

How Covid-19 is Impacting Cultural & Creative Industries

New trends in cultural consumption and production in the wake of the pandemic

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Introduction

01



The Covid-19 pandemic has left an indelible impact on cultural and creative industries (CCI) across the globe – Saudi Arabia being no exception. To combat the pandemic, Saudi Arabia imposed some of the world's strictest measures. After the announcement of the first case in March 2020, schools, social events, sports activities, domestic travel and international flights were suspended, which they remained for more than a year. Many companies and people employed in the sector suffered as lockdowns were imposed, cultural venues were closed and tourism ground to a halt.

The pandemic struck just as the transformation of Saudi Arabia's CCI was gaining steam. The Ministry of Culture was established in 2018 and General Entertainment Authority was established in 2016. Ithra, originally founded in 2008 as a project by Saudi Aramco pioneering innovation, culture and knowledge, had just opened its doors to the public in 2018. Hayy Jameel – a 17,000 square meter development in Jeddah dedicated to nurturing Saudi artists, playwrights, photographers, filmmakers and others – is due to open in 2021.

Despite the impact Covid-19 has had on CCI stakeholders (loss of revenues, delays in projects, tight cash flows and rising costs), the transformation of CCI in Saudi Arabia has not veered off course. In fact, the industries are showing a remarkable resilience—museums launched a wide variety of virtual experiences, government entities stepped in with a range of support programs, the creative output of ordinary Saudi citizens soared and numerous cultural events managed to be organized within the confines of social distancing measures.

This report sheds light on how consumers and producers in the CCI have adapted in response to the Covid-19 pandemic, drawing on interviews with international experts, a survey conducted among 1,500 Saudi consumers and a literature review (see Research Methodology). We hope that all stakeholders will find in this report an overview of some of the key trends affecting the CCI, allowing them to understand how they can best serve its development going forward.



A photograph of a man and a woman in a gallery. The woman, in the foreground, has long red hair and is wearing a black face mask and an orange hoodie with a yellow backpack. The man, behind her, is wearing a dark blue shirt and a black face mask. They are both looking intently at a large painting on the left side of the frame. The painting is framed in an ornate, gilded frame. Another painting in a similar frame is visible on the right side of the image.

Executive Summary

02

While it is too early to fully assess the long-term implications of the pandemic, this report takes stock of some of what has - and has not - changed as a result. Three observations stand out:

There was an acceleration in the digitization of cultural offerings:

- Virtual cultural offerings have exploded, but the landscape is getting saturated: overall public engagement in virtual events appears quite low, pointing to an oversaturation of the audience (and a pent-up desire to return to in-person events).
- Online engagement with consumer is more important than ever: The growth in digital activity spurred by the pandemic has created extensive opportunities for engagement, but also makes targeted outreach essential to provide a unique customer experience.
- Digitization of culture risks leaving smaller businesses and elderly consumers behind: Further digitization efforts in the sector are vital to improve the resilience of the sector and improve access to cultural experiences for a broader range of the population.

Covid-19 has had a lasting impact on consumer consumption patterns:

- People took to "nesting," turning homes into entertainment hubs: Even as vaccines are enabling a return to normal, investments people made during the pandemic offer potential for people to consume – and produce – more culture at home.
- Children remain an under-served segment for cultural content: While Covid-19 served as a catalyst to cultural institutions to produce new content for kids, the amount of content for children remains relatively scarce compared to the content targeted at adults.

The nascent Saudi CCI ecosystem proved resilient in the face of the pandemic

- Covid-19 has accelerated a shift towards sustainable products and services: This process was already underway prior to the pandemic in many cultural sub-sectors including fashion, architecture, food, art and museum visits (more visitors want a "sustainable" experience).

The nascent Saudi CCI ecosystem proved resilient in the face of the pandemic:

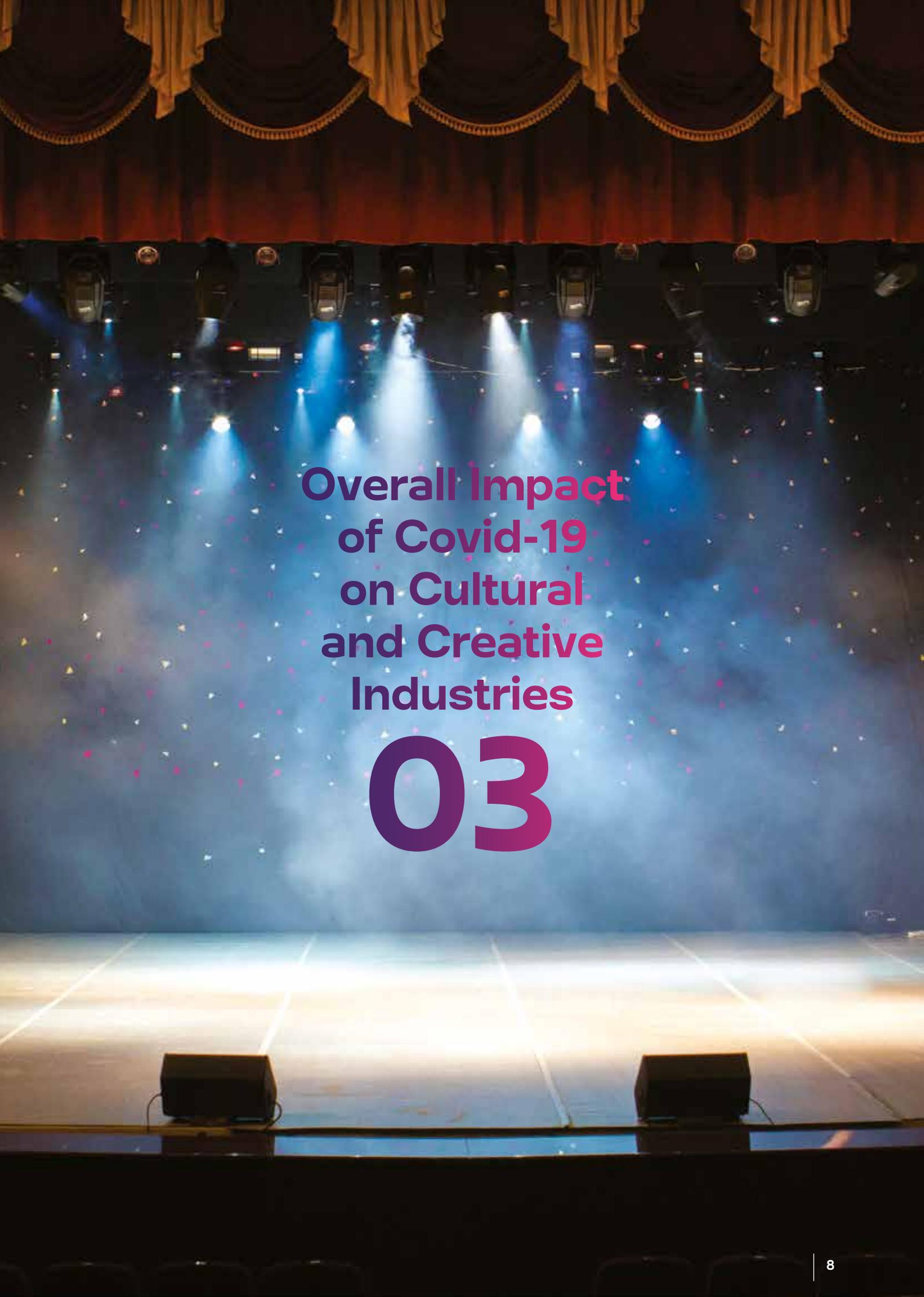
- While the world expects slower CCI growth post-Covid, Saudi is different: Its cultural and creative industries were – and remain – in their nascent stages, harboring an exceptional potential for growth.
- In-person events are here to stay, but event organizers need to proceed cautiously: While in-person events are returning and appear here to stay, the emerging waves of new infections underscores the essential need to continue investing in the resilience of the events sector.
- CCI entities and artists are seeking new sources of revenue and funding: Cultural institutions are seeking ways to monetize virtual experiences while some artists are using digital art to tap into an entirely new revenue source on the blockchain using NFTs.

- Saudi entertainment and production infrastructure is slowly taking shape: Driven by the opportunity to develop content for local and regional audiences, the development of the movie and content production infrastructure is continuing despite the pandemic.

visitor experiences, investing in digital innovation and developing new business models.

Stakeholders can prepare themselves to capture the benefits of the reopening of the cultural and creative sectors by focusing on four key areas: planning for a period of greater volatility, investing in safe and secure



A stage with blue and white spotlights and falling confetti.

**Overall Impact
of Covid-19
on Cultural
and Creative
Industries**

03

3.1

Covid-19 negatively impacted the sector overall, but there were pockets of prosperity

With significant potential for growth and impact, the CCI must embrace a "new normal" as consumers change their spending and participation patterns. The perpetuation of Covid-19 and related restrictions slowed the positive participation trend of Saudi consumers in the arts and cultural sectors occurring outside of the home. Only half the number of Saudi residents reported going to a cultural festival or celebration: 36% pre-Covid-19 versus 17% in the last 12 months (see Figure 1). Our assessment indicates

that due to 73% of consumers reducing spending on cultural activities (see Figure 2), most cultural and creative institutions have experienced a drop in revenues. Average spending has dropped, with 45% reporting spending less than SAR 100 per month on cultural activities compared to 23% pre-Covid-19 (see Figure 3). These numbers should be viewed in context: the large drop in spending is not surprising given the lack of available spending opportunities caused by lockdowns.

Out-of-home cultural activity remains low due to Covid-19, with 35% of people having attended no such activities in the past 12 months

Which activities have you engaged in in the past 12 months?

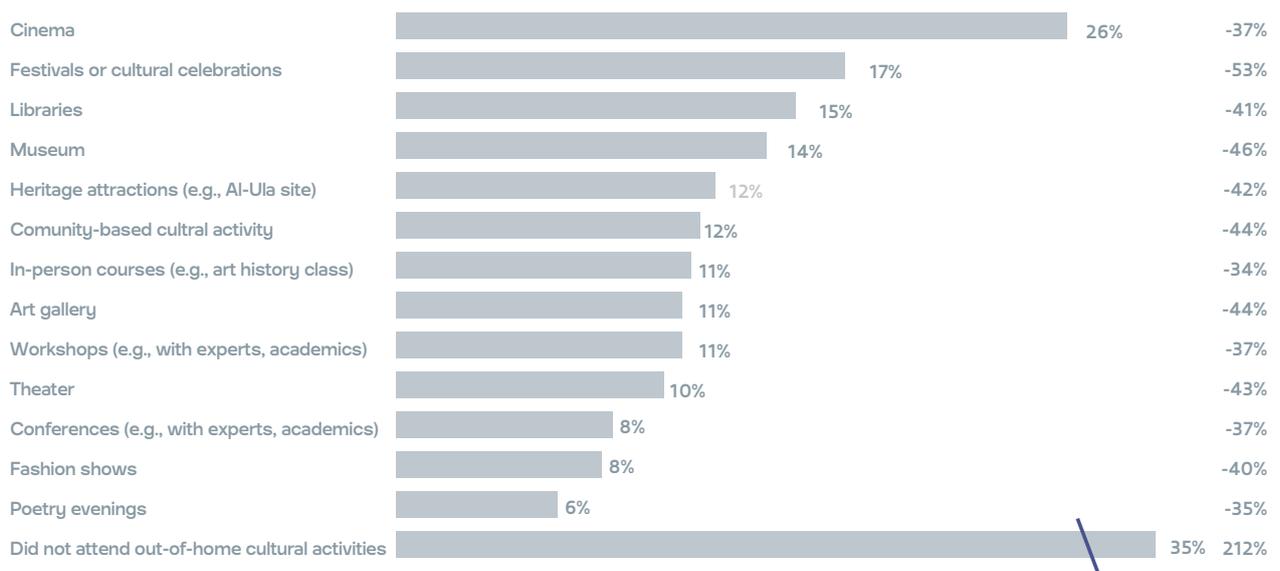


Figure 1:

Cultural engagement in past 12 months

Some 65% of Saudi consumers saw incomes reduced and 73% cut spending on creative and cultural activities since Covid-19 began

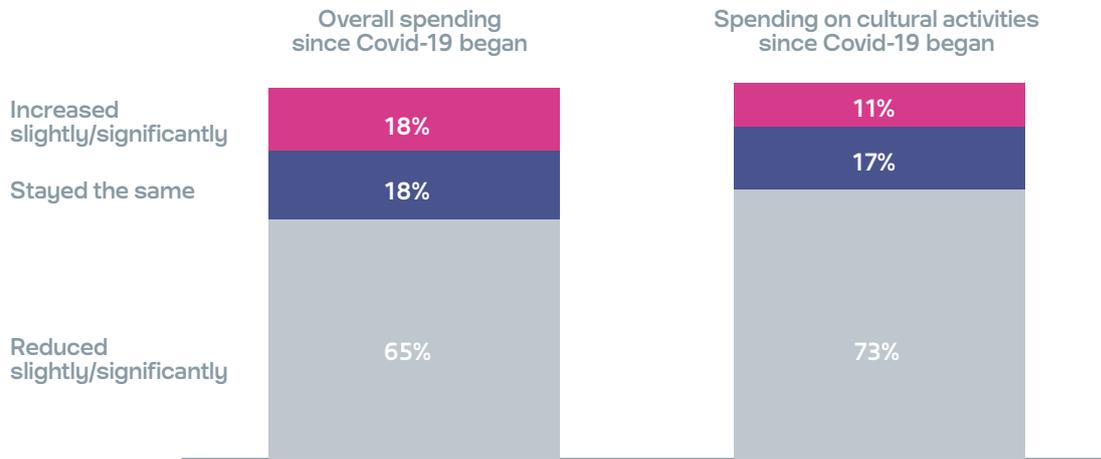


Figure 2:

Spending on cultural activities

Some 45% of consumers spend less than 100 SAR per month on cultural and creative activities today compared to 23% prior to Covid-19

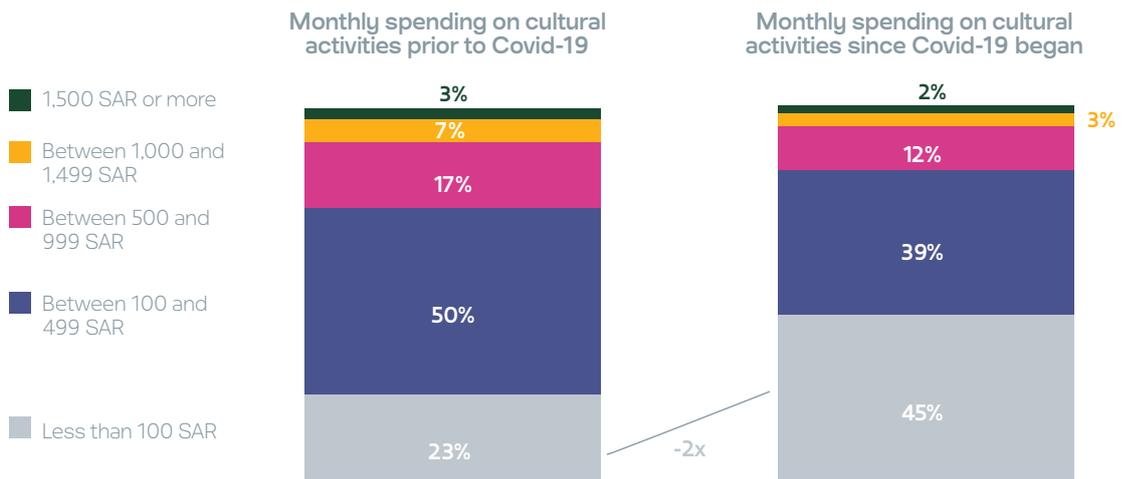


Figure 3:

Trends in cultural spending

Facing reduced income from donors and government funding, all international cultural entities surveyed were forced to take cost-cutting measures. The Tate, Louvre Abu Dhabi and V&A Museum all let go of staff, with the Tate letting go of 50% of its staff in its commercial operations (events, gift shop and food and beverage). The Louvre Abu Dhabi still has in place a hiring freeze. While Ithra did not lay anyone off or implement a hiring freeze, it did slow the hiring of new staff. Tate is now asking all visitors who pre-book tickets online for a donation to compensate for revenue losses. Given the success of this practice, they intend to continue it after Covid-19. The Louvre in Abu Dhabi is seeking support from new corporate partners, while the V&A has reduced its opening hours from seven days a week to five days a week to cut costs.

On a positive note, major investments in cultural sites have not been halted, with work proceeding on giga-project sites such as Al-Ula, Qiddiya and Diriyah Gate, and the January 2021 announcement of the Line, a futuristic, carbon-free city that will stretch along a narrow, 170km strip of Neom in northwestern Saudi Arabia.

During the shelter-in-place months, the creativity of people also got a boost. Confined to their homes, many people had more time to paint and draw, cook for their families, spend time on gardening, learn new skills, pick up new hobbies or sell home-made goods online.

Some sub-sectors, particularly those not dependent on physical engagement, managed to thrive during the lockdown. As people were stuck at home, they were naturally drawn to digital forms of entertainment. Streaming services (e.g., Netflix, Shahid and Amazon Prime) benefited the most, seeing their customer acquisition costs drop as people flocked to the platforms and increased the amount of time spent on them. According to a Ministry of Culture report released in 2021, Netflix views accounted for the third-largest consumption of data during the pandemic. Game developers also benefited. In

While there have been no structural changes in major plans and activities, there has been significant management of operating costs as revenues dropped.

the past 12 months, people reported spending the largest portion of their cultural and creative spend on online streaming platforms, video games and cinema tickets. Platforms catering to small businesses, such as Etsy and Shopify, saw large jumps in their usage as physical stores were closed and small businesses (including local artists and designers) were forced to sell their wares online.

In conclusion, while there have been no structural changes in major plans and activities (e.g., investments in giga-projects continue as before), there has been significant management of operating costs as revenues dropped. Ample opportunity lies in capitalizing on the step-up in digital engagement.

3.2

There will be a strong rebound in culture and creative sectors in Saudi Arabia

Despite lingering uncertainty surrounding Covid-19 variants, we are on the cusp of a golden age for CCI in Saudi Arabia. As Reem Al-Sultan, CEO of MiSK Art noted, "We have never before seen the level of production of art in Saudi as during the pandemic." As noted earlier, consumption of most forms of creative content is also on the rise: movies, TV series, music, literature, social media, blogs and video games all saw a rise in consumption during the pandemic. While many in the CCI may continue to face hardship due to reduced incomes and uncertainty, the strong positive signals outweigh the negative signals for these sectors overall:

- Saudi Arabia can become a creative epicenter for the region and beyond. The creative industries are being given a big boost through the support of the government for the sector (e.g., the use of incentives to draw local film productions to Al-Ula) and the opening of world-class production facilities. Meanwhile, promotional forums like the Red Sea Film Festival (established by the Ministry of Culture) aim to become a hub for films from the Arab World and Africa, supporting a new generation of regional filmmakers.
- The shift to digital consumption and production of culture has been accelerated, opening up new avenues for consumption and production of creative works and cultural experiences. Saudi animation studio Myrkott released their first production-studio series, Masameer County, in 2021, having secured a five-year deal with Netflix in September 2020 for the streaming platform to host Myrkott's works exclusively on its platform for three months, including a new feature film.

- Festivals are restarting, with Saudi Seasons having relaunched in Q4 2021. International tourism is also expected to provide a huge boost to the cultural sector when it picks up, with several megaprojects such as Al-Ula, Red Sea Project and the opening of other heritage sites in the next few years expected to attract millions of additional visitors to the Kingdom. Attracting domestic visitors to these sites may be critical as nearly 40% of consumers report still feeling uncomfortable traveling abroad.
- Finally, and probably most importantly, the sentiment among Saudi residents is positive with 65% of people expecting things to go back to normal within 12 months and 47% of people expecting to spend more on cultural and creative activities once the Covid-19 situation stabilizes. Many are eager to leave the confines of their homes. And when restrictions are lifted, some venues may have to cope with a flood of visitors. According to our analysis, 40% expect to return to museums, 40% expect to increase their visits to cinemas, and 45% of people will increase their visits to heritage sites.

Short of an unexpected rise in Covid-19 cases, it seems a matter of time before cultural venues open back up fully thanks to rising vaccination rates and reduced caseloads. "We are preparing for a possible surge in visitors," said Abdullah Al-Rashid, Director of Programs at Ithra.

All these trends should give the CCI hope and excitement, but ill-prepared cultural entities may find themselves missing out on lucrative opportunities if they do not move quickly to adapt to rapidly changing conditions. If the CCI do not build in capacity to deliver outstanding experiences in a new and rapidly changing context, the ecosystem may not fully capture the benefits and recoup the losses incurred during the height of the pandemic.

Key
Findings
04



In the next section of this report, we zoom in on three key themes that emerged from our analysis. The first theme is the “accelerating digitization of cultural offerings,” the second theme is that “lockdowns profoundly impacted how consumers live their lives” and the third theme is that the “nascent Saudi CCI ecosystem proved resilient in the face of the pandemic.”

4.1 The accelerating digitization of cultural offerings

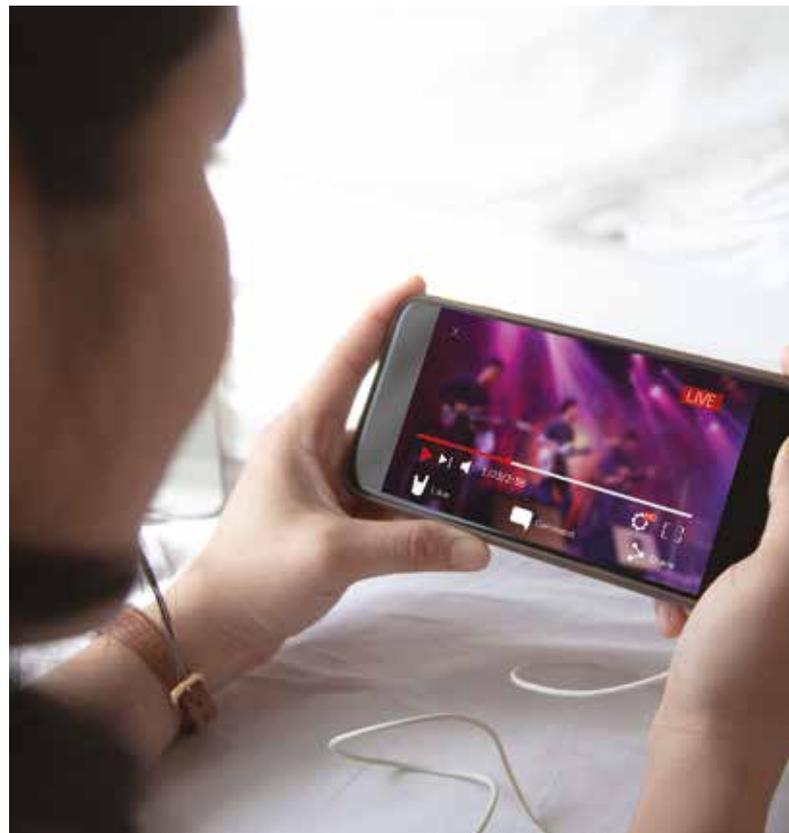
Covid-19 served as a catalyst for the digitization of cultural offerings across all sub-sectors, with many digital initiatives fast-tracked in the wake of the pandemic. The accompanying surge of new offerings has resulted in an oversaturation of the market, according to the latest review of the sector by the Ministry of Culture. It has also increased the importance of online engagement with the consumer as they spend a greater portion of their lives online. A key challenge resides in ensuring accessibility of digital offerings across all segments of the population: digital offerings need to be tailored to the needs of the elderly and other groups challenged by digital tools. There may be a role to play for the public sector and third party institutions (third sector) in supporting the accessibility of digital offerings and in ensuring smaller cultural institutions are not left behind in the transition to a digital future.

4.1.1 Virtual cultural offerings have exploded, but the landscape is getting saturated

From the consumer perspective, the emergence of virtual museum tours and other virtual experiences meant that Covid-19 exponentially increased access to culture for anyone with a connected device. One could now experience the stunning collection of the Louvre in Abu Dhabi and National Museum in Riyadh in the morning, visit the Museo del Prado in Madrid and go on a virtual guided tour of the Underground

in London in the afternoon and attend a virtual opera performance at the Metropolitan Opera in New York in the evening, and all on the same day, often at little or no cost.

While new virtual options continue to be added on a weekly basis, the overall engagement of the public in these virtual events remains relatively low compared to in-person events. As the Ministry of Culture noted in its 2020 review of culture in Saudi Arabia, “The increase in the number of virtual activities oversaturated the audience.” Virtual museum tours and virtual concerts are significantly less popular (done by 59% and 62%, respectively) than video games or streaming movies (done by 88% and 93%, respectively, see Figure 4). Part of the reason for the low engagement in virtual concerts and museum visits is that they are sub-par compared to the in-person alternative. Virtual concerts do not allow audiences to interact directly with each other or performers or experience the grandeur of a concert hall or museum gallery in person. These findings are in line with those presented in the Saudi Ministry of Culture’s report.



Saudi consumers streamed more movies, music and played more video games during the pandemic

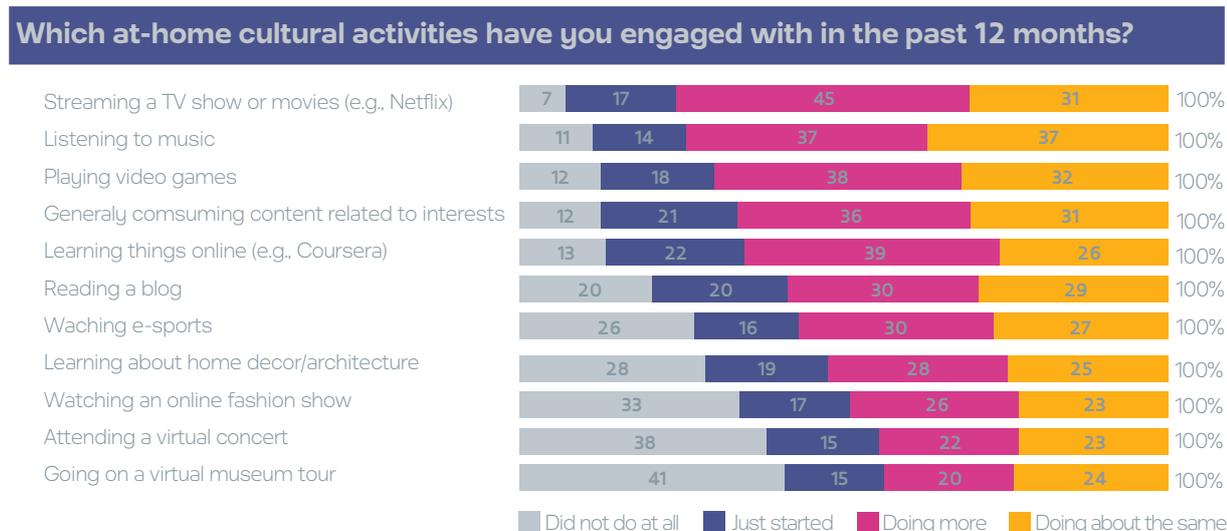


Figure 4:

Trends in at-home cultural activities

Another factor contributing to the lack of engagement may be the pent-up consumer demand to return to physical experiences after months of lockdowns and closed venues. With countries lifting restrictions, there is a big desire by consumers to visit the physical spaces, with virtual activities receiving less attention.

It is highly unlikely that virtual experiences will replace live concerts and in-person museum visits. Among Saudi consumers, 26% were interested in returning to festivals and events on a regular basis, with 13% most eager to return to cinemas and only 6% not interested in returning to out-of-home cultural activities (see Figure 5). Nevertheless, there appears to be a major opportunity for governments and cultural institutions to raise awareness to the existing breadth and depth of the cultural activities that are currently available online. To promote this opportunity, a government entity or consortium of cultural institutions could build an open-source library of all virtual experiences that are currently available to consumers in Saudi, where people can consume all types of virtual experiences in one place.

Among Saudi consumers, 26% were interested in returning to festivals and events on a regular basis

Some 26% of people want to return to festivals and events, with 13% interested in returning to the cinema

Which cultural activity are you most eager to get back to on regular basis?

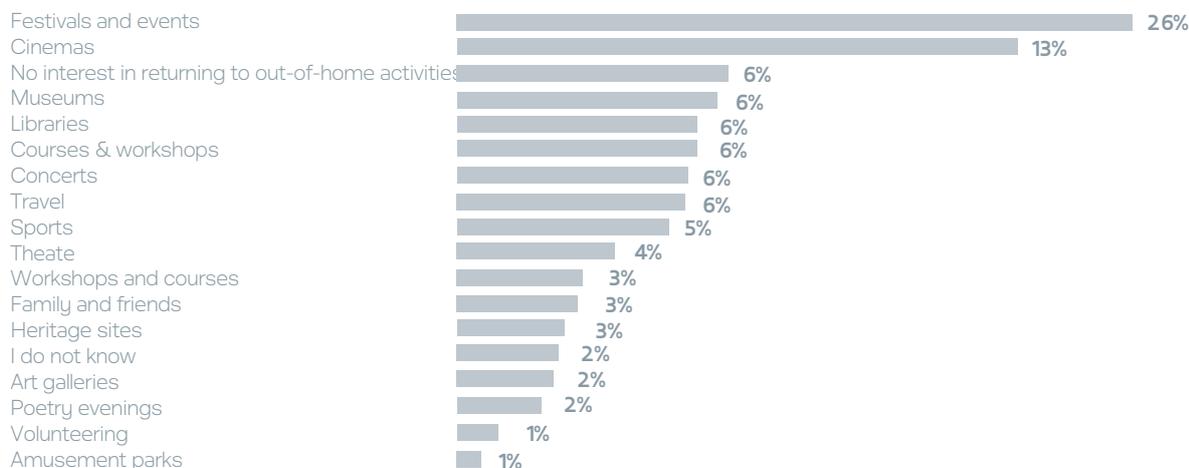


Figure 5:

Interests in returning to activities

4.1.2 Online engagement with the consumer is more important than ever

One of the first priorities of cultural institutions as they went into lockdown was to find a way to maintain a connection with their audiences. Museums boldly stepped up their social media presence and made enhancements to their websites. Ithra launched Ithra Connect, a flagship online initiative providing a platform for visitors to access more than 50 online programs for children, families, students and creatives in a variety of formats (podcasts, talk shows, quizzes, video series, virtual exhibitions and tours, seminars, society meet-ups and more). Ithra Connect content garnered more than 500,000 views.

Tate launched interactive Zoom-based workshops, while MiSK Art launched a successful campaign to promote and share the art of local Saudi and regional artists online using its Instagram account. Entities dependent on the collection of membership fees for their funding gave their members a free extension of their membership to avoid a precipitous decline in the number of members. Some museums, such as the Museum of Fine Arts in Boston made such announcements via Twitter.



Approximately 50% of Saudi consumers learn about new cultural activities through Instagram and Twitter

Where do people go to learn about new cultural activities? (% of responders selecting an option)

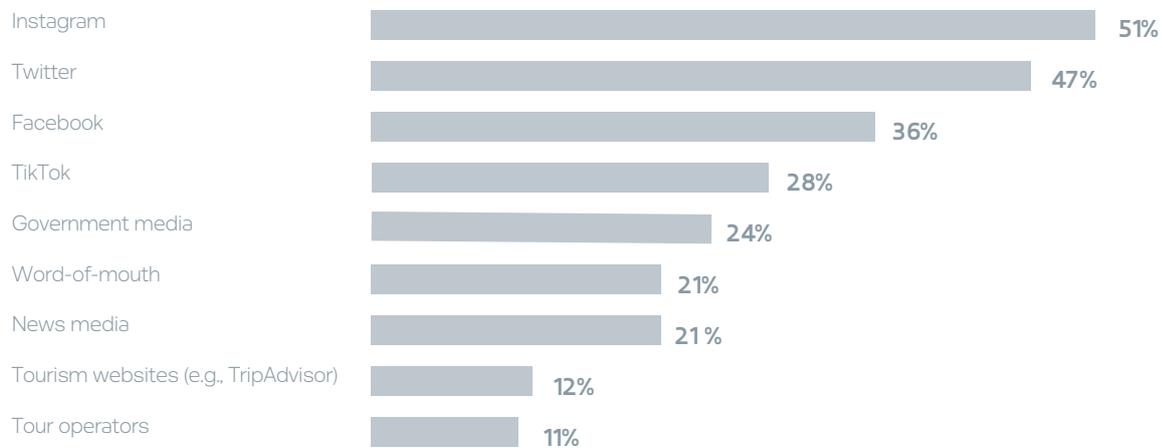


Figure 6:

Sources for learning about cultural activities

Efforts to conduct outreach to consumers via social media appear to be successful, with around half of people reporting that they learn about new cultural activities through Instagram, Twitter or Facebook (see Figure 6). But with consumers overwhelmed by a wave of digital offerings and outreach efforts, the battle for consumers' attention has become much more fierce and more costly. Marketers at cultural institutions can utilize the large amount of data generated by social media platforms to personalize messaging to customer segments and improve the precision of their efforts. The high utilization of social media may also point to a need to review the quality of other communications channels, such as the messaging put out through news media.

4.1.3 Digitization of culture risks leaving digitally-challenged behind

In the face of Covid-19, the response of many cultural venues, such as museums, was to move their collections and experiences online and increase engagement on social media. Prior to the pandemic,

major national museums, including the Saudi National Museum, had already started rolling out virtual tours. Often built on top of platforms like Google Art and Culture, digital collections provide enriching learning experiences. Objects can be viewed in detail and embedded audio and visual guides can help the audience engage interactively about museum collections and culture.

However, not all sites could take these steps, owing to a lack of digital capabilities or funds. According to a survey of 52 museum operators by the Saudi Ministry of Culture, 56% indicated that they did not host any virtual activity during the pandemic, with only 13% achieving a higher level of online activity than before the pandemic. Among government museums, only the National Museum has its own smartphone application. Large entities tend to have bigger cash cushions and better access to technology, which has proven crucial as they adapt to the "new normal" and cover additional pandemic-related costs.

And while many younger people quickly embraced the convenience of digital cultural experiences, the

elderly or people of determination who struggle to navigate apps could not partake in online cultural experiences. Many older adults and physically challenged people with deteriorating vision and dexterity say they struggle to navigate the internet, an issue that has come into focus as the pandemic forces more people to lead more of their lives online. The elderly are also more cautious when it comes to re-engaging in physical experiences, putting them at a double disadvantage. While most cultural institutions cater to senior citizens and physically challenged through tailored in-person offerings, more effort can be done to tailor online experiences to them too.

Further digitization efforts in the sector are vital to improve its resilience. To ensure that "digitally challenged" segments are not left behind in the ongoing digital transformation, the public and private sectors have crucial roles to play. Technology companies and major internet service providers can help close gaps in access by further rolling out high-speed internet connections, investing in digital literacy efforts and designing virtual experiences with the elderly and people of determination in mind.

4.2

Covid-19 has had a lasting impact on consumer behavior

While digital changes in consumer behavior received a lot of attention during the pandemic, they were accompanied by other structural changes in consumer behavior. People took to home nesting, upgrading their home furniture, electronics, learning tools and more. This trend enabled the consumption of more culture at home: movies, video games, learning tools as well as arts and crafts. With people confined to their homes and parents looking for ways to keep their children occupied, the pandemic also resulted in a surge in demand for content for children. The sector responded by offering more tailored to kids. Nevertheless, the amount of content for children is still far below what is tailored to grown-up audiences. Covid-19 also offered people time

While digital changes in consumer behavior received a lot of attention during the pandemic, they were accompanied by other structural changes in consumer behavior.

for reflection on their purchasing behavior: many consumers expressed a heightened interest in making more sustainable purchasing decisions.

4.2.1

One trend that will stick is 'nesting': turning homes into cinemas, classrooms, etc.

During the pandemic, many people made significant investments in the ability to enjoy culture from the comfort of their homes: upgrading furniture, but also outfitting their living rooms with larger TV screens and the latest video game consoles and audio systems. Amid a shift to remote learning, many parents repurposed space in their homes to learning. Even as vaccines are enabling a return to in-person activities, the "nests" that people have built for themselves are here to stay and provide a potential for parts of

people’s homes to be permanently recast as learning areas, entertainment centers and coffee shops.

One of the factors enabling the trend towards nesting is the widespread internet connectivity and increasing internet speeds in Saudi Arabia. According to the Communications and Information Technology Commission, Saudi Arabia boasts an internet penetration rate of 93% versus the global average of 53%. Additionally, the Kingdom was the first adopter of commercial 5G technology in the region and recently jumped 93 places to 12th in global rankings for internet speed, with an average download speed of 57.46 Mbps.

Nesting is leading to sustained higher spending on home offices, at-home learning tools for kids, gym equipment and renovations. The installation, maintenance and potential expansion of these facilities requires money and expertise, generating revenue pools that Saudi entrepreneurs can tap into.

Another area that has benefitted and is expected to continue to grow is the business of selling

and acquiring skills online—from cooking and photography to art and coding software. Online instructors noted that adults took the time to learn during lockdown, just as millions of children and college students take classes at home. Educators say online learning was already growing, and lockdowns accelerated that. One website facilitating this trend is Skillshare, an online learning community with classes for people to express their creativity, covering topics such as illustration, design, photography, video, freelancing and more. In Saudi Arabia, the most popular at-home activities involving the production of content appear to be engaging in social media, cooking and home decorations (see Figure 7), with between 57-62% of consumers reporting that they started these activities or began doing them more often since the emergence of Covid-19.

4.2.2 Despite new efforts, children remain an under-served segment for cultural content

Although children were not at great risk of direct harm

Saudi consumers engaged more in social media, cooking and home decorating during Covid-19

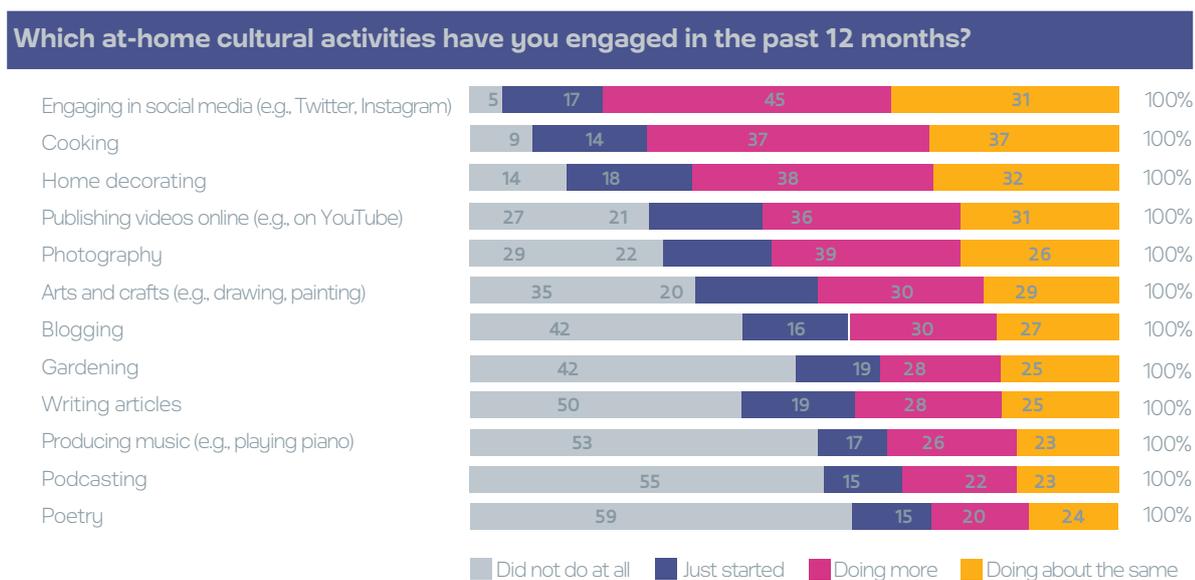


Figure 7:

Popularity of at-home activities

from Covid-19, they were disproportionately affected by the hidden impacts of lockdowns. Beginning in March 2020 and continuing up until the time of this writing, Saudi government regulations have mandated remote learning. Social distancing and school closures forced children to spend time away from their friends, classmates, teachers and cultural activities typically associated with school, such as museum visits.

The lockdowns pushed many museums and other cultural institutions to offer a variety of online activities tailored to children to help them pass the time. Tate Kids offered a range of free art activities, quizzes, films and educational activities to encourage kids to learn about art in a fun and interactive way and create their own works of art and share them online. In France, radio stations launched a series of cultural podcasts in short five to ten minute segments tailored to children's shorter attention spans. In the United States, the Los Angeles Department of Cultural Affairs released a catalogue during the lockdown of all online art instruction, art experiences and other creative pursuits tailored to kids and teens.

In Saudi Arabia, the Ministry of Health developed a series of interactive online webinars in collaboration with healthcare providers in each region of Saudi Arabia targeted at quarantined children. Each of the webinars had a different theme, including storytelling, arts, physical activity and nutrition, music, humor and magic tricks. The online webinars were considered a success, with more than 10,000 views for some of the most popular content.

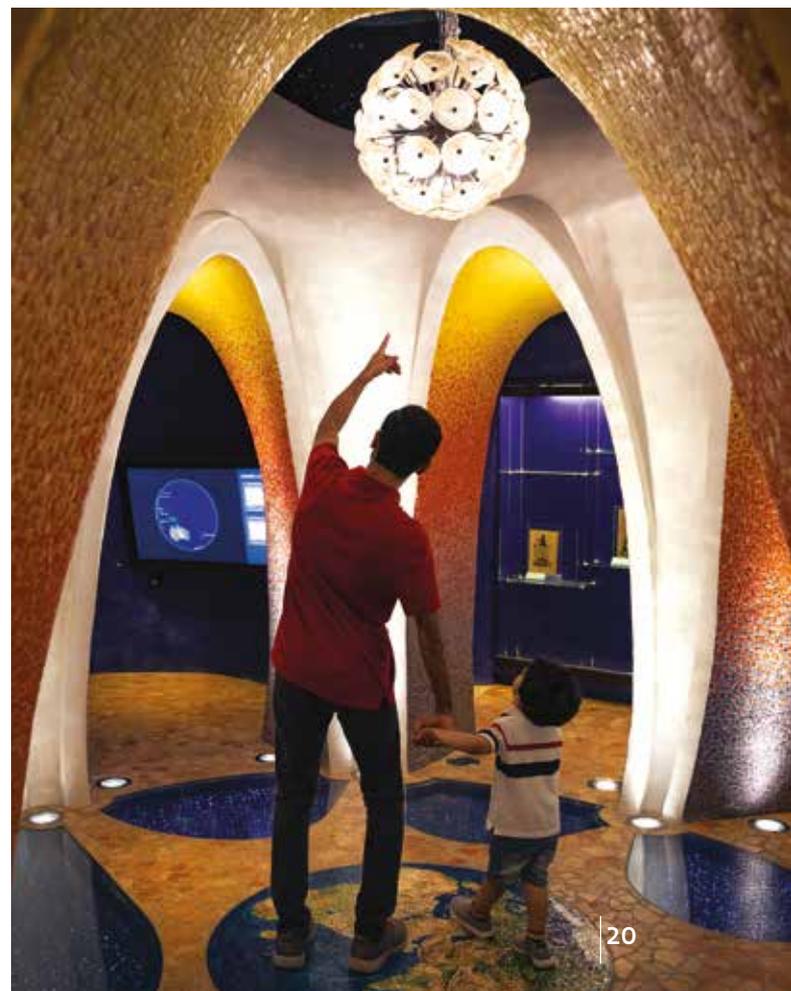
Ithra Connect released 18 videos of interactive content tailored to kids across all ages with content aimed to inspire, interact and inform through storytelling, design, drawing and in-depth info sessions. This content remains available through YouTube and the Ithra website.

While Covid-19 served as a catalyst to many cultural institutions to release new content for kids, the

amount of cultural content for children remains relatively scarce compared to the content targeted at adults. Even though interest in online cultural and creative activities for children has waned as physical spaces for children have reopened (like Louvre Abu Dhabi's Children's Museum and Ithra's Children's Museum, both of which reopened to the public in summer of 2021), there remains a large opportunity to expand the catalogue of cultural content targeted at children in Saudi Arabia and abroad.

4.2.3 Covid-19 has reaffirmed a shift towards sustainable consumption in CCI

The disruption caused by Covid-19 has reaffirmed a shift towards sustainability that was already underway prior to the pandemic in many cultural sub-sectors including fashion, architecture, food, art, and the management of heritage sites and natural landmarks. During the pandemic, consumers had more time to consider their consumption choices and expressed a renewed interest to make sustainable purchasing



decisions.

In fashion, Covid-19 disrupted an entire industry; retailers were forced to close their shops and the rise of e-commerce increased the need to digitize. Commitments among brands and businesses to be more sustainable were redoubled. For instance, well-known brands like Adidas are trying to "close the loop" by designing products made completely from recycled materials. In 2020, Adidas significantly broadened its range of sustainable products, and in June of the same year it announced a collaboration with Allbirds to design a shoe with the "lowest carbon footprint." This is indicative of how brands are moving quickly to adopt their manufacturing practices to shifting preferences and behaviors of consumers.

Saudi Arabia is at the forefront of these developments. The theme of its Fashion Futures Forum in July 2021 was: "Moving towards sustainability, diversity and innovation." A variety of prominent speakers discussed how the Kingdom can build a sustainable fashion sector. Many of the dialogues touched on entrepreneurship, transparency in material sourcing and the workforce practices. In the Saudi museum sector, Ithra launched a five-month exhibit in May 2021 called Terra Exhibit, showcasing the work of various international artists who focus on sustainability. Topics included the importance of mangroves, water scarcity and the excessive use of plastic and food waste.

Other sectors such as architecture, food and culinary arts and heritage site management are also implementing sustainability measures to align more closely with consumer choices. The Royal Commission for Al-Ula (RCU) has announced that it will embark on its future projects by adhering to sustainable practices, pursuing a carbon-neutral strategy. Across the food and culinary arts sector, Covid-19 highlighted many of the fragilities of contemporary food systems and the need for greater supply-chain resilience. Executives are looking to understand their supply chain risks, increasing their supply chain transparency and resilience. In a world with increasingly scarce resources and disruptions,

sustainability is necessary for survival.

The government plays a critical role in nudging consumers towards more sustainable consumption choices through sensible regulations, financial incentives and awareness campaigns. The Saudi Ministry of Environment, Water and Agriculture, under the umbrella of the G20 Meeting of Agricultural Chief Scientists (MACS), hosted a regional workshop on food loss and waste in collaboration with the German Thünen Institute to raise awareness among Gulf Cooperation Council (GCC) countries about food security challenges. Governments in Europe are tying green initiatives to stimulus packages, with the French government providing financial incentives (EUR 100 per square meter) to encourage durable construction and eco-friendly renovations, which indirectly contribute to consumer spending on home nesting.

4.3 A nascent Saudi CCI ecosystem proved resilient in the face of the pandemic

As mentioned in the introduction, the pandemic struck at a time where Saudi Arabia's CCI were still in their infancy. Saudi government institutions mounted a robust response, while cultural institutions and artists mounted their own response, experimenting with tapping new revenue sources to blunt the effects of the pandemic and using digital channels to reach new audiences.

Even as we experience a return to large-scale events, uncertainty remains as to what will happen with the pandemic.. As a result, event organizers are proceeding with caution, paying close attention to the government's latest health guidelines and building capacity to change plans at short notice. Despite the lingering uncertainty, the outlook for the sector remains bright as the Saudi government remains highly committed to further developing the CCI and consumers continue to express excitement to return

to out-of-home cultural activities.

4.3.1

While the world expects slower CCI growth in the wake of Covid-19, Saudi Arabia is different

According to UNESCO, 91% of the world's museums closed by mid-2020 in response to the pandemic. Many museums, after reopening in the second half of 2020, were forced to close their doors again in early 2021. These lockdowns negatively impacted visitor attendance. Only 14% of Saudi Arabia's residents reported visiting a museum in 2021 compared to 26% prior to Covid-19. Art gallery visits were also down almost 50%, with only 11% reporting having visited an art gallery in the past 12 months compared to 20% prior to Covid-19 (see Figure 1).

The new environment for museums in the United Kingdom, according to the head of visitor experience at Tate, is one of "tighter budgets and smaller crowds." Prior to Covid-19, most museums relied on a business model that depended on maximizing footfall to sustain operations. Museums drew most of their revenue from events, food and beverage, gift shops and donations. The pandemic has forced Tate and others to plan for permanently smaller crowds in the short to medium term, consider alternative sources of funding and lay off staff to reduce costs.

While the world is preparing for a protracted slowdown in CCI, Saudi Arabia is in the enviable position of being at the start of a transformation of the sector. These industries were – and remain – in their nascent stages, with exceptional growth potential. Entertainment is a key component of the cultural goals set out in Vision 2030, which aims to increase household spending on cultural and entertainment activities from 2.9% to 6% by the end of the decade

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and plans to increase the number of museums tenfold (to reach 106) . While it would be rash to assume that the Saudi Arabia is immune to continued risks from the pandemic, the low baseline, strong government support and pent-up consumer demand are likely to unleash a wave of growth in the Saudi CCI in the coming years.

4.3.2 In-person events are here to stay, but event organizers need to proceed cautiously

In the early stages of Covid-19, concerts and other in-person events were among the first to shut down. Most concerts and festivals were postponed or canceled, including the inaugural Red Sea Film Festival, Saudi Design Week, Riyadh Marathon, Janadriyah Festival (the National Saudi Festival of Heritage and Culture), Saudi Seasons and other key events. Some predicted that in-person events might never return due to the risk of spreading Covid-19.

However, early predictions about the cultural and events sector appear to have been overstated. On the one hand, the cultural sector managed to put on events within the health restrictions set by governments. As part of the Eid Al Fitr celebrations in May 2020, Ithra organized the "Eid Parade," a seven-hour parade featuring decorated wagons making their way through 34 neighborhoods in the Eastern Province. The parade brought public neighborhood celebrations to the comfort of people's homes. On the other hand, pharmaceutical companies managed to develop vaccines against Covid-19 more quickly than expected, giving countries t a measure of relief from the pandemic.

Festivals and events are plotting a gradual return as infections appear to subside and vaccination rates rise, while museums have reopened with timed tickets. Egyptian artist Amr Diab performed in front of a live audience at the Super Dome in Jeddah in June, in an event organized by the General Entertainment Authority. This event was followed by weekly concerts

in major cities in Saudi Arabia. In June 2021, it was announced that the popular Riyadh Seasons festival would return in the fourth quarter of 2021, with "bigger, more exciting events." In an interview with the Arabic-language edition of the United Kingdom's Independent newspaper, His Excellency the Minister of Culture affirmed the ambition of Saudi Arabia to make Janadriyah Festival one of the top five cultural festivals in the world. The Formula 1 Grand Prix of Jeddah to be organized in December is slated to be "the biggest sporting event to ever be organized in Saudi Arabia." Similar scenes are unfolding across the Kingdom as event promoters bring back live festivals amid the ever-shifting pandemic.

Despite these positive trends, the experience elsewhere in the world shows that event organizers and event-goers need to move forward prudently and be prepared for rapidly shifting conditions. In countries coping with a surge in Covid-19 cases due to the spread of the Delta variant, event attendees are encountering late venue changes and last-minute cancellations. Some festivals supposed to take place in the summer are being pushed into the fall. Change can occur midway through festivals too, as more than 385,000 festival goers in Chicago found out when an indoor mask-wearing policy was implemented on day three of a four-day event.

Therefore, while in-person events appear here to stay, the emerging waves of new infections



underscores the essential need to continue investing in the resilience of the events sector. The sector can do this by preparing proactively for a range of scenarios: from border closures (making it difficult to bring in international talent and guests) and more stringent health and safety guidelines (taking up more resources to implement) to lockdowns (resulting in cancellations and events postponements). It is vital if the sector is to mount a successful comeback, it has plans and capabilities in place to deal with each of these scenarios.

4.3.3 CCI entities and artists are seeking new sources of revenue and funding

Covid-19 has caused three key revenue streams to fall away for cultural institutions: gift shops, events as well as food and beverage (few museums rely on ticket sales to fund their operations). Museums are slowly exploring new ways of making up for lost revenue. "We are starting to talk about this," says David Hingley, head of visitor experience at Tate. "Is there a consumer that will pay for a virtual tour? Can we bundle a ticket to an exhibition with a voucher to be spent at the museum café? Are there enough people who want this? Will it be sustainable?" For now, however, museums are moving cautiously on this front, operating under the assumption that their main objective is still to get people through the doors of the physical museum.

On the artistic front, some artists are using the online world to tap into an entirely new revenue source. With art galleries closed, many artists discovered new ways to present and sell their work in digital form using blockchain. While there are media accounts describing how the space has attracted a fair share of fraudsters (people selling art they do not own and did not create), many legitimate creators are using blockchain to create a new art scene and source of revenue, using non-fungible tokens (NFTs) to share their work and raise money from their fans. Even established firms such as the art auctioneer Sotheby's have entered the space, raising \$17 million



in its first sale of NFTs in April 2021 (Sotheby's also built an online auction room where collectors can place their bid and check out the competition). Overall, around \$2.4 billion worth of NFTs traded in the second quarter in 2021, up from the \$2.3 billion sold during the initial NFT art boom of the first quarter, according to analytics firm DappRadar. According to media reports, Dubai-based Behnoode Foundation is due to launch the first-ever NFT digital Islamic art agency in the Middle East, Behnoode Art. The agency aims to modernize artworks of Middle Eastern artists and sell digital representations of the art through live auctions to collectors around the world.

Meanwhile, some key benefactors of the artistic sector, such as MiSK Art, have stepped up – and not reduced – their financial support during Covid-19, doubling the size of its grant for up and coming artists from SAR 500,000 in 2020 to SAR 1 million in 2021. MiSK not only provides financial support (e.g., grants), but also training, networking and residency programs abroad.

The transition to the "new normal" is turning out to be a bit bumpy. One challenge appears to be making artists aware of the available funding and training opportunities, according to Reem Al-Sultan, CEO of MiSk Art, who explained, "Artists don't want to fill out applications." This underscores the need to conduct proactive outreach and, possibly, help develop support networks so that artists can help each other tap into all available means of support.

4.3.4 Saudi entertainment and production infrastructure is slowly taking shape

One of the most positively impacted sectors during the pandemic was streaming content. Netflix, Amazon Prime, Shahid and others all experienced extraordinary growth in Saudi Arabia and abroad. Nearly half of Saudi consumers reported increasing their streaming of TV shows and movies (see graphic below). Even though global box-office revenue dropped more than \$30 billion in 2020, the number of streaming subscriptions rose by more than 30% on average globally. Disney+, which was launched in November 2019, achieved in five months the same

number of subscribers (50 million) that it took Netflix seven years to amass. Despite disruptions caused by the pandemic, cinemas in Saudi Arabia managed to record growth. At a time when global ticket sale profits declined by approximately 80% due to the spread of the Covid-19, the Kingdom achieved the highest profit growth in the Middle East. Ticket sales for the first ten months of 2020 brought in US\$73 million, a two million dollar increase from the same period in the previous year.

In Saudi Arabia, as elsewhere in the world, the revenues from digital platforms dwarf the revenues from cinemas. Nevertheless, the number of cinemas in the Kingdom is expected to increase rapidly in the coming years as they are still a relatively recent phenomenon. The American cinemas operator AMC has plans to open 100 cinemas in Saudi Arabia by 2030.

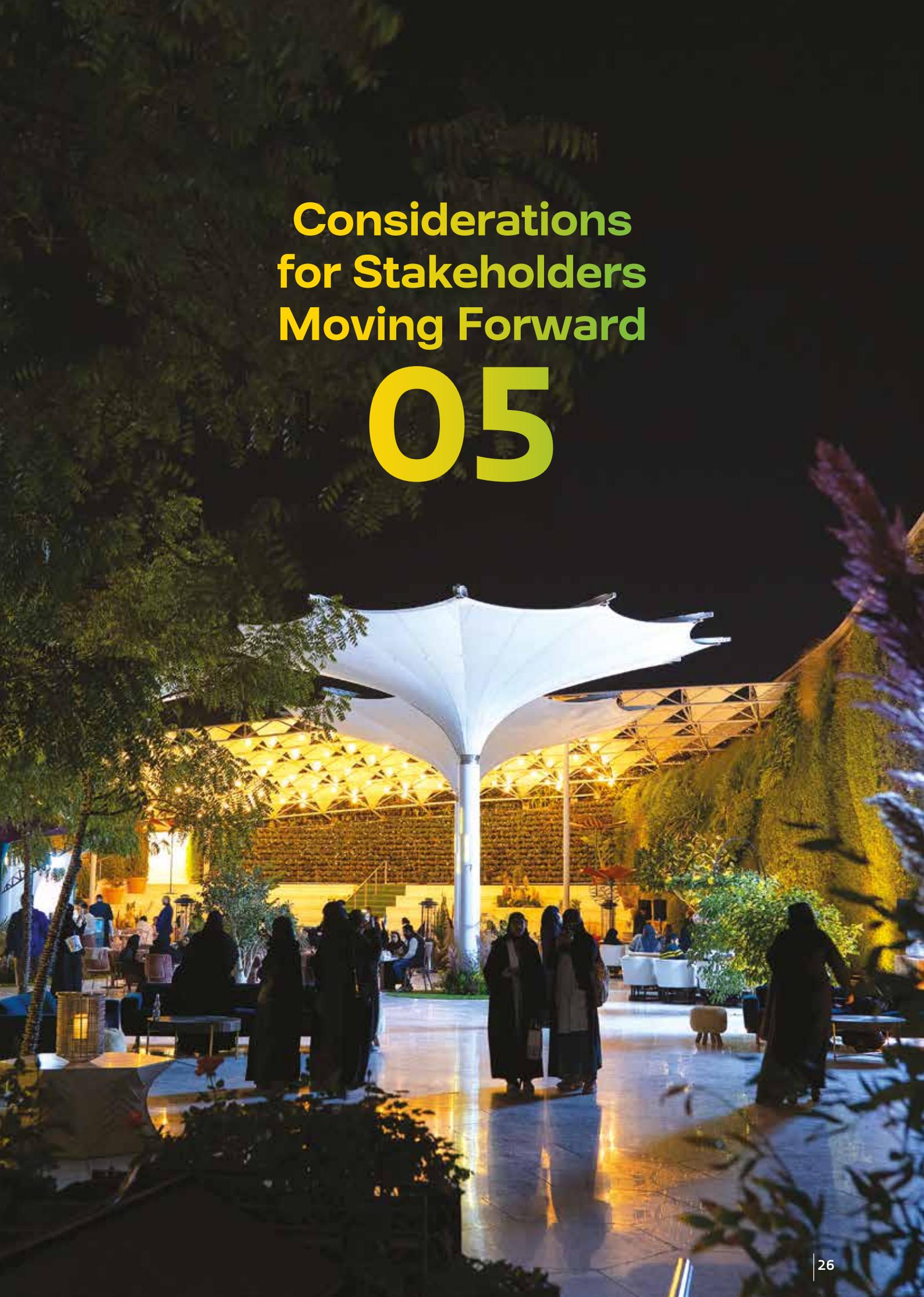
On the production side, demand outstrips supply and Saudi still has vast unrealized potential to develop more content for local and regional audiences. Former director of Policy at Netflix Ashraf Zeitoon said that Saudi Arabia is rapidly improving its mix of regulations, funding and infrastructure needed to lay the groundwork for the local production of films for cinema and streaming platforms.

Even during the pandemic, progress has been made. In 2020, the chairman of the board of directors of Saudi Media City Company (SHAMAS) announced the completion of a 5,500 sqm media studio in Riyadh as part of the SHAMAS project in February 2020. Work on an additional seven towers that include administrative offices and studios is ongoing. The founding of the NEOM Media Center was also announced as part of the NEOM Project, which will include 400 independent companies in fields including film, television and digital publishing. Meanwhile, major Saudi media companies have started relocating staff and infrastructure to Riyadh in a bid to turn the Saudi capital into their business and production hubs.



**Considerations
for Stakeholders
Moving Forward**

05



Despite promising signs, many stakeholders may be caught flatfooted by the pace of change or faced with an inability to keep up with demand when restrictions are lifted further. Stakeholders should prepare themselves to capture the benefits of the reopening of cultural and creative sectors by focusing on four key areas: planning for a period of greater volatility, investing in safe and secure visitor experiences, investing in digital innovation and developing new business models.

Planning for a prolonged period of greater volatility

One of the most pressing factors is whether venues are ready to accommodate the return of crowds. Bringing back capacity on short notice in response to the government relaxing restrictions on movement is an absolute requirement. Although the price of hiring new staff, preparing venues for more visitors and rehiring and training staff is steep, the cost associated with doing nothing would be higher in terms of missed opportunities, overwhelmed staff and disappointed consumers if visitor numbers are high.

Investing in safe and secure visitor experiences

Survey results demonstrate that people are concerned about returning to public places. Some 35% consider cleanliness and sanitization to be the

most important factors when deciding which places to visit, while 24% consider physical distancing measures are the most important factor. The cultural industry needs to make sure that protocols are smooth for visitors while ensuring their safety and security. As the large crowds at recent sporting events such as the Euro 2020 football tournament attest, venues will have no problem attracting visitors and filling up large venues, but a key priority remains ensuring visitor safety.

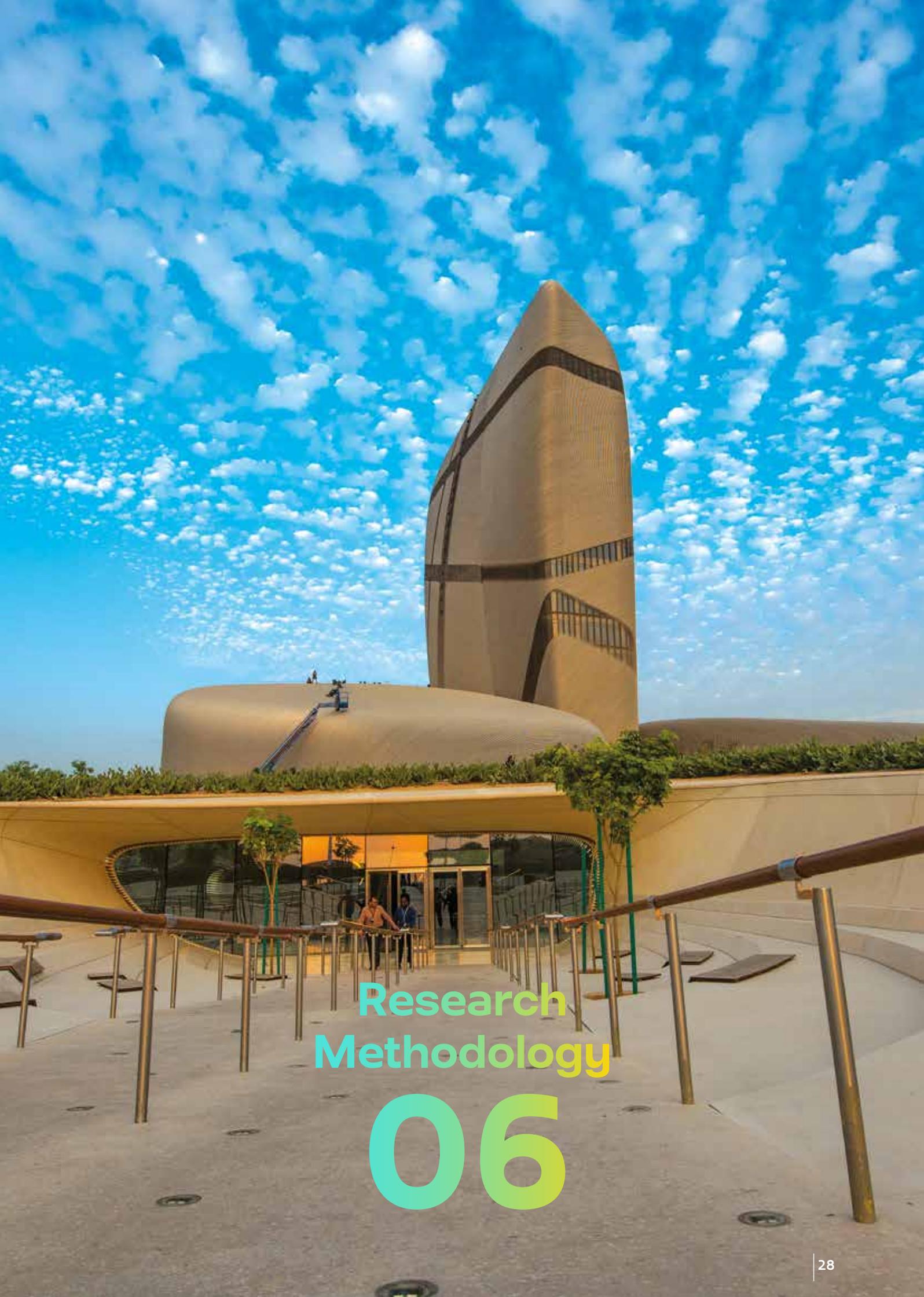
Investing in digital innovation

Even though funds are in short supply for many in the CCI, one area that deserves further investment is digital. A joint effort by all stakeholders is necessary to ensure adequate investment in digital capabilities on both the production and consumption sides of the ecosystem. It is important that these initiatives target different audiences, such as children and the elderly. For example, to facilitate access to content for people who are not accustomed to browsing the web, a government entity or consortium of cultural institutions could build an open-source library of all virtual experiences that are currently available to consumers in Saudi Arabia, consolidating all virtual experiences in one place.

Developing new business models and sources of funding

Cultural entities need to be ready to continuously update their business models to survive. The way money is earned in the sector is changing. Greater volatility in visitation numbers, less predictable government funding, a greater consumption of at-home activities and a more demanding consumer all make for a challenging environment. Cultural and creative industries need to experiment rapidly with tweaks to business models (i.e., explore new partnerships, promotions, product offerings and uses of physical space) while using every source of insight to respond to changes in the public's needs and make offerings distinctive.





Research
Methodology
06

Ithra, as part of its ongoing effort to shed light on developments in the Saudi CCI in the wake of the Covid-19 pandemic, commissioned The Boston Consulting Group to help develop this report. The input from experts interviewed across Saudi Arabia and other countries was also invaluable in its development.

Expert interviews

To get a first-hand understanding of the challenges facing CCI, we conducted in-depth one-on-one interviews with leaders from leading Saudi and global cultural institutions, including former and current executives at Netflix, Festival de Cannes, Venice Biennale, the Victoria & Albert Museum, Ithra, MiSK Art, Ministry of Culture, Saudi National Museum and others. Each interview was conducted by two researchers. Overall themes were identified and summarized to underpin the findings of this section on Covid-19.

Consumer survey

A 1,500-person survey was conducted from 15-22 August among a representative sample of the Saudi population. The survey was run in collaboration with Toluna, a leading global provider of surveys. Questions were designed to generate insights on the topics on consumers' minds, ranging from how they modified their behavior in response to Covid-19 to their future expectations. The findings have been integrated into this report and can help policymakers, creatives, entrepreneurs, industry executives and other stakeholders better understand priorities going forward. An appendix with survey results is also provided as part of this report.

Survey respondents - demographic details

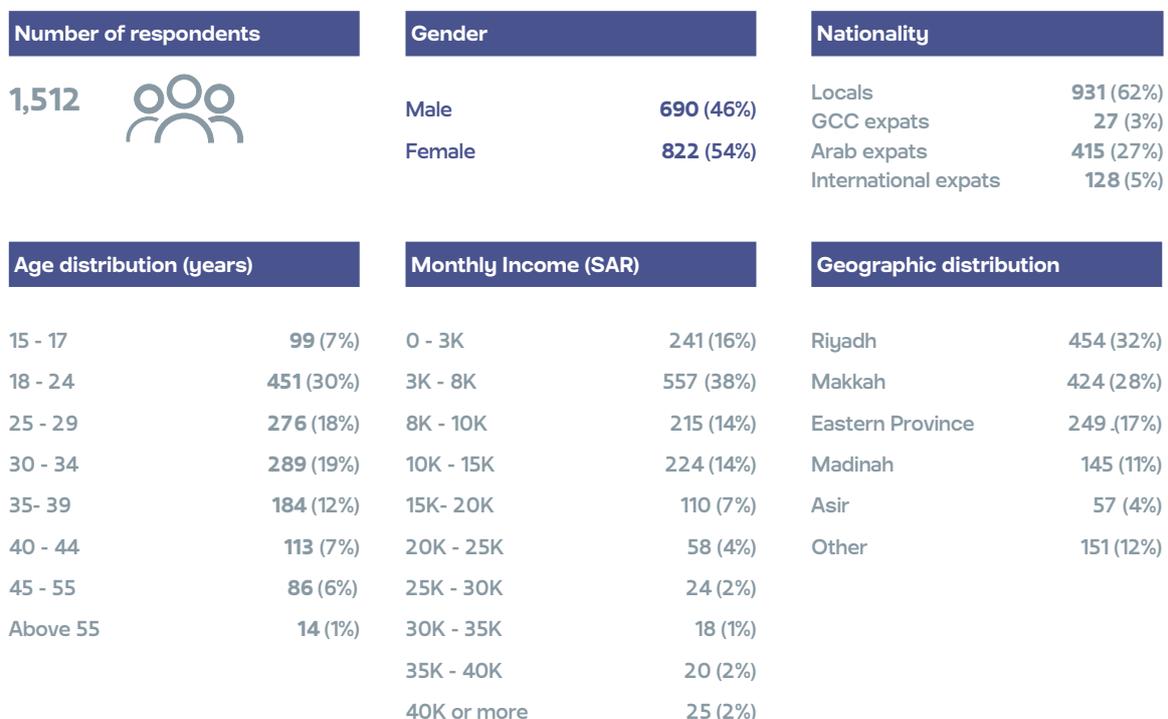


Figure 8:

Survey respondent demographics

Analysis of public reports

We also conducted an extensive review of reports by OECD, UNESCO and the Ministry of Culture, including numerous other sources to stress-test and augment the findings from our survey results and interviews. Below is a selection of the reports and publications we consulted:

- Australia Council for the Arts (2020), Re-Imagine: What Next? Findings from a 2020 National Consultation of Australia's Arts and Culture Sector.
- Council of Europe (2020), Culture in Times of Covid-19 or how we discovered we cannot live without culture and creativity. Impressions and lessons learnt from Covid-19.
- European Parliament (2021), Cultural and Creative Sectors in Post-Covid-19 Europe: crisis effects and policy recommendations.
- GESAC (2021), Rebuilding Europe – The Cultural and Creative Economy Before and After the Covid-19 Crisis.
- OECD (2020), Culture Shock: Covid-19 and the Cultural and Creative Sectors.
- OECD (2020), Coronavirus (Covid-19) and Cultural and Creative Sectors: Impact, Innovations and Planning for Post-Crisis.
- UAE Ministry of Culture and Youth (2021), UAE's Cultural and Creative Industries Pulse Check: Resilience and Recovery During the Pandemic.
- Saudi Ministry of Culture (2021), Report on the State of Culture in the Kingdom of Saudi Arabia, 2020.
- UNESCO (2021), World Heritage in the Face of Covid-19.
- UNESCO (2021), Living Heritage in the Face of Covid-19.
- UNESCO (2021), Cultural and Creative Industries in the Face of Covid-19: an Economic Impact Outlook.
- World Bank Group (2020), Culture in the Covid-19 Recovery: Good for Your Wallet, Good for Resilience, Good for You.