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# MBC: Building a media powerhouse in an emerging market



By David Turecamo

**Can Western broadcasters learn anything from the one of the Middle East's most successful satellite channels? According to a recently-released case study by Annet Aris, Adjunct Professor of Strategy at INSEAD, the answer is yes.**



Aris's case study profiles MBC, the Middle East Broadcasting system started by Sheik Waleed Al Ibrahim in 1991. A Saudi by birth, the sheik recognised the growth potential of the industry as soaring oil revenues in the 1990s created a growing middle class with more disposable income. The biggest

problem? Throughout the region, broadcasting was still tightly controlled by government regulations and censorship. But with the proliferation of satellites, national boundaries and government opposition were slowly being erased. The sheik saw not only a business opportunity but the realisation of a core belief or, as Aris puts it, “he was driven by a deep conviction that he could bring the world to Saudi Arabia,” introducing new ideas to his country, ever mindful of the kingdom’s cultural sensitivities. “His idea,” she adds, “was you should be able to talk about everything, but in a respectful way.”

Now MBC not only dominates satellite broadcasting in the Arab world, the importance of its news channel, Al Arabya, enabled it to land the first interview given to an international news organisation by newly-elected US President Barack Obama.

Starting in London in the early ‘90s, the sheik realised he not only had to build his business, but learn it at the same time. It took almost ten years until late 2000-2001 before the company began to break even, but it had already positioned itself as a major player when MBC 1, its flagship entertainment channel, acquired the rights to “Who wants to be a Millionaire?”

In 2002, Al Ibrahim decided the company had learned the trade and was “ready to run.” He moved its headquarters to Dubai and while a number of MBC staff stayed in London, some 76 of its original hires and a new squad of 120 from the region joined the company; although, as Aris notes, they kept the ‘DNA’ of the company.

Among the key players: Tim Riordan, Director of Channels. While attending the television industry’s annual market in Cannes, Riordan hit on the idea of creating a second entertainment channel (MBC 2) which would broadcast Western films with Arabic subtitles. Because Hollywood still considered the Middle East a marginal market, Riordan was convinced he could pick up a substantial package of programming at a decent price. Even though it was late at night, he called the sheik and within an hour had the go ahead. It was a turning point for the organisation.

The launch of MBC 2 in 2003 was the beginning of the world’s first 24-hour free-to-air movie channel. Its success allowed the company to expand – building the Al Arabya TV news channel for one. Within two years they had launched, and successfully branded, two additional channels – one for

children and the other targeting women.

At the same time, major steps were being taken to strengthen structures and procedures. In 2002, the sheik brought an INSEAD MBA named Sam Barnett ('97J) to the group. Just 32 at the time, Barnett faced significant resistance from many in the organisation, especially on the creative side, who feared his innovations would turn the place into a "law firm" as one member put it. But he gained such trust among department heads, streamlining and improving internal operations that three years later Barnett was named Chief Operating Officer and General Manager of MBC Group.

One of the company's biggest challenges, however, was advertising sales. Nothing like the Nielsen media ratings exists in the Middle East. There are no boxes, panels or sophisticated devices to measure an audience. In a digital age the work is strictly analogue: telephone banks calling households to ask "what are you watching?" In a region shrouded by suspicion, gathering data is at best difficult to completely unreliable. Advertising expenditure per capita in the region is one of the lowest in the world. MBC had tried for years to gather the information on its own, but marketing research was generally poor quality and attracted only multinationals – like Proctor & Gamble – willing to take a risk.

So in 2004 MBC took a bold step, unprecedented in the media world: they outsourced advertising sales. They struck a deal with a family-owned Lebanese organisation - the [Choueiri Group](#) - to measure audiences in exchange for a minimum guarantee and a percentage of sales growth. It proved to be a major success: MBC gained 45 per cent market share in Saudi Arabia alone, enabling the company to concentrate on its core business, entertainment, ramping up their own production as well as casting a wide net for programming among emerging countries. In 2008 they scored a major success with the introduction of Turkish soaps. Most popular among them, a series called 'NOOR' drew 90 million viewers for the final episode.

Though seen by Westerners as a completely homogenous - if somewhat opaque - region, the Middle East comprises countries vastly different in culture, income levels, infrastructure and accessibility. Though its baseline is considered Saudi Arabia, where most of its advertising revenue comes from, MBC reaches audiences in Iran, Kuwait, Yemen and Syria, and must walk a fine line in order to appeal to all of them. At the same time, they now compete with roughly 450 other satellite channels. So where do they go from here?

Broadband penetration is still poor in the Middle East so the internet, and social media in general, are a long way from providing a major secondary outlet for broadcasters. MBC has a team devoted to developing its use but the major platform change will be in mobile phones. MBC took a series it had been producing for 16 years, 'TASH MA TASH' and turned it into 'mobisodes' or mobile episodes.

So Western broadcasters might want to study the progress of a media company that has spanned borders, language, infrastructure, government restrictions and religious constraints to dominate one of the most competitive markets in the world. And at the heart of it all, Al Ibrahim - a risk taker, accessible, encouraging his employees to take bold steps, his original vision statement now just slightly tailored to encompass a new landscape: "With our heart in the Arab world, we are forging a global media company that enriches people's lives through information, interaction and entertainment".

*This article was written by David Turecamo based on an interview for INSEAD Knowledge.*

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