Signs **of change**

In the aftermath of the Arab Spring, we see if anyone can predict what comes next for the industry by Sidra Tariq

The year 2011 has been a rollercoaster ride for the Middle East. The speed at which things have changed in the past few months and the ups and downs in the markets have shaken the region.

The political uprisings in countries such as Tunisia, Egypt, Syria, Bahrain, Yemen and Libya, plus the domino effect of toppling governments since December 2010, have not only had an impact on the regional advertising industry, but also the global ad scene.

According to an *Ad Age* report, Publicis Groupe's media agency ZenithOptimedia forecast a $2.4 billion loss in global ad expenditures this year due to the political turmoil in Egypt and the earthquake in Japan.

In December 2010 the agency predicted the growth in global ad spend to be 4.6 percent in 2011. The worldwide ripple effect brought the expected growth down to 4.2 percent in its forecast this year.

The aftermath of the Japan earthquake, which mainly had an effect on the automotive industry and consumer electronics items, was just a blip on the radar compared to what the regional uprisings did to the Middle East ad market.

Communicate speaks to the regional advertising industry to evaluate the five-month roller coaster ride and the nausea that has remained since. The analysis of the experts *Communicate* talked to differ to a certain degree. While some say that only markets with political turbulence suffered during the revolutions, others say that the whole region was affected. There was a disparity in the predicted advertising spend and growth as well. The only thing they all agreed on was the uncertainty that looms over the region.

According to a Pan Arab Research Center (PARC) report, measured advertising spend in the region declined by 1 percent during the first quarter of 2011, compared to Q1, 2010. While in countries like Saudi Arabia and Qatar, measured spending accelerated by 11 percent and 7 percent respectively, it slowed down in markets such as Egypt (down 51 percent), Bahrain (down 21 percent) and Jordan (down 21 percent) during the quarter. However, the research only accounts for spending on TV, newspapers, magazines, radio, outdoor and cinema.

"We need to divide the market in to two: markets where there are troubles – mainly Tunisia, Egypt and Bahrain – and the rest of the market," says Samir Ayoub, CEO of media agency Mindshare MENA. "In [those three] markets, the situation for Mindshare is as bad as for everybody else in the market. The first four months' results were very bad (of course I'm talking about minus figures here)... There is no sign of improvement yet, even in Tunisia, where the revolution started much earlier than in Egypt. There are no signs of recovery yet.

"We do expect that the situation will be bad, at least in the coming four to five months, i.e. until the beginning of Ramadan," he says. "This is the result of at least an 80 percent drop in whatever was initially budgeted for 2011 in these markets. So we expect the markets overall to [drop] by at least 50 percent versus 2010."

Reda Raad, chief operating officer of ad network TBWA\Raad, expects the region overall to fare well: "Saudi Arabia is doing very well. Qatar is doing very well. Abu Dhabi is doing very well. Dubai is picking up. So overall the region looks promising. The big impact of that is what is happening in Egypt."

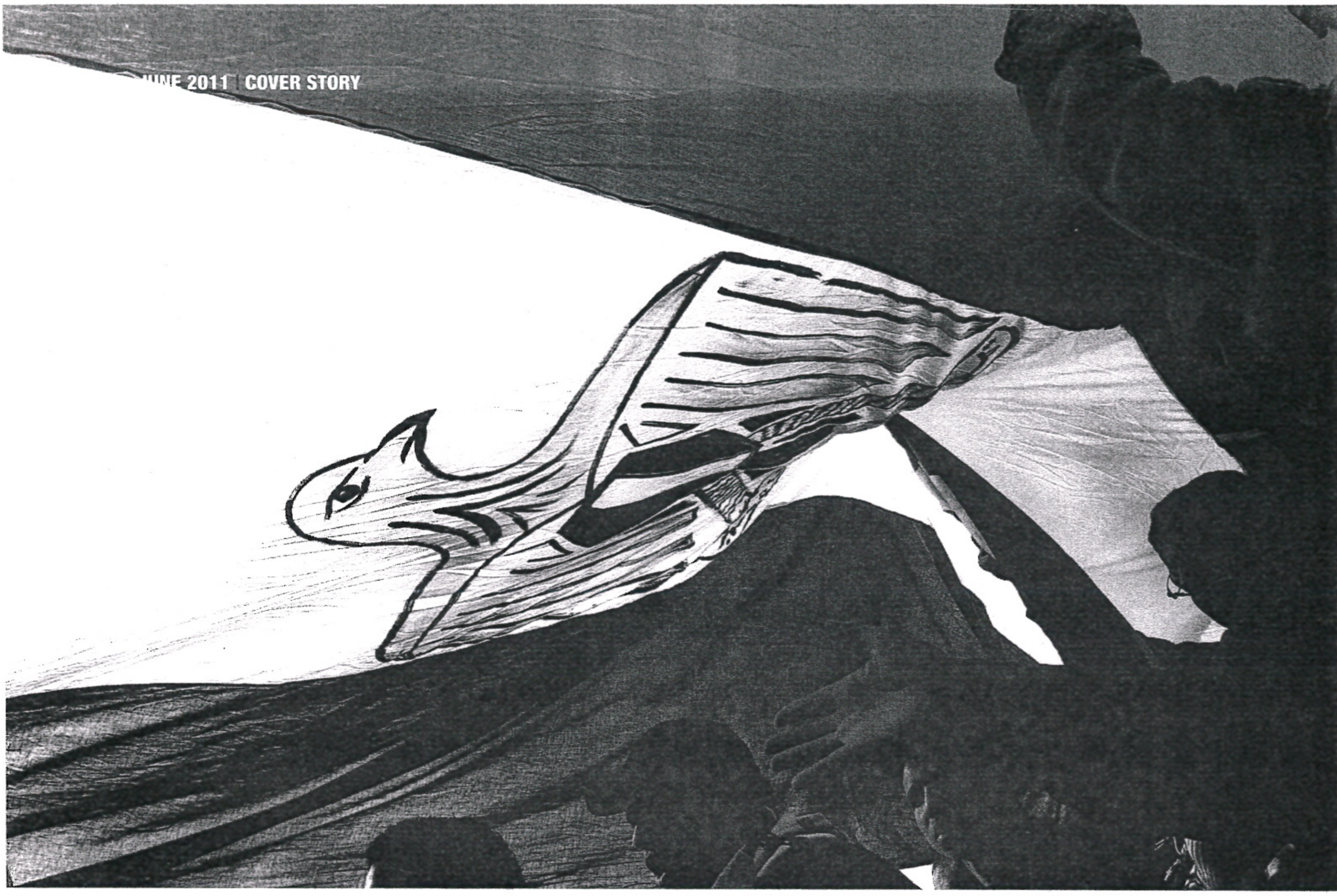
Raad says that he expects a 5 to 10 percent drop in advertising spend in the region when compared to 2010, primarily because of the effect on Egypt. "Egypt is one of the largest markets for our industry, especially in terms of the advertising spend."

According to media company GroupM's forecasts, Egypt's ad market was worth nearly $1 billion a year and media spending had seen a 17 percent growth in 2010, according to an *Ad Age* report.

"The recent political situation in Egypt really brought the advertising sector and advertising spend in the first quarter to almost a standstill," says Raad.

"Bahrain, again, is not such a big market; not as big as Egypt. So I don't think the effect of the Bahrain situation is as traumatic or as impactful as what Egypt has done to the rest of the region," he adds.

Elie Khouri, CEO of media network Omnicom Media Group (OMG) MENA, says that according to ▶



OMG's October forecasts, the region was expected to have double-digit growth this year (around 15 percent), but now only 5 percent growth is expected. Alex Saber, chairman of communications group Vivaki, also puts the figure at 5 percent, with earlier predictions being 15 to 20 percent.

On the other hand, Dani Richa, president of creative network Impact BBDO MENA, predicts a negative growth of 5 to 10 percent for the region when compared to 2010.

Elie Aoun, CEO of research agency Ipsos, says, "Last year, the growth in advertising spend in the region was more than 25 percent. Now I don't see the growth at more than 5 percent (judging from rate card figures)."

However, he adds that the rate card figures this year do not show a big drop in advertising spend. "It differs from one market to another, but we are talking a number that is 10 percent [down] maximum."

SECTORS. Aoun adds that decrease in ad spend was mainly by the telecommunications sector. It saw a "surprisingly" large drop in the first quarter of 2011 compared to 2010. Saudi Telecom Company (STC) had a more than 25 percent reduction in advertising spend, he says: "It used to be $48 million; it is now $33 million [in terms of rate card figures]."

"Etisalat, for example, had more than a 50 percent drop. They spent in 2010 double what they are spending in 2011," he adds. Aoun is not sure whether this is because of the unrest in the region or because it is a strategy the telcos are adopting.

"Last year the region saw a 27 percent growth in ad spend and the telecommunications sector was leading it," says Aoun. "Maybe [this year] it is a strategy for [the telcos] to spend more later on." On the other hand, Mobily increased its budget for this year, he adds.

"The banking sector is still the same," he notes. "There is a drop in the real estate sector and also in [the automotive sector]." FMCGs, he says, are still spending: "For example, categories like shampoo is constant, chocolate is the same, and soft drinks is the same."

Meanwhile, Mindshare's Ayoub says that during the unrest, while there are some sectors that were extremely affected and had pulled the plug on advertising, industry players such as telcos and FMCGs proceeded with "shy advertising." Even then the advertising was very tactical – more towards promotions than branding or awareness, he says. Aside from that, it was mostly non-FMCG sectors that were badly affected by the revolution – the automotive industry, clothes and luxury items, services such as banking, and so on – he adds.

EGYPT. Predictably, Egypt is one of the hardest hit markets in the region as a result of the revolution. The tourism sector in particular has suffered the hardest blow. But there are other sectors that have been affected too. Raad says that the public sector is one of them, and so is banking.

Medhat Amin, managing director of Mindshare Egypt, says, "We handle HSBC here [Egypt]... Unfortunately due to the entire hit on the economy, because of the revolution and the amount of losses the economy has [had] and also the stock exchange, they have been directly [affected]. Hence, they put everything on hold a little bit and we're still testing the waters." He says the bank is looking more into digital now.

"We also have a car manufacturer, which is Kia Motors, who have been quite badly hit because now

DANI RICHA. *President, Impact BBDO MENA*

ELIE KHOURI. *CEO, Omnicom Media Group* people look at certain products as secondary or even tertiary. People who wanted to change their cars are not changing [them], people who were thinking about buying a new car aren't buying one, and so on and so forth," he adds.

He says that many of the telecom companies in Egypt were completely stagnant during the past few months, but a lot of them are coming back with regular advertising now.

It's mainly local brands that are expected to struggle this year. "What we are seeing is multinational brands seem to have assumed a quicker business-as-usual scenario," says Raad. "The Henkels of this world, the Mars of this world, and Visa, have all picked up and now business is continuing." One of the reasons is that the infrastructure of local brands had been hit, he adds. "For example, we had a supermarket brand... that was really hit. They couldn't just pick up and start advertising. They had to fix their shop, make sure it is working before they advertise for it. So it is different for different clients."

Moreover, "multinational brands don't have an overwhelming dependency on the one market," he says. If one market gets hit, the others may compensate. "Whereas if you are a local Egyptian brand and your business is hit, then your business stops until you fix it," Raad adds.

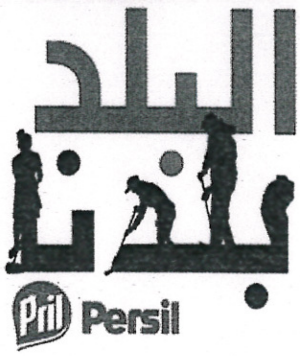
Richa from Impact BBDO says, "The business community was very closely associated with [former president Hosni] Mubarak, and a lot of the business leaders are now either under house arrest or in jail or out of the country. The ones that are not closely associated are afraid of being active and doing things now because they would rather be under the radar. So anybody who is anybody is not doing anything," says Richa. "Tarek Nour [president and CEO of Tarek Nour Communications] said it in a funny way: He said anybody with a big, black car is in trouble."

"Luckily for [BBDO], we have a lot of multinational businesses and less government business, so we haven't suffered as much, but the industry as a whole has suffered," he says.

Mindshare's Amin says that the agency's Egypt office had a rough time during the revolution. "We suffered tremendously from campaigns being cancelled, from budgets being cut, from budgets being postponed to God knows when. We suffered like any other agency in the country, from clients being very skeptical about advertising. Today, at Mindshare, things are starting to look a little bit better because [clients] are starting to realize and we have been pushing a lot of our clients to advertise... We've convinced a few clients that this is the right time to advertise."

One trend that can be seen in the Egyptian market is patriotic communications – where brands are using patriotic messages in their campaigns. A restaurant, for instance, used messaging such as "Long live Egypt. Buy pizza," says Amin. "It is as funny as that. But some campaigns have actually been more decent."

"One of my clients, Jotun Paints, had a campaign about painting the streets the new color of freedom," he adds.



TBWA\Raad did a CSR campaign in Egypt for homecare brand Henkel called "El Balad Baladna" (This place is our country, pictured, above), where volunteers would get together to clean the streets of Cairo, adds Raad.

BAHRAIN. Another market that has been affected is Bahrain. Apart from the impact that the unrest had on regular business, the Formula 1 Bahrain Grand Prix, scheduled for March 2011, and the International Advertising Association (IAA) World Congress, set for Spring 2012, have been affected. However, Johnny Khazzoum, managing director of Mindshare Bahrain, says there are talks between the Federation Internationale de l'Automobile (FIA), the Formula One Management, CEO Bernie Ecclestone and the Bahrain government, about scheduling the cancelled race later in the year, around November. The final decision will be taken in June, he says.

"For a period of time, clients [in Bahrain] had stopped advertising," says Khazzoum. "However if you look at the past one month...we can see that the trend is moving up. Clients are advertising again, but not to the same level."

Nevertheless, he says that the tourism and entertainment sectors are still in bad shape. "There is no support because you cannot promote anything related to entertainment or concerts or any of that where you will be able to attract tourists."

Retail businesses are postponing campaigns, he says, and so are hotels and airlines. Telcos and FMCGs had stopped advertising for a while, but are getting back on track now, he adds.

All in all, some recovery in Bahrain can be seen, says Khazzoum. "We expect that the full recovery will take a period of two more months. ▶

RAJA TRAD.
CEO of Leo Burnett

ALEX SABER.
Chairman of Vivaki

This is on the basis that things are going OK in the market. But you cannot predict what will happen in the future or the next day. Assessing [the current situation], there is confidence back in the clients and the people in Bahrain."

"It will all get resolved the minute the decision is taken on the F1 race for this season," says Khazzoum. "Since [the race] was cancelled because of the situation, the minute it goes back on the calendar, it is proof that Bahrain is back to where it was before. This will further give boost and confidence to the rest of the clients and business in general."

FOGGY FUTURE. In the first few months of this year, the Middle East has seen almost everything. While some campaigns have been cancelled or postponed, others are running as they normally do. "In Egypt, we are seeing a revision of budgets, because of the first quarter being so badly [affected]. But in terms of the rest of the pan-Arab budgets, we don't see any major changes," says Raad.

And while some clients are cutting down on budgets, others are retaining their 2010 levels and a few are even increasing them. This makes the rest of 2011 rather unpredictable. And experts say the same.

As the market slowly moves toward recovery, there are some factors that can give us clues about the future.

Mindshare's Ayoub says that the market situation and consumer behavior will determine clients' next moves. "The clients are waiting," he says. "They're scared of starting the investment again. They are waiting for what's going to happen in the market in terms of the political situation. And since the consumer effect was bad on their bottom line, they are now somewhere between the effect of the consumer and their future worry of restarting their investment on launching a new product or service. They need stability and peace of mind. If anybody is thinking about investment or spending they need [the assurance] that this will have a return on investment."

Vivaki's Saber agrees that the rest of the year depends on what the political situation will turn out to be. "Uncertainty is the big statement, really," he says.

When *Communicate* spoke to him he said May would be a very important month, "because whatever happens in May will indicate what is going to happen in June, and so far the May figures do not look very positive." He adds that Ramadan and the last quarter (when plans are made for next year) will "make or break" the year.

BBDO's Richa also expects this year's Ramadan to be the "acid test." "The problem with Ramadan is you need programming. It represents about 50 percent of the total spend, and all the guys who develop and do the contents and events haven't done it this year. So there aren't enough programs to sponsor, to put ads in," he says. Much of the region's Ramadan programming is produced in Egypt, and was set back by the uprising.

Amin expects Ramadan to be completely different this year in Egypt. "I foresee that there is going to be very minimal advertising. There is going to be very minimal content on TV or anywhere else. And people are going to start waiting, because right after Ramadan there are going to be the parliament elections, and then right after that there are going to be the presidential elections. So a lot of people are going to wait and see what's going to happen. That's why many clients – FMCGs in particular – have moved some of their budgets to below-the-line and on-the-ground activities."

While many expect 2011 to be a flat year, there may be chances of growth. Philip Jabbour, CEO of media agency SMG MENA, says, "If there's growth, there [will be] slight growth, and that will be driven by non-traditional elements, because a lot of the organic growth is stagnant."

While these predictions and expectations give us a slight idea, the general consensus is that nobody can predict what the rest of 2011 has in store. The mantra seems to be: wait and see.

PHILLIP JABBOUR.
CEO of SMG MENA