



P R A G M A B E N O Y

Saudi Arabia:

Change Brings Opportunity

Pragma View

The Kingdom of Saudi Arabia is undergoing amongst the fastest pace of change of any country globally. From cultural to consumer, development to brand, all facets of the country are demonstrating the impact of cultural, economic, and commercial transformation.

Vision 2030, the Kingdom's strategic framework to reduce Saudi Arabia's dependence on oil, and create a thriving economy, has created a strong sense of optimism amongst the local population, and is encouraging developers, operators, and brands to create new products and experiences.

We are already seeing innovative and ambitious projects taking shape. The Line, part of the wider NEOM project, aims to redefine the concept of urban development, through a 170km long vertical smart city. The Red Sea Project is looking to set new heights in sustainable development and luxury tourism. Riyadh Seasons, launched in 2019, provided an unprecedented programme of leisure events and shows, creating a strong appetite for entertainment and contemporary culture.

In this paper we highlight how the culture change within the Kingdom is taking shape, through tourism, female empowerment, experiential assets, flexible working, and digitalisation, and we share both global and local examples of how these changes are demonstrated in practice.



Pragma's ability and experience in identifying consumers' motivations, and global and local trends, enables us to understand performance across the social, environmental, and commercial aspects of an asset. We work closely with our sister company, Benoy, who have the vision and expertise to design creative architectural solutions in response to these trends, to collectively deliver thriving places that drive positive impact.

If you'd like to discuss any of the trends or points raised, discuss our experience in the Middle East, or simply want to get in touch please drop me a line at:

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Background

Saudi Arabia (KSA) is currently the largest economy in the Middle East and according to the IMF, has one of the fastest growth rates in the world at 7.6% in 2022. Due to the recent surge in oil revenues the Kingdom has been able to rehabilitate the economy and put it on a path of accelerated growth in 2022. With the government expecting a 5.5% GDP fiscal surplus this year of almost £50 billion, the Kingdom has been able to invest in their Vision 2030 plans. This strategic framework was set in place to reduce the country's dependence of oil and improve its competitiveness, with goals set to ensure the country is a vibrant society, a thriving economy, and an ambitious nation.

In addition, 2021 saw Saudi Arabia receive its highest level of foreign direct investment in over 10 years, which amounted to £16 billion.

With a current population of 36.1 million, KSA also has a relatively young population with over half (51%) under 25 years old (compared to just 30% for the UK). Coupled with recent cultural reforms and ease of movement restrictions, the population is experiencing a change in culture. To accommodate this, the government has developed plans to improve the overall quality of life and invest in new commercial developments that match the pace and progress of its people.



Culture Change

Tourism

As part of Saudi Arabia’s long-term strategy to diversify their economy, the Kingdom has looked to tourism as a main generator of income. Originally, most tourism in the Kingdom stemmed largely from religious pilgrimages. To attract visitors from overseas and open the country to leisure tourism, a move to issue tourist visas in the form of an instant e-visa in 2019 was made. Within four months of introduction, over 300,000 applications were obtained. The National Tourist Strategy aims to boost the tourism contribution to GDP, which is currently at 5.3%, to 10%

by 2030. In 2022, tourism generated 32.5 million domestic visitors and 29.5 million international visitors. It is projected that tourism in 2030 will generate 150,000 new jobs, attract 55 million international visitors per year, and 45 million domestic tourists per year. Additionally, total investments into experiences, commercial tourism, destinations, and attractions are aimed at reaching \$US810 billion by 2030. The Kingdom’s plans are ambitious, focusing their efforts and investments towards large-scale projects, such as the Red Sea Project.

KSA currently has 28 airports serving both national and international routes, with more in development. The country is looking to develop a dual hub strategy for aviation, with King Khalid International Airport in Riyadh and King Abdulaziz International Airport in Jeddah, in order to cope with projected inbound and outbound traffic of tourists. More recently, the government approved duty free in arrivals for airports, and duty free for both land borders and seaports, where previously only departures at airports allowed duty free purchases.

Although average spend amongst domestic tourists has not changed significantly, the number of domestic tourists has increased from 48 million

to 64 million from 2019 to 2021, once restrictions on domestic travel were lifted in May 2021. Uplifts in expenditure for holidays is indicative of the rise in domestic tourism within the Kingdom, albeit likely inflated by the effects of the pandemic. With investments made into entertainment and various events across the country, both residents and foreigners are given reasons to explore what there is to offer in the way of enjoyment. Qiddiya, one of Saudi Arabia's megaprojects aimed being a capital for entertainment, sports, and the arts, is an example of creating a destination to attract both local and international tourists. Saudi Seasons, which are 11 festivals in different regions of the Kingdom aimed at showcasing culture and heritage, largely targets domestic tourists.



Female Empowerment

The recent reforms in the country have created a cultural shift. In addition to including multiple goals and initiatives to empower women within Vision 2030's framework - such as increasing female employment from 22% to 30% - there have been changes made to certain laws that improve women's participation within the economic, social, and cultural landscape. Some of these changes include giving women the right to drive which has seen an influx of 2.5 million drivers since the law was passed in June of 2018. Women over 21 years of age have also earned the right to travel and live alone without a male guardian. Furthermore, women are now able to start their own businesses without the approval of a guardian.

With the support of government funding, a recent report claims that women now own 45% of all SME's and their participation in the workforce now stands at over 35%.



By taking these changes into consideration, the future trends within Saudi Arabia's retail, workplace, and travel sector - which have been traditionally male dominated - will now shift towards a more balanced offer as the rise in women participation creates new opportunities to socialise and spend. Women will have a greater level of purchasing power and will cause a surge in consumerism, more specifically within goods that have strong branding and digital presence as recent trends have shown. Coupling the fact that women now have the ability move freely to and from home with the increase in workplace participation, there will be an increase in Saudi women seeking retail and dining offers after working hours to socialise in ways they never could before.





Growth in Online

Saudi Arabia has one of the highest smart phone penetration rates in the world at 97%, however, user penetration of e-commerce platforms in Saudi Arabia is lower than other key markets at 61.5%, compared to China (72%), the US (80%), and UK (82%). However, the e-commerce market is growing and is expected to show an annual growth rate of 19.51% between 2022 and 2025, above expected growth for other markets, and user penetration is expected to reach 71% by 2025. Revenue grew at a CAGR of 19% from 2019-2021, and average spend per e-commerce user has increased over 50% from 2019, demonstrating the influence of the pandemic on shopping behaviours. Amazon entered the market in January 2021, and the government is looking to strengthen residents' confidence in e-commerce by strengthening the regulatory environment to protect consumers and companies, creating a strong position for e-commerce growth within the Kingdom going forward.



Despite this, a higher proportion of Middle Eastern consumers prefer visiting physical stores than shopping for products online, 55% vs 45% globally, demonstrating the relevance of physical retail. Government investment of £55bn in leisure, entertainment, and culture to boost the tourism appeal has allowed physical retail to prosper, and given the demand for physical retail space, physical channels will continue to grow alongside their online counterparts.



Workplace

Since the establishment of Saudi Arabia’s National Digital Transformation Unit in 2017, the government and the private sector have spent around \$15bn on ICT infrastructure. This massive investment means the entire country now has internet coverage for 93% of citizens.

Public and private sector employers used Saudi Arabia’s comprehensive internet coverage to allow employees to work remotely from home wherever possible.

Across the region, different workspace operators have been expanding, and

Dubai is now the largest market for flexible office space in the MENA area. From a base of around 50,000 sqm in 2014, the flexspace market had tripled to almost 160,000 sqm by mid-2020.

The most significant market player in the MENA market is Letswork, with 22 flexible working centres and 25,000 sqm of GFA, followed by Regus with 11 centres and 16,000 sqm and some smaller scale operators like Dtec, Servcorp, and My office.



Experiential

Promotion of culture and entertainment within Saudi is a key aspect of the Vision 2030, with the aim to increase household spend on cultural and entertainment activities from 2.9% to 6%. The aim is to enrich the lives of citizens, enhance quality of life, promote tourism in different destinations and highlight the cultural, entertainment and sports treasures within the Kingdom.

The legalisation of entertainment events in 2016 was a significant step forward, and the Kingdom has since hosted over 3,800 events attended by over 80 million people. Saudi Seasons established in 2019 is a significant initiative launched by the Saudi Commission for Tourism and National Heritage, to celebrate Saudi Arabia's heritage and culture and boost tourism within the Kingdom.

Saudi Arabia celebrated 11 seasons in 2019 across different locations, each showcasing an insight into local heritage – the events attracted over 50 million visitors and generated over 100,000 jobs. Lifting the ban on cinemas in 2017 was also a notable initiative, promoting a diverse economy and has opened investment opportunities within the Kingdom. DIEC opened its first cinema



in Saudi in 2018 and aims to open 50-100 cinemas across Saudi by 2030, and Muvi Cinema has recently launched the largest cinema in the Kingdom in Riyadh Boulevard. Consumers are increasingly preferring to spend money on experiences over material items (55% in the Middle East compared to 44% globally), including social and cultural activities and travel.

In addition to physical entertainment events, consumers have an increased desire for experiential retail. Despite the recent growth in e-commerce, customers still value physical retail, but value is placed on the 'experiential' aspect of the shopping experience, particularly among the young population. Omnichannel approaches offering a seamless combination of online and physical retail, as well as an experiential, personalised offerings, are therefore key to future success. Lego has launched a 'retailtainment' concept store in Dubai Mall, focusing on innovation, digital transformation, and personalisation, allowing customers to design and create their own unique minifigures, while being able to explore the city of Dubai through Lego.

Best-in-Class Examples

As consumer tastes evolve, assets need to adapt to ensure they remain relevant. We have identified the following global examples, and local Saudi Arabia examples, as being best in class in the key areas of culture change: **tourism, female empowerment, experiential, workplace** and **online**.

International Assets

Starfield Anseong, South Korea

Starfield Anseong is committed to being the best one-stop family centre which makes maximising children's enjoyment one of its main goals. With a total size of 230,000 m² this mall dedicates large spaces for a waterpark, spa, indoor obstacle courses, and cinema on the mall's third level amidst its large retail and F&B offering. The north end of the first floor has dedicated outdoor space which includes a children's park,



a boardwalk, and a pet park. They have also implemented a BMW showroom on the second level of the mall which has enough space to display 6 cars. Overall, [Starfield Anseong](#), a **Benoy project**, boasts a very modern interior while ensuring its outdoor spaces are also well designed and maintained to provide a holistic approach to mall design.





The Ring, Chongqing, China

The Ring in Chongqing creates an intimate sense of nature within its retail environment through a mix of big showpieces such as its waterfall and smaller pieces incorporated along higher-level elevated walkways.

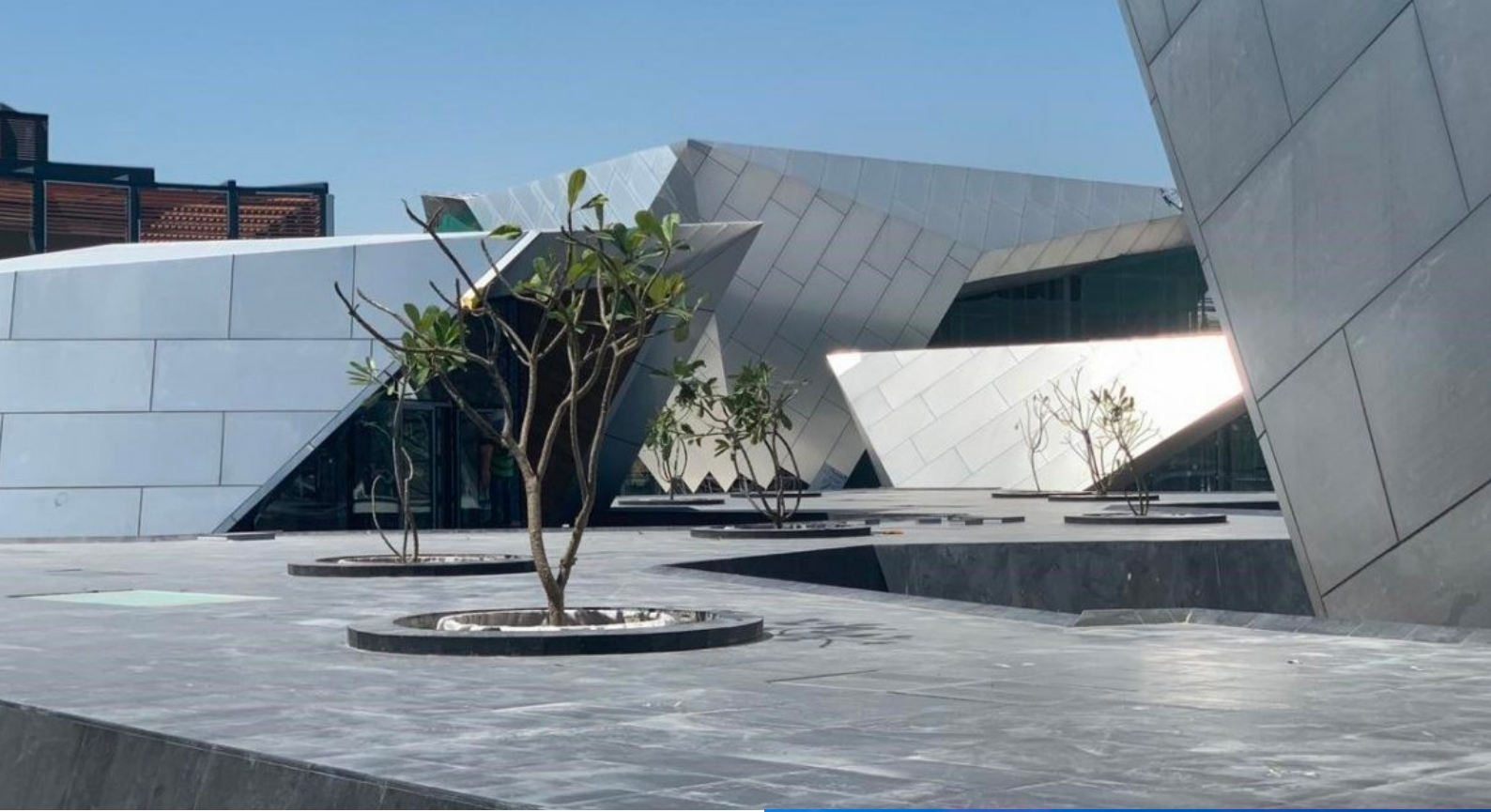
The garden has a 24-metre airborne waterfall nourishing thousands of plants and also features a changing light show. The 42-metre botanic garden features three distinct themes – the Soul Tree, the Aerial Forest, and the Riverside Hills while the Centre features a 3,000 m² edutainment centre with 9 play zones.

Nike's China HQ, Yangpu, Shanghai

“Make Sports a Daily Habit” is the core value that Nike global wants to communicate to their employees through the new workplace design. There are 5 critical pillars in this core value to deliver through the workplace: exercise, nutrition, sleep, rest, and recovery. A full-size football pitch, indoor basketball court, onsite fitness centre, and free fitness classes all day, are some key provisions that support employees to have easy access to a more active life. There is also an onsite cafeteria, several restaurants and grab & go to ensure the nutrition needs are satisfied. Some other initiatives like an onsite personal trainer, onsite massage session, and wellbeing zone, are designed to meet the rest and recovery needs.



Besides the facilities in the office, Nike Shanghai is also adopting a flexible workplace strategy to accommodate changing business needs and foster an agile working environment. Many teams in Nike can have two days working from home and with an unassigned seating policy. This helps employees to be able to enjoy a more flexible working style and be able to work at different workstations or work settings at different focus and collaboration levels. For example, they can work in a focus room when they need a quiet environment for report writing, they can also choose to work at a booth with a 3-4 person team collaboration and brainstorming work.



Local Assets



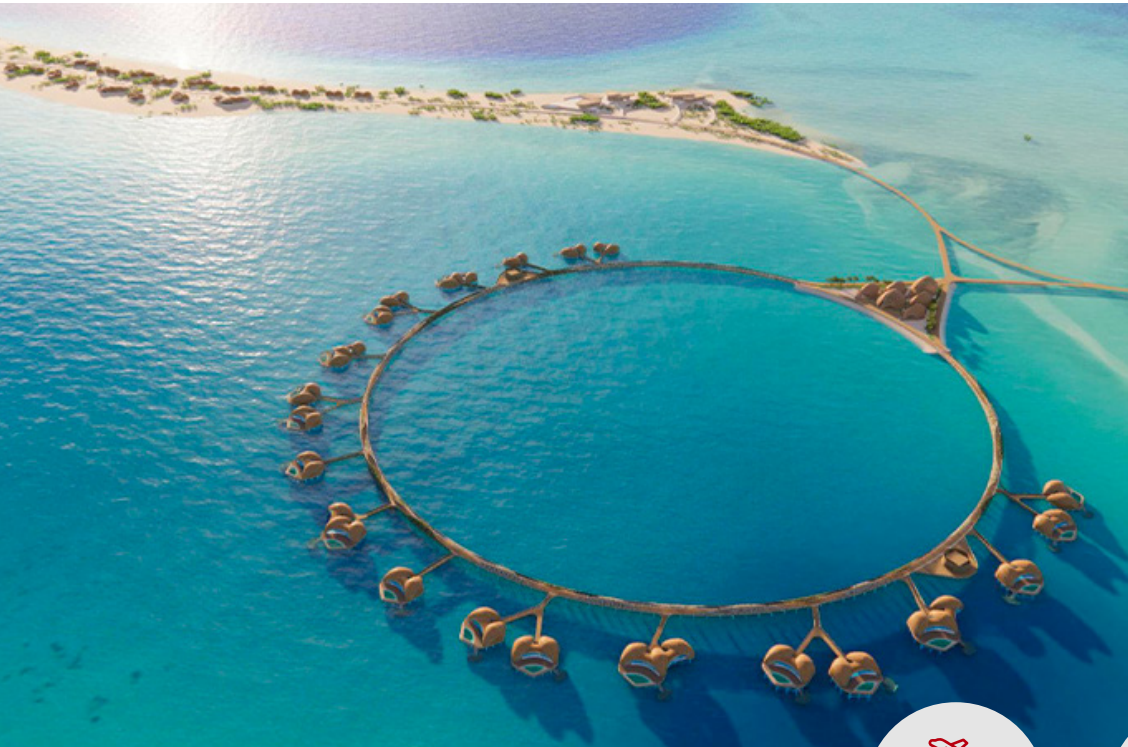
Ajdan Walk, Al Khobar

Ajdan Walk is a 32,000 m² mixed-use development in Al Khobar, Saudi Arabia, featuring the first food village in the Eastern Province, which houses of a number of international café and restaurant brands, including Starbucks Reserve, Cheesecake Factory, P.F.Chang's and Texas Roadhouse. The outlets come together surrounded by an attractive public realm consisting of a series of walkways and seating areas, creating an inviting, modern atmosphere. Adjacent to Ajdan Walk is Ajdan Rise 40 storey residential tower consisting of 192 apartments and luxury penthouses; Ajdan Terrace, an event space for high end entertainment, fashion, art, and music



events, with capacity for 400 people; as well as luxury Fairmont Hotel on the waterfront.

Benoy's innovative design is tailored to cater for the unique Saudi culture. The concept focuses on blurring the boundaries between indoor and outdoor spaces and has created areas for both privacy and amusement.

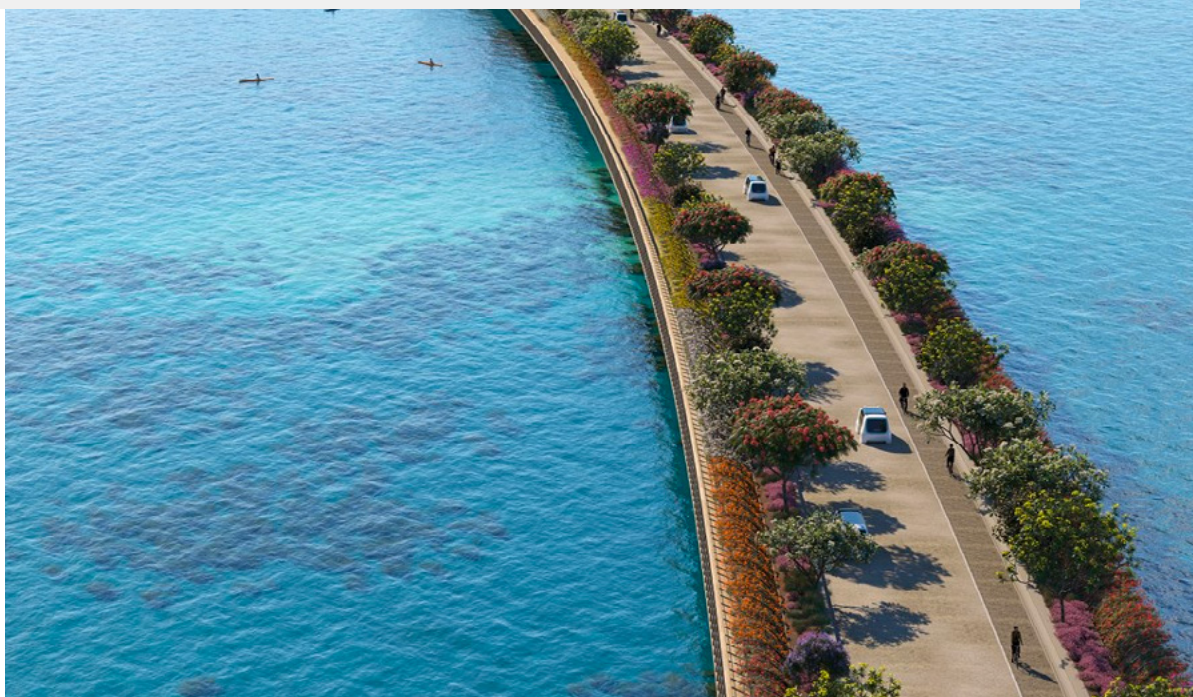


Red Sea Resort

The Red Sea Resort is an ambitious regenerative tourism project designed to create a luxury destination on Saudi Arabia's Red Sea Coast, with a footprint of 28,000 km², including 200 km of coastline, 90 untouched islands and miles of desert and mountain landscape. The project will set new standards in sustainable development, pioneering a relationship between luxury tourism and the natural environment to create a world class tourist destination, offering



access to cultural treasures while preserving the natural environment. The project will encourage visitors to explore the rich cultural heritage of the area, while providing high quality personalised accommodation and services, including its own airport, setting new standards within the luxury travel sector.





Salt

Salt is a UAE grown burger brand that launched in 2014, which revolutionised the food truck scene in Saudi Arabia, opening a series of venues across the Kingdom. The brand locations host a series of vans selling quality fast food style cuisine, including burgers, desserts, smoothies, and milkshakes, bringing a unique, experiential dining experience to the Kingdom. The brand operates 10 outlets across 6 key locations, including Dubai, Riyadh, Abu Dhabi, Al Ain, Ras Al Khaimah and Al Khobar. The brand also hosts pop-up experiences, an example being the Salt Campsite in Riyadh, an experiential F&B event designed around a nostalgic camping atmosphere, showcasing the brand, and attracting customers through its Instagrammable décor.

Local Brands



Barn's Café

Saudi Arabia is known for its coffee culture with specialty blends and beans and world class baristas. There has been a huge trend and rise in the number of home-grown, authentic, and local coffee shop chains establishing themselves, as well as stand-alone coffee shops and curbside drive through units.

Barn's Cafe is the first contemporary yet fully homegrown coffee concept in Saudi, operating more than 170 stores including more than 80 company-owned drive-thru outlets and walk-in-coffee houses with 70-plus franchised operations. The café is designed to bring the community together to learn about the authenticity and history of the Barn's coffee concept over the years in design award worthy spaces.





Global Brands



SITU LIVE

SITU LIVE is an experiential, immersive store in Westfield, London, which showcases the latest branded products across seven theatres, allowing customers to compare and try out products before ordering online within the store.

The store has a huge collection of brands from Meta and Maserati to Bosch and Lenovo. You can compare products with help from expert store staff, before scanning the QR code to save to your wish list and buy online at your leisure.



L'Oréal

L'Oréal is a global beauty brand dedicated to empowering women through its different initiatives, including various brand campaigns, internal mentoring programmes; and to reach the Middle East market, they also launched a new graduate scheme to support Saudi graduates starting their careers in L'Oréal.

In every campaign, when they assert the words, “Because We're Worth It,” they amplify L'Oréal Paris' brand mission, empowering every woman to celebrate her worth.

The internal mentoring programme happens in every L'Oréal office globally to help build young professional women's self-confidence and foster uninhabited authentic leadership. External coaching sessions with



experts, co-development workshops, and mentoring with L'Oréal senior executives are vital activities.

The Middle East has become central to L'Oreal's global strategy, and it has put together a new programme for Saudi Arabia called Stretch and Tech, which aims to support new graduates.

L'Oreal's digital transformation in selling channels began long before COVID-19, utilising social media platforms to connect with target consumers. Supporting university students in developing their careers is key to enhancing L'Oreal's employability and setting up an appealing brand image for young audiences. Knowing that Saudi Arabia has young and favourable demographics, the group leaders in L'Oreal are also optimistic about Saudi Arabia's future market development.



Data-Driven Insights to drive Creative Commercial Solutions:

Pragma's data-driven insights provide unique value to investors and developers:

1. Stakeholder insights

Expertise in conducting and analysing primary research

Developing insightful analytics, robust modelling, and new thinking

2. Global experience and local understanding

Tracking and analysing global and local trends and market developments

Understanding local and global best practice

3. Mixed-use capability

Understanding the successful components of mixed-use developments and their differing stakeholder requirements across the full spectrum of asset typologies: retail, leisure, workplace, residential, travel and tourism

4. Commercial revenue analytics

Developing a balanced view of current impact and future opportunities, across commercial, social, and environmental components

Tracking and reporting of an asset's ESG performance through Pragma's unique Pulse platform

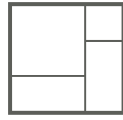
5. Group capabilities

The Handley House group of companies bring creative design led solutions by combining data analysis, workplace strategy, master-planning and architecture, urban and landscape design, interior design and wayfinding

For a discussion on how Pragma and the Handley House group of companies could assist you and your business, please contact:

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HANDLEY HOUSE

Handley House is the parent company overseeing four international businesses. Bringing together commercial advice and strategic research, technical knowledge and design expertise, the company delivers a holistic approach from data analysis, workplace strategy, master-planning and architecture, to urban and landscape design, interior design and wayfinding.

Our companies:

BENOY

Benoy is an international firm of architects, master planners, interior architects and graphic designers working from design studios in the United Kingdom, Abu Dhabi, Singapore, Hong Kong, Shanghai and Beijing.

P R A G M A

Pragma is a commercial advisor for investors and operators in mixed-use, travel and retail and its expertise includes customer insight & segmentation, catchment analysis, trading & performance analysis, tenant mix guidelines and rent sustainability & leasing.

UNCOMMON LAND

Uncommon Land is a landscape practice, balancing creative vision with commercial viability, shaping memorable landscapes that deliver lasting social, environmental and economic value.

Holmes Wood

Holmes Wood are a leading UK based design company specialising in wayfinding, sign and graphic design solutions.

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