
Saudi Arabia's dynamic television and video market

A high-growth opportunity

Contacts

Strategy& **Dubai**

Karim Sarkis
Partner
+971-4-436-3000
karim.sarkis
@strategyand.ae.pwc.com

Karim Daoud
Senior executive advisor
+971-4-436-3000
karim.daoud
@strategyand.ae.pwc.com

Carla Khoury
Executive advisor
+971-4-436-3000
carla.khoury
@strategyand.ae.pwc.com

MBC Media Solutions **Dubai**

Nadim Samara
Chief Operating Officer
+971-4-391-9999
nadim.samara@mms.net

Jamil Kabbara
Strategic Analytics Manager
+971-4-391-9999
jamil.kabbara@mms.net

ABOUT THE AUTHORS

Strategy&

Karim Sarkis is a partner with Strategy& Middle East, part of the PwC network. Based in Dubai, he leads the Media and Entertainment sector in the Middle East. He has more than 24 years of experience in media and strategy consulting. He specializes in media sector development, content development, media investment feasibility, and digital transformation within the media sector.

Karim Daoud is a senior executive advisor with Strategy& Middle East. Based in Dubai, he works in the Media and Entertainment sector in the Middle East. He has over 20 years of experience in strategy consulting and profit and loss management in media, telecom, and digital publishing across the Middle East. He specializes in strategy formulation, digital transformation, partnership and joint venture development, new business/product development, post-merger integration, institution building, and change management.

Carla Khoury is an executive advisor with Strategy& Middle East. Based in Dubai, she works in the Media and Entertainment sector in the Middle East. She has over 15 years of strategy consulting and media industry experience. She specializes in policy and strategy development, restructuring and transformation of media groups, and digital media strategies.

MBC Media Solutions

Nadim Samara is the Chief Operating Officer at MBC Media Solutions, the commercial advertising and sales arm of MBC Group, which focuses on expanding MBC's audience monetization across markets. He has 20 years of experience in managing business intelligence, strategy, and account management in the media industry where he focuses on stimulating growth and driving innovation in the field.

Jamil Kabbara is the Strategic Analytics Manager at MBC Media Solutions, where he leads the commercial data analytics, strategy, and infrastructure of the company across its different departments and clients. He has over seven years of experience in planning, data visualization, and strategic investments in the media industry where he focuses on providing clients with solutions to increase return on investment.

EXECUTIVE SUMMARY

Saudi Arabia's vibrant and rapidly growing entertainment and media (E&M) industry is making an important contribution to the country's culture and its economic diversification. In particular, the TV market is undergoing transformation and the over-the-top (OTT)¹ video market is dynamic and developing as new technologies emerge. Globally, audiovisual content has become a respected cultural artefact and is experiencing record levels of demand—in which Saudi Arabia can now participate.

The Saudi market's E&M growth potential stems from its distinct features—high rates of content consumption, including TV, streaming, video sharing, and gaming; impressive adoption of smartphones; robust social media; fast connectivity; and advertising growth opportunities. Indeed, while streaming and mobile penetration are changing how video is consumed, TV retains a majority share of viewership. Digital technology allows viewers to blend linear and streaming, curating their own content.

To grab more of this market, TV and video players should know their viewers intimately so that content producers can predict programming needs, grow viewer numbers, and create content to gain audience share domestically, regionally, and internationally. Media companies should continue with extending their offerings to on-demand streaming, digital transformation, innovation, data analytics, social media engagement, and digitally enabled advertising. To support such customer-centric change, media players should deepen partnerships with telecom operators, technology companies, and content creators, while building their internal capabilities to become more innovative.

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THE SAUDI BRIGHT SPOT IN THE TELEVISION AND VIDEO INDUSTRY

The Saudi TV and OTT video market is dynamic and continuously developing as new technologies emerge and the audience embraces new genres of content. Saudi viewing habits have been transformed as mobile devices, optical fiber network connectivity, and video on demand (VOD) platforms have become mainstream.

Although TV remains a strong performer and a key engagement platform, providing viewers with shared experiences, community, and content opportunities, Saudi media consumers are increasingly using OTT VOD platforms due to the diversity, flexibility, and personalized experiences they offer. That means an OTT outlook for Saudi Arabia that outstrips the regional forecast. OTT revenues in Saudi Arabia are projected to grow at an 11.9 percent CAGR from 2019 through 2025, which surpasses the MENA revenue growth outlook of a 10.4 percent CAGR (see *Exhibit 1*).²

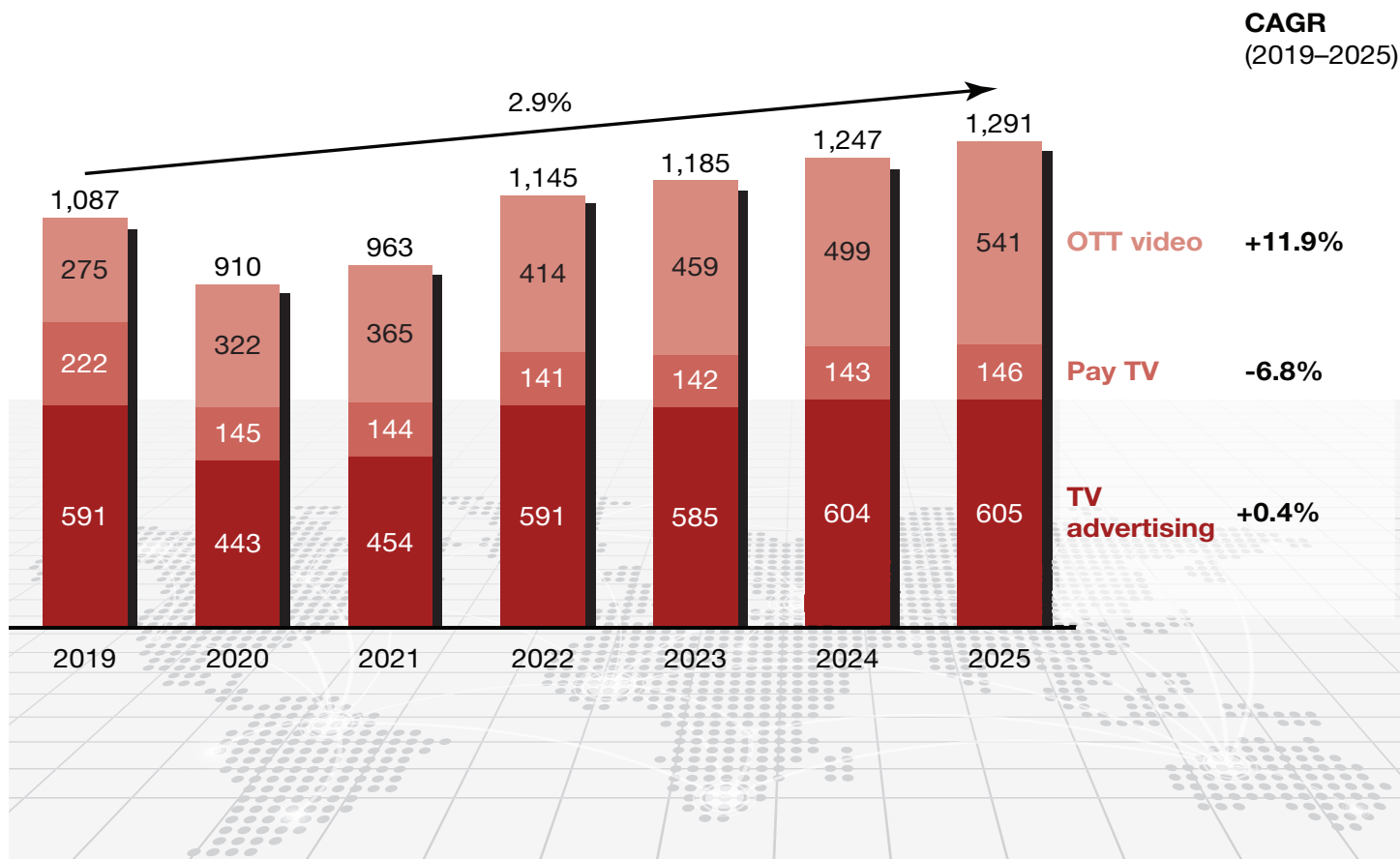
The continuing expansion into digital consumption is a notable driver of change across the global TV and video industry. Advances in technology and in the delivery and distribution of content, namely the proliferation of OTT video on demand platforms and social media, have caused a shift in consumer habits, along with changes in the dynamics and business models of the industry. This shift was further amplified by the global pandemic, during which consumers stayed home and the use of in-home digital services soared.

The growth of on-demand consumption notwithstanding, TV remains the larger segment within video markets. TV is expected to retain this position, generating around 50 percent of total TV and video revenues. In 2019, TV generated 54 percent of total TV and video revenues, and is forecast to create 47 percent of the total in 2025.³



EXHIBIT 1**The engines of growth in Saudi TV and OTT video**

Saudi TV and OTT Video Revenues Outlook by Segment, 2019–2025 (US\$ millions)



Note: OTT = Over-the-top

Source: PwC Global Entertainment and Media Outlook, 2021

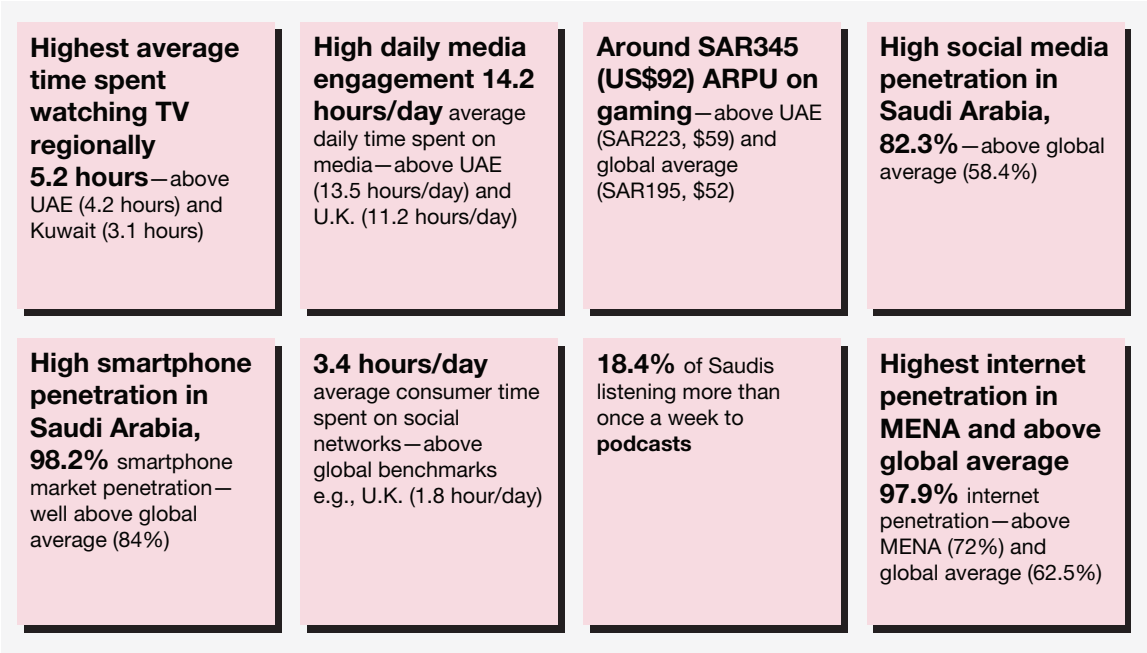
SAUDI CONSUMERS ARE DRIVING E&M GROWTH ACROSS MARKET SEGMENTS

The E&M growth outlook in Saudi Arabia is driven by a national audience that ranks among the most avid media consumers in the world. Stimulated by the social, economic, and cultural transformations set in motion by the Saudi Arabian government’s Vision 2030, Saudis are using a variety of media platforms to access, engage with, and create content.⁴

Saudis are constantly connected. Smartphone market penetration is 98.2 percent—well above the global average—and internet penetration is 97.9 percent.⁵ Saudis are also sophisticated media consumers. They rank above global benchmarks in daily media engagement, social media use, and TV viewing (see *Exhibit 2*).

EXHIBIT 2 Saudi Arabia is a high media consumption market

Saudi Media-Consumer Behavior



Note: ARPU = average revenue per user, MENA = Middle East and North Africa.
Source: DataReportal (2022), “Digital 2022 Saudi Arabia,” retrieved from (<https://datareportal.com/reports/digital-2022-saudi-arabia>); Ipsos; Statista; The World Bank; World Telecommunication/ICT Indicators Database, International Telecommunications Union; Strategy& analysis

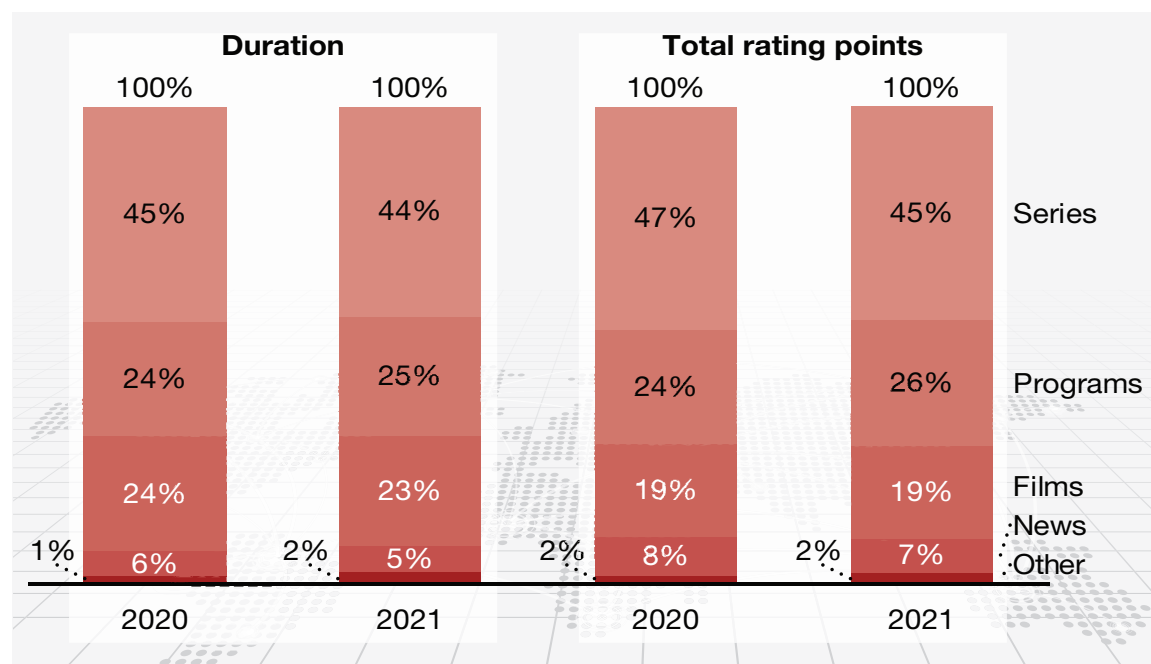


Television

Although digitization is a powerful trend, TV is still able to deliver to mass audiences. With an average monthly reach of 84 percent of the Saudi population in 2021, TV remains popular and an essential medium among Saudi viewers, with series leading the ratings (see *Exhibit 3*).⁶ According to Ipsos, Saudi TV viewers spent an average of 5.1 hours per day watching TV in both 2021 and 2020, compared to 4.5 hours in 2019.⁷

EXHIBIT 3

Series are the best-rated and longest-watched TV shows in Saudi Arabia



Source: MBC Group data

The top 10 TV channels in Saudi Arabia had a 41.8 percent share of audience in 2021, a slight reduction from a 43.1 percent share in 2020. This modest drop in viewing of these major channels is attributable to a higher-than-normal viewing of children's and news programs during the first year of the pandemic (see *Exhibit 4*).

MBC Group is the leading broadcaster in Saudi Arabia, with a 47.7 percent audience share and seven of the top 10 channels, followed by the Saudi Broadcasting Authority channels with 17 percent, and Rotana with 11 percent. MBC1, MBC's flagship channel that broadcasts a diverse set of family entertainment, lifestyle, news, and sports programming with a focus on Saudi stories, was the most-viewed channel for 2020 and 2021, followed by MBC3, a free-to-air children's channel with audience peaks in the after-school time slots in the afternoon. MBC2, which specializes in international films, is ranked third. Its best ratings are in the evening hours for subtitled action and science fiction films.⁸

The TV audience in Saudi Arabia crosses gender and age demographics. For instance, the MBC Group's audience is evenly split between males and females, with 31 percent between 15 and 24 years old, 27 percent between 25 and 34 years old, and 42 percent ages 35 and older.

EXHIBIT 4

The top 10 channels in Saudi Arabia accounted for more than a 40% share of the viewing audience in 2020 and 2021

Top 10 Channels per Share of Viewing

		Rank 2020	Rank 2021
MBC1	13.4% 14.3%	1	1
MBC2	4.5% 4.5%	3	2
MBC3	4.2% 4.1%	4	3
AL ARABIYA	4.5% 3.8%	2	4
SAUDI QURAAN	3.6% 3.8%	6	5
MBC DRAMA	3.6% 3.0%	5	6
MBC ACTION	2.3%	n/a	7
AL HADATH	2.4% 2.1%	8	8
PAN1-B	2.8% 2.1%	7	9
SAUDI TV1	2.1% 2.0%	9	10
MBC4	2.0%	10	n/a

Source: MBC Group data



OTT video

The audience for OTT video is growing rapidly in Saudi Arabia as consumers adjust their media diets to increasingly personalize and control content. OTT platforms in Saudi Arabia, including international players such as Netflix and Starzplay, and regional players such as Shahid and Jawwi, are meeting this demand.

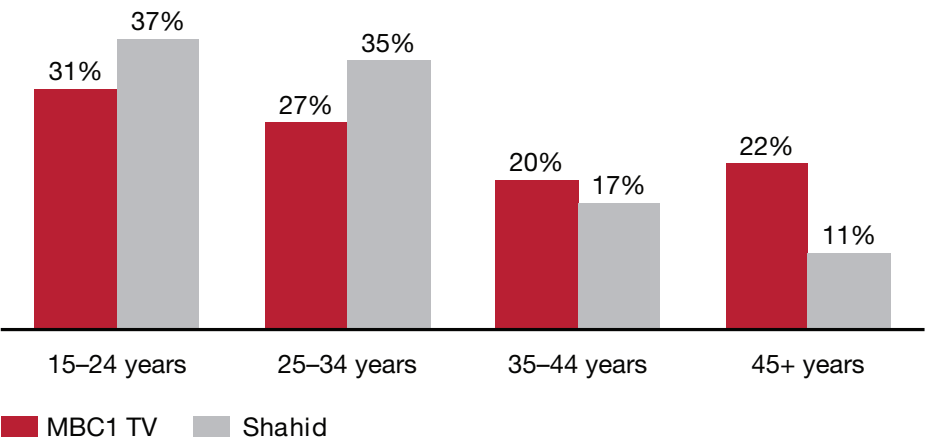
Saudi viewers can consume either advertising-based video on demand (AVOD) or subscription-based video on demand (SVOD), which usually offers a larger catalog of shows and live broadcasts.

For example, MBC Group’s content streaming platform, Shahid, which launched in 2009, now has 9.5 million unique users in the MENA region. The average number of unique viewers per month for Saudi Shahid AVOD has increased by a 28 percent CAGR in the last two years to reach an average of 3.4 million viewers in 2021 (not including the Ramadan period). Shahid VIP, which operates through subscription, reached a total of 2.25 million subscribers in Ramadan 2022. Saudi Arabia’s extremely high smartphone penetration rate explains why 77 percent of Saudi Shahid viewers use their mobile phones to view content on the platform.⁹

Shahid unique viewers in Saudi Arabia are equally distributed between males and females, and the majority of viewers are relatively young compared to MBC1 TV viewers (see Exhibit 5). More than 70 percent of Saudi Shahid viewers are below the age of 35; gen Z Saudis (ages 15 to 24 years old) account for 37 percent of Shahid viewers.

EXHIBIT 5 Shahid video viewers are younger than MBC1 TV viewers

MBC1 TV Audience and Shahid AVOD Unique Viewers Profile by Age Group (2021)



Note: AVOD = advertising-based video on demand.
Source: Shahid; Ipsos



Social media

Saudis spend an average of three hours per day on social media, which explains why it has become an integral element of broadcasters' content strategies.¹⁰

Broadcasters are using social media to reach larger, younger target audiences. Depending on the platform and its audience profile, they create new content or reformat existing content, and push it through social media networks to complement the long-form offerings delivered via TV and OTT. Short videos, "snackable" content that is quick and easy to consume, behind the scenes segments, online casting, voting, and polls are all used to engage social media audiences.

MBC, for instance, maintains a presence on Facebook, Instagram, Snapchat, TikTok, Twitter, and YouTube—on all of which followers, video distribution, and engagement have achieved a 20 percent CAGR between 2019 and 2021. The broadcaster has also recorded a 62 percent CAGR in video views over the same period.¹¹



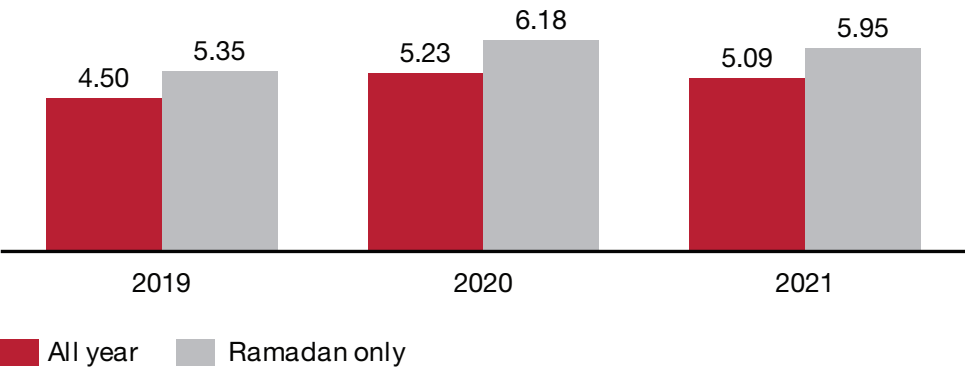
Ramadan media consumption

Watching post-Iftar TV remains a staple in the Ramadan tradition of Saudi families, and a major driver of advertising and premium content. Consumers in Saudi Arabia watch more TV during Ramadan than at any other time of the year (see *Exhibit 6*). OTT video also exhibits a surge in viewership during Ramadan—an increase that is 2.5 times higher than the average of remaining months of the year.

More-frequent TV viewing during Ramadan drives advertising reach: The 100 most-viewed TV commercials on MBC Group’s channels in 2020 and 2021 all aired during or right after Iftar. Consequently, advertisements during Ramadan sell at three times the normal rate, and premium content publishers tend to allocate higher budgets for Ramadan shows, raising their production value.

EXHIBIT 6
TV viewing in Saudi Arabia jumps during Ramadan

Average Daily Time Spent on TV in Saudi Arabia

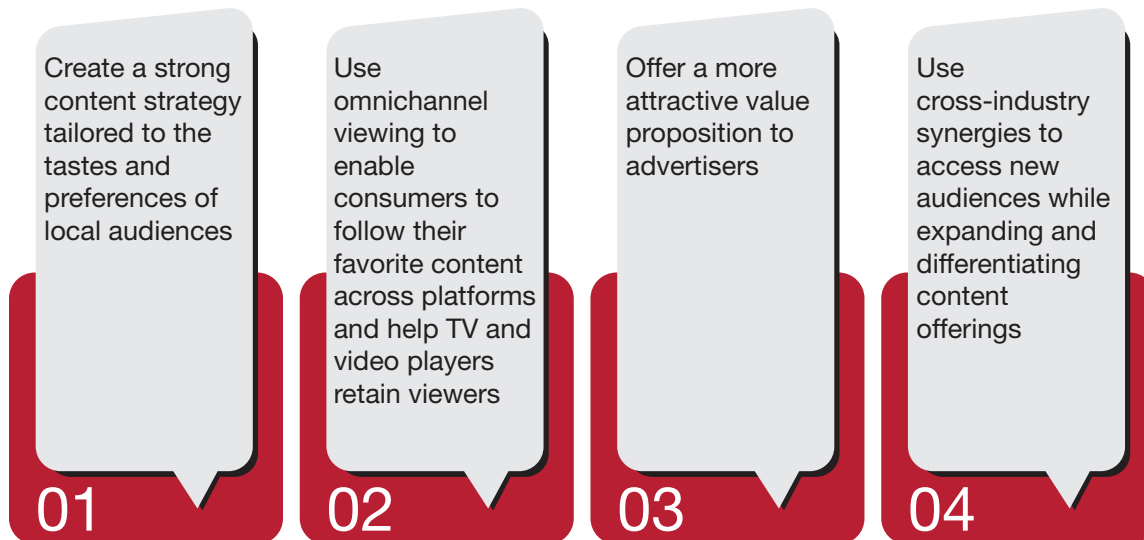


Source: Ipsos

A WINNING AGENDA FOR SAUDI TELEVISION AND VIDEO PLAYERS

Saudi consumers are hungry for media experiences that are relevant to their interests and align with their needs. This imperative, combined with technological advancements, increased competition, and new advertising products, is driving the agenda for TV and video success in Saudi Arabia. The development of the Saudi TV and video market is also part of a broader cultural renaissance in which audiovisual content can play a key role. Saudi Arabia is seeking to diversify its economy, and the creative industries are one important avenue to that end.

TV and OTT video players can contribute by capturing an outsize share of the growth in the Saudi media markets in four ways:



1. Create a strong content strategy tailored to the tastes and preferences of local audiences

Local and regional content remains an all-time favorite of Saudi audiences, whether it is delivered in the form of scripted series or other local entertainment, sports, and social programming. The success of premium publishers in Saudi Arabia therefore derives from a strong content strategy that resonates with local audiences, fits their tastes and preferences, and is accessible across platforms.

Investments in localized Arabic programming pay off in Saudi Arabia. In 2020, for instance, the most popular show in the country was the Egyptian prank show *Ramez Majnoun Rasmi*, with a viewership of 10.89 million. In 2021, Gulf sitcoms *Mamnou' Al Tajawwol* and *Studio 21*, which premiered during that year's Ramadan season, were the top-rated shows.¹² MBC Action achieved a position among the top 10 channels in the country with local sports content. Its *Action Ma' Waleed*, a sports show hosted by Saudi writer Waleed Al Farraj, was the top sports show in 2021.

The preference for localized programs extends to OTT platforms. OTT provides the ability to monitor the behavior of viewers on the platform, which, along with social media feedback, enables the design of content strategies that are closely aligned with audience preferences. For example, MBC's efforts to produce high-end Arabic originals and feature them exclusively on subscription-based Shahid VIP have driven significant growth in its customer base. Shahid VIP reports that it commissioned the production of at least 60 original series in 2021.

Other international and regional streaming platforms are also increasing their original exclusive Arabic content production. The growth in international programming sourced from the Middle East has just begun. Netflix has produced scripted series in Lebanon, Jordan, and Egypt, including *Jinn*, *Paranormal*, *Al Rawabi School for Girls*, and *Abla Fahita*. The company is striking key partnerships with Saudi content players, such as Myrkott and Telfaz11, to produce original series and movies. In addition, OSN and Jawwi TV, are allocating larger budgets to original content production. In time, local programming can become a significant export opportunity.

Programs inspired by international shows also work. International formats adapted to the tastes of local audiences, such as Arab Idol, Saudi Idol, The Voice, The Masked Singer, and Top Chef, are also successful with Saudi consumers and the advertisers that wish to reach them.¹³

2. Use omnichannel viewing to enable consumers to follow their favorite content across platforms and help television and video players retain viewers

The more viewing platform options available to Saudi consumers, the better. TV and on-demand platforms can operate side-by-side to successfully capture the attention of Saudi audiences.

Top-rated TV shows, such as the prank show *Ramez Aqlo Tar*, are among the most-played videos on the Shahid streaming platform. Other examples of successful cross-medium content include original programming that premieres on Shahid and is then aired on MBC Group TV screens, such the comedy series *Adani AL Aib* and the drama series *Wasiyat Badr*.

Cross-medium content from social media can also drive viewership. *Dr. Cash*, a short online format providing financial advice, was ranked among the top 15 shows in 2021 on TV.¹⁴

As with localized content, successful cross-medium content viewing that bridges TV, streaming platforms, and social media is underpinned by strong data analytics that progressively enhance content performance. Ultimately, the winners are the Saudi viewers who will enjoy the content that matches their expectations and preferences and is readily accessible and available across media.

3. Offer a more attractive value proposition to advertisers

The low level of advertising spending per capita in Saudi Arabia compared to global benchmarks provides a valuable opportunity to reach more consumers.

In 2020, the most prolific TV advertisers in Saudi Arabia were telecom, food and beverage, and healthcare. In 2021, they were logistics, consumer packaged goods, and government. However, the advertising market in Saudi Arabia is undergoing a major shift. Digital media took a 60 to 70 percent share of advertising spending, with a large portion of this spending going to the global networks offered by Google and Facebook.¹⁵

As elsewhere in the world, product-driven advertising is becoming less effective in Saudi Arabia as consumers become increasingly sophisticated. Today, Saudi consumers are looking for an omnichannel experience that is relevant to their interests and aligns with their needs. There is a heavy focus on the here and now, and instant gratification is treated favorably, no matter what social channel or media outlet it comes from. Viewers also have higher expectations and less patience, making things much more difficult for media players. These forces, combined with technological advancements, increased competition, and new advertising products have created an imperative for advertisers in the region, and particularly in Saudi Arabia.

Engaging viewers' emotions, while matching their purchasing values, is a far more effective tactic for driving sales and increasing brand sentiment. TV and video players can attract advertisers interested in reaching Saudi consumers with the help of alternative and less intrusive advertising, such as paid content partnerships and brand integration. For instance, Oppo, the Chinese consumer electronics and mobile communications company, successfully embedded a marketing and product placement campaign in the Arabic version of the international reality competition show *The Masked Singer*.

Digitization is a key enabler that is revolutionizing the entire value chain of media and advertising in Saudi Arabia. With the growing prominence of fiber optics and 5G networks, and the use of AI-powered recommendation algorithms on VOD platforms, the Saudi Arabian advertising market is entering a new era supported by robust consumer intelligence and analytics.

State-of-the-art analytics and data allow content producers, advertisers, and especially consumers to benefit from diverse and multichannel media consumption. With massive data sets and advanced predictive behavior models, advertising vendors can exploit consumer insights and use new tools, such as addressable advertising, programmatic buying, product placement, and sophisticated delivery systems. For instance, detailed data on the media behaviors of Saudi viewers can allow companies to offer better-targeted advertising and an overall enhanced experience, including intuitive content recommendations for viewers, increased return on investment for advertisers, and more insights for content producers.

Digitization enables advertisers and media broadcasters to look beyond traditional performance metrics to target metrics such as content relevance and brand sentiment, to continuously meet viewers' expectations. By delivering advertisements across consumer touch points and measuring their performance for optimization, vendors can play a key role in connecting brands with people—and offer buyers a more compelling value proposition.

4. Use cross-industry synergies to access new audiences while expanding and differentiating content offerings

Partnerships and alliances with regional and international players can provide TV and video players with privileged access to new viewers, enable them to differentiate their content offerings, and offer access to new sources of content.

MBC's Shahid platform offers a notable example. In recent years, the platform partnered with smart TV manufacturers, telecom providers, content owners, and technology companies to improve the overall consumer experience journey regionally. For example, as of the first quarter of 2022, a button for the Shahid TV app has been built into 1.5 million smart TV remotes, including brands such as Samsung, Hisense, Haier, Panasonic, and Changhong. In 2020, Shahid partnered with Rotana Media Group to bring Rotana's TV channels to Shahid VIP. A free two-month Shahid VIP subscription was also given to all Saudi Telecom Company users.

CONCLUSION

The TV and video opportunity in Saudi Arabia is ripe for harvest. Saudi viewers are eager and sophisticated consumers of media, and the advertising marketplace offers untapped opportunities. To have a competitive advantage in this market, TV and on-demand platforms can operate side by side to capture the attention of Saudi audiences. OTT video will continue to become mainstream among all audience segments. TV will use the advantages of its mass traditional reach, particularly through Ramadan, mega live events, and sports. Simultaneously, TV will adapt to streaming and on-demand models. The focus on Ramadan as a key season for audiences and advertisers along with content localization will remain important success factors, regardless of the content distribution channel.

Data analytics and digitization will play an essential role in Saudi TV and video, as well as the broader E&M market. These technologies allow players across the E&M industry to understand media consumers in ever more specific ways, to predict—rather than react to—consumer desires, and produce holistic omnichannel experiences. E&M players and advertisers that wish to succeed in the post-pandemic TV and video ecosystem will need to be collaborative, innovative, and agile. Those that are will be rewarded, and will help position the country as a cultural creator.

ENDNOTES

1. Over-the-top (OTT) refers to video accessed via an over-the-top/streaming service. These services are split between advertising-based video on demand (AVOD), transactional video on demand (TVOD) and subscription video on demand (SVOD).
2. Saudi Arabia accounts for 40 to 45 percent of the revenues in the MENA region's E&M industry.
3. TV advertising is defined as all TV advertising revenue, including broadcast and online. Broadcast TV covers all advertising revenues generated by free-to-air networks (terrestrial) and pay-TV operators (multichannel). Online TV advertising consists of in-stream adverts and reflects revenues from pre-roll, mid-roll, and post-roll ads around TV content distributed by broadcaster-owned websites. Pay TV is defined as consumer spending on basic and premium pay-TV subscriptions; consumer spending on public license fees where applicable; physical home video revenue; and on-demand video services via a TV subscription provider. This revenue is digital and non-digital; see PwC, "Global Entertainment & Media Outlook 2021–2025," 2021 (<https://www.pwc.com/gx/en/industries/tmt/media/outlook.html>).
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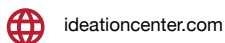
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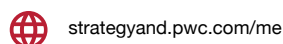
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