



SHIFTING SANDS: HOW SAUDI ARABIA IS CHANGING A BRAND GENETICS INSIGHT REPORT

JULY 2018



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LOOKING BEYOND OIL

Driven by crude oil, the Kingdom of Saudi Arabia (KSA) has long been an economic powerhouse on the global stage. However, the country is now entering a time where other forces & catalysts for change are changing things differently

Significantly, KSA is now ruled by the youngest Saudi prince in history – a Millennial himself – who wants to shift the ethos of the nation. McKinsey suggests by 2030 GDP for the nation could double with more than 60% of that growth coming from non-oil sources (e.g. retail trade, tourism & hospitality and health care)

The nation's 2030 vision – *Saudi Arabia, the heart of the Arab and Islamic worlds, the investment powerhouse, and the hub connecting three continents* – leaves little doubt of the untapped, and growing potential locked within the nation's boundaries for countless companies and brands

To help you tap into Saudi Arabia's potential, we have highlighted 7 insights uncovered through in-market immersion, expert interviews and consumer ethnographies. While there are levels of complexity and nuance we cannot capture here, we hope they give you a sense of the shifts shaping this fascinating culture and its future



FIVE KEY FOUNDATIONS OF SAUDI ARABIA



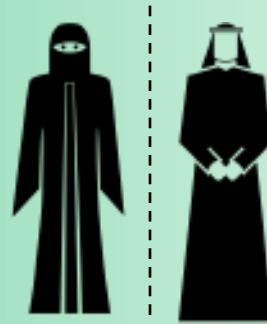
DEVOTED

KSA is a collectivistic society, and has historically been a culture defined by the idea of duty & honour towards the nation, family & religion



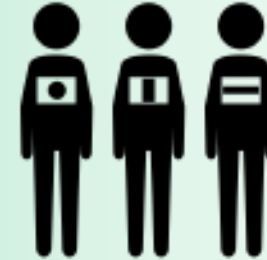
STRICT

Strict laws (e.g. no alcohol) and other restrictions (e.g. guardianship of women, female-driving ban) have defined norms and behaviours in the country



SEGREGATED

The division between men & women – both physically in public spaces and in terms of ‘what is acceptable’ – has historically defined opportunities for both genders



DIVERSE

Over 1/3rd of the nation are expats – often attracted by appealing job packages and year round sun – creating sizeable diversity



PRIVATE

Residential campuses (compounds) are self-contained gated communities where many residents (esp. expats) live and are able to experience less restrictions



7 FORCES SHAPING SAUDI - AND THEIR IMPLICATIONS FOR YOUR BRAND

1 ECONOMIC TRANSITION

Saudi Arabia's oil reserves (2nd largest in the world) contribute to the majority of the country's GDP, with an average of 12m barrels produced per day. However, the government has acknowledged that such high dependence on this diminishing resource poses an enormous risk to the sustainability and longevity of the Kingdom

Acknowledging that KSA cannot rely on oil indefinitely means the nation is diversifying by transitioning from an oil based economy to a knowledge based one. The country has already started to invest in education, entrepreneurship, employment, entertainment & alternative energy sources, thereby creating new avenues for GDP growth

While macro forces may not impact many Saudi's day-to-day, this comes at a time when living expenses are also increasing – due to the re-introduction of VAT – which is having a noticeable impact on the average resident. Consumers are finding ways to manage their spending with many using the price of a Pepsi as reference of escalating prices

IMPLICATIONS

The transition to new revenue sources for the country creates long term opportunities for a range of new industries and huge potential for a wide variety of companies and brands. However, in the shorter term, your brand may also benefit from understanding how it can offer value to those consumers hit hardest and struggling in this period of economic transition



ECONOMIC TRANSITION: THE REALITY

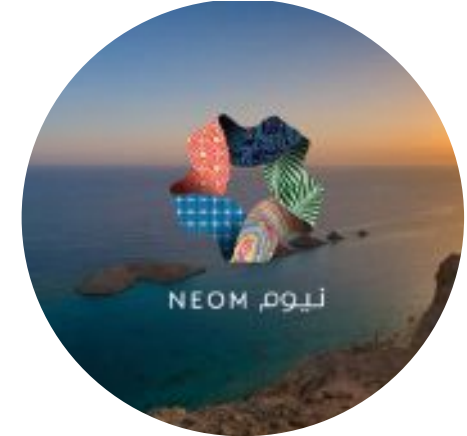


Saudi knows it has to change. The educated people have started to do things – the acknowledgement is there. I think Saudi understands now that oil has limited time



Stephen Viner
Principal of British International School of Al Khobar

Saudi Arabia aims to generate **up to 40 billion riyals** (\$11bn) in non-oil revenues from its privatisation program by 2020 and create up to **12,000 jobs**



NEOM

KSA is building an island 33 times the size of New York – **run entirely on 100% renewable energy – dedicated to creating a sustainable, revolutionary way of living.** The new land targets 9 key investment areas inc energy & water, biotech, food, tech and digital services

2 A MORE MODERATE ISLAM

Saudi Arabian society is shaped by a complex intertwining of strong religious beliefs and rich culture; remember it is home to two of the holiest sites in Islam – Mecca & Medina. Yet, even with this backdrop, more relaxed and open-minded stances on religion have – and continue – to be embraced, slowly breaking down previously steadfast cultural barriers

This is a ‘movement’ particularly driven by the younger generations who want to be able to have the freedom to practice their religion in a moderate fashion. This less restrictive mentality forms the undercurrent leading to, and influencing, other changes in the Kingdom, from increasing women’s mobility to having unsegregated public venues

There is a strong sense that KSA is leaning towards the path of Bahrain or UAE, which both still follow Islamic conduct but are much more accepting of modern societies, beliefs and lifestyles. Whilst some fear this change – and fear the country’s loss of identity – Saudi’s religious roots and position on the world stage will undoubtedly ensure religion remains a key facet of the nation as it evolves

IMPLICATIONS

The shift towards a ‘more lenient’ Saudi Arabia, where individuals are freer to express themselves, will bring opportunities to ‘switched-on’ investors, companies and brands. In order to succeed in this unique market, your brand must be able to balance the needs of individuals whilst respecting religious values



A MORE MODERATE ISLAM: THE REALITY

“

The changes in Saudi make me feel free, there is now more choice to do what you want. With the abaya (cloak) change, the days I don't want to wear it, I don't have to... I feel freedom to choose



Joj Mourad
Model & Lifestyle
Blogger in Saudi Arabia

Saudi Arabia's crown prince, Mohammed bin Salman, has **vowed** to return the country to “**moderate Islam**” and asked for global support to transform the hard-line kingdom into an open society that **empowers** citizens and lures investors

”

There are lots more events now. I went to a festival recently and it was fun for the kids. I was surprised there was no segregation at all and lots of live shows, music and entertainment



Fiona Cara
Primary School
Teacher at Nada
International School

3 AMBITIOUS YOUTH

Younger generations are increasingly exposed to the freedoms of people in other nations, imparted through travel, further education abroad and social media. This has created a desire for change from the ground up. Fortuitously, this has emerged at a time when the man in power – a millennial himself – is passionate about enabling such a shift

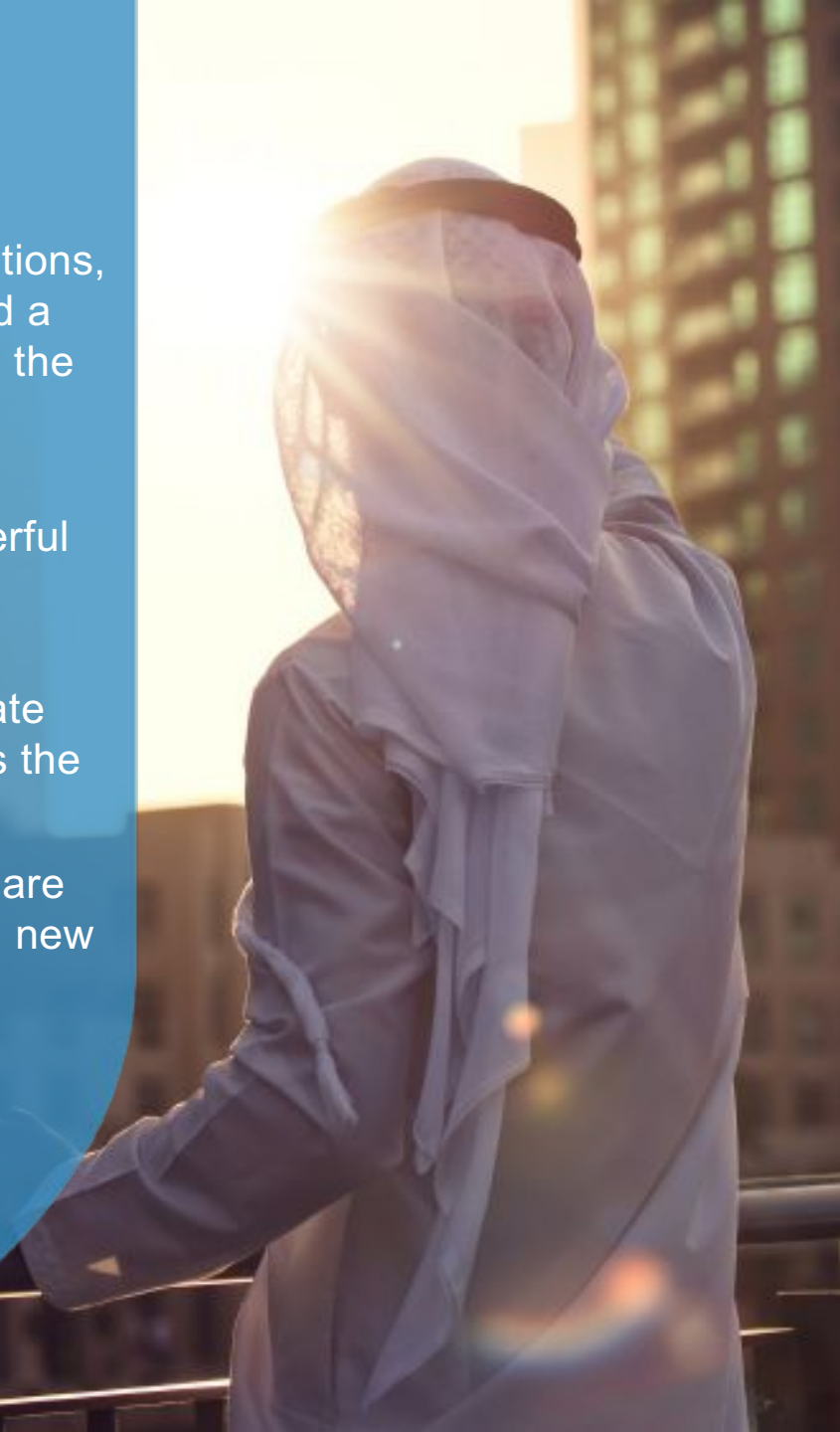
These generations (Millennial, Gen Z) are eager to modernise the Saudi Arabian landscape, and with 70% of the population under the age of 30, it represents a powerful force for change within the Kingdom

Characterised by their more liberal, risk-taking, entrepreneurial mindset, they are challenging the strict and long-established rules of the Kingdom. Whilst this can create tensions with older, more conservative Saudis, younger generations are nonetheless the main drivers of this Saudi revolution

While this is impacting both genders and the nation as a whole, women in particular are finding new ways to express themselves; from gaining work experience and learning new languages to even starting and expanding their own businesses

IMPLICATIONS

Younger generations are driven, committed and inspired to create meaningful change in the Kingdom. Key opportunities for your brand lie in finding the intersection between local culture and emerging consumer needs, in order to establish a strong presence in a promising market and help reshape Saudi Arabia



AMBITIOUS YOUTH: THE REALITY



I was just at a dinner hosted by a start-up in Riyadh. There were 100+ people there and out of everyone I shook hands with, none of them were an employee; they all had their own companies! All were young leaders, working for their own company or in private firms. It was not like that in the 80's



Abdul Aziz Al Muzaini
Saudi Cartoonist & CEO of Myrkott, KSA's first animation studio

Saudis under 25 amount to

51% of the population

- but face a **35% youth unemployment rate. A powerful combination for driving change**
-



MULU ATHLETICS

This Saudi start-up has developed 'sports abayas' that enable Saudi women to exercise without compromising their identity or modest values. A great example of finding **the sweet spot between cultural values and emerging health trends amongst Millennial and Gen Z consumers**

4 WOMEN ON THE MOVE

Saudi Arabia is the world's most gender-segregated nation. Women have previously suffered from frustrating restrictions; however, the nation is now undergoing a monumental era for women's rights as Saudi women step up and have their voices heard. Recently, women have been allowed to drive on public roads, fly planes, attend football matches and ultimately have greater freedom to choose their way of life

Whilst both men & women in the Kingdom are required to dress modestly, rules on female dress are being relaxed. Traditional black 'abayas' (cloaks women are required to wear in public areas) are being replaced by more colourful and expressive versions. This reflects the steps being taken towards removing the abaya requirement altogether, and giving women the choice to dress modestly in their own way – abaya or not

Whilst women are huge proponents of these changes, they are not alone, and many young Saudi men are fighting for women's rights, encouraging their independence. This is a radical change in mindset from previous, protective male generations

IMPLICATIONS

Saudi women will increasingly play a greater role in the economy, and this shift in mindset will dramatically impact culture, although this will evolve gradually and in pockets. Understanding how you can play into this changing narrative, and capitalize on the emerging female opportunities, whilst adapting to Saudi values, will be key for your brand's success



WOMEN ON THE MOVE: THE REALITY



Before, it was taboo to discuss women, so it was risky to hire them. For my business, I had to lobby and convince the government to make it happen. We were the first company to do female focused employment... it's about giving them an opportunity and creating new opportunities



Dr Khalid Al Khudair
Founder of GloWork,
Saudi's first female
employment company

By 2030, Saudi's
vision is to
increase
women's
participation in
the workforce to

30%



CAREEM

Careem (the Eastern equivalent of Uber) is recruiting Saudi women to become taxi drivers or 'captainahs'.

The company's success lies in embracing an eager population of drivers excited to take the wheel, helping it to expand its fleet & also provide new job opportunities

5 HYPERCONNECTED REALITY

In a country that has faced restrictions for so long, social media provides an 'escape' for many, allowing them to share their true personalities and thoughts in a virtual universe where, by contrast, few rules apply

The availability of inexpensive handsets and the high purchasing power of consumers has led to Saudi Arabia having one of the highest rates of smartphone penetration globally. This has led to a culture that relies on the internet for information access and commerce. Individuals heavily document their lives online, and social media acts as a key channel for communication, spreading news and taking a point of view

From gold shops & restaurants to schools & universities, having an online presence has become a necessity – particularly on platforms such as YouTube, Instagram & Snapchat, which have the greatest audience engagement in the Kingdom

Exposure to national and international success stories have also inspired and redefined goals, passions & aspirations for younger generations, and even introduced 'modern' career paths, such as those in YouTube and blogging

IMPLICATIONS

The penetration & importance of smartphones & social media within the culture represents a key opportunity for any brand or business – understanding how your brand can tap into this channel will generate new opportunities



HYPERCONNECTED REALITY: THE REALITY



Saudis are deeply hooked to social media, more than in the West. They rely on their social media to get information from YouTube, Facebook & Twitter that they can't get hold of normally. Everything is on their smartphone device. I'm sure the average Saudi has 2-3 phones



Stephen Viner
Principal of British International School of Al Khobar

91%
of Saudi's population are active internet users & **75%** have active social media accounts



NOKIA

Mobily, one of three Saudi network operators, plans to get ahead of the competition by capitalising on Nokia's advanced technological capabilities **to be the first to address the growing bandwidth demands of its subscribers and prepare the country for 5G**

6 RECLAIMING THE KINGDOM

Historically, the majority of Saudis worked in well paid government jobs &/or receive generous grants and allowances. However, the government is now curbing and redistributing these funds, injecting them into national entrepreneurship and education programs. This is forcing Saudis to adapt to working in more demanding business environments to retain their standard of living with less government support

Furthermore, a raft of privatisation schemes are being adopted in a number of industries to improve quality and competition in the Kingdom and make government jobs less attractive overall

In parallel to this, expat workers – particularly those in higher management or senior positions – are being replaced by Saudi nationals as part of large scale 'Saudization' policies. Expat citizens are also being charged higher fees to reside in the country. Both tactics are being employed to reduce the long term dependency on foreign nationals and utilise the Kingdom's domestic talent

IMPLICATIONS

The changing face of the workforce – a decreasing expat and 'upskilling' Saudi population – means your business needs to adapt or identify ways in which you can take advantage of the changing demographics and cater to emerging needs – both within business and the consumer population beyond



RECLAIMING THE KINGDOM: THE REALITY



In the last 6 months alone, we've been told to get and promote Saudi nurses into positions they should have been promoted into 10 years ago. The whole ethos around Saudization was 'we don't really have to do it' – but now, we have to do it... the trend is now



**Mary McDonagh
Badreldin**

*Professor at Department of
Nursing, Al Ahsa*

- The first three months of 2018 saw a **6% drop** in the expat workforce, when an estimated **234,000** foreign workers left the kingdom



STARBUCKS KSA

International coffee giant, Starbucks, **has committed to localising 35% of its workforce by 2020 as part of its ongoing Saudi nationalisation strategy**, to provide better opportunities for Saudi youth and create a positive impact on society

7 LET SAUDI ENTERTAIN YOU!

In the past, Saudis would travel over the border – to neighbours such as Dubai & Bahrain – for entertainment; however, the country has recently re-opened public cinemas, circus shows and even introduced the country's first international fashion show in Riyadh

Further, a multi-billion dollar entertainment resort, 'Qiddiya', has also been constructed, not only to showcase local and international talent, but also to gain foreign investment

In many ways, these reflect Saudi Arabia's latest commitment to improving social life for residents, but underneath, it also demonstrates the nation's efforts to retain spending within KSA instead of revenue 'escaping' to neighbouring Arab nations – as well as trying to attract visitors to the Kingdom

Tourism represents another stream of growth for Saudi, given the diverse opportunities the nation can provide: from offers in outdoor sports (e.g. quad biking & boating); driving attention towards its abundant natural resources (including the Red Sea & desert); or its grand plans to restore old historical & cultural sites, the nation has untapped resources

IMPLICATIONS

KSA's drive to redefine entertainment unlocks a variety of opportunities for a multitude of brands. Understanding where your brand can find new experiences and opportunities for Saudis could generate real growth for your business



LET SAUDI ENTERTAIN YOU: THE REALITY



When I started my career drawing comics for the Saudi newspaper, many conservative Saudis thought it was offensive and I faced a lot of backlash. But now, I've just signed an exclusive deal with VOX cinemas for an animated feature film – we are the first Saudi company to have such a contract



Abdul Aziz Al Muzaini
Saudi Cartoonist & CEO of Myrkott, KSA's first animation studio

● One of the goals of Vision 2030 is to raise household spending on culture and entertainment to **6%** of GDP, up from the current level of **2.9%**



SIX FLAGS

Located in the new Qiddiya resort, Six Flags has agreed to open its world-renowned theme park to “**create new employment opportunities and harness the talent, energy and imagination of Saudi youth**”

OUR METHODOLOGY

This report was created from an in-depth, in-market study into KSA, combining a series of sources, including expert interviews and immersions, complemented with desk research

EXPERTS



Leading Individuals at the forefront of change were interviewed to gain both an expat and local perspective from a multitude of backgrounds

ONLINE RESEARCH



A thorough exploration into Saudi Arabia's 2030 vision provided a solid foundation for further desk research into the market

IMMERSIONS



A one month visit to Saudi Arabia helped document and observe the changes first hand through ethnographic immersions into both public and private locations

UNCOVERING NEXT GENERATION OPPORTUNITIES

Saudi Arabia is undoubtedly a great opportunity for change and growth and also highlights **three key areas of expertise for Brand Genetics:**



Recognising the way the world is changing and how it impacts your brand



Unearthing insights from hard to reach (and less explored) markets



Getting under the skin of less mainstream and 'hidden' consumers



**IF YOU'RE INTERESTED IN HOW WE CAN HELP YOU
UNLOCK NEW OPPORTUNITIES FOR YOUR BRAND,
WE'D BE DELIGHTED TO TALK FURTHER**

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