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# From Madison Avenue to Media City: The Evolution of Media and Creative Agencies in the Middle East

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# Foreword

by Facebook

The most successful businesses around the globe have long relied on trusted agency partners to help them not only address their complex growth and brand-related challenges, but also navigate a globally growing ecosystem of players that includes platforms, channels, publishers and 'media space' owners, to name a few. Great agencies have always been trusted partners that businesses rely on to help them capitalise post-haste on continually opportunities.

Today, as the world faces a myriad of uncertainties resulting from the global COVID-19 pandemic, flexibility and adaptation are even more crucial for all institutions in every industry. As a result businesses and agencies alike are having to rapidly embrace major product, organisational and cultural shifts in an effort to adapt to internal pressures and the evolving market demands of clients and partners.

The requirements, competencies and expectations of agency partners, in particular, will continue to evolve rapidly as we now start to consider what the 'agencies of the future' will look like. The competencies in continuous reinvention that these agencies have recently gained are not only essential ingredients during the remainder of the current health and socio-economic crisis, but will be vital in further crises that the future may bring.

Just before the start of 2020, we convened a roundtable of the leading media and creative agency executives in the Middle East & North Africa (MENA) region to discuss and shape the aforementioned 'Agency of the Future'. Within the context of the prevailing crises, this discussion not only remains relevant but has become even more pressing and significant.

The constructive ideas derived from the roundtable discussion are pertinent in light of the changes presently taking root on all fronts. The ideas generated by that open exchange focused on how

agencies of the future can strategically fuel existing expansion or induce new growth to drive further commercial success and operational sustainability.

One major notion that the roundtable discussion homed in on is that agencies can expand their relevance and impact with existing and new clients – both directly on their own, and through tech ecosystems – by building on their expertise and proficiency in digital platforms.

Building on that knowledge of leveraging digital platforms, agencies could be more involved in solving problems facing C-suite executives at existing or prospective client organisations, expanding their scope of work. So, in addition to the traditional focus on CMOs, and with Facebook as a tool, agencies would ideally be catering to the business needs of their clients' CEOs, CIOs and CCOs, thereby unlocking budgets beyond the allocated marketing spend.

Another key idea raised at the roundtable is that agencies now have the opportunity to develop compelling brand-building value propositions for exclusively performance/reach-focused players like Digital Natives who traditionally have not been brand-focused but, as a result of their growth, are beginning to consider it within their budget.

To sum up, agencies face a number of compelling opportunities that are being actively considered by many other players – driven by tectonic shifts in business paradigms, consumer demand and technological advances. *From Madison Avenue to Media City: The Evolution of the Agency in the Middle East*, an Economist Intelligence Unit report sponsored by Facebook, echoes the perspectives and sentiments shared during the roundtable discussion and encapsulates a multitude of possibilities that many leading agencies are exploring with a view to retaining their core function as trusted specialists, advisers and partners to their clients.



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## About this research

Advertising and media agencies in the Middle East are being buffeted by global forces as well as those unique to the region. Globally, the digital transformation of the media is placing pressure on leadership to attract and retain the right talent, particularly as agencies compete with non-traditional players such as consultancies and technology firms. In the Middle East, agencies grapple with clients' short-term approach to the market. Economic and political volatility mean that multinationals, in particular, focus on a sales-driven, tactical approach to marketing as opposed to a long-term approach focused on brand building.

From Madison Avenue to Media City: The evolution of the creative and media agencies in the Middle East, **written by The Economist Intelligence Unit**, explores how agencies in the Middle East are reinventing themselves. They are “rebundling” services, to counter the fragmentation that took place as consumers began to engage with brands across a plethora of channels. To become more agile, they are encouraging a “brand-focused, company-agnostic” approach, bringing together different skills from across subsidiaries and teams to meet a client’s needs—from art direction to digital marketing. In doing so, agency leaders hope to make their organisations an exciting place to work, retain the best talent and prevent employees from burning out. Across all of this, they remind themselves of their core function: to connect with the consumer and drive demand through brand building.

The findings of this report are based on desk research and in-depth interviews with regional heads of agencies in the Middle East. Our thanks are due to the following for their time and insights (listed alphabetically):

- **Elda Choucair**, CEO of PHD MENA
- **Tarek Daouk**, CEO, Dentsu Aegis Network MENA
- **Roy Haddad**, director, WPP MENA
- **Ghassan Harfouche**, CEO, Middle East Communications Network
- **Patou Nuytemans**, CEO, Ogilvy MENA
- **Reda Raad**, CEO, TBWA\RAAD ME

We thank David Blecken for his research contribution. Melanie Noronha is the editor of the report.

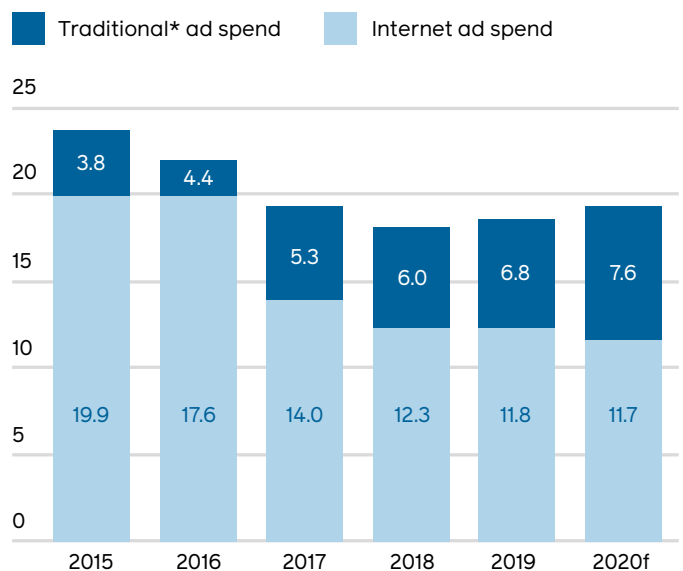
# The agency remodel

Advertising and media agencies in the Middle East have been struggling. Ad expenditure in the region has been in decline for years, although a mild recovery appears to be under way (see figure 1). This represents an industry in transition as agencies transform their business models to adapt to a host of digital channels. Internet ad spend has propped up numbers, making up between 35–40% of total ad spend in the region, although some agency leaders believe that to be a low estimate as data on internet spend are not exhaustive. In contrast, global ad spend has been growing, albeit modestly at 2.1% in 2019.

In a challenging economic climate, agencies are finding that they must be more creative with smaller client budgets. “Until 2015, most of our clients—the fast-moving consumer goods (FMCG), the automotive industry—were experiencing high growth,” says Tarek Daouk, chief executive of Dentsu Aegis Network Middle East and North Africa (MENA). “When the growth rate changed, clients started shifting focus to other countries.” But

many agency leaders believe this is a short-term issue. The ad industry in the Middle East is contending with far deeper structural challenges. And the globalised nature of marketing and media means that these challenges are remarkably similar, from New York to Dubai.

Figure 1: Has ad spend in the Middle East bottomed out? (US\$bn)



Source: WARC  
\*Includes television, print, radio, cinema and out-of-home advertising.

**“Behind a great piece of work there is always a nice insight.”**

*Roy Haddad, Director, WPP MENA*

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## Addressing agility: Becoming brand-focused, company agnostic

The growth of the online ecosystem means that consumer touchpoints have increased exponentially. In addition, automation—particularly for media buying through programmatic desks—has accelerated the pace of activity in the industry. As a result, agencies operate in a much more dynamic environment in which they are expected to continually monitor and adjust their creative work. Reda Raad, Middle East CEO of TBWA\RAAD, refers to this as “agile content”, but delivering this across multiple channels is no easy feat.

To drive agility, large holding companies in particular are restructuring the way they work with brands. “Rebundling”—bringing together the spectrum of agency services from creative to media—appears to be the antidote to the broader fragmentation of the advertising and marketing industry.

In some cases, this manifests as brand-focused teams, such as TBWA\RAAD’s Nissan United, which combines creative and media resources into a single team. Although this is not possible to set up for every client, the underlying principle applies: to offer greater flexibility to clients under one roof, focusing on the needs of the client’s brand rather than those of individual service providers. “It’s a more fluid kind of structure where people can migrate from one team to the other,” explains Roy Haddad, the MENA director of WPP.

While having more ways to reach an audience may sound like a blessing, Mr Haddad points out that the more you expose a message, the less interesting it becomes. More than ever, the onus is on agencies to maintain the “cohesiveness of the brand experience” while delivering content across multiple channels.

This is critical as more opportunities to personalise messaging by audience segment emerge. Ghassan Harfouche, CEO of advertising and marketing communications agency group Middle East Communications Network (MCN), acknowledges the ongoing debate about personalisation versus the single, big idea. “It’s about optimising [a campaign] to convert into sales, on the one hand, while still making sure we’re building brands,” he says. The difficulty is in striking the right balance.

In the Middle East, marketers tend to err on the side of a big idea and little nuance given the single language and some shared cultural background. But often, as many agencies have their regional head offices in the UAE, a good deal of work ends up nonetheless being “Dubai-centric rather than idiosyncratic”, Mr Haddad notes. Agencies must tap into a network of local resources: work developed on the ground in Saudi Arabia, Egypt, Lebanon or Jordan often leads to more relevant content. “It’s understanding what’s happening in the counter-culture, with art and music, what’s happening underground. Behind a great piece of work there is always nice insight.” Ensuring brand relevance in this way is the North Star when it comes to thinking about what will constitute the best creative work of the future.

Finally, agility also means breaking down the notorious silos that are part of many large businesses today. To achieve greater unity between teams, the advertising and marketing agency Ogilvy restructured its regional offices to bring various divisions under a single profit and loss (P&L) line item. It makes the much talked-about goal of transformation more achievable, says Patou Nuytemans, CEO of Ogilvy MENA, “because suddenly people aren’t fighting anymore”.

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## Demonstrating value

The emergence of a plethora of channels drove an intense fragmentation of media and marketing services: businesses cropped up to cater to specific segments of the value chain, from content creation to digital marketing. Today, agencies face competition from non-traditional players such as consultancies and technology companies. One example is Accenture Interactive, the agency arm of the management consulting firm. With such companies playing in their space, agencies have had to work harder to demonstrate their value to clients.

Agency leaders are clear about their core function: they are responsible for developing the “big idea” for brands. They believe they are uniquely placed to introduce the emotional intelligence necessary to connect with the consumer and drive demand through brand building. Advertising professionals like to hold this up as their immutable strength. But the arrival of unconventional players on the advertising stage—from management consultants to publishers—requires them to be closer to the business objectives of their clients and to crunch hard data to assess the effectiveness of campaigns.

To do this, agencies now factor in data on behavioural traits and the preferences of a target audience when designing their creatives and campaigns. Discussions on the number of impressions and micro-targeting, for instance, which were previously left to media planners, are informing early decisions. “We are being held a lot more accountable to the performance of these campaigns so we’re

getting smarter in terms of using the data that’s out there,” states Mr Raad. “Clients want to make sure that for every dollar they spend, there’s a measurable return.”

This is of greater concern in the Middle East, a 2019 global survey of business executives conducted by The Economist Group confirms.<sup>1</sup> Close to two-thirds of respondents from the Middle East cited return on investment (ROI)—a short-term measure—as a key indicator to assess marketing initiatives, notably higher than the global average (46%).<sup>2</sup>

**“We are being held a lot more accountable to the performance of these campaigns so we’re getting smarter in terms of using the data that’s out there.”**

*Reda Raad, CEO, TBWARAAD ME*

The persistent economic and geopolitical perils of the region tend to engender a short-term approach among multinational advertisers in particular. “It’s quite a volatile area,” Mr Haddad observes. From an advertiser’s perspective, “what [they] can do today is more important because of that volatility”. The result is a prevalence of tactical, sales-driven marketing rather than long-term brand building.

This manifests in a procurement-led approach to marketing instead of one led by marketers, observes Ms Nuytemans. As a result, agencies spend a large portion of their time pitching to clients. “When you are in constant pitch mode on your existing clients, plus going after new opportunities, that considerably hurts your business. Because all of that resource is taking you away from your existing clients.” She estimates the agency

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1 “Wanted: CMOs with 20/20 Vision”, The Economist Group, November 19th 2019. [https://thoughtthatcounts.economist.com/2020-vision?utm\\_source=Marketing\\_Solutions\\_Site&utm\\_medium=Audience\\_Research&utm\\_campaign=CMO%20Survey&utm\\_content=](https://thoughtthatcounts.economist.com/2020-vision?utm_source=Marketing_Solutions_Site&utm_medium=Audience_Research&utm_campaign=CMO%20Survey&utm_content=)

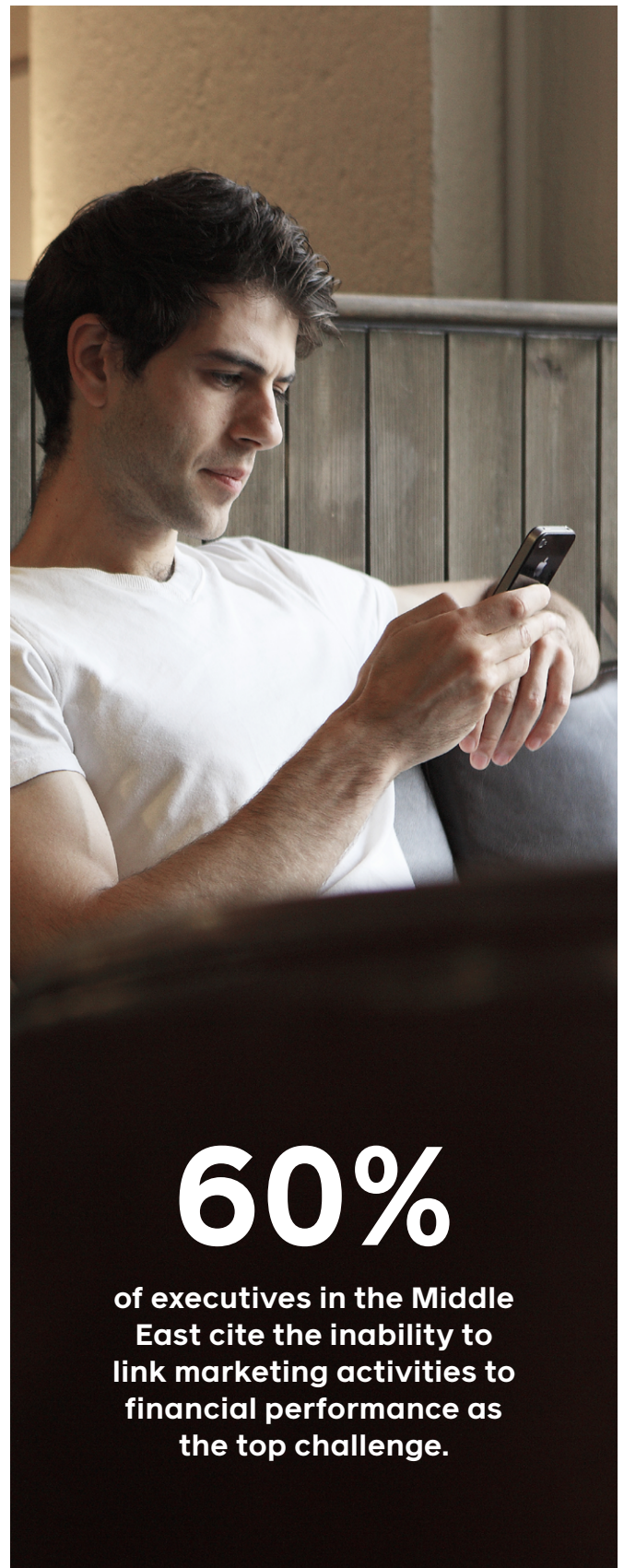
2 Findings for the Middle East are directional at best due to small base size (<50).

turnover with clients is two to three times that of the global average.

The Economist Group survey also reveals the top barrier to assessing the marketing department's value: the inability to link marketing activities to financial performance or sales, a challenge felt more acutely in the Middle East (60% vs 36% globally). Agencies must help their clients' marketing teams to better articulate this.<sup>3</sup>

In response to this issue, agencies are now experimenting with a range of pricing models. Currently most are using a mix of labour-based pricing (for retainers and projects) and commissions on media buying services, but there is a growing interest worldwide in performance- or value-based compensation. A 2019 global survey by the World Federation of Advertisers revealed that eight in ten marketers planned to increase their use of performance-based remuneration contracts.<sup>4</sup> Another 2019 survey of US-based marketers conducted by the Association of National Advertisers reported that 58% of respondents already use a business goal, such as sales or market share, to evaluate media agency performance.<sup>5</sup>

While the global industry evaluates the most suitable model, ensuring a clear link to business success metrics is vital. "The most substantial source of value from media agencies is the ability to provide neutral, data-validated investment management that makes a tangible difference to a brand's performance," says Elda Choucair, CEO of PHD MENA. "The goal is no longer to deliver just media but business value."



# 60%

**of executives in the Middle East cite the inability to link marketing activities to financial performance as the top challenge.**

3 Findings for the Middle East are directional at best due to small base size (<50).

4 Jennifer Faull, "Advertisers turn to performance-based remuneration for ad agencies", The Drum, January 31st 2019. <https://www.thedrum.com/news/2019/01/31/advertisers-turn-performance-based-remuneration-ad-agencies>

5 D Beals, B Elliott, "Media Agency Compensation Practices", ANA, 2019. <https://s3.amazonaws.com/media.mediapost.com/uploads/MediaAgencyCompensation.pdf>



# Tackling talent troubles

Agencies in the Middle East are grappling with both attracting and retaining talent, but for different reasons.

The challenge with attracting talent mainly stems from the ongoing digital transformation of the media. This has created a demand for a different skill set, dubbed the “creative technologist”—for instance, the art director well-versed in data analytics. But this is a short-term problem, Mr Haddad states. “I think we’re talking about issues which won’t exist in ten years, because if you are a digital native, that’s a second nature.”

However, agencies will continue to compete for talent with technology companies, which are often referred to as the “most fun places to work” and typically pay considerably more than agencies. “It’s difficult to find a large enough pool of talent for anything related to advanced data analytics and marketing technology implementation,” admits Mr Daouk. This is particularly true in the Middle East, a market he feels is simply not mature enough in certain areas. “It will still take considerable time to develop.”

In the meantime, agencies are forced to import talent from outside the region. This is easy enough to do in Dubai (where most agencies’ regional headquarters are located) but less so in other areas such as Jordan and Egypt. Even in Dubai, Mr Raad thinks the bar should be set higher. “We need to be attracting the best talent in the world and not just in the region,” he says. This is especially challenging due to the transient nature of some Middle Eastern countries, such as the UAE, Kuwait and Qatar. Many expatriates view the region

as a stepping stone to more developed markets, turning to the US and the UK as ultimate destinations.

Retaining talent, on the other hand, is closely tied to the work culture at agencies. Mr Harfouche of MCN estimates that, on average, agency employees work 20–30% above official working hours, which inevitably leads to burnout. A 2019 survey conducted by Fishbowl, a professional networking app, reports that 62% of advertising professionals in the Middle East are experiencing burnout.<sup>1</sup> This is not a result of the demands of delivering digital campaigns but rather the lack of longer-term planning by clients. Mr Harfouche feels this can be reduced if the scope of work between a client and an agency is better defined. “What adds to the pressure for us is when we sometimes have to deliver overnight on something that would normally have taken a week.”

# 62%

**of advertising professionals in the Middle East are experiencing burnout, according to Fishbowl, a professional networking app.**

Constantly pitching to clients—and delivering creative work upfront for no fee—adds to this. “So we are sometimes overworking our employees just for the sake of pitching for new business and defending existing business,” says Mr Harfouche.

1 Fishbowl, 2019. <https://www.fishbowlapp.com/insights/2019/10/29/58-percent-employees-suffer-from-burnout/>

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## How can agencies attract and retain talent?

Across the board, agency leaders acknowledge that talent is central to the success of their business. “We’re in the service industry and if you don’t have the right talent, if you don’t take care of this talent, you’re going to ultimately be a losing company,” states Mr Harfouche.

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*Ghassan Harfouche, CEO, Middle East Communication Network*

To retain talent, agencies are improving their culture by offering flexible working hours. HR teams are driving employee surveys to keep their finger on the pulse and are developing mental health programmes. Staff training on skills needed to work with new digital tools can also empower employees. Beyond this, agencies must encourage clients to plan for longer time-horizons to avoid rushed delivery. Combined, these can alleviate work-related stress, improve productivity and reduce employee burnout.

To attract talent, agencies need to work together to change perceptions of the industry from a stressful environment to one that is an exciting place to work. Agencies need to remind the workforce that they operate in an environment that fosters creativity. “We are about ideas and that’s what makes us quite unique,” says Ms Nuytemans. “I think we forget that working in a creative industry, we combine magic with science.”

In addition, reinforcing a sense of purpose by working with clients to support social and environmental causes—from gender equality to plastic pollution—can go a long way in drawing in and keeping tomorrow’s talent. In a global survey conducted in 2019 by Corporate Citizenship, a non-profit consultancy, 72% of millennial respondents felt it was very important that the company they work with is committed to making a positive social impact.<sup>2</sup>

More broadly, to ensure that there is a quality talent pool in the region, the industry needs to work with local universities to cultivate a greater interest in the advertising industry. This ties back to agencies drawing on local resources to create meaningful content.

**“We are about ideas and that’s what makes us quite unique. I think we forget that working in a creative industry, we combine magic with science.”**

*Patou Nyutemans, CEO, Ogilvy MENA*

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2 N Guar, “Advancing the Sustainable Development Goals: Business action and Millennials’ views”, Corporate Citizenship, 2016. <https://corporate-citizenship.com/wp-content/uploads/Advancing-the-Sustainable-Development-Goals-Business-Action-and-Millennials-Views.pdf>

## Conclusion

# Leadership priorities

The tension that flared between the US and Iran at the start of the new year was yet another reminder of why clients tend to take a short-term approach in the Middle Eastern market. In turn, this short-term approach dictates marketing strategy and timelines, which have an impact on agencies' talent troubles.

Agencies have a role to play in engaging clients to plan for longer time-horizons and invest in brand building. "We need to be having more upstream conversations with our clients," says Mr Reda. "Not just on the advertising, but how we can become more strategic in terms of delivering on clients' objectives and challenges." Ogilvy offers an example of this having set up a consulting arm that gives them credibility in business strategy as well as wider market access.

**Figure 2: Action points for agency leaders in the Middle East**



'Rebundle' to drive agility



Demonstrate value to clients' business goals



Engage clients to plan for longer time-horizons



Strengthen HR strategies to retain talent



Rebrand industry to attract talent

Source: The Economist Intelligence Unit

As the industry evolution continues, leaders have to ensure that their agencies are prepared for the future—including developing experiences for augmented or virtual reality and strategies for product placement in ad-free content. Veterans of the ad world themselves, having spent years if not decades mastering traditional media channels such as print and television, adapting has not been easy. But agency leaders in the Middle East are clear about their core function.

"Our role is really to engage consumers," explains Mr Haddad. "Now, over time, tools or channels have changed but effectively the essence of it all is still to engage the consumer. It's really about what gives the client the best return." This is one area where agencies, for now at least, hold an advantage over new competitors in the marketing space—including publishers, consulting firms and technology companies—which typically operate within their own walled gardens and have limited ability to deliver end-to-end marketing services. And in a media market that is highly fragmented, "clients value the clarity of thought and performance that an expert and independent third-party can provide," says Ms Choucair.

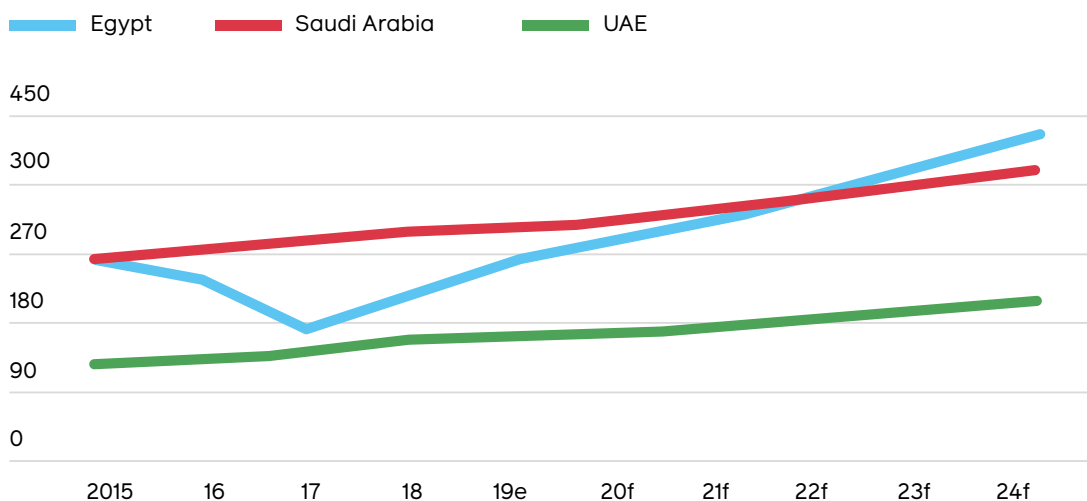
Agencies are restructuring their business so that brand-focused teams can be more agile and deliver content faster. As they do this, they must rebrand the industry—positioning it as one that is purpose-driven and fosters creativity—to attract talent.

For market growth, agency executives believe there is much to be optimistic about. Ms Nuytemans points to "the opportunity driven by government initiatives and the semi-government

brands here who are formidable and have an incredible ambition". Others cite local brands—from the Jumeriah Group of hotels to Qatari telecommunications company Ooreedo—that are seeking a global platform. In addition, they hope that an uptick in consumer activity and ad spend in Saudi Arabia and Egypt will help pull the region's industry out of the slump it has experienced over the past five years. Social reforms and increased public spending in Saudi Arabia only underpin this optimism.

Taking all advertisers into account, the aim for agencies should be to give them a reason to put the Middle East "back on the global priority list," Mr Daouk says. "Over the past few years we've seen budgets challenged, businesses challenged and the ability to invest challenged," he says. "Priorities have shifted to other markets, so we need to work closely with them to change that. If you do that, you have the potential for longer-term planning."

**Figure 3: Consumer expenditure in key markets in the Middle East, 2015-2024f (US\$bn)**



Source: WARC  
\*Includes television, print, radio, cinema and out-of-home advertising.



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