

CULTURAL MARKET

INVESTMENT OPPORTUNITY SCORECARD

TOURISM & QUALITY OF LIFE

MAY 2021

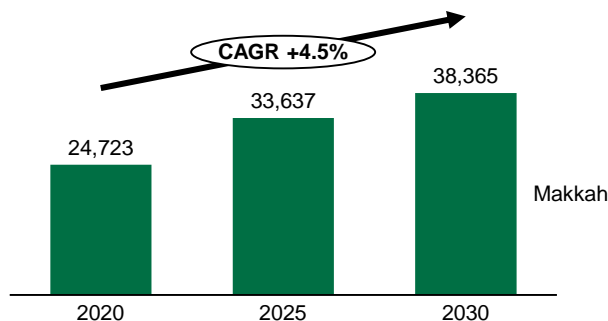


Cultural Market

OPPORTUNITY'S DESCRIPTION: Opportunity to create a holistic "Cultural Market" as a distinctive destination offering Makkah residents and visitors (Hajj and Umrah pilgrims) a special and unique cultural and touristic experience

DEMAND

MARKET SIZE – CULTURAL MARKETS VISITORS/YEARLY



Above figures show target customers for the opportunity and not total number of pilgrims

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 50.7 Mn
- Investment IRR: 14.1%
- Payback period: 9 years
- Opportunity to consider different operating models – FDI with 100% ownership or joint venture with local private sector player(s)

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA government targets to host 30 Mn international Umrah pilgrims under Vision 2030 initiative which will create opportunity to serve additional 20 Mn visitors in the upcoming 10 years
- Enriching Hajj and Umrah experience for visitors is one of the main goals set under Vision 2030 and the government has initiated several measures to support the stakeholders and prospective investors
- Pilgrims' journey mapping depicts that there is a latent need for entertainment and cultural activation in Makkah and Madinah cities
- Historic, cultural and religious significance of the Two Holy Cities will generate a positive ambience and spiritual energy at the facilities offering recreational services creating a unique value proposition for the end-consumers

KEY DEMAND DRIVERS

- With ~11 Mn domestic pilgrim and ~10 Mn international pilgrims in 2019, religious tourism remains the main driver of Saudi Arabia's tourism
- Makkah hosts Hajj & Umrah pilgrims throughout the year, therefore investors face strong market potential through investing in a different retail concept
- Expansion project of the two Holy Mosques, government investments in infrastructure and online visit visa issuance initiative will boost pilgrimage visits
- ~15-20% of the total pilgrims visiting the Two Holy Cities come from high income class with strong preference for enriching their tourism experience

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Currently Makkah lacks cultural and entertainment activities coupled with a lack of traditional & cultural shopping experiences that target pilgrims.
- In addition to that, Makkah is relatively lagging with respect to all other Major KSA cities including Al Madinah when it comes to retail market supply

COMPETITOR ANALYSIS¹



Al-Otaibiyya Market

¹Non-exhaustive list

GLOBAL TRENDS

- Increasing trend amongst tourists to balance religious visits with cultural and heritage experience to enrich tourism experience
- Cultural tourism is an innovative way to discover a foreign culture. Interest in gaining experience of a local culture by participating in creative and artistic activities offered by service providers is steadily increasing
- Additional health precautionary and safety measures adopted across the globe due to Covid – 19 induced pandemic are leading to increased operational costs



TOURISM & QUALITY OF LIFE CULTURAL MARKET

Public / متاح

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Pilgrims from Southern and Central Asia, Western countries, the Levant, and Russia perform Umrah clubbed with other destinations showing the will and financial capability for entertainment and recreational activities post Umrah
- Low cost of construction, labor wages and utility fees combined with availability of trained resources to support low capital and operating expense for the investor and maximize investment returns
- The government has already started restructuring visa processes and issuing online visas. This will boost pilgrimage and touristic visits to KSA in the coming years
- Early market entry to potentially benefit investors to increase geographic footprint in the two Holy Cities and capture larger market share in medium-long term

PILGRIM'S JOURNEY



KEY STAKEHOLDERS



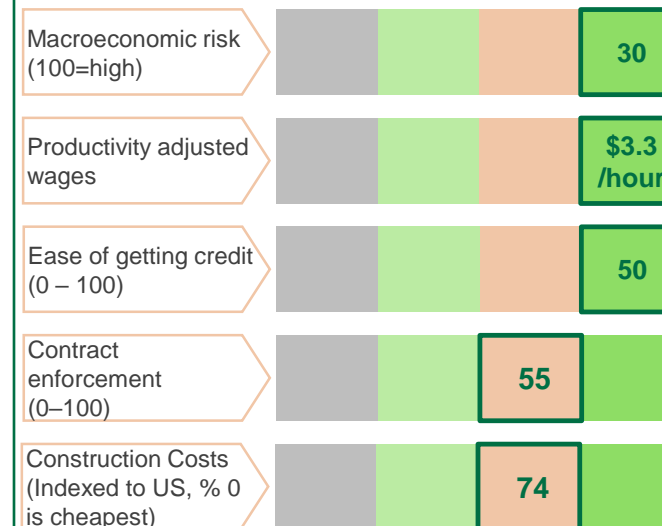
ENABLING FACTORS

ENABLERS

- The Ministry of Municipality and Rural Affairs has created supporting regulatory ecosystem for easy issuance of necessary permits
- Establishing a unified center for investor services in Hajj and Umrah in cooperation with MISA
- The secondary target market is Makkah residents, the majority tend to shop in close cities with a more diverse offering like Jeddah

COST OF DOING BUSINESS IN KSA

Factor Ranking Amongst Regional Peers



Bottom 25% Top 75% Top 50% Top 25%



Sources for Cost of Doing Business: EIU, World Bank

DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	Demand drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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