

THE SPREAD OF SOCIAL MEDIA IN THE GCC AND THE POTENTIAL FOR ITS UTILIZATION IN B2C BUSINESS

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SUMMARY

- As elsewhere, social media is spreading rapidly in the member states of the Gulf Cooperation Council (GCC), and its use is expected to grow further with a population growth and a high proportion of young people.
- Companies are paying close attention to the potential of social media, and have started placing efforts into marketing, making use of influencers, while the royal families of the GCC countries also employ social media as a tool for communicating with their citizens.
- In some GCC countries, a change in the law to allow 100% foreign ownership of companies is now being considered. Now that the possibility of conducting B2C business without a local partner has come into view, the time has come for foreign companies to seriously consider how social media can be used effectively to enhance their marketing capabilities.

THE SPREAD OF SOCIAL MEDIA IN THE GCC

Rapid increase in social media users in the GCC

According to the Ministry of Internal Affairs and Communications of Japan, social media is a generic term for media that enables information to be transmitted and exchanged easily via the Internet, and it refers to services such as blogs, SNS (Social Networking Services) including Facebook, Twitter, and Instagram, video sharing sites such as YouTube, and messaging apps such as LINE and WhatsApp.

According to “Digital in 2018”, published by the marketing companies We Are Social and Hootsuite¹, the number of social media users worldwide as of January 2018 (the number of unique users who used social media at least once a month) reached approximately 3.2 billion, a year-on-year increase of 14%, accounting for about 80% of the approximately 4 billion global internet users.

Social media is also gaining popularity in Saudi Arabia, UAE, Qatar, Bahrain, Kuwait, and Oman, the member states of the GCC, particularly among the region’s young people. The combined population of the GCC is approximately 55 million, about the same as South Korea. While the GCC accounts for less than 2% of the world’s social media users, the rate at which users are increasing is striking (Fig.1). Leading the pack is Saudi Arabia, where the number of users reached 25 million as of January 2018, recording a year-on-year increase of 32%, the world’s highest growth rate, surpassing India’s 31% and Indonesia’s 23%.

¹ We Are Social is a consulting company specializing in social media. The company is headquartered in the UK, and it was acquired by the leading Chinese PR company Blue Focus in 2013. Hootsuite, which has its head office in Canada, develops software for the one-stop management and operation of multiple social media accounts. The two companies jointly release annual reports on Internet and social media usage worldwide, by region, and by country.

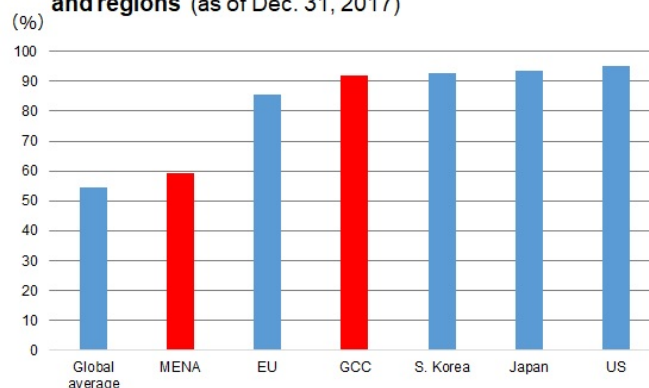
Fig. 1 Number of Social media users (unit: 10,000 persons)

	Jan. 2016	Jan. 2017	Jan. 2018	Growth rate 2016-2018 (%)
Worldwide	230,700	278,900	319,600	139
GCC Total	2,325	3,670	4,512	194
S. Arabia	1,100	1,900	2,500	227
Bahrain	69	110	140	202
Kuwait	190	300	410	216
Oman	165	200	260	157
Qatar	170	240	264	155
UAE	630	920	938	149

Source: Prepared by MGSSI based on data from *Digital in 2016-2018*

Background to the spread of social medial in the GCC

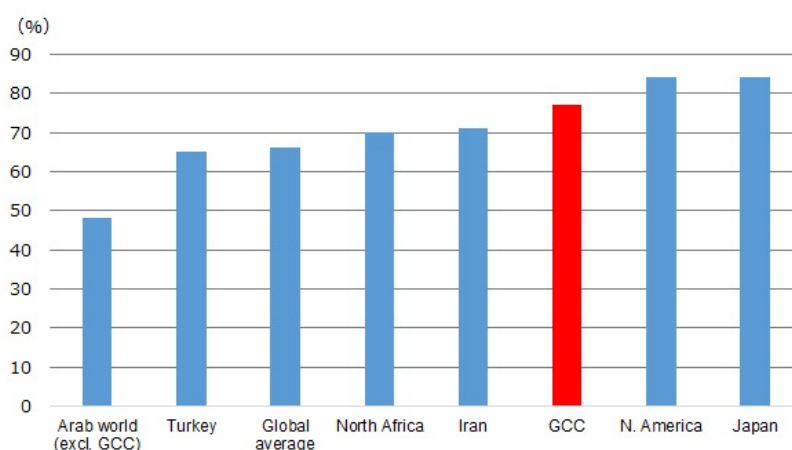
The rapid spread of social media has been made possible by the penetration of the Internet. The average worldwide Internet penetration rate is 54.5%. While it is 59.3% in the Middle East and North Africa region (MENA), the rate hikes to about 92% in the six GCC countries, about the same high level as seen in Japan, the US, and South Korea (Fig. 2).

Fig. 2 Internet penetration rate in various countries and regions (as of Dec. 31, 2017)

Note: MENA includes Turkey.

Source: Prepared by MGSSI based on data from *Internet World Stats*

A secondary factor boosting the spread of social media is the high penetration rate of mobile devices. As much as 90% of social media users worldwide access services through their mobile phones due to the convenience they provide. The mobile device penetration rate in the GCC is not only higher than the global average, it is also higher than that of neighboring countries (Fig. 3).

Fig. 3 Mobile device penetration rate (unique user basis)

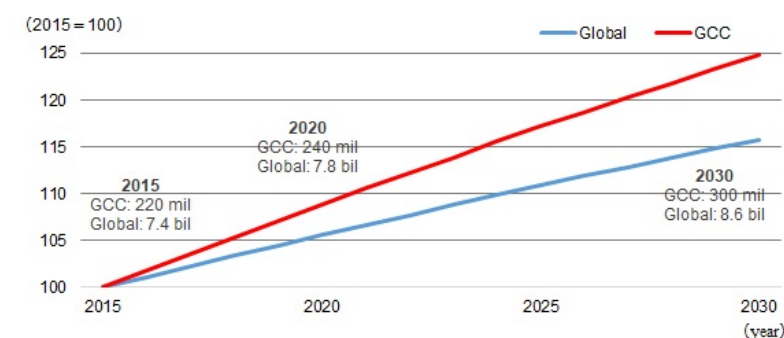
Note: Figures for Japan, N. America, and global average are from 2017, others are from 2Q 2018. Figures include foreign residents.

Source: Prepared by MGSSI based on data from GSMA's *Mobile Economy 2018*

Special characteristics of the GCC

Social media usage in the GCC is expected to increase further against the backdrop of a growing population and a high proportion of young generation in the population. The GCC's population is growing at a faster rate than the global average and is expected to increase from 220 million in 2015 to close to 300 million by 2030 (Fig. 4).

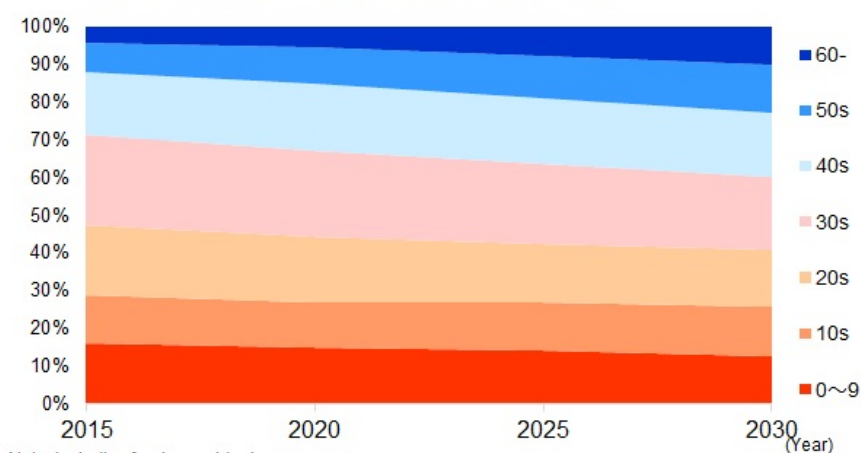
Fig. 4 Population growth (global/GCC comparison)



Source: Prepared by MGSSI based on data from UN *World Population Prospects* (2017 Revision)

In terms of age distribution, more than half of the GCC population is under 40 and no significant change in this distribution is expected even in 2030. Reasons include the tendency to have large families and improvements in medical care standards, as well as the fact that the region has a large number of young, male workers from overseas (Fig. 5). It is said that over half of the GCC's current social media users belong to the Millennial generation (generally defined as persons born between the 1980s and the early 2000s).

Fig. 5 GCC population: Age distribution (2015-2030)



Note: Including foreign residents

Source: Prepared by MGSSI based on data from UN *World Population Prospects* (2017 Revision)

According to "Digital in 2018", the proportion of social media users in the whole populations differ by country: the UAE and Qatar have the world's highest rate at 99%, while the rate is 98% in Kuwait and 92% in Bahrain, whereas the rates in Saudi Arabia and Oman are only 75% and 55%, respectively, leaving plenty of room for an increase in users.

In particular, Saudi Arabia is the GCC's most populous country. In focusing on the potential for an increase in social media users in Saudi Arabia, in addition to the 22 million Saudi nationals, it is also necessary to keep a close eye on the trend among residents from other Arab countries (mainly Egypt, Syria, Yemen, Jordan, and Palestine) who make up over 70% of the approximately 12 million non-Saudi residents.

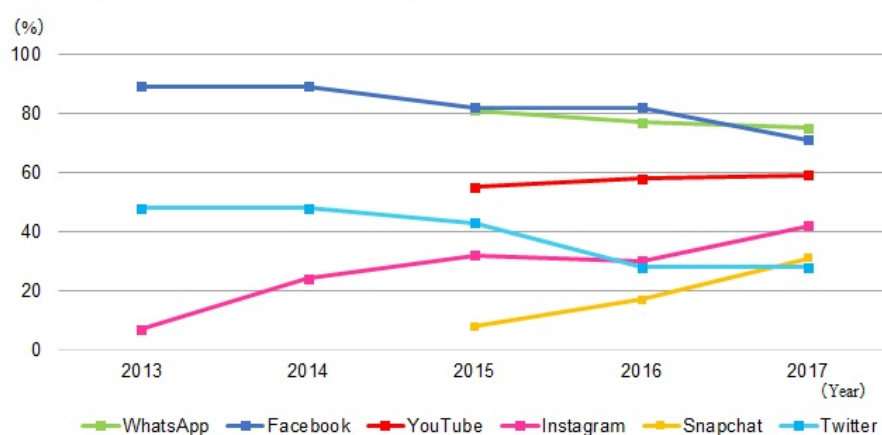
The sections above summarizes the current situation regarding the spread of social media in the GCC. The sections below describe what effects social media is having on society in the GCC while introducing some specific examples, and assess the potential for the future development and utilization of social media.

SOCIAL MEDIA USAGE IN THE GCC

Generally speaking, social media usage can be broadly divided into three categories: (1) social interaction (interaction between family members and friends, building new networks, etc.); (2) receiving information (enjoying music and videos, getting daily news, obtaining product information when shopping, etc.); and (3) transmitting information (promotion of products, events, etc.).

In the case of (1), in the GCC, where the connection culture is deeply rooted, Facebook is a valuable tool for building networks of people. Approximately two-thirds of the combined population of the GCC have Facebook accounts, and about one-third use the service on a daily basis (Fig. 6). LinkedIn is another tool that is used effectively for acquiring personal connections for business purposes, and it is being used by an increasing number of people in the Middle East. LinkedIn has over three million users in the UAE, and in 2017, UAE users of the service had an average of 211 connections per individual, more than any other country in the world.

Fig. 6 Growth of social media in GCC and neighboring countries
(Percentage of social media users among Internet users)

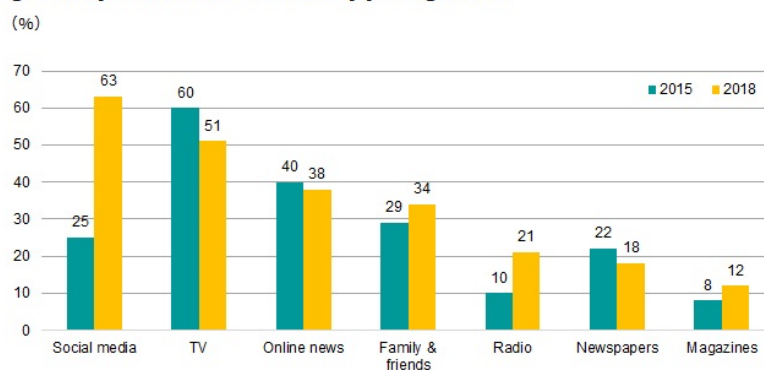


Note: Data for UAE, Saudi Arabia, Qatar, Tunisia, Lebanon (excluding foreign residents)
Source: Prepared by MGSSI based on data from *Media Use in the Middle East 2017*

In the case of category (2), the receiving of information, what sets GCC users apart is the frequency with which they view music, sports, and other videos. This trend is particularly pronounced in Saudi Arabia, where entertainment facilities are limited and a 35-year ban on cinemas was only lifted as recently as April 2018. According to “Arab Media Outlook 2016-2018”, Saudi Arabians are the world’s top per-capita users of YouTube, averaging three viewings per person per day.

Social media is also used as a source of daily news; according to the “Arab Youth Survey” (2018), Facebook and Twitter surpassed conventional media such as TV and newspapers as a source of news for the first time since the survey started in 2008 (Fig. 7).

Fig. 7 Daily news sources used by young Arabs



Note: Percentages calculated from the responses of 3,500 young people between the ages of 18 and 24 in 16 Arab countries (excluding foreign residents). Social media refers here to Facebook and Twitter.
Source: Prepared by MGSSI based on the *Arab Youth Survey 2018*

If we shift the focus to category (3), i.e., social media as a medium for transmitting information, it is also used as a marketing tool by companies. According to Jonathan Labin, head of Facebook MENA, Instagram is rapidly increasing the number of users by functioning as an advertising medium connecting sellers (companies) and consumers. The 22 Arab nations that account for a mere 3% of the global population have 63 million users of Instagram, 10% of the service's global user base, and of these, 47% (approximately 30 million) lives in Saudi Arabia and the UAE.

Moreover, social media also functions as a place for transmitting personal information, and it is popularly used as a tool for disseminating information, not only about political and social issues, but also about personal lifestyles, including user opinions and preferences regarding things like food and fashion. In particular, people whose statements and actions attract significant attention are commonly referred to as influencers. In addition to celebrities, TV personalities, and private business persons, even the royal families and the cabinet members in the GCC also use Instagram, Snapchat, Twitter, YouTube, and such services. They significantly influence the thinking and behavior of many and unspecified number of people.

PLAYERS FOCUSING ON THE POTENTIAL OF SOCIAL MEDIA

Companies

According to a survey conducted by LinkedIn in 2015, 92% of 260 small and medium-sized enterprises that have bases in the GCC use social media. According to BPG Cohn & Wolfe, a PR agency based in Dubai, 94% of retailers in the UAE believe that marketing through influencers plays a key role in effectively publicizing their brand, and tie-ups with influencers are particularly notable in sectors such as retail, communications, ecommerce, and food.

For example, the popular entertainment channel Sa7i (approximately 3.3 million registered users), which was launched by prominent Saudi YouTubers, attracted attention for its advertising campaign for the KitKat chocolate bar in a tie-up with Nestle in 2015. The channel has also had tie-ups with other big names, including Lipton, Pepsi, Nescafe, McDonald's, Toshiba, and Toyota.

Japanese companies such as Shiseido are also using social media for advertising campaigns. Sondos Alqattan is a popular Kuwaiti beauty Instagrammer with 2.6 million followers who has succeeded in concluding endorsement contracts not only with Shiseido, but also with the major cosmetics companies including MAC and Max Factor² (Fig. 8). According to Natasha Hatherall-Shawe, founder of Tish Tash, a Dubai based agency that specializes in marketing for the beauty industry, Kuwait is the epicenter of the Middle East beauty industry, and it is the trends in Kuwait that must be watched to anticipate the “disruptive” changes in the Middle Eastern beauty industry.

Fig. 8 Sondos Alqattan



Source: Instagram site of Sondos Alqattan
(https://www.instagram.com/sondos_aq/)

² In July 2018, Sondos Alqattan posted criticism of legal reforms introduced by the Kuwaiti government to improve the treatment of foreign national domestic workers. After stirring up a controversy that her comments discriminated against Filipina maids, Shiseido and other cosmetics companies have cancelled their contracts with her.

Quite a few influencers have also launched their own brands. Huda Kattan, a charismatic Dubai-based Iraqi-American makeup artist with around 30 million followers on Instagram alone, is a female entrepreneur who has developed her own Huda Beauty cosmetic brand globally, and is a good example of a successful influencer (Fig. 9). Established in 2013, Huda Beauty boasts a lineup of over 140 products, and annual profit is said to have grown from about US\$1.5 million in its first year to over US\$200 million today. According to marketing firm Hopper HQ, Ms. Kattan is said to earn up to US\$33,000 from a single advertisement on Instagram.

Fig. 9 Huda Kattan



Source: Instagram site of Huda Kattan
(<https://www.instagram.com/hudabeauty/>)

The Middle East & Africa manager at the leading PR agency Edelman says that advertising and publicity delivered to Middle Eastern consumers via influencers increases consumer memory retention rate by 38% compared to information transmitted by companies using conventional advertising methods. In the GCC, where a word-of-mouth culture is deeply entrenched, consumers tend to prioritize the opinions of friends and people they trust over mass media when making purchase decisions. A survey conducted by BPG Cohn & Wolfe also confirmed that 70% of people between the ages of 18 and 40 in the UAE check social media to see what their preferred influencers have to say before making a purchase or eating out.

The royal families

Some of the GCC's royals also have social media accounts that they use as tools to communicate with their citizens. Crown Prince Sheikh Hamdan of Dubai, who has over 7 million followers on Instagram, has gained popularity with his good looks. He actively posts private photos and videos of himself with family members, and strives to foster a sense of intimacy with the royal family among the country's citizens. Up-and-coming artist Princess Hayfa of Saudi Arabia, who also posts her artwork and photos of her children on Instagram, is another royal who has attracted a lot of attention, including being featured on the cover of the June 2018 edition of Vogue Arabia (Fig. 10).

Fig. 10 Royals who use social media



Source: (Top left) Twitter site of Dubai's Crown Prince Sheikh Hamdan (<https://twitter.com/hamdanmohammed>)
(Bottom left) Instagram site of Saudi Arabia's Princess Hayfa (https://www.instagram.com/hayfa_bint_abdullah)
(Right) Official website of Saudi Arabia's Princess Hayfa (<http://www.hayfaabdullah.com/>)

Royals in the GCC attempting to engage in dialogue with the people is hardly new. The Arabic term majlis, which literally means “a place of sitting (= meeting room)” and is sometimes translated as a “gathering” or “assembly” today, has functioned as a place for decision-making and socializing by tribes since before the advent of Islam, and for policymakers, it has served as a place to listen to petitions from the tribespeople.

However, economic development and rapid population growth have placed limits on a majlis culture that is based on direct dialogue. The decision-making function of the majlis has been formally replaced by the introduction of a modern parliamentary system, while the concept of the majlis as a place for social interaction is becoming obsolete. The reality is that a sense of distance between the royal families and the citizens is greater than before. Amid this situation, social media is growing in importance as a new tool for the royal families to have a dialogue with people effectively and win the hearts and minds of the citizens.

THE EXPANDING ROLE OF SOCIAL MEDIA AND THE POTENTIAL FOR ITS UTILIZATION BY FOREIGN COMPANIES

In considering the role played by social media in the GCC, what is notable is that social media has created a path for an indigenous regional culture, which has traditionally been passed on through analog methods, to step into a digital world. One example of this is the integration of the majlis and social media. Policymakers and citizens in the GCC are now capable of engaging in a quicker, more extensive dialogue without geographical and physical constraints. This is one of the benefits brought by the new communication tool of social media.

Since the latter half of the 20th century, the GCC has developed in leapfrog fashion supported by oil money. While, on one hand, the GCC countries have rapidly absorbed advanced technology, on the other, a sense of crisis over the loss of culture unique to each GCC state and its identity deeply rooted in their environments grows year by year. Looking ahead, it is believed that rather than simply replacing their existing culture and social infrastructure such as the majlis with modern Western ways, each of the GCC countries will intensify their efforts to maintain and develop them by utilizing social media and other new technologies.

Moreover, in a borderless age in which people's thoughts and day-to-day activities are disseminated throughout the world via social media, it is becoming easier to understand the historically closed character of the culture and environment in the GCC and, by extension, the preferences and demands of individuals. Up to now, particularly when conducting B2C business, local partners have played an important role as a point of connection between foreign companies and consumers in the GCC. However, if foreign companies can independently deepen their understanding of the regional culture and society via social media, they can avoid an excessive reliance on local partners.

Qatar, the UAE, and some other GCC countries are currently considering revising legislation to scrap the obligatory local sponsor system and allow 100% foreign ownership of companies in specific sectors such as retail. At present, the cabinets have only decided on the broad outline of the revised laws, and details such as which sectors they will actually apply to have not yet been officially announced. Thus, although it is not currently permitted to conduct B2C business in the GCC without involving a local partner, direct access to local markets that has been restricted may become possible in the future. The time is ripe for foreign companies to consider how social media can be used effectively to enhance their marketing in the GCC.