.

17 Al Jazeera, Russia Today, Deloitte analysis

3.3 How much does the public really need to know?

The level of tolerance towards violence in the media is generally fairly high in the region compared to international markets. Media laws in the Arab region, for example, tend to have a stronger focus on protecting the public from content which is deemed immoral than from violence. However, media all over the world seems to increasingly be taking a less stringent view regarding broadcasting violent scenes on the news as compared to scenes in fictional series or films. Indeed, images of the death of Osama bin Laden may have been broadcast if the US government had not made the decision to prevent distribution of the material.

One notable example of this is the images of the violent death of Muammar Gaddafi in Libya, which were reported by many news outlets, both regionally and internationally. The controversial images led to complaints being raised by both consumers and news organisations throughout the world. As *The Guardian* points out[18], the images "seemed…to be, by some distance, the most graphic and distressing representations we have ever seen of a recognisable individual during his final moments. The sense that these images significantly extended journalistic incursions across the historical borders of editorial taste is underlined by the intense objections on media sites."

Historically, images of people in their final moments have been one of the strongest taboos for broadcasters and newspapers, largely due to a general feeling in society that there should be a sense of dignity and privacy in death. As such, regulators in most countries have been careful to ensure that journalists do not cause unnecessary offence to sensitive consumers with such controversial images. However, this traditional journalistic norm has been challenged in recent years, evolving in favour of an argument that supports the broadcast of explicit images of death. This trend seems to be driven by two factors:

- Today's society is more sceptical than in previous decades, and the general public seems to be instinctively suspicious of conspiratorial activities. Therefore, the news media argues that the public needs to witness such explicit images in order to be convinced of the veracity of events.

- The role of the internet and rise of citizen journalism has led to a large volume of 'news' material being filmed by consumers themselves. The images of Gaddafi's capture were shot by eyewitnesses to the event and not by journalists, indicating that they would inevitably have ended up being broadcast online in any case, in full view of the general public. This new 'competition' is putting increasing pressure on traditional news organisations to keep up with such availability of information and perhaps plays a role in influencing decisions over whether or not to follow the trend.

These arguments seem to be prevailing, as evidenced by the verdict of UK regulator Ofcom in favour of broadcasting the Gaddafi images in December 2011. In the Arab world too, regulators made no move to prevent the images from being broadcast or published. Now that the precedent has been set, journalism is likely to be changed for the long-term. Since the two trends discussed above, increasing skepticism and rising popularity of citizen journalism, are unlikely to diminish any time soon, consumer expectations and editorial boundaries seem to have been unalterably shifted.

4. IMPLICATIONS FOR THE FUTURE

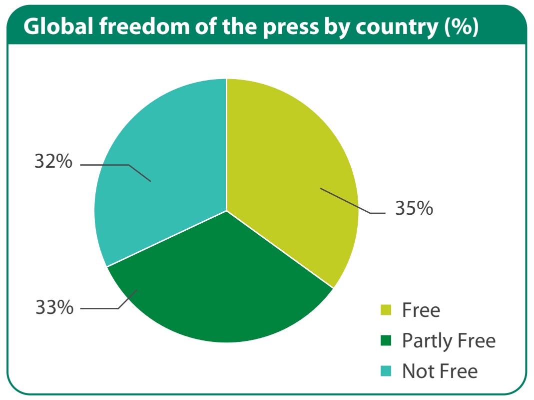
4.1 Questions remain over the liberalisation of Arab media in the future

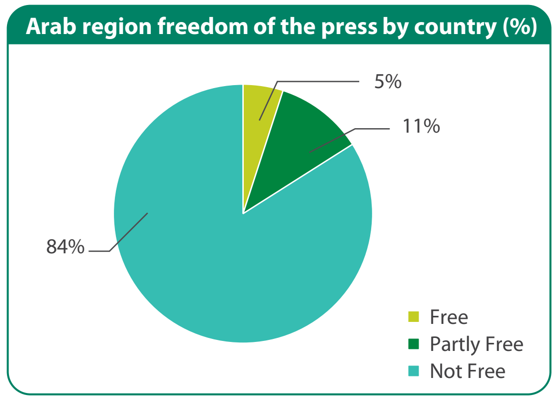
Media policies – reform or status quo?

On a global level, what is sometimes considered as 'freedom of the press' has been declining in recent years, as governments have intensified efforts to control traditional media and developed new techniques to limit the independence of expanding digital media. As the next exhibit illustrates, only 35% of countries worldwide offer robust coverage of political news, guarantee the safety of journalists, intrude minimally in media affairs and do not subject the press to heavy legal or economic pressures - the criteria defined by the Freedom House to assess the level of press freedom internationally.

18 The Guardian, 13 October 2011

Exhibit 7 : Freedom of the press by country in 2011, global and regional[19, 20]





In the Arab region, the recent uprisings have had, and will continue to have, contrasting impacts on the state of the press in the region. As some countries, such as Egypt, continue to experience many changes at a political level, it will be some time before we are able to determine what the long-term effects of the new authorities will be on the media industry. In other countries, such as Tunisia, the media has managed a relatively smooth transition, with some signs of development since January 2011, including:

- **Change in the tone of the media** since 14th January 2011, with print media and television taking an interest in social topics which were previously forbidden, including official news agency TAP.

- **Removal of the Information Ministry** from the structure of the interim national unity government which took over on 17th January 2011.

- **Release of blogger Slim Amamou** from detention and his appointment to post of Secretary of State for Youth & Sport.

- **Proclamation of total freedom of information** and expression by the new government as a basic principle of the new era.

Of course, not all policies and practices have changed overnight in Tunisia, but the general trend in the country seems to be one of gradually increasing press freedom. Our discussions with news professionals across the region indicate a similar theme, with 79% of those interviewed for this publication stating that they believe there will be increased freedom of the press in the region as a result of the recent events.

A more liberal future for Arab media

Another aspect of the industry which is likely to be affected by the impact of the uprisings is the liberalisation of the media in terms of licensing, and in other types of media content. Firstly, Egypt is a notable example of how a change in regime can lead to an easing up of the licensing process and the creation of new media outlets. Several new independent TV channels have been launched in Egypt in recent months, including major investments in channels Al Nahar, Al Tahrir and CBC, which have been discussed in more detail in Section 1 of this report. During the first six months following the Egyptian revolution, a total of 16 new Egyptian channels obtained licenses to broadcast in the country, a 30% rise from the 55 Egyptian channels in existence before the revolution.

Sayed Helmi, Chairman of Egyptian Media Production City (EMPC) stated that "the atmosphere is freer and the industry has been liberalized after the revolution,"[21] prompting EMPC to start building new studios to cater for the rising demand after its 64 studios were all rented out. Under the previous regime, satellite channels seeking to broadcast on the country's NileSat network had to go through a long security approval process that included extensive background checks, a minimum initial capital of about $4.2 million and a pledge not to shift or mix genres. However, with this regulation no longer in place, the ease which new licenses can be obtained is leading to a significant rise in the number of TV channels.

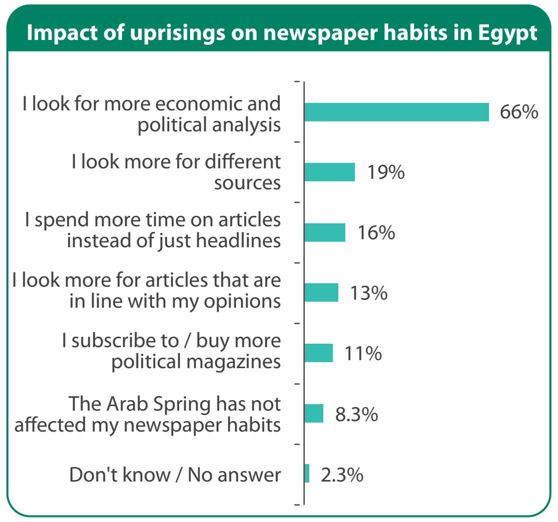
Similarly, Tunisia is to introduce five new private TV stations, while Algeria will open itself up to private free-to-air broadcast stations in 2012. In Libya, after the Transitional National Council took over, more than 130 newspapers and magazines, and dozens of TV and radio

19 The 2011 index provides ratings for 196 countries in a process conducted since 1980 by Freedom House
20 Freedom of the Press report 2011, Deloitte research & analysis
21 Variety Arabia

channels have opened across the country. We expect this trend to continue into the future as many Arab governments make efforts to open up the industry to the private sector. However, the level of openness of the content broadcast on these channels, particularly given that many of them are owned by individuals with political affiliations, is yet to be determined.

In addition, a wave of newly licensed newspapers is also spreading across some markets which are increasingly opening up to the private sector. The popularity of 'independent' and opposition newspapers has been growing over the last few years, with *Al Masry Al Youm* being the top read newspaper in Egypt in 2011[22], beating traditionally pro-government papers such as *Al Ahram* to the top spot. Meanwhile, others, such as *Al Tahrir*, launched in 2011. Among other findings in the next exhibit, the market research that we carried out in Egypt found that 79% of the population started reading particular newspapers in order to follow news of the uprisings.

Exhibit 8 : Impact of uprisings on newspaper habits in Egypt[23]



Clearly, the preferences of media consumers in the region, and in Egypt in particular, are shifting. As we track the evolving landscape in the region, we expect that the more 'independent' newspapers and TV channels will emerge out of recent events over the next few years.

Meanwhile, in terms of other types of content, the extent to which drama series, movies and talk shows will change shape since the uprisings is uncertain. In some cases, content which was previously prevented from airing on Egyptian television, on topics which had been considered taboo, is now being broadcast. For example, the Hokoma Show, which was produced two years ago but not screened because of its criticism of the former Egyptian regime, finally aired in 2011. However, this increased freedom to address controversial issues has mostly been limited to political content so far. Any changes to media laws regarding content going forward are likely to depend on the new governing parties that come to power.

Broadly, the liberalisation of the media industry may lead to a new surge of creativity in content production if the new governing powers have more relaxed attitudes towards media laws. Yet even under this scenario, the trend would likely be a long-term one. Furthermore, as we are already seeing, industry professionals are benefiting from more relaxed licensing processes and the launch of new private media outlets. In support of this trend, our market research carried out in four Arab countries suggests that 85% of the population believe that the Arab political uprisings will have a long-term impact on the liberalization of the media.

4.2 The consequences of the Arab uprisings on online censorship issues have rebounded throughout the world

Prospects of an internet 'kill switch'[24]

While many international governments have been considering 'worst case scenarios' for their cyber infrastructure for many years, it is fair to say that the heavy usage of the internet during the recent social unrest in the Arab world (and consequent restrictions and blackouts imposed by the authorities in some of those countries), captured the attention of leaders around the globe. Governments have been forced to consider the options that they would face in such an event and some, such as the US, have tried to implement new laws in preparation for such a scenario.

The legitimacy of an internet 'kill switch' is a controversial issue which has been debated in many countries, following moves by the former Egyptian regime to disrupt activists by preventing them from using the web to arrange rallies. In the US, originally proposed laws would have given President Barack Obama the power to cut access to the internet by unilaterally seizing private networks in the event of a cyber threat to national security, raising concerns over the level of control awarded to the authorities. However, the latest version of the Cybersecurity Act in the US was proposed in February 2012 and omits emergency authority for the president. On the other hand, the new bill does enable the federal government to identify the most critical components of the country's cyber-infrastructure and requires them to meet certain security standards.

In the Arab world, since there are fewer ISPs than in Western markets and the relationship between those ISPs and the government tends to be stronger, the concept of a 'kill switch' for the internet becomes more feasible. Indeed, the ease with which the former Egyptian regime blocked all online traffic in the country for five days is testament to this power.

Censorship of social media

Some social media sites have been placed in a difficult position during the Arab uprisings, with governments requesting the removal of comments which are considered illegal in those countries. Twitter is one such site. In order to prevent access from being blocked in those countries, Twitter has by and large complied with such requests, with the end result being the removal of such comments from the site on a worldwide basis. However, a new censorship policy introduced by Twitter in January 2012 has announced that it would remove message from its online service (tweets) within specific countries only, if requested to do so by local governments on legal grounds. The policy reflects an attempt to enable Twitter to expand to as many countries as possible, while still being in compliance with local laws and enabling messages which may have to be removed in one country to remain available elsewhere. The next exhibit examines the debate surrounding the new law, which is considered a form of censorship by some, but a way of allowing the site to exist in more countries by others.

Exhibit 9 : New social media policies on censorship[25]

Twitter

- In January 2012, Twitter introduced a controversial new policy which gives it the right to remove messages from its website within specific countries, if requested to do so by the governments of those countries
- Advocates of the policy say that it is designed not as a censorship tool, but as a means of limiting the geographic scope of the countries where messages are removed previously, messages that were taken down by Twitter were removed from the entire web

- However, opponents of the policy state that the it goes against the values that Twitter is known for standing for–freedom of expression and "giving everyone a voice", thus enabling further control of the media by the state

Google

- Shortly after Twitter's announcement, it became public that Google had quietly announced beforehand that it would begin re-directing Blogger visitors to certain country-specific domains, a move which will allow content to be selectively available to users, based on local laws
- Its policy was highlighted in February when Google removed some controversial content from its Indian services across its search engine, YouTube and Blogger to comply with a court order in a civil law suit in India
- The policy does not necessarily mean that Google will definitely censor everything that is asked to in every country - it can well refuse to do so - but it is giving itself the ability to if it so chooses

An ironic take on Google's logo based on new censorship policy

As this exhibit explains, Google's Blogger service also has a policy to prevent certain types of controversial content from being made available online. In addition, Google Search has for many years operated a policy whereby search results are removed in certain countries when considered to be breaking the law. Yet this policy was abandoned in China after a high-profile showdown with China's government, forcing Google to route its Chinese

22 Ipsos
23 Ipsos
24 Countermeasures concept of activating a single shut off mechanism for all internet traffic e.g. in case of a significant cyber emergency/ threat

25 Twitter, Google, Deloitte analysis

search results through Hong Kong, where censorship rules are less restrictive.

Clearly, the ability of social media and other sites to stand by their values of promoting freedom of expression has to be balanced carefully with remaining in compliance with local laws. In the Arab region, the rising use of the web to encourage political discussions has only served to make Arab governments more aware of the potentially controversial content available on such sites. In this context, and as long as Arab governments do not increase the severity of online media regulation, 'censorship' laws introduced by sites like Twitter and Google are actually a positive move for the regional media industry. After all, moving from a global censorship policy to a country-by-country policy, represents a step, albeit a small one, towards a freer internet.

4.3 New commercial models are developing as a result of recent trends

Overall advertising market

A recent report by the International Monetary Fund revealed that the Arab uprisings that swept the region in 2011 have cost those countries most affected - Libya and Syria followed by Egypt, Tunisia, Bahrain and Yemen - more than $55 billion. The regional advertising industry is just one of the sectors that have been dramatically affected as a result of these economic challenges. In 2011, regional advertising revenues declined by -7%, compounding the damage done to the industry as a result of the global economic crisis in 2009.

The largest drops in advertising spend were felt in Libya (-45%), Bahrain (-45%), Egypt (-30%) and Syria (-30%). With Egypt previously representing 16% of the total regional advertising market prior to these events (in 2010), the reduction in this market had the largest impact on overall spend of the four countries mentioned above. By the end of 2011, the regional advertising market had taken on a different shape, with media outlets relying predominantly on advertisers in Saudi Arabia and the UAE for their revenues (as well as the overall pan-Arab market, which continued to represent 28% of the total market). As a result, the UAE and Saudi Arabian markets grew their share to a combined 30% of the regional advertising market in 2011. However, going forward this trend is expected to reverse, with Egypt resuming its position as a major player in regional advertising and playing an important role in overall growth of the industry. This trend has been discussed in more detail in Sections 1 and 2 of this report.

Funding TV series

Inevitably, economic difficulties in some of the main media hubs in the region, namely Egypt and Syria, have also had consequences on the availability of funds to support the production of TV series. In 2011, a number of industry experts expected that Ramadan would help to overcome the losses, but the output of original programming in this prime season was below par. In Egypt, 32 new TV series were shown during Ramadan, down from 50 the year before. In Syria, 28 productions were broadcast, down from 32 in 2010 and 46 in 2008.

As a result, feedback from industry experts in Egypt suggests that new commercial models for funding programmes are coming to light. The rise of new private TV channels, in particular, has led to a new model of funding, whereby producers are often taking on the full financial risk of producing a series and then taking a share in the advertising revenues from the broadcaster once the programme has aired. This model is a significant departure from the traditional role of financer and co-producer which broadcasters once took, and is shifting the financial burden onto production houses.

Such a model may present an opportunity for new channels to get off the ground in the short-term, but could also present challenges for the industry in the long-term. Experience from international markets indicates that the scale of funding available to independent production companies tends to be far below that of national (and in this case pan-Arab) broadcasters. It will therefore be a challenge for production houses to finance large scale high quality shows, such as big budget drama series. This will eventually have an impact on the creativity of the industry and could lead to stagnation in programming output.

It should also be noted that the growth in number of private TV channels will have an impact on the regional advertising industry. The current structure of the TV sector means that nearly 70% of TV advertising spend in the region comes from pan-Arab channels. Since some of the smaller advertising markets, such as Libya, were previously monopolised by state TV channels locally, they had no alternative in the private sector but to advertise on pan-Arab channels (where they could afford it). In those countries, the launch of national private TV channels will generate new and more affordable opportunities for local advertisers, enabling an additional advertising platform.

While the ensuing fragmentation of TV channels may have a slightly diluting effect on advertising revenues as a whole, we believe that this impact will be small. In the long-term, the existence of local channels, in addition to the pan-Arab ones, will help to grow the overall advertising industry by enabling a greater number of opportunities for advertisers.

Finally, as discussed in Section 1 of this report, an additional consequence of the difficult economic times in Egypt and Syria has been the growth in output of TV series from the Gulf countries, as a proportion of total original productions. This presents a long-term opportunity for TV producers to tap into a diversified customer base to fund series across the region, if they manage to collectively grow the proportion of local content output on TV, more than they did in recent years.

Monetising news content online

News organisations operating in the online space have long faced challenges in monetising their content on digital platforms. As seen in Section 1 of this report, the value of online advertising in the region is still far below advertising revenues on traditional platforms such as TV and print, and consumers remain unwilling to pay for online content in the Arab world. Our market research indicates that only 19% of the population across four Arab countries would be either 'very willing' or somewhat willing' to pay for premium news content online.

However, we do believe that monetisation opportunities for online news will improve in the region going forward. The use of social media sites is one channel which could potentially help drive advertising revenues online. Sites like Twitter have so far been considered both a threat and an opportunity for professional news organisations, offering a platform to drive traffic to news websites on one hand but distracting eyeballs from professional sites on the other. However, news organisations which are able to use sites like Twitter 'smartly', will no doubt be the ones to benefit from the opportunities it presents in the long-term.

Nearly every professional news organisation internationally, and most of those in the Arab region, are already using Twitter as a platform to share news stories. However, opinions are divided on the exact role that Twitter should play. For example, Sky News in the UK introduced a new social media policy in February 2012, which includes an effective ban on its journalists retweeting non-Sky sources.

Meanwhile, Associated Press staff were recently reprimanded for using Twitter as a platform to break news stories, which should be channelled through the agency itself in the first instance, according to company policy. These incidents are examined in the next exhibit.

Exhibit 10 : Attitudes to breaking news on Twitter[26, 27]

Twitter has become a source for breaking news…

Protests in Iran
During the 2009 protests following elections in Iran, heavy restrictions were placed on foreign news organisations; as a result, social media became a primary source of information for providing breaking news during the protests, leading to coining of the 'Twitter Revolution' phase

FSA Bombing
The Free Syrian Army (FSA) posted a video on YouTube claiming responsibility for the assault on an Air Force Intelligence building in Syria in November 2011

Arrest of DSK
Just 10 minutes after the arrest of Dominique Strauss-Kahn onboardan Air France plane, student Jonathan Pinetbroke the news on Twitter, long before the mainstream media

…but policies restrict professional journalists

AP
- During the Occupy Wall Street protests in the US, several Associated Press staff members tweeted that some journalists had been arrested in Manhattan
- Staff were reprimanded for breaking the news via Twitter and not via traditional news

SKY NEWS
- Sky News introduced a new social media policy in February, which includes an effective ban on its journalists re-tweeting non-Sky sources
- This severely restricts Sky's staff in terms of their ability to distribute news; e.g. Sky journalist Neal Mann, who was named "King of RT" and has more than 40,000 followers will likely have a diminished following with this policy in place

26 BBC Student Pulse, Twitter, Deloitte analysis
27 RT = Re-tweet

Arab news outlets which do not allow their journalists to use Twitter will risk being left behind in the long-term, as the site is increasingly being considered a valuable source for consumers to access a collection of news headlines from a range of content providers. Furthermore, those news organisations which use Twitter most effectively rely on a network of external journalists to re-distribute their tweets. By refusing to allow employees to re-tweet from outside, organisations risk losing that network of journalists who will no longer re-distribute tweets if they are not receiving the same treatment in return.

By contrast, Sky News Arabia, which is scheduled to launch on TV in spring 2012, plans a robust multi-platform strategy, including extensive use of Twitter as a platform to break news and to re-tweet other sources. With 10-15 tweets per day already coming out of Sky News Arabia (including re-tweets)[28], the company views the platform as a significant opportunity to help drive traffic to its website.

There are other 'smart' ways to use Twitter too. Various sponsorship and advertising models are available to news organisations, enabling maximum reach across the site and ultimately helping to drive an online marketing campaign. Aside from just creating a Twitter account around the news brand and regularly sending news updates, other commercial opportunities revolve around 'Promoted Tweets' which can be used in a variety of ways, such as:

- **In search**: Promoted Tweets targeted to search terms appear at the top of the results page, much in the same way as Google's pay-per-click (PPC) system operates
- **In timelines**: Tweets can be targeted to users' timelines to appear at or near the top of their timeline when they log on or refresh their homepage
- **To particular users**: Targeted tweets can be sent out to specific people, including the organisation's followers who will act as advocates of the brand, as well as other users who are likely to be receptive to the message based on their profile
- **Geographic targeting**: Promoted Tweets can currently be targeted at the country level in the Arab world currently, and may eventually be targeted at a regional level as is currently possible in the US (particularly useful for local news)

All in all, while no organisation can avoid the fact that news is often breaking on social media before anywhere else, the fact remains that high quality international journalism requires significant investment. The filtering service which professional outlets provide online, as well of course as the premium original news content which their journalists produce, should be not be underplayed. As such, Twitter and other sources of online news should be considered not as a threat to news, but as an opportunity to both drive traffic to professional news sites in a strategic manner and to emphasize the difference between user-generated material and high quality, premium news content.

5. CONCLUSION

There is no doubt that the media has played an intrinsic role in recent socio-political events in the Arab region. In particular, the use of social media has intensified during the last two years, which can partly be attributed to the strong popularity of sites such as Facebook, Twitter and YouTube in organising events and promoting political discussion. 'Generation Y', a segment which is highly relevant for the Arab region where 53% of the population is under the age of 24, has been leading this change and as the younger social networking generations grow up, we will only see further growth in this area. However, the extent of the role that social media played in recent events should not be overplayed, with many countries experiencing uprisings in spite of limited or no internet access. Whatever the exact degree of influence held by online activists and journalists, the trend is still clear: the internet provides an open platform for sharing information and as such, is playing an increasingly important role in modern day politics all over the world. News organisations in the region should embrace the opportunities provided by online 'citizen journalists' on social media. Although this requires investment in the filtering process of online material and strong attention to source-checking, those organisations which ignore the volume of material available online will eventually get left behind those who don't.

Satellite TV channels in the Arab world have also been in the spotlight for their coverage of recent political events. Viewership for some pan-Arab news channels increased substantially in 2011, indicating a growing interest in news over other forms of TV content during the uprisings across the region. However, some channels also came under fire for alleged bias in their reporting of such events, with critics claiming that their coverage was in some way responsible for inciting social unrest. Discussions over the proper role of journalists in times of conflict have been prominent, and it is clear that there is a fine line between focused reporting (which inevitably involves some level of subjectivity) and overt bias. However, the fact that 82% of the public respondents that we surveyed in the region believe that the quality of news coverage on Arab TV channels improved during the events, is testament to the general Arab public's appreciation of the style of reporting that surfaced during the period.

The future of media in the Arab region based on recent events seems to be unalterably changed in some respects. Although the extent to which the media will evolve in those countries affected by political unrest is not yet completely clear, changes in licensing regulation have already appeared in some markets. Scores of new, privately owned TV channels and newspapers have been launched in Egypt, Libya and Tunisia, indicating potential for the industry to open up to new types of content and present increasingly diverse perspectives to consumers. However, this will of course depend in part on the receptiveness of audiences to such content, which will vary according to cultural norms and tastes in each market.

We also expect to see further changes in regulation regarding online censorship as a result of the political events. Both regionally and internationally, governments have grown more aware of the power of web and are seeking to put in place precautionary measures. Even in the US, proposed legislation until recently included the prospect of an internet 'kill switch', giving the President the right to cut access to the internet in the event of a security threat. Meanwhile, social media sites have been evolving their policies to allow country by country regulation of messages and search results when considered to be breaking the law in those markets. While this is theoretically a positive step for the media industry, indicating that messages which are removed in one country will still be available elsewhere in the world, the resulting impact may include more stringent laws being introduced in some countries wishing to expand the scope of what is considered to be 'breaking the law' in order to restrict the content available online.

Finally, we anticipate new commercial models to be brought to the Arab media industry as a result of recent events. The regional advertising sector as a whole will somewhat re-shape going forward, having been dramatically affected by the social unrest in 2011, driven partly by the -22% drop in a major advertising market like in Egypt. This trend, which saw markets such as Saudi Arabia and the UAE playing a larger role in regional advertising, is expected to reverse going forward as the economies of Egypt and other affected countries pick up once more.

In TV, models are already shifting in some markets like Egypt to cater for the rising number of private channels which do not benefit from the same level of public funding which previously helped to finance the broadcasting sector. Production houses are increasingly being required to fund the production of series upfront, which may put a strain on the sector in the long-term. Meanwhile, local advertisers are expected to benefit from the growing number of opportunities on small-scale private TV channels, supporting overall growth of the TV advertising sector. In the online space, the growing popularity of sites such as Twitter is forcing news organisations to adapt. While some view the site as competition to professional news sites, it should rather be used strategically as a tool to drive traffic elsewhere and as an opportunity to promote high quality, premium news content which still exists across the region.

28 Average across 1-week period in February 2012 (Twitter feed and beta version of website already launched)

GLOSSARY

The following terms throughout the report have the following meaning unless otherwise stated

Term	Definition
AMO	Arab Media Outlook
Arab Region	Region includes 17 in-scope countries – Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAE, and Yemen
ARPU	Average Revenue Per User
B2B	Business-to-business
CAGR	Compound Annual Growth Rate
CPA	Cost Per Action
CPM	Cost Per Mille or Cost Per Thousand
DTH	Direct-To-Home
DTT	Digital Terrestrial Television
DVB-H	Digital Video Broadcast-Handheld
FM	Frequency Modulation
FMCG	Fast Moving Consumer Goods
FTA	Free-To-Air
FTTH	Fibre-to- the-Home
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
HD	High Definition
ICT	Information and Communications Technology
IPR	Intellectual Property Rights
IPTV	Internet Protocol Television
ISP	Internet Service Provider
MMDS	Multichannel Multipoint Distribution Service ("Wireless Cable")
Projection Period	Projection period refers to the period from 2011 to 2015
PSB	Public Service Broadcaster
PVR	Personal Video Recorder
VOD	Video-On-Demand
VSAT	Very Small Aperture Terminal
UGC	User-Generated Content
WiMAX	Worldwide Interoperability for Microwave Access

APPENDIX: Data Tables

Population (in Millions)

Country	2009	2010	2011	2012	2013	2014	2015	CAGR (11-15)
Bahrain	1.0	1.1	1.1	1.2	1.2	1.2	1.2	2.0%
Egypt	76.8	78.3	79.9	81.5	83.1	84.8	86.5	2.0%
Iraq	31.2	32.0	32.8	33.6	34.4	35.2	35.9	2.2%
Jordan	6.0	6.1	6.3	6.4	6.5	6.7	6.9	2.3%
Kuwait	3.5	3.6	3.7	3.8	3.8	3.9	4.0	2.0%
Lebanon	3.9	3.9	4.0	4.0	4.1	4.1	4.2	1.3%
Libya	6.4	6.5	6.5	6.6	6.7	6.9	7.0	2.0%
Morocco	31.5	31.9	32.2	32.5	32.9	33.2	33.5	1.0%
Oman	2.9	3.0	3.1	3.2	3.3	3.4	3.5	3.2%
Qatar	1.6	1.7	1.8	1.8	1.9	2.0	2.1	4.0%
Saudi Arabia	25.5	26.1	26.7	27.3	27.9	28.5	29.0	2.1%
Sudan	39.1	40.1	41.2	42.2	43.3	44.5	45.6	2.6%
Syrian Arab Republic	20.1	20.6	21.1	21.6	22.2	22.7	23.3	2.5%
Tunisia	10.4	10.5	10.7	10.8	10.9	11.0	11.1	1.0%
United Arab Emirates	4.9	5.1	5.2	5.4	5.5	5.7	5.9	3.0%
Republic of Yemen	23.7	24.4	25.1	25.9	26.7	27.5	28.3	3.0%

Source: International Monetary Fund, World Economic Outlook Database, April 2011

Population Age Breakdown (% of total population)

Country	0-14	15-24	25-34	35-44	45-59	60+	Total
Bahrain	20%	16%	24%	20%	15%	4%	100%
Egypt	33%	19%	18%	11%	13%	7%	100%
Jordan	35%	20%	16%	12%	10%	7%	100%
Kuwait	26%	16%	24%	18%	13%	4%	100%
Lebanon	23%	18%	17%	14%	15%	13%	100%
Morocco	28%	19%	17%	13%	14%	9%	100%
Oman	31%	21%	21%	13%	9%	5%	100%
Qatar	13%	15%	32%	25%	14%	2%	100%
KSA	29%	20%	21%	15%	10%	5%	100%
Sudan	45%	22%	15%	5%	9%	5%	100%
Syria	35%	21%	17%	11%	10%	6%	100%
Tunisia	23%	18%	17%	15%	17%	11%	100%
UAE	20%	14%	30%	22%	12%	2%	100%
Yemen	43%	21%	16%	8%	8%	4%	100%

Source: US Census Bureau 2011

Households (000s)

Country	2009	2010	2011	2012	2013	2014	2015	CAGR (09 - 11)	CAGR (11 - 15)
Bahrain	121	123	124	125	126	127	128	1.0%	0.8%
Egypt	20,346	20,946	21,550	22,143	22,739	23,350	23,978	2.9%	2.8%
Jordan	1,106	1,151	1,191	1,226	1,259	1,293	1,328	3.8%	3.1%
Kuwait	336	338	341	343	345	347	348	0.8%	0.6%
Lebanon	1,035	1,054	1,072	1,091	1,109	1,128	1,147	1.8%	1.7%
Morocco	5,111	5,170	5,227	5,277	5,325	5,373	5,421	1.1%	1.0%
Oman	472	490	509	528	548	569	591	3.9%	3.8%
Qatar	133	135	137	139	141	143	145	1.4%	1.4%
Saudi Arabia	4,473	4,603	4,730	4,853	4,976	5,101	5,227	2.8%	2.6%
Sudan	6,266	6,435	6,607	6,784	6,965	7,150	7,341	2.7%	2.7%
Syria	3,434	3,547	3,663	3,779	3,898	4,021	4,147	3.3%	3.2%
Tunisia	1,990	2,015	2,039	2,061	2,082	2,104	2,125	1.2%	1.1%
UAE	904	916	927	935	942	950	956	1.2%	0.9%
Yemen	3,336	3,463	3,593	3,726	3,863	4,005	4,152	3.8%	3.7%
Libya	1,318	1,362	1,407	1,453	1,500	1,549	1,599	3.3%	3.3%
Iraq	3,987	4,113	4,241	4,370	4,501	4,637	4,776	3.1%	3.1%

Source: Informa

Nominal GDP (USD billion)

Country	2009	2010	2011	2012	2013	2014	2015	CAGR (09-11)	CAGR (11 - 15)
Bahrain	19	23	26	27	29	30	31	17.0%	4.5%
Egypt	189	218	232	253	273	298	320	10.9%	8.4%
Jordan	24	26	28	31	34	37	40	9.1%	9.0%
Kuwait	109	133	171	177	188	198	211	25.0%	5.3%
Lebanon	35	39	41	45	48	52	55	9.0%	7.2%
Morocco	91	91	102	109	117	125	135	5.8%	7.3%
Oman	47	58	67	69	72	75	82	19.4%	5.2%
Qatar	98	127	173	181	188	195	203	33.2%	4.1%
Saudi Arabia	377	448	560	582	621	658	696	21.9%	5.6%
Sudan	53	65	63	59	60	61	62	9.7%	-0.6%
Syria	54	59	65	67	72	77	84	9.6%	6.6%
Tunisia	44	44	49	52	55	59	63	6.0%	6.6%
UAE	270	302	358	376	396	417	441	15.1%	5.3%
Yemen	25	31	37	39	41	43	45	20.8%	5.1%
Libya	69	82	59	93	98	109	112	-7.2%	17.2%
Iraq	64	81	109	119	142	156	173	30.0%	12.4%
Total	**1,567**	**1,829**	**2,141**	**2,279**	**2,433**	**2,590**	**2,753**	**16.9%**	**6.5%**

Source: International Monetary Fund, EIU

Fixed Broadband Penetration (% of Population)

Country	2011
Bahrain	12.6%
Egypt	2.2%
Jordan	4.7%
Kuwait	9.7%
Lebanon	7%*
Morocco	1.8%
Oman	2.8%
Qatar	9.6%
Saudi Arabia	6.8%
Sudan	-
Syria	0.6%
Tunisia	5.0%
UAE	14.8%
Yemen	0.5%
Libya	1.2%
Iraq	0.1%

*Estimated
Source: Arab Advisors Group

Mobile Penetration (% of Population)

Country	2010	2011	2012	2013	2014	2015
Bahrain	193%	202%	210%	216%	220%	224%
Egypt	78%	86%	92%	96%	98%	100%
Jordan	103%	110%	117%	121%	123%	125%
Kuwait	142%	149%	154%	158%	161%	163%
Lebanon	67%	76%	84%	92%	98%	104%
Morocco	98%	109%	116%	120%	123%	125%
Oman	161%	182%	195%	205%	213%	218%
Qatar	186%	204%	218%	230%	240%	248%
Saudi Arabia	168%	193%	214%	228%	236%	241%
Sudan	46%	51%	58%	62%	64%	65%
Syria	48%	53%	57%	58%	59%	59%
Tunisia	104%	114%	120%	123%	125%	126%
UAE	256%	267%	277%	284%	290%	294%
Yemen	42%	48%	52%	54%	55%	56%
Libya	194%	232%	256%	270%	278%	283%
Iraq	78%	87%	92%	95%	96%	97%

Source: Informa

TV Households (000s)

Country	2009	2010	2011	2012	2013	2014	2015	CAGR (09 - 11)	CAGR (11 - 15)
Bahrain	117	118	120	121	123	124	126	1.3%	1.3%
Egypt	19,413	20,005	20,615	21,244	21,892	22,560	23,248	3.1%	3.1%
Jordan	1,046	1,088	1,129	1,168	1,206	1,243	1,279	3.9%	3.2%
Kuwait	330	334	336	338	341	343	344	0.9%	0.6%
Lebanon	958	977	997	1,017	1,037	1,058	1,079	2.0%	2.0%
Morocco	4,583	4,652	4,721	4,781	4,840	4,901	4,962	1.5%	1.3%
Oman	423	442	460	479	498	518	539	4.4%	4.0%
Qatar	121	123	125	128	130	132	134	1.8%	1.8%
Saudi Arabia	4,339	4,491	4,625	4,764	4,895	5,030	5,168	3.2%	2.8%
Sudan	1,051	1,099	1,148	1,200	1,254	1,310	1,369	4.5%	4.5%
Syria	3,171	3,281	3,396	3,515	3,638	3,766	3,897	3.5%	3.5%
Tunisia	1,864	1,887	1,911	1,937	1,964	1,992	2,020	1.3%	1.4%
UAE	856	869	880	891	902	913	925	1.4%	1.3%
Yemen	2,160	2,257	2,359	2,459	2,563	2,672	2,786	4.5%	4.3%
Libya	1,003	1,038	1,074	1,112	1,151	1,191	1,233	3.5%	3.5%
Iraq	3,166	3,276	3,391	3,510	3,633	3,760	3,891	3.5%	3.5%

Source: Informa

Total circulation of daily newspapers (000s)

Country	2009	2010	2011	2012	2013	2014	2015	CAGR (09-11)	CAGR (11 - 15)
Bahrain	189	164	169	174	179	184	189	-2.7%	2.8%
Egypt	4,018	4,972	5,360	5,575	5,797	5,971	6,091	7.5%	3.2%
Jordan	313	313	327	343	354	364	375	1.1%	3.5%
Kuwait	961	930	1,053	1,095	1,116	1,128	1,139	2.3%	2.0%
Lebanon	411	392	389	386	382	379	375	-1.3%	-0.9%
Morocco	709	718	673	627	582	537	491	-1.3%	-7.6%
Oman	274	312	317	321	326	330	335	3.7%	1.4%
Qatar	211	214	216	218	220	222	224	0.6%	0.9%
Saudi Arabia	1,878	1,949	1,685	1,601	1,537	1,490	1,446	-2.7%	-3.8%
Sudan	96	98	100	102	104	106	108	1.0%	1.9%
Syria	379	392	413	434	455	477	498	2.2%	4.8%
Tunisia	399	425	370	353	337	324	314	-1.9%	-4.0%
UAE	1,092	1,022	1,019	1,015	1,012	1,009	1,005	-1.7%	-0.3%
Yemen	231	155	179	203	227	250	274	-6.2%	11.3%
Libya	83	83	10	13	19	23	27	-41.0%	28.4%
Iraq	208	205	223	241	259	277	295	1.7%	7.3%
Palestine	54	80	99	118	136	155	174	16.2%	15.3%
Total	**11,503**	**12,423**	**12,599**	**12,818**	**13,042**	**13,225**	**13,360**	**2.3%**	**1.5%**

Source: MENA Media Guide and Deloitte Analysis

Total advertising spend by country (USD million)

Country	2009	2010	2011	2012	2013	2014	2015	CAGR (09-11)	CAGR (11 - 15)
Bahrain	77	88	49	72	74	77	83	-20.6%	14.4%
Egypt	668	721	505	530	557	596	673	-13.1%	7.4%
Jordan	109	111	105	110	117	126	137	-1.6%	6.8%
Kuwait	391	417	396	395	409	429	468	0.7%	4.3%
Lebanon	149	161	144	145	151	160	175	-2.0%	5.0%
Morocco	274	292	292	307	336	370	410	3.3%	8.8%
Oman	64	70	68	68	70	74	80	3.0%	4.3%
Qatar	164	184	188	193	201	215	233	7.0%	5.5%
Saudi Arabia	739	752	760	775	806	854	922	1.4%	5.0%
Sudan	16	18	18	18	19	21	22	5.2%	6.0%
Syria	45	48	33	33	35	38	42	-14.0%	5.9%
Tunisia	39	41	38	39	40	42	44	-0.5%	3.5%
UAE	718	742	661	664	691	732	801	-4.1%	4.9%
Yemen	11	13	11	11	11	12	13	1.3%	2.4%
Libya	30	32	18	20	21	22	23	-23.7%	7.2%
Iraq	28	56	101	121	139	153	169	88.3%	13.7%
Palestine	4	4	5	5	5	6	7	7.6%	10.2%
Pan-Arab	1,406	1,531	1,349	1,401	1,471	1,559	1,653	-2.1%	5.2%
Total	**4,933**	**5,282**	**4,741**	**4,909**	**5,154**	**5,487**	**5,954**	**-2.0%**	**5.9%**

Source: Deloitte Analysis, Zenith Optimedia, PARC, IPSOS

Total advertising by platform (USD million)

Platform	2009	2010	2011	2012	2013	2014	2015	CAGR (09-11)	CAGR (11 - 15)
Newspapers	1,945	2,017	1,755	1,717	1,707	1,748	1,870	-5.0%	1.6%
Magazines	300	289	244	243	244	248	254	-9.9%	1.0%
TV	1,969	2,149	1,901	1,982	2,091	2,226	2,387	-1.7%	5.9%
Digital	44	105	178	285	396	498	597	101.7%	35.4%
Radio	243	279	264	275	291	314	351	4.3%	7.4%
Out-of-home	433	444	399	407	426	455	495	-4.0%	5.5%
Total	**4,933**	**5,282**	**4,741**	**4,908**	**5,154**	**5,488**	**5,954**	**-2.0%**	**5.9%**

Source: Deloitte Analysis, Zenith Optimedia, PARC, IPSOS

Print Revenues Breakdown (USD million)

Description	2009	2010	2011	2012	2013	2014	2015	CAGR (09-11)	CAGR (11 - 15)
Circulation	1,092	1,145	1,145	1,156	1,167	1,177	1,183	2.4%	0.8%
Advertising	2,245	2,306	1,998	1,960	1,950	1,995	2,124	-5.7%	1.5%

Source: Deloitte Analysis

TV Revenues Breakdown (USD million)

Description	2009	2010	2011	2012	2013	2014	2015	CAGR (09-11)	CAGR (11 - 15)
TV Advertising	1,969	2,149	1,901	1,982	2,091	2,226	2,387	-1.7%	5.9%
Pay-TV subscription	475	494	520	540	591	645	703	4.7%	7.8%
Total	**2,444**	**2,643**	**2,422**	**2,522**	**2,682**	**2,871**	**3,091**	**-0.5%**	**6.3%**

Source: Deloitte Analysis

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