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CASE STUDY

MYRKOTT ANIMATION STUDIO: SPEARHEADING SAUDI FILM-MAKING

This case study is part of a project focusing on Investing in Culture, which is a collaboration of MBSC Case Centre and the Ministry of Culture. The case was developed by Dr Larissa von Alberti-Alhtaybat, Associate Professor of Accounting and Vice Dean at the Prince Mohammed Bin Salman College of Business & Entrepreneurship. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management or administrative situation.

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MYRKOTT ANIMATION STUDIO: SPEARHEADING SAUDI FILM-MAKING

Abstract

Myrkott is the leading Saudi animation studio, founded by Abdulaziz Almuzaini and Malek Nejer, the creative minds behind their hit show and movie 'Masameer'. Being the first Saudi animation to be featured on Netflix and having the highest-grossing Saudi box office hit to date, Myrkott demonstrates that trail blazing is risky but can be very rewarding when opportunities arise. The case also demonstrates that persistence and a quality focus are critical aspects of successful brand building.

Case Study

In March 2023, Abdulaziz Almuzaini, a co-founder and creative individual of Myrkott Animation and Sirb Production Studios, took a moment to reflect on the journey he and his partners embarked upon over a decade ago to express their sense of humor and creativity through animation artworks that depicted their perspective on society and its development. Today, Myrkott has blossomed into a successful animation studio in Saudi Arabia and is the creative powerhouse behind the popular movie and show *Masameer County*.

Myrkott's Success Story: Masameer

Masameer County, a series invoked from Masameer District about 300 km outside of Riyadh, showcases a satirical perspective on Saudi societal issues and development. Each episode tackles a specific behavior that the creators deem worthy of satire. Alongside the series, streaming exclusively on Netflix, Myrkott also produced a movie that was initially screened in cinemas and is now exclusively available on Netflix. The movie generated SAR 7.5 million/US\$2 million in box office revenue.

Myrkott's first successful venture, *Masameer*, has grown to offer cultural entertainment experiences. In 2021, an interactive Masameer Experience was added to the Boulevard, Riyadh's top entertainment destination. In March 2023, Netflix released *Masameer County* Season 2.

Years before cinemas were introduced, Netflix and other streaming platforms became accessible, and the Film Commission was launched in Saudi Arabia, the Myrkott team courageously and innovatively

ventured into the mammoth-like film industry. Despite the considerable risk, they pursued their passion for pushing the boundaries of what is acceptable and communicated their innovative vision through their animation show. While facing some backlash is inevitable when pushing development and seeking to change mindsets, Myrkott's creative team is determined to be at the forefront of change and promote innovative, out-of-the-box thinking.

Alumzaini, a member of the Myrkott team, states, "*We don't want just to follow trends; we want to lead trends.*"¹ Their unique animation style challenges commonly held assumptions humorously while still delivering a fun-hued message. "*It always has to be with a laugh,*"² added Alumzaini. This approach shows that the film industry, particularly in Saudi Arabia, can examine cultural norms and catalyze change. The original *Masameer* episodes on YouTube aimed to push boundaries and promote change, and now almost a decade later, *Masameer County 2* tells stories that offer insight into Saudi society. Myrkott's goal for their productions is to use storytelling to achieve this objective.³

Film Sector: An Overview

The film industry includes cinema, television, and mobile entertainment.⁴ In 2021, the value of the global market based on consumer spending was US\$382.2 billion⁵ across various channels, such as cinemas, online streaming services, DVDs, and pay TV subscriptions. The market has grown by 6% compared to the previous year, a direction expected to continue as the theatrical market has yet to return to its pre-pandemic figures.⁶ The European, Middle Eastern, and African (EMEA) market has seen growth of 21% in the home/mobile entertainment sector and 53% in the theatrical market/box office compared to 2020.⁷ Although the home/mobile market has steadily increased since 2017, the box office market has only reached about 50% of its pre-pandemic 2019 value. In 2022, the EMEA theatrical market grew by another 52% to US\$7.1 billion.⁸ There are significant growth opportunities in the film sector over the coming years.

Although the Saudi market is developing, it is one of the fastest-growing global markets.⁹ In 2018, cinemas were introduced and gained momentum, selling over 30 million tickets and generating US\$238 million in revenues in 2021.¹⁰ In 2022, the Saudi market ranked among the top 15 markets for the first time, valued at US\$0.25 billion.¹¹ The potential for this market, both in terms of film

¹ Conversation with the co-founder.

² Conversation with the co-founder.

³ Conversation with the co-founder.

⁴ Motion Picture Association, Theme Report 2021.

⁵ Motion Picture Association Theme Report 2021

⁶ Motion Picture Association, Theme Report 2021,

⁷ Motion Picture Association, Theme Report 2021.

⁸ Variety: Global Box Office Notched 27% Gain in 2022 to Hit \$26 Billion Total, Research Shows.

⁹ Al-Arabiya News: A global film hub is emerging in the Kingdom.

¹⁰ Fast Company Middle East: Can the film industry be the 'new oil' for Saudi Arabia?

¹¹ Variety: Global Box Office Notched 27% Gain in 2022 to Hit \$26 Billion Total, Research Shows.

consumption and production, is significant. Vision 2030 aims to increase household spending on entertainment to 6% and contribute US\$6.9 billion to the Saudi GDP. Additionally, the Cultural Development Fund has launched a US\$234 million Film Financing Program to encourage the production of 100 films in Saudi Arabia,¹² benefiting local and international companies.¹³ In early 2023, film production increased by 39% in Saudi Arabia,¹⁴ thanks to the Financing Program facilitating financial institutions and production companies for lending and investment. This program supports sector growth, ensures financial sustainability, and introduces private-sector market economics.

To fully benefit from market growth, the film industry in Saudi Arabia must be further developed. Compared to the international market, the Saudi film sector is still in its early stages. The United States is the oldest and most established market, with the top five spots held by major production companies, namely The Walt Disney Studios, Warner Brothers, Universal Studios, Columbia Pictures, and Paramount Pictures. On the other hand, the Saudi film industry is just starting, with the Film Saudi initiative of the Film Commission providing support and incentives to promote its growth.¹⁵

Myrkott's Market Positioning and Contribution

On Film Saudi,¹⁶ a platform that references over 30 production companies, Myrkott is listed as the leading animation studio in the Middle East.¹⁷ It is the fourth company established by the same creative team and has been their most successful endeavor due to their learned lessons from previous experiences. *“Learning through mistakes is tough, but you have the chance to improve. Even the money we lost wasn't a loss. We learned from this, and with Myrkott, we tripled the equity investment we gathered from our investor because he believed in the benefit of our learning,”*¹⁸ muses Almuzaini.

Myrkott started its journey in Saudi Arabia when no digital ecosystem or cinemas were available. The team created *Masameer County* and streamed it on YouTube; its successful channel has 2.8 million followers.¹⁹ At first, cinemas and streaming platforms were not an option, but as Saudi Arabia changed, Myrkott benefited significantly from the new opportunities. *“You can be risk-taking and forward-thinking, but if the circumstances don't allow, you can't succeed.”*²⁰

¹² Al-Arabiya News: A global film hub is emerging in the Kingdom.

¹³ Arab News: Saudi Arabia launches US\$234m funding program to boost Kingdom's growing film sector.

¹⁴ Saudi Gazette: Commercial records of film production activity in Saudi Arabia grow by 39%.

¹⁵ Film Saudi, Film Commission.

¹⁶ Film Saudi, Film Commission.

¹⁷ Film Saudi, Film Commission / Myrkott Website.

¹⁸ Conversation with the co-founder.

¹⁹ Myrkott YouTube channel.

²⁰ Conversation with the co-founder.

In recent years, Saudi Arabia's Vision 2030 initiatives have strongly emphasized entertainment and culture. This has led to establishing the Ministry of Culture and focusing on improving citizens' and residents' quality of life. *“The cinema sector is one of the most promising areas in the Kingdom, both in terms of the size of the industry and its economic, cultural, and social impact,”*²¹ as highlighted during the Cinema Build Forum.²² Since cinemas were first introduced, over 50 have been opened across Saudi Arabia, with 470 screens.²³ An impressive achievement is that despite the Covid-19 challenges, Saudi Arabia has doubled its annual cinema revenue from US\$97.5 million in 2019 to US\$238 million in 2021.²⁴ This growth trend is expected to continue as the Saudi cinema sector expands.²⁵

Myrkott was well prepared for the introduction of cinemas. In 2020, it finalized a 5-year deal with Netflix, thanks to the success of its YouTube channel. Although Netflix has the first right to review and refuse Myrkott's submissions, it has accepted Myrkott's offerings so far. Hopefully, the deal will continue up to 2025.

Although Myrkott is the only animation studio in Saudi Arabia, it competes with all media and outputs, not just animation.²⁶ The current ecosystem presents challenges as platforms like Netflix, OSN, and MBC Shahid deal with individuals like directors and producers rather than organizations, unlike US production companies. The sector's growth is limited by the need for more infrastructure in the film sector, which restricts the development of necessary skills.²⁷

Leveraging Future Opportunities in the Film Sector

The Saudi film industry is gaining attention through events like the Red Sea Film Festival²⁸ and support from the Cultural Development Fund.²⁹ Almuzaini and his partner, Malek Nejer, have opted to keep their company private instead of going public, focusing on growth opportunities. They have sustained growth by reinvesting funds and working with third-party investors. While they appreciate the government initiatives, they believe new filmmakers should rely on more than just them. Instead, they should strive to build a business that can sustain itself with government projects as a bonus.³⁰ In their opinion, learning to manage the private market is an invaluable lesson.

²¹ Arab News: Cinema growth to boost Saudi Arabia's entertainment sector.

²² Arab News: Cinema growth to boost Saudi Arabia's entertainment sector.

²³ Screen Daily: How Saudi cinema-going has transformed since Covid – for the better.

²⁴ Screen Daily: How Saudi cinema-going has transformed since Covid – for the better.

²⁵ Cinema sector in Saudi Arabia surges by 28% during Q2 of 2023.

²⁶ Co-founder's perspective.

²⁷ Co-founder's perspective.

²⁸ <https://redseafilmfest.com/en/>

²⁹ <https://ndf.gov.sa/en/DevelopmentFunds/Pages/DevelopmentFunds9.aspx>.

³⁰ Co-founder's perspective.

Although Myrkott is still producing animation films and series, it has realized that the quantity of its output is just as important as the quality it has maintained for the past decade. Almuzaini believes that reputation is crucial,³¹ but achieving high quality takes time.³² Along with reputation, Myrkott has learned the importance of intellectual property ownership, protecting its rights to its creations, and managing down payments prudently. These are valuable lessons worth sharing.³³

The Myrkott team is considering increasing its impact on the market by focusing on producing good content more frequently. The team plans to release three to four titles annually from 2023/2024 onwards. Given that animation only makes up 7% of the film market, with live shooting dominating the rest, Almuzaini and Nejer see this as an opportunity to fill the need for impactful production companies in the fastest-growing and financially stimulated market. However, navigating the complexity of the film sector can be challenging. Multiple entities are involved in media production, including Film Saudi, the Ministry of Telecommunication, the Ministry of Trade, and the General Commission for Audiovisual Media, making the landscape challenging.

Almuzaini, Nejer, and their partners founded Sirb Production to expand their business expertise and exploit current market opportunities.

*'An artistic production company committed to delivering films of the highest caliber.
- by the Flock for the People.'*³⁴

The word "Sirb" is Arabic for flock, including those who run a production company. They are dedicated to establishing one of Saudi Arabia's leading production companies, focusing on long-term value creation and shaping future markets. The goal is to develop a film production company that competes internationally and significantly impacts the market. Initially, the entire budget will be aimed at market positioning and building trust, which means projects may require additional investment before becoming profitable. To achieve this, Almuzaini and partners have secured financing from a Saudi bank under the Cultural Development Fund's financing program. They are also expanding their seed animation studio, Myrkott, and production companies, focusing on intellectual property development and production and technical filming expertise.

³¹ Co-founder's perspective.

³² Co-founder's perspective.

³³ Co-founder's perspective.

³⁴ Sirb Production Website.