

Ahmad Amjad: Social media penetration and usage rates in the Middle East are among the world's highest and fastest growing, used by Arab youth extensively. It is more than a communication tool, but a window to the world with 79% getting their news from social media. No other company can claim to have developed this market as much as Facebook. Facebook has been at the forefront of connecting people in the Middle East while helping onramp SMEs into the digital marketplace through its various apps, including Facebook, Instagram, WhatsApp and Messenger.

Today, the managing director of Facebook in the Middle East and North Africa, Ramez Shehadi, joins us to share his views on the social media landscape, the digitization of the regional economy and his plans for Facebook.

Welcome to Empower Middle East Conversations, a podcast from the Atlantic Council. This show brings you leaders from business and government that shape the future of Middle East economies. I'm your host, Amjad Ahmad, director and resident senior fellow. Let's get started. Welcome Ramez.

Ramez Shehadi: Thank you. Thank you Amjad and it's a pleasure to be here.

Amjad Ahmad: I wanted to start by having you tell the audience, we hear a lot about digitization of the Middle East economy. Given your extraordinary visibility into the region, what does that practically mean? What are you seeing on the ground?

Ramez Shehadi: Great question to start with, and even though a simple one as an ask, invariably has a very complex response, what does digitization really mean? Is it enough to have a website? Is it enough to have a Facebook or Instagram page? Is that digitization or is it something much deeper, broader, interactive, intimate? And I venture to say that probably both answers are quite correct. Look, the simple fact is in our part of the world Amjad, we have tens of millions of businesses, micro, small, medium, large businesses. And of these tens of millions, let's say 40 plus million businesses, the percentage that exist and have some sort of digital identity is somewhere in the realm of 10% to 15% I would venture. But of that 10% to 15%, you've got probably less than one percent or even half a percent that are engaged transactionally with consumers or the communities that they serve. And when you look at that stat, you start to realize that we are way, way, way, way off from, I would say, global standards in terms of the integration of digital experiences and digital interactions between businesses and consumers than many other parts of the world. Though that being said, we have extremely high mobile penetration and broadband mobile penetration in our part of the world so; people have smart devices in their hands.

The average Internet penetration is greater than that of, I would say the globe's average and so we have people, if you want, connected online, but businesses aren't yet fully transacting and as such, while an identity may prevail, interaction and the exchange of value is still quite nascent. Obviously, this changes by areas within the region, as you know intimately well, we're not one homogenous community. We've got very different socio economic predicaments throughout the region. So you'll find that the Gulf States are far more sophisticated in their infrastructure and the degree of digitization, both on one end, a digital presence; hey, world, I exist. I have a page all the way through to transactions, which is very different than the Levant, which had its more than fair share of socioeconomic and political challenge and then a very, very different predicament in parts of North Africa as well, and so the supply demand dynamic is quite different. But in general, the gross model across the region;

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The prize that is yet ahead of us in terms of digitization is quite large and quite exciting.

Amjad Ahmad: And why do you think there has been this lag? I know you mentioned socioeconomic, but why do you see businesses still struggling to get on or on-ramp into the digital world at this stage?

Ramez Shehadi: Well, I think there are a number of factors that play into this. I think there are some cultural nuances. There are some economic nuances. There are some legislative nuances. The answer is not singular in nature, and we have geographies that are dominated by hydrocarbon-based economies with a lot of public infrastructure or public investment going towards that which feeds the nation, if you want that, and so a lot of investment goes in that direction and particularly in parts of North Africa and certainly in the GCC states. I think we are a very rich society overall in terms of small businesses. The demand of small businesses for loans and support from financial services institutions across the region has been largely unmet and much of the financial services infrastructure has been geared towards supporting larger enterprise.

I think our cross-border regulation is still nascent and has room for further development, and I think it's easier perhaps sometimes to ship products from North America into the region than it is to ship them from one neighboring country to the next. I think our laws around bankruptcy still have room for improvement as well, particularly when it comes to online businesses. I think a lot of traditional financial institutions that would be supporting these types of digital startups and digital conversion businesses haven't really gotten their head around what assets mean in an online world versus the physical world.

I think the level of education in many parts of our region is still focused on traditional approaches and haven't fully embraced the digital paradigms that are growing fast and dominating in other markets and equipping youth with the skills necessary. We've seen some great changes in this regard as well. There have been some brilliant announcements coming out of the United Arab Emirates around giving people residency in the country who are developers and coders. We see great provisions coming out of places like Saudi Arabia. Egypt is on fire in terms of building up its development and digital communities. But this isn't yet the norm in too many of our countries across the MENA region, and so you can see clearly there isn't one particular thing. It's a portfolio of things and they vary by geographic cluster of North Africa versus Levant versus the GCC.

Amjad Ahmad: Yes. And Facebook, I think a lot of people don't realize but you touch really the SME segment in such a big way, and what are you trying to do in your sphere? What's under your control to actually get more of these businesses online? I mean, I see you very much as a huge enabler to the SME sector.

Ramez Shehadi: I love this topic, and I think, frankly, if we want to evolve the general wellness and well-being of communities in our part of the world, we must significantly invest in enabling, equipping and supporting micro, small and medium enterprises. It doesn't mean that we take our eye off the ball with the big guys and the big established institutions who are playing massively within the region or even now on a global basis, and we've all seen in the news how many new unicorns are popping up out of our neck of the woods and it's incredibly exciting. But without a doubt, the lifeblood of communities and in our part of the world are the micro small and medium enterprises, and they have been a significant focus. As I said earlier, the percentage of this segment of the economy overall that is digitized, is minuscule compared to pretty much everywhere else in the world;

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And again, somewhere between half a percent to a percent of the overall number of enterprises, and so we're leaning in heavily in this regard; we see that supporting small and medium businesses to digitize and to develop skills and to have access to consumers outside of the physical radius of their

engagement, and this has been exacerbated Amjad by Covid when mobility was impeded, footfall and traffic to these small and medium businesses dried up. Many of them shuttered their doors, and it's really been devastating socioeconomically to micro, small and medium businesses. And so by investing in these and having a top line view around job preservation, job creation for that community, we think ultimately moves the needle on wellness.

And among the many things that we've done under the banner of a program that we call "Love Local," there are so many things that we think are starting to make a difference, and we hope that we can continue to do even more to really unleash the potential of this segment. And if you want, "Love Local" really has two essential facets to it. Equipping local businesses with the skills necessary to survive and ultimately thrive online, and also equipping consumers with the knowledge of who these businesses are, how to buy with them or buy from them, how to develop a relationship with them and how to engage them in their sense of purpose for the communities that they serve.

We created a MENA, Middle East and North Africa training hub with over 40 online webinars for free in French, English and Arabic to teach business owners digital marketing, e-commerce, how to grow online. It's not just a matter of having a presence, but knowing how to navigate and speak and get through and attract consumers is a particularly important skill. We also have a business resource hub that we've introduced all across the region, teaching them how to scale their businesses once they are digital. We've even availed grants to help businesses get that extra liquidity they need to get over the hump and to really start engaging. We've also availed credits to make advertising and promoting themselves very affordable and very accessible. And during Covid and something that I am so proud of as a company, we introduced the concept of the Facebook shop.

Imagine this for just a moment, if you will. That you're a brick and mortar mom and pop shop or you're a solopreneur, Facebook has given you the facility to have that storefront that we talked about earlier, that most basic of digitization criteria, the storefront and then a digital catalog for your products and services, access to a payment gateway, access to some sort of warehousing and logistics solution, and then access to all of these training hub and resource hub and webinars and financial services to allow you to then develop and flourish and spread your wings and start to fly virtually among the many, many other millions of businesses that are on our platforms and engaging in commercial trade and purposeful growth with us. Long winded answer and sorry for that; you're asking questions and I have to give an honest answer.

Amjad Ahmad: But this is the beauty of a podcast where you can give the long answers. So can we actually say that the pandemic was an inflection point for SMEs in the region? Are you seeing that that is a wakeup call?

Ramez Shehadi: Oh, big time, and it's not just for SMEs, it's for everyone. What aspect of our life hasn't gone through a fundamental shift? The way we work has changed. The amount of time we spend online has changed. The way that we celebrate moments Christmas, Ramadan, Hanukkah, whatever it is, the fact that people are separated apart but still desiring connectivity, community, relevance, purpose, trade; digital and particularly our platforms, among many others, frankly;

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Have allowed that connectivity, those connective human tissues to still thrive; so, yes, it has been an inflection point, and there's this meme that's out there. You may have seen it. It's a picture of a sort of a corporate environment and one person is asking the other, what caused your digitization? Was it your board, your CEO or covid-19? And in fact, tongue in cheek; Covid-19 forced us to rethink the power of digital connectivity out of existential need. Many businesses, as we were saying earlier, no longer had footfall. People no longer came to the counter, product couldn't move from one hand to the next readily, and others had a massive explosion of value, a watershed moment with

so much growth, so much demand, that their existential moment was a desire to find additional relevance and additional value with their consumers. And this is as true for the small and medium business as it is for the mega business, as it is for the governments even out there.

Amjad Ahmad: Yeah, I can tell you from my own experience, we were pounding the table with very large companies saying you have to focus on digital, and frankly, a lot of boards were still not there, and now it's very different. I think you're seeing acquisitions now by large players into e-commerce and other digital companies. So I think we're getting there for sure. Let's talk about e-commerce for a bit, because that's been a big sector in the region. It's grown substantially. The pandemic was a big inflection point in terms of digital payment, which, again, increased e-commerce. You're a big enabler of e-commerce.

We've seen the first rise of social commerce in the region in a big way. Influencers are very strong in the region. We had a brand come out of the region, Huda Beauty that's done a phenomenal job of going direct to consumer thanks to social media. But now you're seeing countries like China that are leaders in commerce; hundreds of Chinese are shopping on WeChat. You have two of the largest platforms in this area, WhatsApp and Messenger and recent data points to four fifth of our time being spent on mobile chat. How do you see this going forward in the region? What are your plans for specifically e-commerce and maybe other things - live shopping, augmented reality? What are your plans going forward and how do you see e-commerce transforming in the region going forward?

Ramez Shehadi: My answer is all of those things that you said and more. You've hit all of the right hot buttons. They, in fact, are the dominant sort of trends that are emerging globally, but also quite acute and in the Middle East and North Africa. Let's maybe kind of get into some of these a little bit further. The region consumes two to three times the global average of video, video is hyper important in this part of the world. A lot of maybe historical reasons for it, whatever they may be and video dominates and getting good at video is a critical success factor for advertisers as an advertising medium, leveraging video intelligently at the right time, in the right way, and is going to be extremely important for the consumer so that it's not intrusive or disruptive. And then when you engage the advertising and the end stream video experience, what that opens up to in terms of transactions or whether it's the transaction of information or the transaction of value or the transaction of finance to procure something is also going to be critically important. So you can anticipate a lot more innovation and invention in and around video; video on mobile and short form video, in particular, on the static device;

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On the lock screen, on the apps and a variety of different places before and after particular intentional segments of electronic engagement. I think the surface area for video is quite wide. It's quite deep and we are early days in this regard. I think the notion of 'c-commerce,' conversational commerce for those that might not know that label basically says, hey, look, we now live in a world where the notion of coming to the shop, walking around the aisles and discovering what you're looking for isn't the only way. And going to a website and doing searches for products that you're interested in isn't the only way, that increasingly people can have and are having a one to one connection with the business and messages, whether on Instagram or on IG direct or on WhatsApp or whatever messaging platform happens to be of choice is increasing dramatically. And quite interestingly, our part of the world has among the highest rates of consumer to business messaging on the planet.

People are having discussions with businesses. They are seeking products. They are seeking information which then presents yet another surface to engage the consumer on messages, one to one relationships with businesses and being fit for purpose, which then evolves the way that you

think about a brand. Is the consumer only interested in a brand or they're interested in a product? And what trumps? And how should we think through this? And so it opens up a whole new world. The consumer, once you're online, is no longer bound by that physical radius, as we said. And so this opens up a whole new world of cross-border commerce for big businesses as well as the tiny businesses. And it even starts to open up the avenue of the dark concepts. A lot of us have heard about dark kitchens or ghost kitchens. This is really kind of exciting and it's dominating a lot of investment discussions that are happening in and around our region. But the notion of dark or ghost isn't limited to just food. It can also be retail.

So how do you bring products into new geography direct to your consumer in a brick and mortar world? What kind of relationship do you have to have? One to one. One to many. So conversations and cross-border become particularly interesting. And as we've seen and as we're experiencing, the notion of personalization is fundamentally changing the ability of an advertiser to understand me as a consumer; what I like, when I like it, how I like it and has allowed them to be much more fit for purpose and intentional in the products that they offer, in the services that they offer, and to create a better experience for me and to get me more invested in them. But this notion of personalization is becoming challenged, challenged because naturally and very importantly, privacy should trump. Now that my information, my data is something that is special, that is unique, and I should have choice in opting in about what information about me is available to whom, when and how. And so you have these worlds coming up and surfacing around the need for privacy and the need for personalization and good online experiences. And our response to this among many different things in the investment and in the privacy space is also then to innovate on the product and the product space. And one of these areas or innovations is around the notion of discovery commerce that products can find consumers. It's not only about consumers finding products. And so there's a lot of innovation that's coming around there. And then you highlighted of course...

Amjad Ahmad: You're starting to target to one, right? If you're targeting to one consumer we used to target by demographic...

Ramez Shehadi: Depending to a type, I would say it's not necessarily to a one.

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But there are characteristics that I think ultimately respond to different types of triggers or interests. And certainly the notion of, as you pointed out, virtual reality and augmented reality, and how do these surfaces then lend themselves to an even greater consumer experience. If I use my phone camera to overlay something, I can get a lot more data and a lot more insight about a product than simply what I see visually, physically, I can start to understand context or use cases or experiences that are possible. So Mark Zuckerberg has the saying and you first hear it, you're like, yeah, yeah. It sounds nice to say, but the more that you think upon it, the more you start to realize, man, he's absolutely right. And he always says our journey is only one percent complete, and you think about all of these innovations that are happening and all of their use cases and permutations and extrapolations, and you start to realize, man, the guy's right. There's so many different facilities that we haven't even yet started to think about for every area that we are already touching, let alone those that we're not. So it's an incredibly exciting time in terms of these trends and the possibilities space ahead.

Amjad Ahmad: That's for sure. I wanted to ask you about your own transformation as Facebook. Heavily today you are reliant on advertising really for a big part of the revenue. How do you see that playing out? It sounds to me like you see a change in the next decade where you're going to be involved in many more transactional type revenue structures. How does your own business change as the environment changes?

Ramez Shehadi: Yeah, look, another great question and I think time will tell how things will evolve. And just as we saw with Covid, the prevailing circumstances will fundamentally challenge us to rethink convention. And so, peering out into the unknown, hoping to kind of extrapolate some sort of realities can be ultimately conjecture because God knows what will confront us next year or next quarter or two years from now. But we think that the journey on the road ahead absolutely is still very much about relevance to advertisers and about absolute relevance ultimately to the consumer and that the surface area with the consumer can still take on so many additional dimensions. So yes, transactions and payments, experiences and public venues and private venues and virtual reality and augmented reality. I mean, each one of these takes on a path of its own for a future that we remain entirely excited about. So to predict where our value will come from, I don't have that crystal ball.

Amjad Ahmad: All we know is it'll definitely change.

Ramez Shehadi: Yeah, that's the only constant, as they say.

Amjad Ahmad: Absolutely. Let's talk about advertisers. We saw for many, many years that as the eyeballs were shifting to digital, the dollars were still stuck in an analog world. Where is that today in the Middle East? Has that shift completely taken place or is it still a disconnect between where people are spending their time and where advertisers are putting their money?

Ramez Shehadi: I think it's fundamentally evolving, how sticky is it? Time will tell. I have to confess, in the middle of Covid, when people were in lockdown, the notion of advertisers investing in billboards was ludicrous. Or, I'm going to put a newspaper ad or a magazine ad, you'd have to be thinking something is very wrong here. Yeah, but I think as communities relax and we become mobile again and we get on planes and we travel and we get in our cars and go to parks and theaters, health, safety, willing, I think advertisers naturally start to think about, well, how else can I engage my consumer?

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What from the past is relevant now? What have I learned during Covid? And where can I make the greatest impact to my business and to the mission that my business is on? We no longer live in a world where advertising is all about building a brand or brand equity. It can also very much be and has been quite dramatically a driver of revenue. This notion that the marketing function in a business was only there to sort of propagate an identity of a business, well, I think the marketing of the future -- actually the marketing of the present becomes a revenue driver. It's at the table on the commercial discussion. It's no longer just a cost center, it's a profit center now. And so I think we've learned a lot through Covid. I think we continue to learn a lot. But it is unequivocal that the value of digital is an extremely, extremely essential driver in the financial performance of any business.

Amjad Ahmad: Yeah, I think we've seen that clearly, and those that are not seeing it are missing the boat completely and especially in the region as someone gets online. Let's talk scaling. You had mentioned it on several occasions. And this is the lifeblood of entrepreneurs and us really creating an ecosystem that works. It creates this virtuous cycle of more money coming into the ecosystem and so on and so forth. How do you feel about the capability of companies to scale today? And I would say let's talk about within the region, which you mentioned still has barriers. But you brought up an interesting point, as well as consumer or brands now going global, you have access to a global marketplace. So let's talk about both. How do you feel about regional scalability and what's still missing because it's still inefficient. And then how do you see brands now being able to scale globally thanks to platforms like yours and others?

Ramez Shehadi: I think you called out a couple of really good examples like Huda Beauty and the reach that that business has gained. It's extraordinary and how quickly that has happened. The Middle East has a legacy, has a history, perhaps even a DNA of trade whether you're in the Gulf and the history of trading pearls or trading minerals or trading dates or whatever it was, the spices from the east, the Gulf has been a trading hub. The Levant has been a trading hub, Phoenician remnants all around the world and North Africa similarly. And so it's in our history, in our culture and our identity to be at the crossroad of exchanging value. And I think there is nothing really of substance that prevents us from doing the same in the virtual world.

Yes, we've got to figure out some laws. Yes, we've got to fix some regulations. Yes, we've got to fix some pricing on what it takes to be online. Yes, we've got to do the basics. And really, they are doable basics. We're not charting undiscovered waters. Many parts of the world have done this. So can our part of the world. It's not rocket science. It just takes some sleeves rolled up and some hard work and it's doable. And I know all the governments in the region can rise to this occasion and do it on the behalf of their nations, of their people. Some will do it much faster than others. And we're already seeing this. And this is great news. But we've got assets, we've got talent, we've got culture, we've got products, we've got value that when it's availed to the world will be desired by the world. It's not just our oil and our minerals, it's our product. It's our artisanship. It's our agriculture. It's our history. It's our books. It's our literature. It's our invention. The Middle East and North Africa has so much to offer the world. I'm eternally optimistic about the prize ahead of us because I see that we are still very nascent on this journey.

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I'm a big, big, big believer Amjad in what this region can offer the world, the benefit that it can bring to bear. And really the only thing standing in our way is ourselves.

Amjad Ahmad: I just heard a great saying recently, someone told me that the pessimist may be right, but the optimist will be rich. So, it's good to be an optimist.

Ramez Shehadi: I believe that the optimist is eternally rich, rich in spirit and the rest can follow.

Amjad Ahmad: I'm with you. I'm very optimistic about the region and what can be done. And frankly, I've seen it myself in the past two decades, what investment and entrepreneurship can do. So I want to talk to you a little bit about the ecosystem. You're right in the middle of it. And you're seeing all of the interesting things that are happening. Lots of good things are happening. What's still missing, in your opinion? What's the one thing that we should really focus on?

Ramez Shehadi: There's one silver bullet there or a few bullets, none of which are silver, necessarily. So, I highlighted some of these before, I think we've got to figure out our cross border regulation. We've got to make it easy and fast to move products between neighboring nations. I think we've got to figure out our bankruptcy laws and to make it safe for entrepreneurs to be entrepreneurial and to create, and to fail. Failure is the path to success. And I think our regulatory environments have to allow this. I think our notion around data as nations, as governments has room to kind of settle into some general global standards around what data privacy or data localization means and what works and what doesn't.

I think we have to overcome this view that we need to impede access to online services. Voice over IP should be an accessible utility for everyone readily without impediment. I think we have to invest in our small and medium businesses. There's been some interesting studies that have shown there is an extremely strong correlation between investing in that segment of the economy and the number of jobs that are created. It's not the big companies hiring more people that's going to solve

our unemployment. It's around supporting the small guys to stay on their feet and equipping them to scale. That's really going to generate the jobs.

Amjad Ahmad: You're absolutely right. I'll give you a statistic from the US. 70% of job growth in the US comes from SME, 70%.

Ramez Shehadi: Exactly.

Amjad Ahmad: I like this point and I've heard you talk about this in other areas. And I think it's a very valuable and important point. There's a lot of focus today on tech. But when we talk about SMEs, we're talking the one man shop, the woman selling wares out of our house. So when we talk about entrepreneurship, I think we need to widen our definition. I think there's a little bit too much focus on unicorns scaling and tech. But actually, there's wonderful small businesses in every country that you are really supporting. And I think that's a really critical point.

Ramez Shehadi: Absolutely. Of every flavor and walk of life, whether you are a hairstylist or a tailor or a carpenter or a fresh produce seller, how can we help these businesses find their way? Not by giving them fish, but by giving them fishing rods, not by giving them some utility or here's some money, go spend it. So much of the CSR that happens out there is just designed wrong, like, okay, we're going to give you some financial aid and then they use it. And then what? It really is about equipping the segment of society with the skills necessary to discover their own success.

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Somebody sells oranges by the side of the road. What if we could help them figure out that selling juice is a higher margin than just selling the orange. And what if we could help them market this juice? And what if we could then show them that by marketing this juice and getting preorders, they actually won't have to have any waste? And what if that they expand the radius of the reach on their marketing of their juice, they can actually then take a bunch of preorders or tie up with a delivery team that can then sell more remotely from where they are. And then they could hire somebody that juices and packages and we can create a brand. And suddenly you went from one person selling a few kilos of oranges per day to maybe one or two people or three people that are able to support their families more sustainably. It's the path to creating wellness.

Amjad Ahmad: And I tell policy makers all the time, half the battle is just getting out of everybody's way. They'll figure out a way, as you said, it's not funding. Throwing money at the problem is not the issue. Just let them have the flexibility and let them run with their ideas. And there's plenty of opportunity these days to scale your business. Even small businesses, like you said, an orange seller by the road. So I think the SMEs area a really critical issue. Before we go, social media has been explosive in the region in a good way. It's allowed for discussion in a region that has limited rights sometimes to free speech. But at the same time, that puts a huge responsibility on someone like yourself as at Facebook, so you have your business goals on the one hand, but then you have these social issues on the other where you're providing this phenomenal platform for discussion in a very tricky region. How do you balance that? How do you think about balancing that as an institution?

Ramez Shehadi: I suppose what makes the mission that Facebook is on, to give people the opportunity to create community, to connect, to find themselves or find purpose or find voice is so honorable and so fulfilling and so motivating is its universality. We are one Facebook for the world, we're not 31 flavors of Facebook on every different geography, we are who we are. We don't claim to be perfect. We make plenty of mistakes. We've done a lot of things that could have been done a lot better. But we're committed to learning, improving, evolving. But what we don't want to do is to somehow entertain the notion that we can be different at the same time in different places.

If that somehow comes up for whatever reason, it's something that we will fix and we will change. And so the universality of Facebook, the consistency of Facebook gives us confidence. It gives us purpose. It gives us clarity in how we operate in every country. It is challenging, no doubt, because there are different types of regulations, different types of forms of government, different types of legislation, a different culture that people express themselves differently in different places. But we try to be constant, balanced amidst the tempest of different things that are out there. And it's not easy, as I said, but it gives us, I think, a strong sense of purpose and conviction and in being available to people in a consistent way.

Amjad Ahmad: Well, with that Ramez, thank you for joining us, you're really important voice in this region and this ecosystem. So I want to wish you and Facebook a lot of luck going forward. Thanks again.

Ramez Shehadi: Thank you Amjad. And thank you to you specifically, the Atlantic Council for this delightful opportunity. I hope we can do it again sometime soon.

Amjad Ahmad: Thanks for listening. If you like what you heard, please support us by subscribing to empowerME Conversations and give us your feedback wherever you get your podcasts. For updates on our work, follow us on social media or visit atlanticcouncil.org.