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Smithers Pira White Paper

Print in the Middle East: 5 Ways to Identify Growth Opportunities



Introduction

It is clear that the Middle East and North Africa (MENA) region is experiencing some difficult political and economic times; but the recovery is expected to begin gradually until 2022, and most segments are showing impressive growth rates.

MENA's printing market is huge, producing 2.4 trillion A4 prints in 2017 and consuming 13.5 million tonnes of substrate. This will increase to 2.8 trillion A4 prints and 17.9 million tonnes by 2022, with respective year-on-year growth rates of 2.8% and 5.8%.

Print revenues in MENA will rise across the same period, from \$26.8 billion in 2017 to \$40.7 billion by 2022. This represents a year-on-year expansion of 8.7%, reflecting the booming value and greater per unit price of printed products.

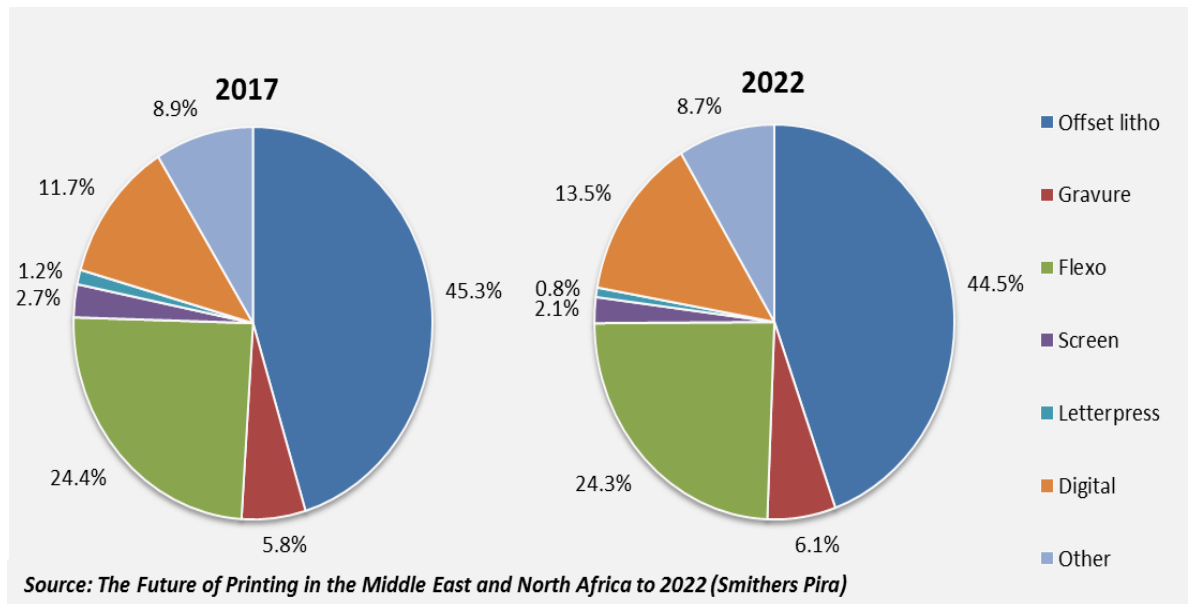
This expansion is much higher than the global mean for increases in print revenues, which sits at 0.8% per year for the current decade. Print service providers, and suppliers of equipment and consumables into the MENA region, must negotiate some of the same challenges as are present in the global market, like the availability of electronic media. These are joined by some distinctly regional differences that will impact market conditions.

Growth drivers

The main key drivers are the increasing population in the MENA region, together with the increasing literacy rates, and the importance of education and enhancing infrastructure. As MENA retail cultures modernise, and

Middle East & North Africa: print revenues by process 2017-22, by value (\$ million, constant 2015 prices & exchange rates)

Source: Smithers Pira



move from local markets to supermarkets, there will be a need for more packaging, especially for smaller packages. This boom in demand for printed packaging, together with the growing requirements for brand enhancement/ differentiation in an increasingly competitive environment, makes this an attractive segment.

In addition to there will be increasing use of the digital printing technologies for on-demand, variable content and personalised prints, transforming traditional print supply models. Advertising and transactional printing are also clearly increasing, together with a greater awareness of security print products.

Identifying market opportunities

This white paper looks at five key ways in which firms in print can identify and act on the market opportunities emerging in the Middle East in this sector. The five ways outlined in this paper for businesses to take advantage of market opportunities are:

- 1. Monitor changing demographics**
- 2. Adapt to the retail landscape**
- 3. Develop digital**
- 4. Target advertising and transactional print**
- 5. Market assessment**

① Monitor changing demographics

The printing industry is growing in some countries in part due to population growth, as well as factors such as increasing literacy rates, enhanced infrastructure, and improvements in the economic conditions overall, and for particular sections of the population. In other regions the print industry is decreasing however, mainly because of volatile or unstable political situations, with many emigrating. Other countries are nearly stable, with neither growth nor declines in industry size.

Investments in new state-of-the-art machinery and equipment are continuing in some countries, mainly the Gulf region ones; while in others, such as Northern Africa, they are decreasing. In some, investment has essentially stopped.

This makes it extremely important for companies looking to address MENA print markets to carefully monitor the conditions and trends across the region, and carefully select their approach in existing or target markets.

Demographic trends

The shift from high to low mortality and from high to low fertility is well under way throughout the region, with individual countries at different stages. On average, fertility in MENA declined from 7 children per woman around 1960 to 3.6 children in 2001. The total fertility rate (average number of births per woman) is less than 3 in

Bahrain, Iran, Lebanon, Tunisia, and Turkey; and is more than 5 in Iraq, Oman, Palestinian Territory, Saudi Arabia, and Yemen.

Its young population gives unprecedented momentum to MENA's population growth. One third of MENA's population is under age 15. Over the next 15 years these children and adolescents will reach their childbearing years and enter the job market. In most MENA countries, the number of women of childbearing age (15-49 years) will at least double in the next 30 years. Providing quality reproductive health services to a growing number of women is a challenge and is key to slowing population growth.

As MENA's total population increases, so does its elderly population, and with it a health burden that has important implications for the cost and configuration of health systems.

MENA's working-age population is growing very rapidly too, as a significant number of children reach adulthood.

The region's economic dependency — the ratio of the economically inactive to economically active population — is the highest in the world. Because of its young age structure and low level of female labour force participation, the proportion of the population that is economically active is lower in MENA than in all other regions.

With these dynamics taking hold in MENA, and varying from one country to the next, a tailored approach is needed — particularly from firms outside of the region looking to develop market share in MENA print. Understanding how these dynamics will influence print products and consumers, now and in the coming years, will be vital.

② Adapt to the retail landscape

The presence of “Western-style” supermarkets is impacting on MENA, where packaging is playing a vital role in marketing and selling of the product. Packaging is no longer a silent seller, but is shouting from the shelves to engage customers.

Colour is becoming more and more important, with colour matching and stability becoming vital within the production batches.

Packaging formats

The Middle East countries have diverse and contrasting packaging trends. In some – mainly the economically well-established, high-income countries, like for example Saudi Arabia and those in the Gulf area – people are more used to buy larger packages with less frequency of buying visits to the large supermarkets.

Exactly the opposite is true in the low income countries, where people are more used to buying small packages and products frequently – sometimes even daily – in much smaller amounts, some of them spending less than \$2 per day.

The packaging markets in the region are increasing every day, with the population increase and the need for a wide range of packaging materials. Mass-production is currently dominant in the region, with personalised, digitally printed packages just starting to enter the

market. Industrial, transit and food packaging are expected to be the largest end users of printed packaging in MENA in 2017-22.

This will also lead to the increasing deployment of new packaging technologies across the 2017-2022 period – including high-barrier materials, active packaging, intelligent packaging, coating technologies and digital print for packaging.



The presence of “Western-style” supermarkets is impacting on MENA, and creating opportunities for print firms in the region

Source: Smithers Pira

③ Develop digital

Worldwide digital printing – inkjet and toner presses – was worth \$128 billion in 2016, and accounted for 1.35 trillion A4 sheet equivalents. Globally it is well developed in both advertising and commercial print segments, and is now making strong inroads into book printing and, in particular, packaging.

Across the period 2017-2022 the fastest growing print processes in MENA will be digital, mirroring the wider transformation in global print usage and the increasing penetration of these systems into packaging.

One of the real values of digital printing is the concept of print on demand, which offers benefits to the customer in the form of faster turnarounds, better inventory, customisation of output, reduced waste, last-minute sourcing and reduced warehousing costs.

Investment in digital

The Middle East and North Africa region offers great potential to increase the volumes of digitally printed products. After a long period of installing medium production machines – such as the Xerox C75, the Canon Image Press and the Konica Minolta C8000 – digital print providers are now starting to invest in high-volume inkjet and toner presses. This will allow them to meet higher frequency demand for smaller orders and the medium orders, which were formerly run on



One of the real values of digital printing is the concept of print on demand

Source: Smithers Pira

analogue printing technologies. This change, alongside the economic situation in many MENA countries, is reflected in the number of new installations as investment is growing despite the fact the larger volume machines come at a significantly higher price.

One example of investment in digital and inkjet is that of Al Kheshi Advertising, one of the biggest advertising agencies in Saudi Arabia. In May 2016 the company announced the first installation of the Durst Rho P10-160 UV inkjet printer and Aristo GL2032 cutter at its base in Dammam.

Tailored opportunities

As it has elsewhere, digital print allows print firms to tap into specific requirements in MENA markets, and add value to either print products, or a print business model.

For example the main digital product category in Egypt is books – a country where 25 million out of a population of 92 million are students in different stages of education. Here, the ability to provide shorter runs of textbooks and reading list material is a significant opportunity for print service providers.

Print companies looking for further opportunities can tap into many similar applications for versioned, value-added products by addressing needs in different MENA markets, via investment in digital technologies.

④ Target advertising and transactional print

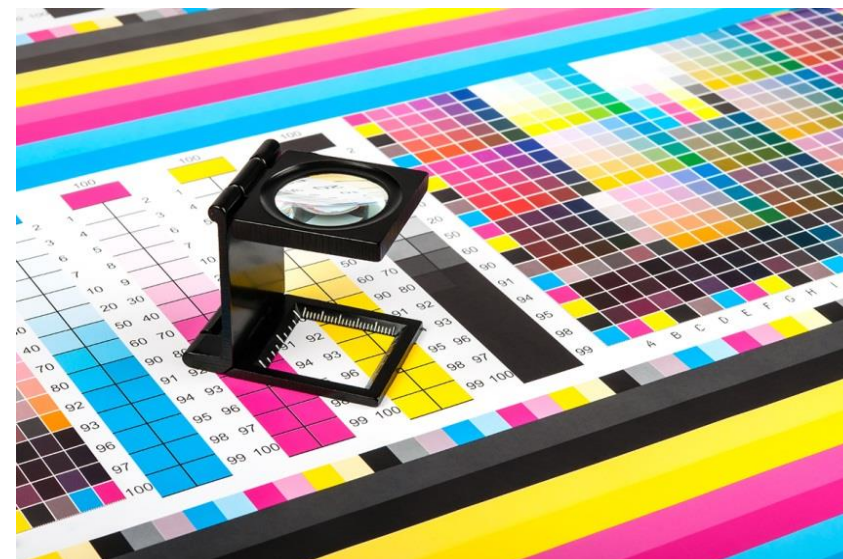
Two emerging areas that firms can target in MENA print are advertising and transactional.

Transactional printing is increasing in MENA because of the increasing numbers of population, financial institutions, mobile, Internet and electronic services providers. For instance, transactional print is increasing in Egypt, with about 70 million statements and invoices printed every month, covering all the electricity, telephone, mobile phone, gas and bank statements.

Advertising includes promotional leaflets and brochures, inserts, point-of-sale signage and displays, posters, direct mail and other marketing collateral. This segment can be highly sensitive to revisions in brand strategy impacting advertising budgets, and any downturn in a national, regional or the world economy.

Digital marketing

While it only accounts for a small percentage of global ad spend in 2015, the market in the Middle East is ripe with opportunities for marketers to expand their advertising. Though the current market structure differs greatly from that of the global market, or even other underdeveloped markets, the MENA region is seeing a gradual shift into the modern era of digital marketing, an area especially pertinent to the region's 141 million Internet users.



Two emerging areas that firms can target in MENA print are advertising and transactional

Source: Smithers Pira

For much of the Middle East the main language is Arabic. Since people are so tied to their native language, advertising in that language is an essential part of reaching the target market. This not only applies to adverts, but also publications, television stations, brochures, signage and websites – particularly with many in the region being active online.

Culture

Another factor is culture. Middle Easterners come from a collectivist cultural background. When it comes to purchasing decisions, many of their major decisions rely on social indicators and cues to help them determine which purchase to make. Understanding this fact can help inform which channels and marketing messaging.

One UAE-based creative production company, Ndigitec, has announced plans to open a new, dedicated facility within Dubai Production City. The plan aims at further enhancing its overall fabrication competency amidst a surge in demand for its fabrication solutions and services in the UAE and region – ranging from digital signage, fit-out, turnkey solutions, event podiums, displays and exhibition stands – to complement its pre-media and digital printing competencies.

⑤ Market assessment

With such unique conditions in the MENA print market, and such significant variations across the different countries, careful and deep analysis of the current and future market trends is required to be successful.

As demonstrated in its recently published report *The Future of Printing in the Middle East and North Africa to 2022*, Smithers Pira has extensive expertise in analysing print markets globally.

Whether you are looking to grow your business, launch new products or find out about new and emerging markets, Smithers Pira Market Consulting can provide you with practical, cost effective research solutions to meet your specific business needs.

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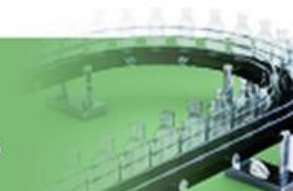
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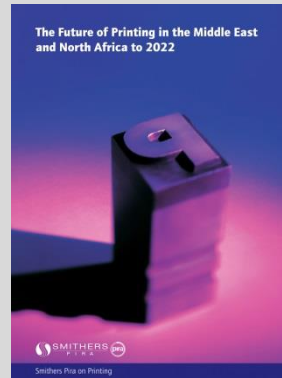
Our expertise in market sizing, forecasting and assessing the impact of technology and trends not only fuels a portfolio of 50+ market reports produced every year but can also help your organization to solve a particular business requirement. By understanding your company and its needs, we will strive to give you a genuine and personalised interpretation of our research findings.

The Future of Printing in the Middle East and North Africa to 2022

This report examines the opportunities for suppliers of print equipment, consumables and print service providers in the dynamic Middle East and North Africa (MENA) region, and provides quantified market data and forecasts for MENA print to 2022, segmented by technology type, process, end use, and region and country.

Smithers Pira's analysis tracks how this lucrative and expanding market differs from more mature regions, where print revenues are static or even declining. This includes insight into the key growth segments and national markets, the reasons behind their expansion, and how these can be exploited by both domestic and international companies.

[Visit the report page for more information](#)



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