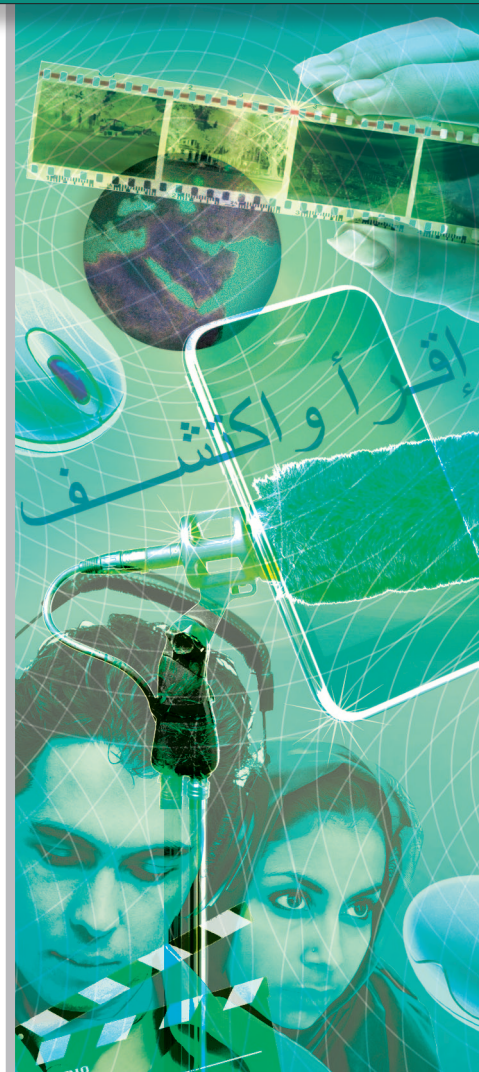


Middle East Media on the Move

An emerging growth industry in a pivotal region



Across the world, media companies are facing an unprecedented combination of challenges. Advertising revenues are shrinking and consumer spending on media and entertainment is declining even faster than the recession-hit world economy. Established players are searching for new ways to identify, attract and retain an ever-more discerning consumer and new media channels continue to provide challenges. However, there is a light at the end of the tunnel—the Middle East.

While the media and entertainment industry struggles worldwide, the Middle East is providing a bright spot. The pan-Arab media industry is growing faster than the economy in general, at about 19 percent per year, with both online and offline channels expanding and even feeding off one another. The appeal of the sector to investors is expected to continue to grow as Middle Eastern consumers spend more disposable income on media and entertainment, and governments invest in the industry, ease regulations and reduce the barriers to entry.

In the past, media centers emerged in Cairo and Beirut as places with the required talent base, more liberal environments and an interface with Western culture and values. However, as the trend of government investment spreads more widely across the region, “media cities” are being created together with a loosening of regulatory environments, and the media industry as a whole is spreading across the Middle East. Global media leaders, including the BBC and Thomson Reuters, are joining established regional names such as Al

Jazeera and the Middle East Broadcasting Center (MBC) to form a burgeoning industry.

Underpinned by Strong Fundamentals

The pan-Arab media and entertainment industry has grown faster than that of any other region (see figure 1 on page 2). Estimated at around \$10 billion in 2007, the industry still has tremendous potential for growth.¹

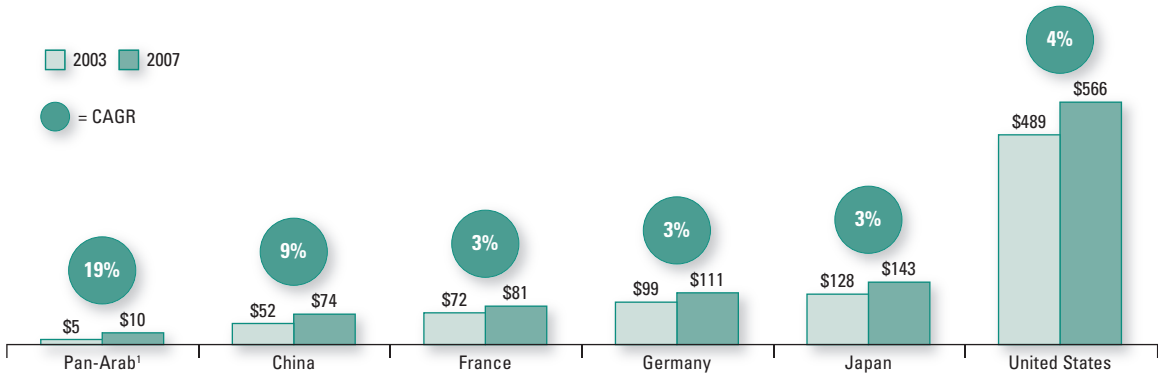
A reduction of regulatory barriers is the major supporting factor. Middle East governments are moving their economies away from the economic volatility of dependence on natural resources and toward more knowledge-based economies, and media is being targeted as a priority sector. Meanwhile, governments are opening their doors to at least some liberalization—even Saudi Arabia, with its historic 30-year ban on cinemas, has launched a film festival.

What makes the Middle East market so attractive is its potential for growth across all media segments, without the cannibalization, particularly from online channels, that is prevalent

¹ All monetary amounts in U.S. dollars.

Figure 1

Media and entertainment spending and growth



Notes: All monetary amounts in billions of U.S. dollars; CAGR = compound annual growth rate

¹ Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, Saudi Arabia and the UAE.

Sources: EIU, PwC - Global Entertainment and Media Outlook 2008-2012; A.T. Kearney analysis

in many mature markets. While new media channels have grown at the expense of other media channels in mature markets, this trend is not yet visible in the Middle East. Literacy campaigns have helped to build a base market for newspapers, particularly where Internet access is not readily accessible, while more established media, such as television and film, have maintained a strong foothold.

Although broadband penetration remains low compared to the rest of the world, Internet access is growing quickly without yet seriously challenging traditional channels for advertising money. In addition to rising broadband connectivity, the Middle East already has a comparatively high penetration of mobile telephones and a competitive telecommunications industry that will drive growth in new mobile and digital media (see figure 2).

The region's growth is driven by a younger, wealthier population base that is growing solidly, boosted by a strengthening private sector. Roughly half of the population in the Middle East is under 25 years old, compared to the United States and Western Europe, where only 24 percent and 18 percent, respectively, are under 25 (see figure 3).

The per capita gross domestic product has also risen rapidly throughout the region: The United Arab Emirates (UAE) already has higher GDP per capita than the average country in the European Union, while the rest of the countries in the Gulf Cooperation Council (GCC) are also making steady progress (see figure 4). GDP for the Middle East and North Africa region as a whole is estimated to grow at 9 percent per year between 2008 and 2012.

Figure 2

Media penetration in Middle East and North Africa

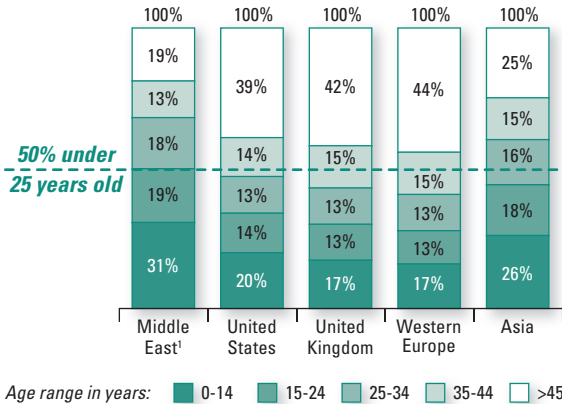
Information and communication technology	Eurozone and U.S.	MENA ¹	GCC ²	Sub-Saharan Africa
Households with TV	95%	95%	N/A	18%
Mobile subscribers	100%	51%	100%	23%
Internet users	60%	16%	29%	4%
Broadband	25%	5%	12%	–

¹ Middle East and North Africa

² Gulf Cooperation Council (GCC) includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. N/A = Statistics not available.

Sources: World Bank statistics, 2007; "World Broadband," Point Topic, Third quarter 2008; A.T. Kearney analysis

Figure 3
Regional population breakdown by age



Age range in years: 0-14, 15-24, 25-34, 35-44, >45

¹ Middle East includes Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, UAE and Yemen.

Sources: U.S. Census Bureau; International database; A.T. Kearney analysis

Any understanding of the region’s media business must include its position within the global media audience. Strategically located between

Europe and Asia, the Middle East is within touching distance of the huge consumer bases in Southeastern Europe, North and East Africa and South Asia. Additionally, around 70 percent of the world’s Muslims are in or near the Middle East—notable considering that by 2025 one-third of the world’s population will be Muslim.

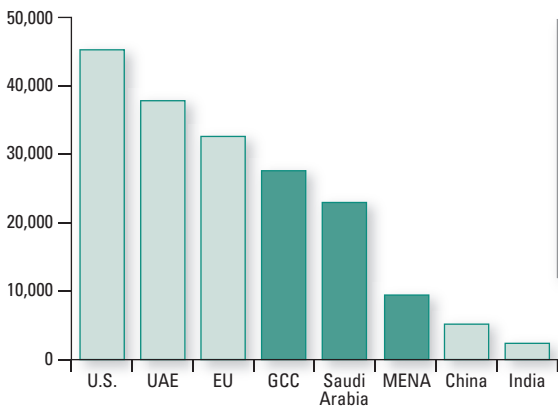
Of course, some industry slowdown can be expected due to global economic conditions. However, the fundamentals remain strong—market demand is growing and the opportunity for greater penetration remains. Increasing Internet connectivity and the potential opening of the large Saudi Arabian market are just two factors that bode well for media companies in the Middle East.

Television: An Expanding Regional Industry

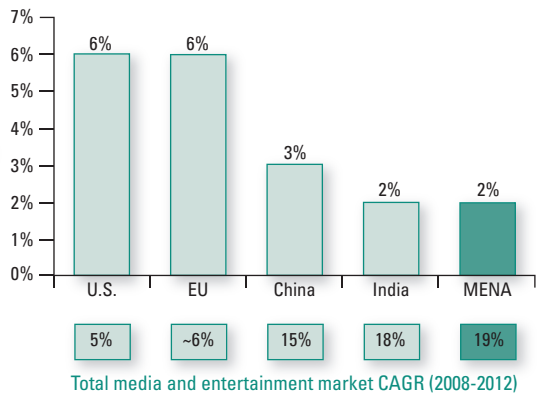
Structural changes are afoot in the Middle Eastern television market. The television and film market in the Middle East was estimated at \$1.7 billion in

Figure 4
Middle East GDP per capita and spending

GDP per capita 2008 (US\$)



Media and entertainment spending as a percentage of consumer spending (2008)

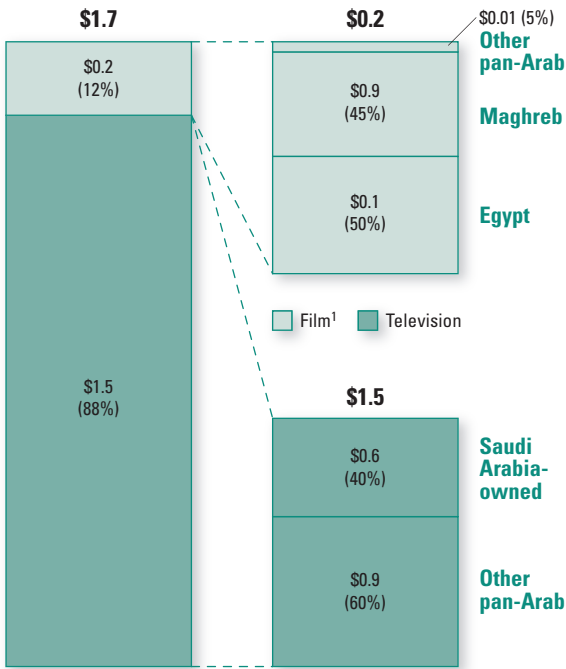


Notes: Gulf Cooperation Council (GCC) includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. MENA = Middle East and North Africa, including GCC + Algeria, Egypt, Jordan, Lebanon, Libya, Morocco and Syria.

CAGR = compound annual growth rate

Sources: IMP; CIA World Factbook; PWC 2008 Global Entertainment and Media Outlook; A.T. Kearney analysis

Figure 5
Regional film and television market (2007)



¹The film market includes production spending only.
Notes: Regional market includes countries within the GCC, Levant region and Algeria, Egypt, Morocco and Tunisia. All monetary amounts in billions of U.S. dollars.

Sources: Zenith Optimedia; Industry interviews; A.T. Kearney analysis

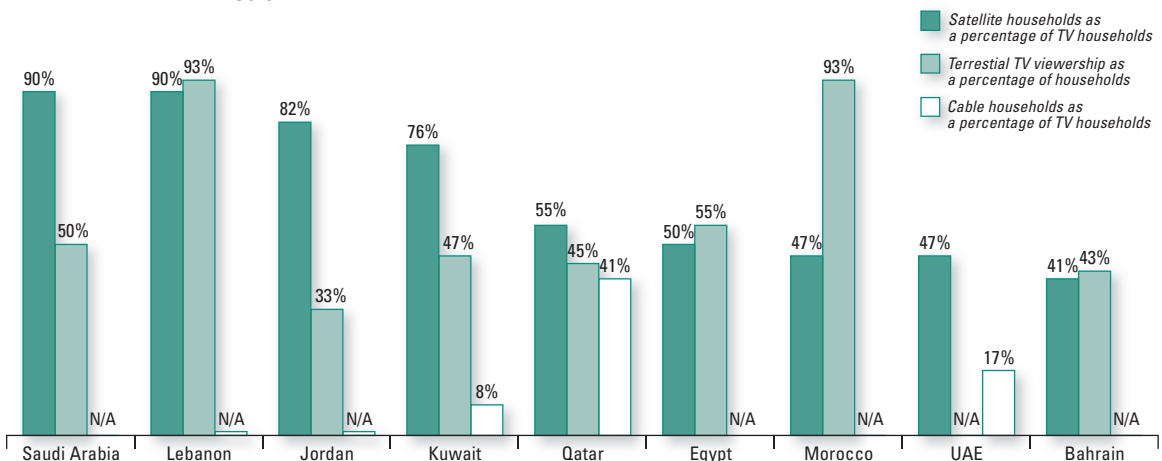
2007 (see figure 5). In terms of television, the region is growing as a hub of production and news, and the medium continues to play a significant role in life across the region, with family viewing common year-round, particularly during the holy month of Ramadan.

Al Jazeera shook up the regional news landscape when it launched its English-language network in 2006. The first English network to be broadcast from the Middle East, Al Jazeera sought to bring a different news angle to both local and international audiences.

The UAE has begun to attract major international television companies to the Dubai Media City, including the BBC, CNN and Showtime, following MBC, which moved from London to Dubai in 2001 (see sidebar on page 6: Middle East Media Cities in Focus).

Meanwhile, the Gulf region and Lebanon are now emerging as production locations, although their share of the market remains small. The growth of the Gulf markets is drawing advertisers and driving the demand for high-quality localized content, particularly for the large Saudi Arabian

Figure 6
Broadcast technology penetration



Sources: Arab Advisors Group Media Survey 2007; Middle East and Africa TV (4th Edition); Informa, June 2007; A.T. Kearney analysis

market. In addition, there is a growing demand for local reality TV—including the Arab adaptation of popular Western programs, such as “American Idol.”

Satellite broadcasting is the dominant television delivery method across the region, and is expected to remain the leader, ahead of cable and terrestrial TV (see figure 6).

In terms of advertising revenues and viewers, free-to-air satellite TV is providing strong competition to the pay TV sector, driven by quality of content and general programming. Free-to-air channels have also introduced themed channels and offered access to the latest Western content. The launch of MBC2, which screens Western blockbusters, is one such example. In addition, traditionally free providers are launching subscription channels, such as Al Jazeera Sports, which is distributed through pay TV providers.

Competition among pay TV players is also heating up, with profit margins under pressure as providers try to gain an edge. Pay providers are also battling piracy in some parts of the Middle East, which is further eroding their market position.

High-definition television (HDTV) has yet to take off in the Middle East as there is still a limited supply of quality HD programming. In addition, the strong competition between free-to-air and pay TV is restricting the development of this sector.

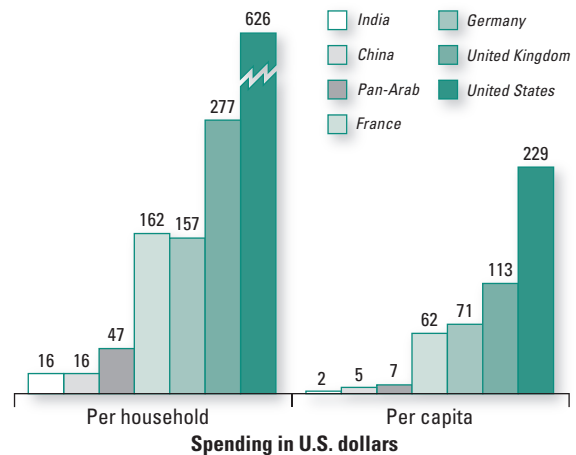
Television content is heavily focused on series and dramas, which account for around 40 percent of all production, with news following at about 20 to 25 percent. Documentaries and religious programming follow with shares of between 5 and 15 percent. Business, children’s programs and reality TV all exist within the region but with much lower budgets.

Across the region there is an increasing demand for local content, catering to regional and cultural differences. While demand for Arabic

programming is growing across the board, viewers are also looking for specific content that recognizes the regional, cultural and language differences throughout the Middle East. This is driving demand for programming in different dialects and incorporating differing cultural settings, even as most locally produced TV series content is produced in Egypt and Syria.

While television advertising is well developed, advertising revenues still lag. The lack of a reliable audience measurement system remains one of the major barriers to growth, as channels cannot set advertising rates based on credible numbers. Buyers cannot execute targeted strategies with the degree of accuracy they desire, which affects advertising rates. Advertising revenues are consequently significantly below those in other regions of the world (see figure 7). Nielsen’s recent announcement of its intention to launch a viewer metering system in the UAE is, however,

Figure 7
TV advertising per household and per capita



Market’s relatively small value reflects the low advertising rates rather than short airtime

Source: PWC 2008 Global and Media Outlook, Arab Advisors Group Media Survey, A.T. Kearney analysis

a positive sign that this is improving (*see sidebar: Advertising in the Middle East on page 9*).

Overall, though, the outlook for the television industry in the Middle East is bright. The industry is projected to grow at 14 percent per year through 2012, driven by a 20-percent-per-year increase in advertising revenue, with pay TV expected to grow at nearly 6 percent per year. Broadband penetration is approaching the levels required for a viable Internet TV sector, and the high penetration of modern mobile phones means that many Middle Eastern markets are ripe for mobile TV.

Film: An Emerging Sector

The Middle Eastern film sector is growing beyond its traditional base. Egypt has historically been the leading location for regional film production, thanks to cost advantages and the ability to produce quality on minimal budgets. With the advantage of being an early mover, it has developed a deep talent pool that has allowed it to cement its positioning as a regional leader.

However, other locations are emerging as filming locations for internationally marketed movies. Celebrated filmmakers from around the

Middle East Media Cities in Focus

The emergence of media cities throughout the Middle East region will continue to be a major component of the expansion and liberalization of the region's media industry. Several countries have made long-term investments in media as part of a push for more diversified, knowledge-based economies.

The successful media cities across the globe share some common traits, most notably a high level of government commitment and support for creating attractive media environments through loosened regulation, incentives and access to financing.

Other important factors include proximity to a strong local market, access to a deep talent pool, the ability to secure high-profile anchor tenants, cost competitiveness, proximity to clients, quality infrastructure and lifestyle (*see figure*).

Egyptian Media and Production City (EMPC) (2000). The region's first dedicated media zone was designed

to build on Egypt's track record as a film and television production center and help it become the "Hollywood of the Middle East." EMPC has successfully attracted major TV and film production companies from the Middle East and abroad. EMPC's success comes in part from its first-mover status, the availability of local talent and strong infrastructure, and the ease and low cost of doing business in the zone, including 100 percent ownership, visa support, freedom from customs restrictions, protection for foreign investors, and an expedited business registration process.

Jordan Media City (2001). Jordan was next in line. Although only one-tenth the size of EMPC, Jordan Media City has provided a viable alternative for TV production. Major tenants currently include ART, Rotana, Jordan TV and Arabsat. Its draw is a low-cost environment—lower than Egypt—with quality infrastructure, available talent and the increased ease

of doing business, combined with financial incentives and support for foreign investors.

Dubai Media City (2001). Dubai launched the region's largest media city as part of the broader Dubai Technology, Electronic Commercial and Media Free Zone (TECOM). It was set up to be a regional center for media content creation and broadcasting, and it has been successful in positioning itself as the regional hub for international media companies, with the BBC, CNN and Reuters all tenants. New media activities are supported through both the media city and its sister zone, Dubai Internet City. It has a development budget of more than \$800 million and roughly 2,500 companies registered. Regulation concessions and incentives, including 100 percent foreign ownership and tax-free status, have played an important role in the success.

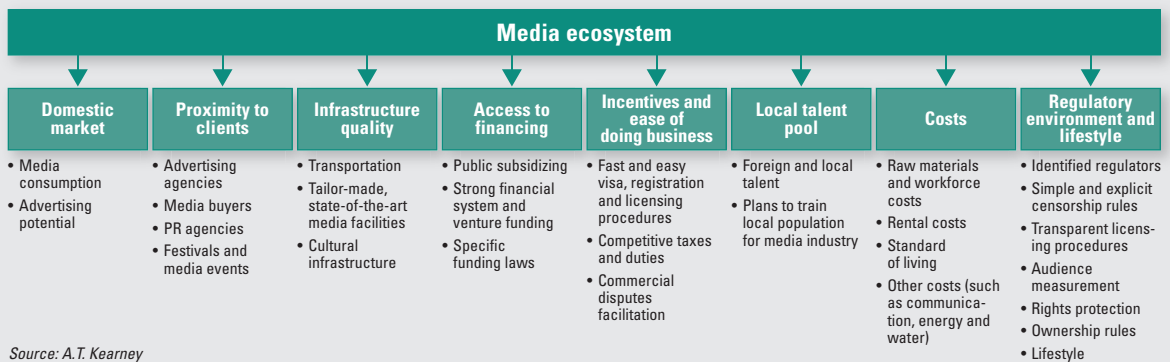
Abu Dhabi twofour54 (announced in 2008). The second media-focused

world have worked in the UAE, Egypt and Jordan, among other locations, to produce recent Hollywood movies such as “Syriana” and “In the Valley of Elah.” National Geographic Films recently announced its intention to set up operations in Abu Dhabi with the creation of a \$100 million fund with the Abu Dhabi Media Company to produce \$500 billion worth of films over the next five years. This follows a \$1 billion production deal with Warner Brothers struck in 2007, and another \$1 billion deal with three companies in 2008. High-profile film festivals in

the UAE, such as the Middle East Film Festival in Abu Dhabi and the Dubai Film Festival, have also brought Hollywood to the region.

The Maghreb region of Africa, including Morocco and Tunisia, has captured an increasing share of the global market. These countries are using their geographical proximity to produce content for Europe as well, rather than for Middle Eastern audiences alone. Government incentives have again played a critical role in the development of the industry, and the successful creation of production sites has provided moviemakers

Figure: Keys to media city success



zone in the UAE was announced with the launch of Abu Dhabi’s two-four54. Created by and for Arabs and encompassing both traditional and new media, music and animation, twofour54 is in line with Abu Dhabi’s goal of being a regional center for culture. Major differences in the Abu Dhabi initiative include a dedicated education arm and access to funding and industry expertise that support innovation and growth. Other incentives have not yet been formally announced, but a favorable regulatory environment and lifestyle

considerations are expected. The project could generate 20,000 jobs over the next five years.

Saudi Arabia King Abdullah Economic City (KAEC) Media City (announced in 2008). The most recently announced regional media city is still undergoing a feasibility study, but its plans promise high-quality infrastructure, a positive regulatory environment and, importantly, access to the large and potentially lucrative Saudi Arabian market. KAEC is also positioning its media city as a center for high-tech digital

media that will serve local and broader Muslim and non-Muslim consumers by attracting the best talent from around the world. There will be a strong emphasis on talent incubation, through partnerships with other cities devoted to education and information technology.

Significant regulatory change will be required for success, but the potential is great for media companies of all sizes to gain access to the largest population base in the GCC and one of the wealthiest nations in the Middle East.

with attractive sets that replicate well-known Middle Eastern locations.

Overall film production in the Gulf states is still very low, with a greater focus on television. Although a number of recent films have shot scenes in the UAE and other locations, these areas are still considered expensive, with high studio rates and higher costs for accommodating crew. The lack of skilled local talent adds to these costs.

DVD sales remain low—only around 5 percent of movie revenues in the region—and piracy

first Saudi Arabian Film Festival in Dammam in 2007 and the lifting of the ban in December 2008 for the limited showing of a locally made film, to sell-out audiences, indicates that this market may become more accessible soon.

Newspapers and Magazines: A Uniquely Vibrant Market

The Middle East is one of the few markets in the world in which both revenues and demand are still growing for traditional newspapers. Estimated at around \$3.7 billion in 2008, the Middle East newspaper market is growing around 7 percent per year, and the industry has generated another \$500 million in associated printing revenues.² Base readership is expanding as new titles have introduced healthy competition. At the same time relatively low Internet penetration means online channels are less of a threat.

The end of 2007 saw the launch of *Emirates 24/7*, the first English daily in the region, which was focused on business and economic news. Shortly after, the launch of *The National* in Abu Dhabi in 2008 was the biggest launch of an English-speaking newspaper in the Middle East. The new publication was striking, considering that it came at a time when traditional newspapers elsewhere were battling eroding business, declining advertising revenues and competition from online media. It drew experienced media professionals with track records from publications such as the U.K.'s *Daily Telegraph* and the U.S.'s *Wall Street Journal*. Soon after *The National* opened,

What makes the Middle East market so attractive is its potential for growth across all media segments, without the cannibalization that is prevalent in many mature markets.

remains a problem despite World Trade Organization (WTO) membership. As a result, production companies rely heavily on box-office revenues, which account for half of total revenue. Television makes up the balance.

One market with untapped potential is Saudi Arabia, which has shown a large appetite for film. Until recently, the Saudi Arabian cinema market was completely closed, which limited demand for Gulf-specific films. However, the advent of the

² PWC; Sharq Al Awsat; A. T. Kearney analysis.

The Financial Times unveiled a Middle East edition that increased coverage of the region and opportunities for regional advertisers.

Certain newspaper markets in particular have been thriving. The creation of Dubai Media City helped drive a 50 percent increase in daily newspapers in the UAE from 2003 through 2007. In 2006, laws that banned the launch of new newspapers in Kuwait were overturned, leading to six new titles in 2007. Bahrain also experienced 50 percent growth in the number of dailies.

As in much of the rest of the world, ad-funded free newspapers have proved a resounding success across the region. In Oman, for example, *The Week* became the most-read newspaper in the country within three years of its 2003 launch, leading to a fourfold increase in the number of advertisements.

Many of the Middle East's markets do, however, remain underdeveloped from a circulation per capita perspective. With the exception of the UAE, Bahrain and Kuwait, many other countries remain below the world average (*see figure 8 on page 10*).

Securing a newspaper license remains one of the greatest hurdles media companies face in launching new publications, particularly in Saudi Arabia. Even changing a format requires formal

approval in this part of the Middle East. While these restrictions make Saudi Arabia's market appear almost prohibitive, there is potential in the new, semi-autonomous economic cities with designated regulations to speed up the licensing process, which could open up opportunities for media organizations to succeed in Saudi Arabia.

The regional magazine market is smaller, estimated to be worth roughly \$1.2 billion in 2008 with 5 percent annual growth. This lower growth reflects an already-developed market in some countries, such as the UAE. Companies there serve much of the Middle Eastern market with localized international titles and regional publications.

While challenges do exist, obtaining licenses to distribute or publish magazines is easier than for newspapers. The largest opportunity in magazines rests in Egypt and Saudi Arabia, where there is still room to tailor international publications to the region's readers. The Saudi Research and Marketing Group announced in March 2009 the launch of eight new magazine titles in Saudi Arabia, on topics including home improvement, Islamic finance and parenting. Similar to newspapers, this growth in the Middle East stands in contrast to the situation in developed markets, where publishers are shutting down magazines at an unprecedented rate due to falling readership and ad revenues. For example,

Advertising in the Middle East

The growth of the region's media sector is demonstrated by the growth in advertising revenues. Pan-Arab advertising spending has increased around 20 percent annually over the past six years. Television makes up almost 90 percent of these reve-

nues, followed by magazines and newspapers.

Consumer goods has been the leading spender, followed by telecommunications and utilities. Food, beverage and tobacco is third, and government and media

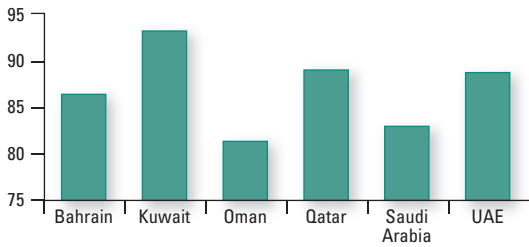
round out the top five.

While the overall forecast for advertising revenue is still positive, the market for advertising is likely to cool off—particularly in the UAE, where the driving force of the real estate sector has slowed considerably.

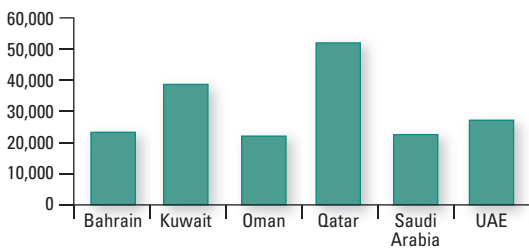
Figure 8

Newspaper development and circulation

Literacy rates (2005)¹

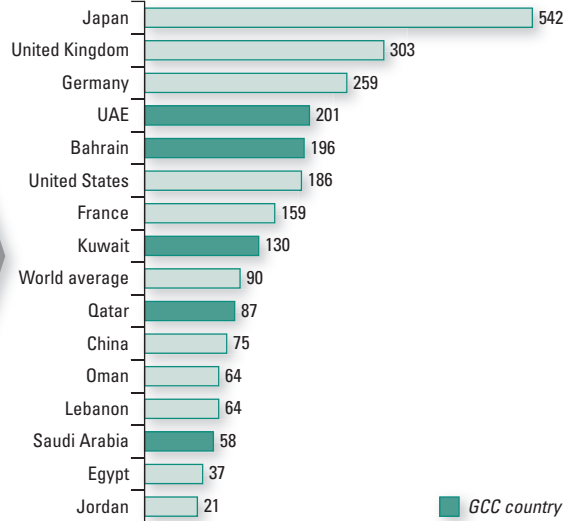


Per capita GDP (US\$)



Total newspaper circulation

Number of dailies per 1,000 inhabitants, 2006



¹ Data refers to national literacy estimates from censuses or surveys conducted between 1995 and 2005.

Sources: World Association of Newspapers; IMF; EIU; Human Development Report 2007/2008, United Nations; A.T. Kearney analysis

single-copy U.S. magazine sales were down 11 percent in the second half of 2008, with the number of ad pages in consumer magazines down 12 percent, according to the Magazine Publishers of America.

While there are not as many regulatory hurdles for magazines, fewer than 40 percent of the nearly 700 pan-Arab titles are distributed in Saudi Arabia, and only 30 percent of them are distributed in Egypt. The biggest gaps in locally produced genres include travel and children’s—subjects that would likely face few restrictions in any market and where foreign content and expertise would be appealing to end consumers.

The increasing focus on literacy and education is opening up opportunities for international book publishers, specifically those that target educational and children’s books. HarperCollins and Random House recently opened operations in

Abu Dhabi, and Random House plans to create an Arabic publishing division.

New Media: Making the Leap

Due to a large youth population that is open to technology, new media is very much an emerging segment in the Middle East’s media landscape. It is a dynamic, high-growth industry in which entrepreneurs are prospering and major media and telecommunications providers are trying to secure their share of the future growth. For newspapers and TV, there is the attraction of rapid growth, and although it is not yet a reliable revenue source, the medium- and long-term prospects are bright.

Many U.S. portals now have a local presence, with Google opening a base in the UAE and Microsoft operating in Cairo through a franchise

agreement with a subsidiary of Egypt-based Orascom. Along with the growing popularity of non-regional websites—Facebook had nearly 4 million users in the Middle East in February 2009, according to the company—many regional sites have proliferated, such as Maktoob.com, with 15 million unique users, and Onkosh, a search engine dedicated to the Arabic world.

In just one example of major telecommunications providers' commitment to this sector, Saudi Telecom Company recently entered a joint venture with Saudi Research and Marketing Group and Malaysia-based All Asia Networks to open a new content company in the Middle East. Based in Dubai Media City, the company is set to commence operations this year to acquire and manage worldwide content for Saudi Telecom customers.

Additionally, future media cities are likely to be based on the principle of integrated, technologically world-class “smart cities.” The Media City in King Abdullah Economic City in Saudi Arabia has announced its intention to implement the latest technology available to position itself as the first *digital* media city in the Middle East. This will go hand-in-hand with its smart city concept, in which the estimated 1.5 million inhabitants will have home access to the latest and fastest technology.

Access to affordable, reliable broadband Internet will be vital to the mass adoption of new media products in the region, particularly media platforms that require high bandwidth, such as streaming video and online social networks that require uploading files. MBC and Chinese firm CDC Games signed an early deal

in this sector, to develop multi-player online games for Arabic consumers.

Although it is growing, household broadband penetration remains low, at just 12 percent across the GCC region, according to the International Telecommunication Union. Two major factors

The Middle East is one of the few markets in the world in which both revenues and demand are still growing for traditional newspapers.

are, however, driving broadband growth. First, mobile communications and the Internet are converging, with tech-savvy users using their phones as the primary Web connection because connectivity remains low in many areas. Relatively high adoption of smart phone and 3G technology is supporting this growth—4 million iPhones were sold in the region in the first half of 2008—and telecommunication providers, handset manufacturers and other online players are aiming to capture this market.

Secondly, the rapid growth in the number of broadband-ready Internet cafes is a substitute to home access, and is proving to be a popular social destination for the young users driving the growth of new media. As witnessed elsewhere in the world over the last decade, strong growth in new media across the Middle East is inevitable.

Regulation Paving the Way

Regulatory changes have had a profound influence on the growth of the media sector in the Middle East. From the consequences of Saudi Arabia's entrance into the WTO to the establishment of multiple media zones, the regulatory playing field is paving the way for growth.

WTO membership and pressure from international corporations has led regional governments to address intellectual property rights and the piracy of media content and software. Regulatory change in telecommunications has reduced barriers to entry for telecom operators in a number of regional markets, driving competition. Telecom operators see mobile content as a main component of their growth strategies.

However, the general regulatory environment still has room for improvement. Continued improvements in the transparency of content regulation will support further growth in credibility and circulation.

Securing licenses for broadcasting and printing remains one of the most challenging regula-

tory barriers in the region. In some countries, newspaper editors must be approved by the government. Fortunately, these challenges are easing, due to media cities and other economic zones.

The development of sector-specific media cities has had the most profound impact on the industry in the Middle East. These government-sponsored ventures have drawn international news and media organizations to the region and fostered an environment that overcomes historic challenges such as licensing, visas and infrastructure.

Overall, the region is moving toward a friendlier operating environment for the media. Increasing focus on intellectual property protection and the option for international companies to operate from free zones have increased the attractiveness of the region.

What Does the Future Hold?

The underlying regional demographic structure holds plenty of opportunity: a young and growing population that has money to spend and a healthy appetite for new technology and associ-

Major Trends Shaping Regional Media

As technology spreads throughout the Middle East, there will continue to be changes across the media landscape. Here are the leading trends for each industry segment over the next several years:

TV. Satellite will remain the dominant platform in TV. The fragmented pay market may consolidate to compete more effectively against free-to-air TV.

Film. The cinema market will continue to grow with even brighter

prospects should the Saudi Arabian market open up.

Print and publishing. Better licensing processes and increased readership will drive continued growth in the newspaper industry. A move towards online channels for content distribution will increase, although still more slowly in the short term than in the West.

Internet. New destinations and services will meet increased demand for online media and commerce.

Mobile technologies are emerging as a more prevalent channel than in the West.

Advertising. Emerging measurement systems will help advertisers and providers, both online and offline, with better consumer data, which will in turn drive more advertising spending.

ated media and entertainment offerings. The increasing success that regional and international media companies are enjoying in terms of developing products and services for this market bodes well. The potential opening up of the large Saudi Arabian market provides opportunities for first movers where competition has yet to mature. In addition, marked improvements in the business and regulatory environment provide a solid platform for growth.

The major challenges that have inhibited investment and growth in the region are now finally being overcome. Recent investments in new technology, with the capability to accommodate the latest online and mobile media products, have made the region more attractive to investors. Central authorities are improving governance and licensing procedures. New legislation is addressing the challenges of Internet protocol protection and piracy and, although not always enforced at this point, the renewed focus should build confidence in the market. Media measurement systems, including the development of a “people-meter” in the UAE, should help advertisers, and investments to improve local talent will produce the next generation of media professionals (*see sidebar: Major Trends Shaping Regional Media*).

Experience shows that markets that start with a clean slate can be a platform for remarkable progress and innovation. For example, installing a fiber-optic network where no other infrastructure exists is easier than building a network over decades-old copper wire, and it also leads to a substantial technological move forward.

While some Middle Eastern countries are certainly ahead of others across these dimensions, there are clear signs of a broad trend in the right direction, which will stimulate growth in the sector. Media cities will be pivotal ecosystems that

act as a natural landing point for international investors and facilitate regulatory change and transparency. They are also essential for providing international awareness and credibility to the Middle East’s media sector. The major trends in the Western media sector will become increasingly evident in the Middle East, and will shape the future development of the sector:

Convergence. Traditional media organizations are collaborating with and competing against a widening range of players that include online companies, telecommunication firms and even individuals producing their own content.

New consumption trends. The range of formats is growing across many platforms and devices, and changing the way consumers consume media.

Dynamic consumer relationship. The Internet has blurred the line between provider and consumer, with a proliferation of blogs and user-generated content. Web 2.0 has spurred the growth of fragmented communities, allowing companies to tap into groups of consumers that were previously unidentifiable or unattainable.

More sophisticated advertising. Consumer data is improving, especially online, leading to more effective advertising possibilities based on demographic, geographic and behavioral targeting.

Growth of online. As elsewhere, online channels are proliferating in the Middle East through social networking and other social media sites.

The Light at the End of the Tunnel

While the global media and entertainment industry is facing a multitude of challenges—decreasing readership, dropping revenues, online threats—the Middle East is offering many glimmers of hope for local, regional and global players across the media spectrum. The important steps are to

understand the consumers and establish a local presence; to think across the value chain; to collaborate where necessary; and to measure success properly. The favorable demographics and the top-down structural changes across the Middle East media sector have put it in position for continued, accelerating and attractive growth.

Early movers can still secure attractive and profitable opportunities across the range of media segments:

Facebook has nearly 4 million users in the Middle East, and many regional sites have appeared, such as Maktoob.com, with 15 million users, and Onkosh, an Arabic search engine.

TV and film. Producers and content distributors should forge relationships with an eye on the consolidation that will inevitably take place between broadcasters, and the impact it will have on production and content acquisition. Broadcasters should take advantage of new media measurement systems to improve strategic decision-making and enable more effective advertising sales. The potential of video-on-demand and Internet television will be realized once the technology reaches a wider market. The proliferation of mobile phones and smart phones is an oppor-

tunity to gain a lead in mobile TV, not just in the Middle East but also outside the region. Filmmakers should seek to meet the surging appetite for regionally produced and foreign films by continuing to enter into production and distribution deals.

Print and publishing. Seize the opportunity as licensing and distribution regulations are relaxed to gain an advantage in one of last growing regions for publishing. Western publications are penetrating the market, but there is still room for foreign titles to produce more local editions. Building brand loyalty and an online presence in tandem with offline publications will minimize the loss of readers to alternative Internet channels. Increased focus on education and English language training also presents many opportunities for publishers in the region.

New media. The ever-improving data available on the region's Internet users can be used to better understand, segment and target the online audience, and develop tailored online media. Companies should not be afraid of innovation, as Middle Eastern consumers have a strong record of adopting new technologies. From the Internet "first-timers" looking for basic news and email services to the young, tech-savvy users at the downtown Dubai Internet cafes, already well-versed in online gaming and social networking, the local consumers will not accept anything short of the latest offerings in products and services.

Finally, media companies operating in the Middle East should not view their activities in the region as a standalone venture. Media is becoming

an ever-more global industry, so the strategy for this region should tie into a company's overall global strategy. Innovations and new products should be brought to the region in tandem with their launch elsewhere, and indeed innovations arising in the Middle East should not be confined to the region.

While still relatively small, the Middle East media sector is growing rapidly and is reaching a scale that presents an attractive opportunity for those media companies prepared to invest. While the media industry in developed countries struggles, the Middle East is a light at the end of the tunnel.

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