IDAL

INVEST IN **LEBANON**

MEDIA
FACT BOOK

Content

SECTOR
OVERVIEW

SECTOR OVERVIEW

Lebanon is home to one of the most significant Media industries in the Middle East.
The local media sector is highly developed and consists of varied industries including television broadcasting facilities, advertising services, TV and audiovisual production, as well as new emerging sectors like Digital media, and traditional media industries like publishing and music production.

The industry is a major contributor to the Lebanese economy.

Latest figures by the World Intellectual Property Organization indicate that the media industry[1] accounted for around 2.53 percent of the Lebanese national output. The turnover of this industry stood at around 1 billion dollars, with a value added of around 55.3 percent .
Based on most recent estimates, there are around 400 companies working in the sector, employing around 2.11 percent of the Lebanese labor force.

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[1] Identified here as the core copyright based industries which comprise of: Press and literature, music and theatrical production, motion pictures and video, radio and television, photography, software and databases, advertising.

COMPETITIVE
ADVANTAGES

Lebanon's Regional Competitive Advantages

Today the country has a solid TV and audio-visual industry and hosts the most widely viewed television satellite channels as well as the most prominent production companies in the region (according to the Arab Media Outlook).

1 COMPETITIVE LABOR FORCE

Lebanon is a source of talent to the entire Arab region. Every year, some 250 students are estimated to graduate with a degree in audiovisual arts. Specialized universities and faculties ensure these students are fit to meet the job market; these institutions include the Academie Libanaise Des Beaux Arts (ALBA), the audiovisual faculty at the Lebanese University, and the IESAV faculty at the Université Saint Joseph (USJ). The workforce is not only highly skilled, but equally cost competitive with average wages usually 30%-40% lower than in GCC countries.

2 ACCESS TO A LARGE MIDDLE EASTERN MARKET

One where total household media consumption is considerably higher than in most developed markets, including the US, Japan, and European countries. The market continues to be highly promising with a youthful population ensuring a continued rise in demand; 34 percent of the Lebanese population is under the age of 15 and 34 percent falls under the age of 30. Similarly, at the regional level, 60 percent of the population in the Arab world is aged 18 and less.

3 ADVERTISING EXPENDITURES

In Lebanon, advertising expenditures totaled 241 Million dollars in 2010 and are expected to record growth rates of 5.7 percent over the three coming years. This total advertising spend constitutes 2.8 percent of the country's GDP, a value of considerable magnitude, both globally and regionally. Advertising expenditures in the region are similarly high totaling nearly 5 billion dollars in 2010 and expected to grow at an average annual rate of 8.4 percent over the three coming years [2] **(Figure 1).**

4 LIBERAL MEDIA SECTOR

The country has the most liberal media sector in the Middle East,with minimal to no restrictions on broadcasting and publishing activities. Lebanon is one out of only 3 countries [3] in the MENA region classified as partially free.

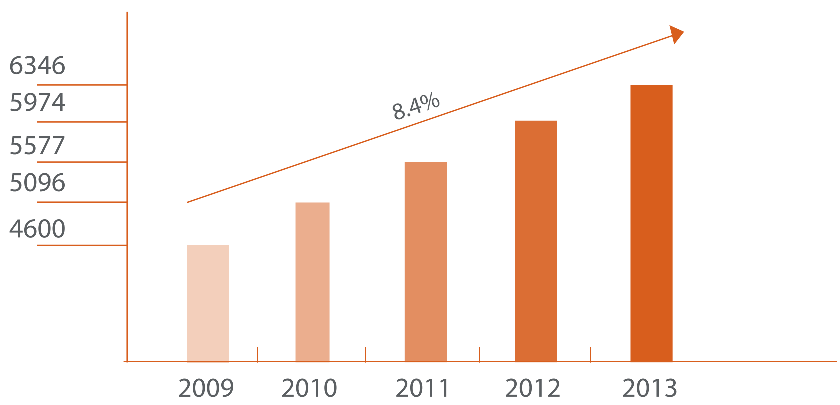
5 DIVERSE GEOGRAPHY

Adequate for filming and production, facilitated with the presence of 250 days of sunlight, offering weather conditions and geographic areas adequate for shooting.

6 ADEQUATE LEGAL FRAMEWORK

The Lebanese government has persistently spearheaded efforts to modernize media laws while playing an active role in enforcing intellectual property rights and regulations.

Figure 1: Advertising Revenue Projections for the Arab Region million USD | 2009-2013



Source: Zenith Optimedia **2010**

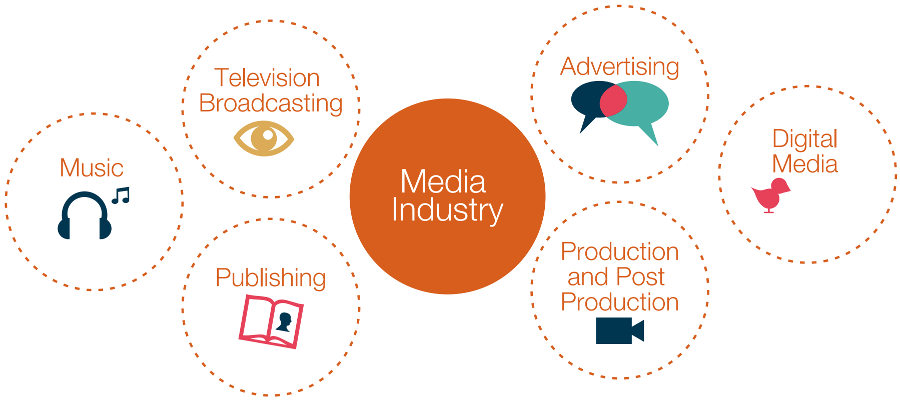
[2] Based on the Arab Media Outlook 2009
[3] The other two being Morocco and Kuwait

MARKET
ANALYSIS

MARKET ANALYSIS

While Media industry spans across several fields, the main activities addressed in this analysis include:

1. **Television Broadcasting**
2. **Advertising**
3. **Production and Post production**
4. **Digital Media**
5. **Publishing**
6. **Music**



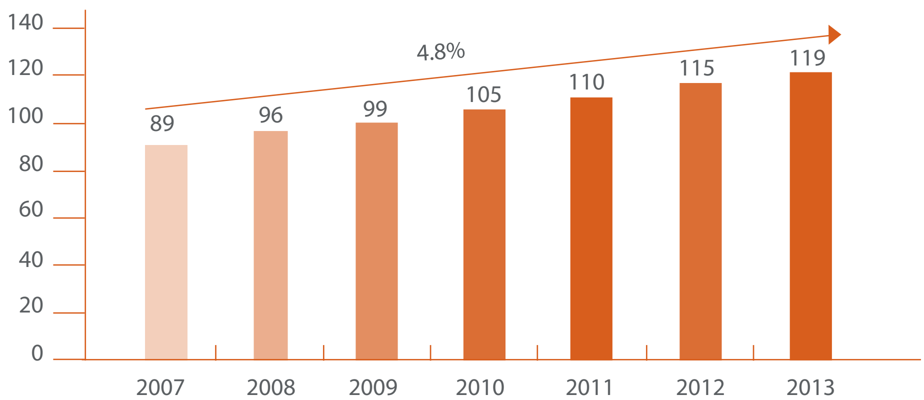
1. TELEVISION BROADCASTING

The domestic broadcasting scene in Lebanon is well developed with over 10 terrestrial channels, and TV penetration rates at 93.4 percent. A dominant advertising platform, nearly 45% of total advertising spend goes to television stations, some USD 105 million. Expenditure has been growing steadily at a yearly rate of 4.8 percent & is expected to reach USD 119 million by 2013 **(Figure 2**).

The sector is currently dominated by free to air television; domestic television stations nonetheless remain popular and many local stations are now available via satellite. Lebanese channels not only dominate the local market but also surrounding countries.
The country currently hosts a number of the Middle East's most popular satellite televisions, a prime example being Rotana/LBC,Lebanon's most widely viewed television station, and one of the ten largest media groups in the region.
In fact, the openness to an Arab speaking population of nearly 300 million individuals and the restrictions on TV stations establishment in several neighboring Arab countries, make of Lebanon an ideal location to broadcast from to the entire region as well as a huge Arab Diaspora in North America, Africa and Australia.

While free satellite and terrestrial television currently occupy 95 percent of the market share in the Arab region, new niches like pay TV for specialized channels and internet pay TV (IPTV) are emerging in the market, especially in the Gulf. Similar to satellite television broadcasting, opportunities for such ventures can be seized from Beirut.

Figure 2: Television Advertising Expenditures in Lebanon **million USD | 2007-2013**



Source: Zenith Optimedia **2010**; Figures for 2011, 2012, and 2013 are forecasts

2. ADVERTISING

Lebanon's advertising expenditures rank constantly amongst the highest in region. In 2010, total add expenditures in the country reached USD 241 million **(Figure 3)**.

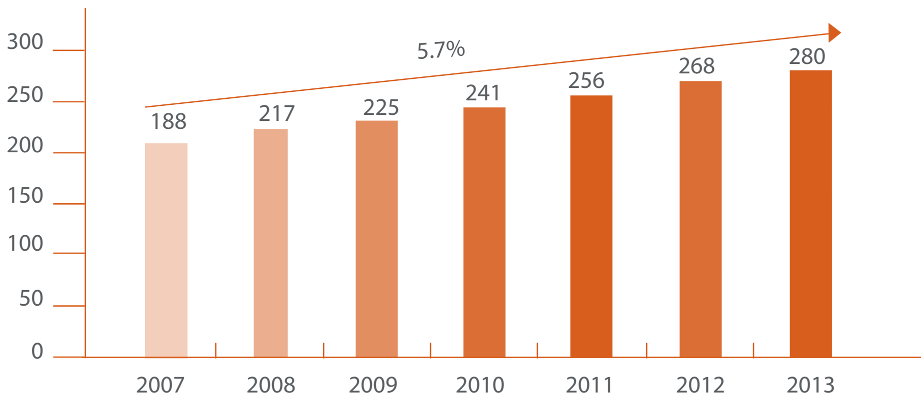
These are expected to continue growing at a yearly average of 5.7 percent during the three coming years. The country is a regional provider of media support services, both creative agencies and media buying agencies handle client accounts for the entire MENA region from Beirut.

At present, there are around 70 advertising agencies operating in the country. These enterprises have developed a wide array of services including account management, creative development and production as well as media planning and buying. Several big companies have equally delved into public relations management and established their own research units.

The industry generates its highest revenues from television advertising expenditures representing nearly 45 percent of ad spend **(Figure 4)**. Advertising in print media equally constitutes a considerable share.

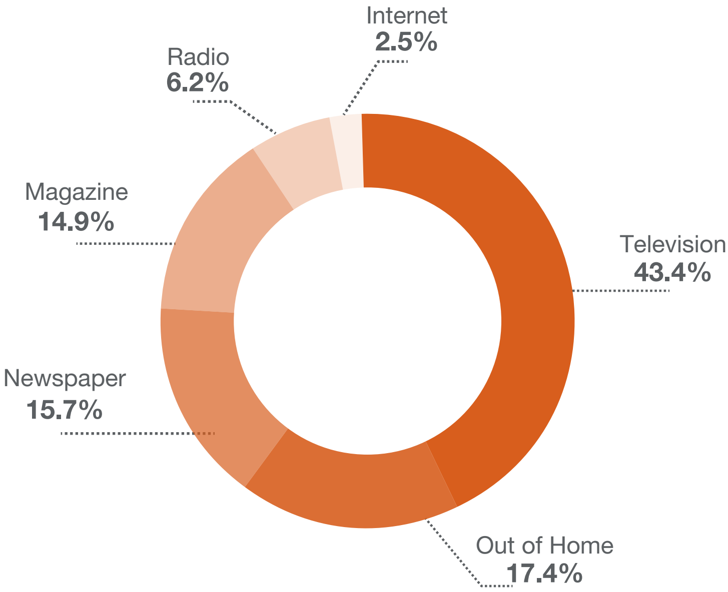
In particular, newspaper advertising represents 16 percent of total ad values, and is expected to keep increasing steadily, though slowly for the 3 coming years. Billboards and below the line form an important, albeit less significant part of ad revenues.While advertising on the internet still represents a small share of total ad spends, this sector is growing steadily and is highly promising for the future, with latest trends indicating a penchant towards new media outlets like mobiles & online platforms.

Figure 3: Total Advertising Expenditures in Lebanon **million USD | 2007-2013**



Source: Zenith Optimedia **2010;** Figures for 2011, 2012, and 2013 are forecasts

Figure 4: Advertising Expenditures in Lebanon by Platform **million USD | 2010**



Source: Arab Media Outlook **2010**

3. PRODUCTION AND POST PRODUCTION

The surge in advertising spend at both the local and regional level has nurtured solid production and post-production industries in Lebanon. Advertising Agencies and Production houses in the country now export their services across the region, and are a firm base for the industry at the regional level. Local companies have branched out into Saudi Arabia, Dubai, Egypt, and now serve clients across the entire region, capturing a significant share of advertising spend across the Arab World.

Production services

There are currently around 70 production companies operating in Beirut, working at an average of 1000 shooting days per year. Production services cover television programs, commercials, documentaries, feature films, music videos, radio commercials, and photography. Below is an overview of the main activities in this sub-sector.

a. TV Programs

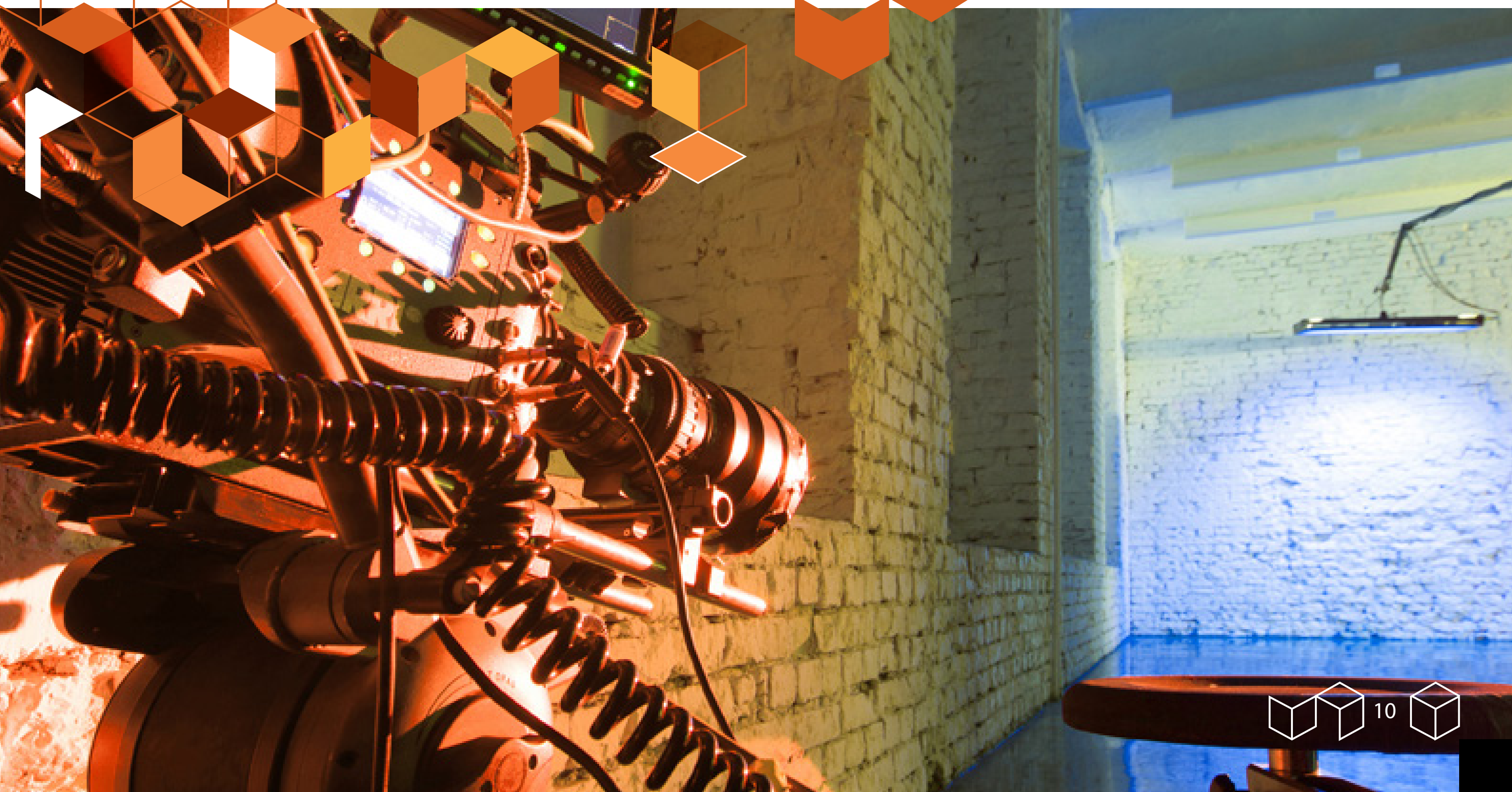
The large satellite broadcasting hub in Lebanon provides a base for a considerable TV production industry. Companies specializing in production services for televisions are involved in content creation for local as well as regional television channels. Production mostly include entertainment, drama series, reality shows and talk shows. Those include hits such as superstar, star academy, and Arab Idol, making Lebanon the market leader in entertainment shows in the region.
80 percent of the production in Lebanon is to service the GCC countries. While television content is equally produced in Syria and Egypt at cheaper rates, more sophisticated tasks are usually executed in Lebanon which offers higher quality at acceptable rates.

b. TVC's and Music Videos

The majority of production services rely heavily on the production of television commercials, which account for the bulk of their revenues,music videos fall second, while the market for short and feature films is currently expanding slowly.
Lebanon is regarded as the market leader in the region in the market for music clips and TVC's. Around 10 large production companies dominate the market but the trend has been lately towards opening smaller production houses.

c. Feature Film Production

The Lebanese film industry remains modest until present, but exhibits a high potential for growth, as a new generation of filmmakers is emerging in the country. As few as 4 feature films are currently produced in Lebanon on a yearly average, with the lack of funding standing as a main obstacle for local filmmakers. Few directors have produced their movies independently while others has benefited from foreign funds aimed at supporting the industry. Funding has especially increased recently for Lebanese movies with films released in Lebanon recording high revenues in movie box offices both locally and internationally. 2007 produced 'Caramel' was featured at the Cannes Film Festival and has received international acclaim.



Post production services

This industry sub-sector comprises of companies that offer services in editing; film/tape transfers; titling; closed captioning; and computer-produced graphics, animation and special effects, as well as developing and processing of motion picture films.
All in all, there are around 20 post production facilities in Lebanon. These are divided across big facilities like VTR, the Gate, and the Post House, which offer cutting edge services and media technologies to clients from the entire Arab Region. The trend is however moving towards smaller post production facilities focusing on digital media and film, with specialization in 3D animation and special effects.

Opportunities in the sector

Production, and post production services have emerged as profitable industries, especially with the need for high quality content creation in the region. Production facilities like ready studios and filming equipment also present opportunities to serve the regional market, with current projects like Studiovision catering to various Arab television channels,The edge in the Lebanese industry remains its ability to provide quality at reasonable prices; while the industry is highly developed, mainly because of the human skills available, it continues to offer relatively cheaper production costs compared to the Gulf countries.

4. DIGITAL MEDIA

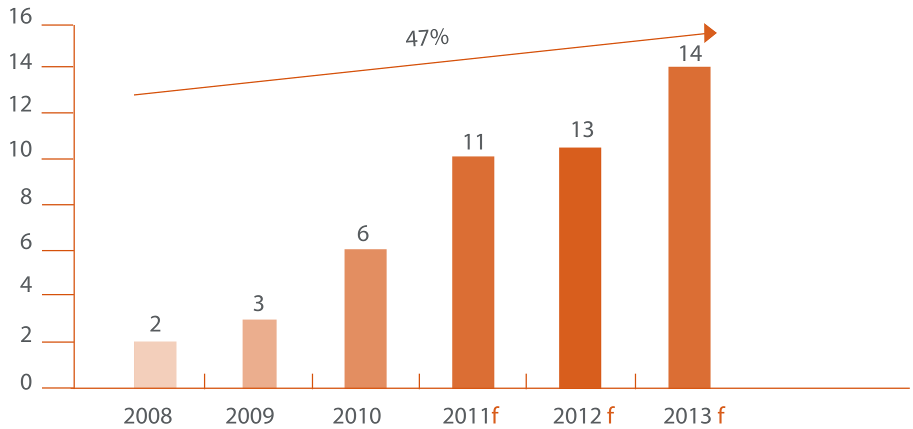
Digital Media is currently the most widely expanding field within the Media Industry. It comprises of products combining information and communications technologies with media content. Main areas of specialty in the field include animation and visual effects, digital games, digital publication and interactive designs, as well as various kinds of digital content (be they text, audio or video) that are transmitted via the internet or mobile.
The industry in Lebanon is propelled by the increase in mobile and internet penetration rates both at the local and regional levels.

This increase is further compounded by a surge in internet advertising expenditures, and therefore signal great opportunities for content creation in web and mobile. Arab internet advertising expenditures have in fact grown at an average rate of 8 percent over the period 2007-2011 and currently account for 4.2 percent of total Arab ad revenues. In Lebanon specifically, Internet advertising revenues have reached USD 6 million in 2010 and are expected to surpass more than double this figure and reach USD 14 million by 2013 **(Figure 6).**

As in the rest of the world, the need for digital content is expanding rapidly in the Middle East. In particular for the region, demand for Arabic content still largely outweighs supply, thus indicating the potential for new products in the digital market. According to the Arab Media Outlook, less than 1 percent of content in the Arab Region is actually in Arabic, whereas more than 60 percent of users in the region tend to prefer Arabic content. Players are still limited in this field, and competition is small with very new local producers at the moment, thus leaving room for new entrepreneurs to venture into new projects in this nascent industry.

Demand for content is driven by consumers' increasing appetite for online entertainment, particularly social networking and online games.
By March 2011, Facebook accounts in 17 Arab Countries had exceeded 24 million users.
Social networking mediums like Jeeran and Maktoob have equally encountered huge successes. The acquisition of Maktoob by Yahoo indicates conviction in the profitability of similar online portals in the region, especially their rising advertising revenues.

Figure 6: Internet Advertising Expenditures in Lebanon **million USD | 2008-2013**



Source: Zenith Optimedia **2010**

Digital gaming

Digital gaming is another interesting field in this nascent industry. Digital games sales in the Middle East and Africa in 2011 accounted for an estimated USD 900 million out of the USD 24 billion global market: but that figure is set to rise at a compound annual growth rate of 29 percent to reach USD 3.2 billion in 2016, compared with global growth of 17 percent for the same period, according to the research firm Ovum, based in London. The biggest markets for digital games are the UAE, Saudi Arabia, and Egypt. In Saudi Arabia alone, 65 percent of Internet users have used online games. Average revenues per paid user in Saudi Arabia stand at USD 50, twice as large as the global average.

Similarly, Mobile TV is on the rise with the most prominent telephone operators entering the market and providing the service in countries like the KSA, UAE, Qatar, Kuwait and Bahrain. Web drama is another emerging niche market with promising prospects. In 2010, the first Web Drama in Arabic was released, co-produced by BBC World Service Trust has co-produced (with Lebanese producers together with Batoota Films and Zico House). This Lebanese produced drama was distributed on its proper site together with other sites such as Facebook and You-Tube, and has recorded massive viewing hits.

5. PUBLISHING

Owing to its liberal political system and its educated population, the country is home to one of the most dynamic publishing sectors in the Middle East.There are around 200 active publishing houses in Lebanon, the highest in the MENA region, and surpasses Egypt which rates second before Syria and Jordan.

Nearly 50 percent of the output is generated by the 5 biggest publishing houses. More than 50 percent of the output is exported to the Arab Market, mainly to the UAE Saudi Arabia, Jordan and Iran.

A breakdown by book subjects shows that Islam, children's books, literature and politics are the most published topics. While publications in Arabic occupy the biggest share of products, both French and English publications are equally popular in Lebanon.

Newspapers and magazines are also widely produced in Lebanon. With 15 newspapers released daily and around 1500 weekly and monthly periodicals, the industry in the country is quite active; in fact almost half of all prints circulated in the Middle East region are produced in Beirut.

The trend has been moving lately in favor of more specialized magazines, be they in sports, technology, fashion, or finance. Celebrity news and fashion magazines still attract the widest readers though. Opportunities have equally been arising in the production of brochures, technical manuals, and various educational publications.

SUCCESS STORIES

Birdy nam nam

This mobile game was created in Beirut by a team of three developers who developed it in Arabic with a strong adherence to local taste making it quite appealing to the Arab world and the Arab diaspora. Released in September 2011, the game has been downloaded more than 400,000 times in the first month of its release. The game has also ranked number one in the Arab World on the ITunes Store

Wixel studios

The first online game development company established in Beirut since 2007, Wixel Studios produces original content and exports it to the region with near future plans including expansion into Europe.

6. MUSIC

The music recording and publishing industry in Lebanon consists of 1237 operators and employs 2400 workers.
The industry is highly concentrated; the group Rotana owns nearly 80 percent of the total music market. The remaining market share is divided amongst five main international music companies, which occupy around 15 percent of the market, and Lebanese studios who own the remaining 5 percent.
A remarkable workforce is present for the music industry in Lebanon, especially for oriental music. This allows music producers to position themselves favorably in the region, and allows them access to Egypt and Saudi Arabia, the main export markets.

[5] Sony Music Inernational, EMI, BMG, Warner Music and Universal Music

INVESTMENTS
IN THE SECTOR

Both local and regional investors have indicated an eagerness to invest in the media sector in Lebanon, benefiting from its developed media services, talented workforce, and proximity to a booming regional market.

FOREIGN INVESTMENTS

The industry has been an attractive field for both locals and foreigners alike. Media services in particular have benefited from a large number of foreign investors eyeing the skilled populace and developed media environment. Foreign investments in media support services includes international agencies like Leo Burnett, Saatchi and Saatchi, Impact BBDO, JWT and others. Recent ventures in other fields include:

THE BRITISH ECONOMIST GROUP

The British Economist group, which opened a regional representative office in Beirut in 2010 as part of its strategy to strengthen its presence in the Middle East. This office will be managed by its local partner Alef, a Lebanese Publishing and Media Company, and will serve Lebanon Syria Jordan Palestine and Iraq from Beirut.

French Hachette Livre and Lagardere have created a joint venture with Librairie Antoine to publish books in Arabic from Beirut as of 2009.

France 24, the French global news channel has partnered with SGBL bank in 2010 to start broadcast-ing its new Arabic Speak-ing news channel.

GULF FILM

Gulf film, owner of grand cinemas, has opened new movie theatres in 2 different locations in Lebanon in 2011.

INVESTMENTS THROUGH IDAL

Two projects are expected to benifit from the incentives available to the Media sector in Investment Law No. 360, which has identified the media industry as one of the key sectors with potential to attract investments.
Under this law, IDAL has granted a package deal contract for VTR Beirut, a joint British Lebanese venture supply-ing high-tech post-production services. The company proved to be a highly profitable venture and now caters to clients from the entire region.
Another project mediated by IDAL is Front D'Or, equally a post production facility. The 4.1 million dollar investment is expected to create 25 new jobs and contribute substantially to the development of a regional hub for the film and music industries.

TRENDS AND INVESTMENT OPPORTUNITIES

The convergence between the media and telecom sectors has opened new horizons in the field of digital media, with opportunities arising in the following:

- Content creation in Arabic
- Online Gaming
- Online Advertising
- Specialized 3D animation

REGULATORY
FRAMEWORK

Lebanon has the most liberal media sector in the Middle East. Its government has persistently spearheaded efforts to liberalize the sector and modernize media laws, while playing an active role in enforcing intellectual property rights and regulations. The sector is monitored and regulated by the Ministry of Information; below are the main laws which govern the media environment:

THE AUDIOVISUAL LAW

With the enactment of the 1994 Audiovisual Media Law – or law 382 -, and later its application decrees, the country became the first Arab State to allow the operations of privately held TV's and radios on its territories. Licenses for televisions and radios are issued for a renewable period of 10 years, conditional upon the station's technical and financial capacities.

THE SATELLITE TELEVISION BROADCASTING LAW

The law was enacted in 1996 and allows televisions to broadcast via satellite from Lebanon.

THE INTELLECTUAL PROPERTY LAW

The Intellectual Property Law (IP) was drafted by the Ministry of Economy and Trade (MoET), and passed as a law in 1999. Provisions under the law cover patents, industrial designs, trademarks, copyrights, unfair competition, and penalties for infringement.
As of 2006, Lebanon has had a special IPR police unit mandated with the enforcement of intellectual property laws. Lebanon has also adhered to international conventions related to intellectual property rights.

THE INVESTMENT LAW

In 2001, the Lebanese parliament passed Investment Law 360 under which IDAL provides financial and non-financial incentives for investment in selected sectors including the Media industry considered a priority activity covered by the law.

USEFUL
CONTACTS

USEFUL CONTACTS

Ministry of Information
www.ministryinfo.gov.lb

- National Audiovisual Council
- National News Agency
  www.nna-leb.gov.lb

Ministry of Culture
www.culture.gov.lb

Ministry of Telecommunications
www.mpt.gov.lb

Ministry of Economy and Trade - MoET
www.economy.gov.lb

Investment Development Authority of Lebanon - IDAL
www.investinlebanon.gov.lb

The Lebanese Press Syndicate
www.pressorder.org

Lebanese Advertising Agencies Association
www.aaa.org.lb

Association of Lebanese Commercial Producers - ALCP

Fondation Liban Cinéma
www.fondationlibancinema.org

Berytech
www.berytech.org

Syndicate of Publishers' Union in Lebanon
www.publishersunionlb.com

Beirut Creative Cluster
www.beirutcreativecluster.org

Beirut Digital District
www.beirutdigitaldistrict.com

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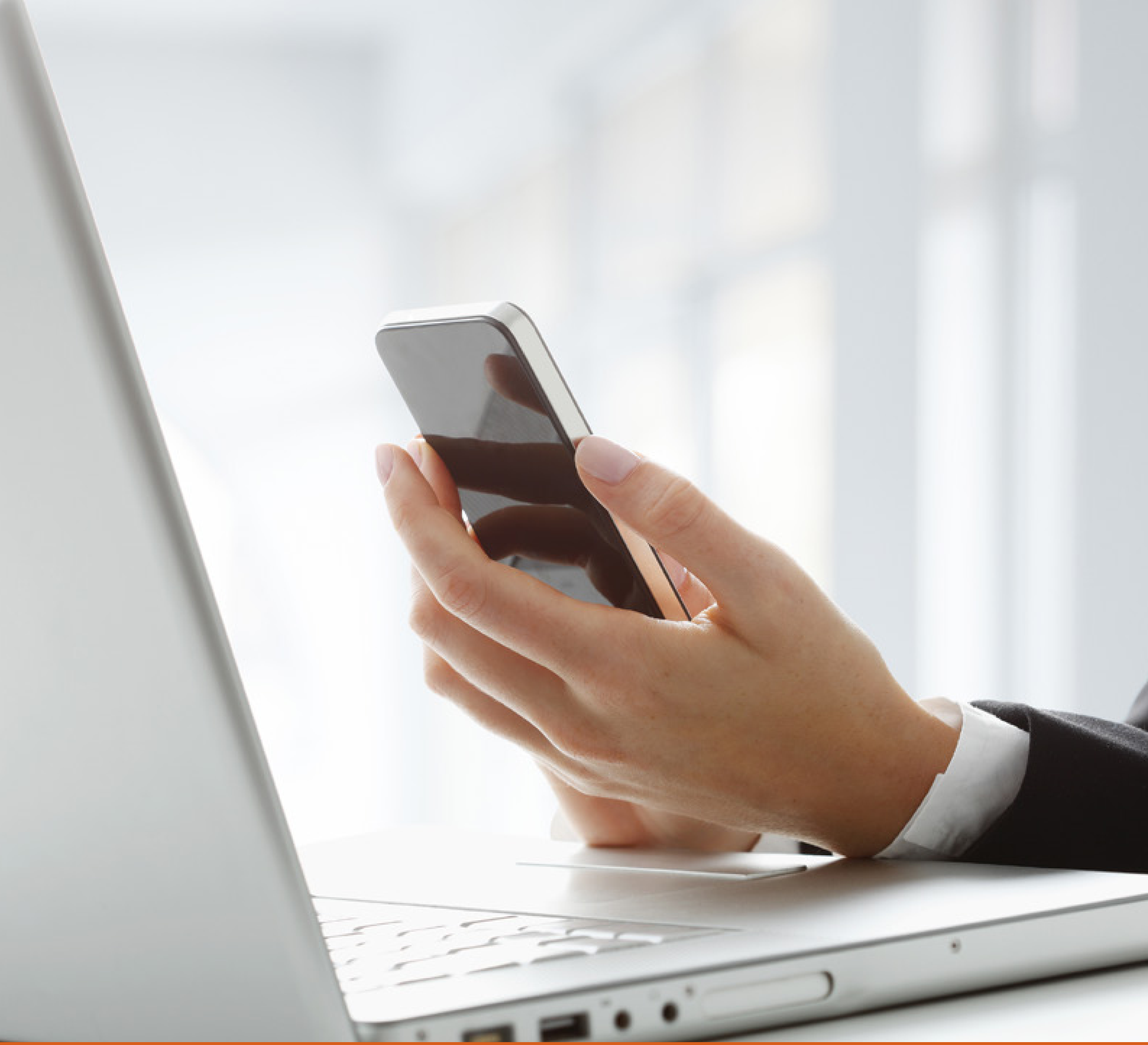

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