



Al-Jazeera

“The opinion, and the other opinion”



Sustaining a Free Press in the Middle East

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MIT's Media in Transition 3
May 2-4, 2003

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The decision to close Al-Jazeera down was not against our brothers in Qatar because Al-Jazeera doesn't represent Qatar; it only represents itself.

Kuwaiti Foreign Minister, Ahmad Sabah¹

The government informed me that the bureau is closed because the Al-Jazeera channel is not objective.

Al-Jazeera's Kuwait Bureau chief, Saad al-Enezi²

By early November 2002, Kuwait had had enough. In a curt declaration, the Kuwaiti government and its foreign minister Ahmad Sabah told Al-Jazeera and its tiny band of journalists stationed in the country's capital to pack their things and exit immediately. The government ordered the television bureau shuttered soon after Al-Jazeera reported that Kuwait was sealing its northern territories to accommodate joint military exercises with the United States. Among the reasons Kuwait offers for the bureau's closure is what it calls bias that the network has shown when reporting events about the country – a bias Al-Jazeera's management adamantly denies.³ This is not the first time Kuwait kicked out this increasingly popular 24-hour Arab news channel. In 1998, Al-Jazeera's office was shut when a foreign guest on an Al-Jazeera talk show criticized a Kuwaiti prince. That ban lasted just two months. This time, Kuwait is saying that Al-Jazeera could be out for good.⁴

This paper seeks to explore why this internationally known brand, with its feverously loyal, growing audience, is having so much trouble emerging as an independent, profitable company. But profitability is not its only problem. As the example from Kuwait portends, Al-Jazeera is in constant negotiation to remain in countries unwilling to accept criticism from an organization that employs the free press techniques of the West. This tension with countries in the region has

¹ Ghazi, Jalal. "Kuwait Decision to Close Al-Jazeera Office is Criticized." *New California Media*. 6 November 2002. 24 November 2002. <news.ncmonline.com/news/view_article.html?article_id=6a16651f09d20f3d256dc3fba05583fb>.

² Byrne, Ciar. "Kuwait shuts down Al-Jazeera Bureau." *Guardian Unlimited*. 5 November 2002. 24 November 2002. <media.guardian.co.uk/broadcast/story/0,7493,834046,00.html>.

³ Byrne, 2002.

⁴ Byrne, 2002.

kept advertisers wary of committing their money to support the popular network. This brief analysis will answer the question: What will it take to make this growing 24-hour news channel on the peninsula self sustaining and profitable in the future? At the conclusion, the authors offer suggestions of how the network can reach and maintain this sustainability.

INTRODUCTION

Al-Jazeera became part of the world conversation during the initial days of the United States war against the Taliban in Afghanistan.⁵ Whether it is creating a common information infrastructure for media-starved Arabs in the Middle East, or irritating both Western and Middle-Eastern governments with its aggressive form of reporting, Al-Jazeera has created something unseen in this part of the world – uncensored news and free access to information. (See Exhibit 1 for a map of the Arabic speaking world).

This paper explores the rise of Al-Jazeera, a 24-hour news service that is now the outlet of choice for millions of Arabs throughout the Middle East. Al-Jazeera is the vision of Sheikh Hamad bin al-Thani, emir of the tiny state of Qatar. (See Exhibit 2 for a map of Qatar). Shortly after deposing his father in a bloodless coup in 1995, Qatar’s new ruler sought to thrust this tiny peninsula nation past its dominant neighbor Saudi Arabia by creating a news service that covers regional stories missed by both the BBC, CNN International and other major news players.⁶

In its early years, Al-Jazeera’s popularity was fueled by constant coverage of the Israeli-Palestinian conflict. Then came Afghanistan -- Al-Jazeera became the exclusive first run outlet

⁵ Charney, Marc D. “Word for Word/Arab TV News; Heard on the Street.” Newsweek 28 April 2002. Nexis. 30 November 2002.

⁶ Ajami, Fouad. “What the Muslim World is Watching.” New York Times Magazine 18 November 2001. Nexis. 1 December 2002.

for the grainy video's of Osama bin Laden. United States officials puzzled by anti-American hostility throughout the Middle East felt compelled to use Al-Jazeera to explain its side of the story. Suddenly, Al-Jazeera was established as true competition for Western media groups.

The emir's goal was to make the network self-sustaining within its first five years. Now, those five years, and the emir's initial \$140 million start up investment are gone and Al-Jazeera is still living off subsidies from the emir.

BACKGROUND AND HISTORY

The Emir and Qatar^{7,8}

Qatar's Emir Hamad bin Khalifa Al Thani has emerged as one of the more intriguing figures in international broadcasting. He was born to one of the richest families in Qatar -- rulers of the nation for almost 200 years. Hamad was educated at Great Britain's Royal Military Academy and appointed crown prince in 1977. Among other duties, Hamad was assigned to be defense minister -- guiding the modernization of Qatar's flagging military. That same military was part of the coalition that opposed Saddam Hussein and Iraq during the Gulf War.

In 1995, Hamad ascended to the throne by launching a bloodless coup against his father who was then vacationing in Europe. While his father gave up the throne without a fight, it took almost two more years for him to release the \$3 billion in oil money under the elder emir's control.⁹

Qatar is one of the region's smallest countries with a per capita Gross Domestic Product

⁷ el-Nawawy, Mohammed and Iskander, Adel. *Al-Jazeera: How the Free Arab News Network Scooped the World and Changed the Middle East*. Cambridge, MA: Westview Press. 2002.

⁸ Ajami, 2001.

⁹ Hitchens, Christopher. "The Maverick Kingdom." *Vanity Fair Magazine*. December 2002.

hovering around \$21 thousand – equivalent to prosperous countries in Western Europe.¹⁰ 30% of that GDP is derived from oil production. 280 thousand of its 800 thousand citizens participate in the labor force. This peninsula country (around the size of Connecticut) is a traditional monarchy, which practices a branch Islam following the Sunni tradition. It sends 43% of its robust \$11 billion dollar export economy to Japan and is now considered one of the more wired countries in the region.¹¹ (See Exhibit 3 for data on Qatar).

The new emir immediately began modernizing this tiny state that had long toiled under the shadow of its larger neighbor Saudi Arabia. He implemented policies markedly different from other countries in the region. These policies included establishing relationships with old enemies such as Iran and Israel and ushering in democratic reforms that included an elected consulting counsel and municipal officers. The emir has also given the right to vote in municipal elections to all citizens over 18. He created opportunities for women's education and "is calling for removing all remaining barriers so that women can realize their full potential in cultural, economic, and professional life." This is something that no other country in the region is doing.¹²

Sheikh Hamad also, and most important, took the country through a long process of creating a free and open media environment. Censorship was abolished and high standards were set for radio, television and newspaper professionals. Satellite television stations had been emerging in the region and public information dissemination was becoming more prevalent. (See Exhibit 4 for a historical development of satellite television in the Arab world). Commissions were

¹⁰ Hitchens, 2001.

¹¹ CIA World Factbook 2002. 1 January 2002. Central Intelligence Agency. 1 December 2002
<www.cia.gov/cia/publications/factbook/geos/qa.html>.

¹² el-Nawawy, 2002. 37.

formed to provide information to foreign correspondents seeking information about Qatar. With information about the country more available and an unprecedented level of uncensored information flowing in Qatar, the emir launched his most ambitious venture yet – a 24 hour satellite news channel named for the peninsula called Al-Jazeera.

Al-Jazeera Through Today

In 1996, Orbit Radio, a Saudi-owned media company based in Rome, and the BBC's Arabic TV Division were on the precipice of signing an agreement to launch a news service serving the Arab community across the Middle East. As recounted in a recent book on Al-Jazeera, "A disagreement between the Saudi Arabian Kingdom and the BBC News Service concerning editorial independence led to the Saudi investors' abrupt withdraw of financial support only 20 months after the deal was signed."¹³ What was left after this agreement dissolved was a group of 20 disenchanted staffers looking for another opportunity to frame the news debate in the Middle East. Al-Jazeera's management quickly moved the experienced journalists from London to the brand new studios in Doha, Qatar.

El-Nawawy's book goes on to describe how this group now forms the core of Al-Jazeera's vision for a free and independent media organization: "The staff was trained in Western journalistic tradition; wielding the expert knowledge and understanding of Arab politics and audiences. They were the final ingredient in the recipe for Al-Jazeera's eventual success."¹⁴ This once small

¹³ el-Nawawy, 2002. 30.

¹⁴ el-Nawawy, 2002. 32.

group of journalists has now become hundreds of employees – 30% of them women – around the world.¹⁵

Over its six years, Al-Jazeera has maintained a delicate balance between the network and its host country. “Al-Jazeera has been critical of most Arab Regimes but barely covers domestic politics in Qatar.”¹⁶ This means that power struggles between the current emir and his father and salient analysis of Qatar’s policies in the world community are passed over by Al-Jazeera’s editorial process. Still, while Al-Jazeera passes on stories about its own host country, it is readily critical of every other country in the region.

Critics of Al-Jazeera

Al-Jazeera irritates everyone – except its viewers. Since 1996 when Al-Jazeera was established, countries and leaders from the United States, to Saudi Arabia and Yasser Arafat’s Palestinian Authority have complained about Al-Jazeera’s content or reporting. In 2001, Rick Zednick wrote that this meant Al-Jazeera was and continues to navigate tough waters as it bares the burden of multiple complaints about its service.¹⁷

Zednick writes that Egypt denounced Al-Jazeera’s “Yellow programs” and what it calls sensationalism. Yasser Arafat was incensed by the multiple interviews with Hamas leaders. Saudi Arabia has kicked Al-Jazeera out of its borders – unless it is covering Mecca or some other Haaj pilgrimage related event. Further he writes that, “Tunisia, Morocco, and Libya recalled their ambassadors from Doha in protest of Al-Jazeera coverage, reinstating them once their point

¹⁵ Hitchens, 2002.

¹⁶ el-Nawawy, 2002. 82.

¹⁷ Zednick, Rick. “Perspectives on War: Inside Al-Jazeera.” Columbia Journalism Review. March/April 2002. 1 October 2002. <<http://www.cjr.org/year/02/2/zednick.asp>>.

was made.”¹⁸ As the story at the beginning of this paper relates, the problem Al-Jazeera is having with its Middle Eastern neighbors are only becoming more severe.

While this criticism is intensifying among Qatar’s neighbors, there has been no greater critic of the service than the United States. Al-Jazeera’s efforts to open bureaus in the countries of traditional United States enemies such as Iraq and its exclusive broadcasting of the video tapes of Osama bin Laden during the aftermath of September 11th prompted United States Secretary of State Colin Powell, to ask the network to, as Justin Marozzi quotes in the Financial Times, “rein in vitriolic, irresponsible kinds of statements.”¹⁹ Over the course of the war, and since, U.S. officials from Colin Powell to Condoleezza Rice, to Donald Rumsfeld have all appeared on the network attempting to explain the U.S. case for action in the region.

BUSINESS MODEL

Al-Jazeera’s business model helps to explain how the station has become an internationally known brand with its loyal and growing audience. At the same time it conveys why the network is having such trouble developing into a self-sufficient company.

Value Proposition

Al-Jazeera creates value for its users by broadcasting uncensored news and truths about Arab life, culture and politics, which is what no other Arab news channel has been able to do. It is the only Arabic news channel in the Middle East that provides 24-hour worldwide news coverage using Western norms of journalistic fairness while pleasing pan-Arab tastes and sentiments. Unlike many other Arab news programs, Al-Jazeera offers uncensored political talk shows,

¹⁸ Zednick, 2002.

¹⁹ Marozzi, Justin. “Get the Message From the Gulf: The U.S. and Baghdad both criticize Al-Jazeera, the Arab language satellite station. Perhaps it is doing something right.” *Financial Times*. 14 September 2002. Nexis. 17 September 2002.

documentaries and free debates and arguments about current and controversial events. (See Exhibit 5 for a list of Al-Jazeera's content). It also covers issues considered taboo by other networks: sex, polygamy, government corruption, women's rights, religious fundamentalism and Israeli viewpoints through interviews with personalities including former Israeli Prime Minister Ehud Barak.

Moreover, Al-Jazeera has been able to identify the specific elements that tie together the Arab audience despite large differences in religious interpretations, socio-economic viewpoints and political opinions that exist in the Arab world. By emphasizing the links that bind its audience and pinpointing issues that provoke and stimulate all Arabs, Al-Jazeera has been able to captivate viewers' attention and speak for the Arab public mentality. In addition to being the preferred news station for Arabs communities around the world, Al-Jazeera is a major contributor to the Arab cause in the West by broadcasting what viewers consider credible and trusted journalism. Through portraying Arab public opinion and other views, audiences recognize the networks' strong influence, which could have the power to affect U.S. opinions about Arabs and even U.S. foreign policy.

Market Segment

Al-Jazeera targets the over 300 million Arab-speaking viewers in the Middle East and around the world.²⁰ (See Exhibit 5 and 6 for the station's worldwide coverage). The network's viewers are on average well educated, sophisticated and they belong to the middle to upper class segments of the population. Although reliable figures have not been documented as to the exact number of

²⁰ Kraidy, Marwan M. "Arab Satellite Television Between Regionalization and Globalization." *Global Media Journal*. Vol 1, Issue 1, Fall, 2002. 1 December 2002. <<http://lass.calumet.purdue.edu/cca/gmj/SubmittedDocuments/Kraidy.htm>>.

satellite-package subscriptions made specifically for Al-Jazeera, and no accurate statistics for viewing time is known, the number of Al-Jazeera viewers have been estimated at around 35 million, including 175,000 who pay to see it on cable in North America.^{21,22} In addition, Al-Jazeera's website registers 17 million hits per day.²³

The network is currently seeking to expand its target market to include non-Arabic speakers and plans to dub news broadcasts into English early next year. This service aims to serve a market estimated at approximately 45 million viewers.²⁴ Furthermore, towards the end of 2003 the network aims to launch a separate English language TV channel. This channel will focus on English-speaking viewers who are interested in world events from a Middle Eastern perspective. Most of the countries where Al-Jazeera has its core targeted audience have relatively low numbers of televisions per 1000 people compared to countries like the US. (See Exhibit 7 for figures on televisions per 1000 people). This demonstrates the large potential that exists in expanding its service to English-speaking audiences. The channel is also looking to expand into Indonesia and Malaysia – a potential market of 220 million Muslims.²⁵

Cost Structure and Profit Potential

Al-Jazeera has grown into an operation with a staff of 600 journalists including fifty foreign correspondents reporting from thirty-one countries^{26,27} and more than twenty-seven bureaus

²¹ Zednik, 2002.

²² Martin, Susan Taylor. "Scrappy Al-Jazeera Stands Up." St. Petersburg Times. 22 September 2002. 1 December 2002. <http://www.stpetersburgtimes.com/2002/09/22/Worldandnation/Scrappy_Al_Jazeera_st.shtml>.

²³ Martin, 2002.

²⁴ "Al-Jazeera to take on CNN, BBC in English." DesPardes. 3 November 2002. 1 December 2002. <<http://www.despardes.com/NewsDetails/nov02/al-jazeera-in-english-nov3.htm>>

²⁵ CIA Factbook, 2002.

²⁶ "Al-Jazeera Struggles from Beneath Financial Pressures." Globalvision News Network. 1 Nov 2002. 1 December 2002. <<http://www.gvnews.net/html/DailyNews/alert2709.html>>.

²⁷ el-Nawawy, 2002. 34.

including offices in Washington, New York, London, Paris, Brussels, Moscow, and Islamabad²⁸ Despite its rapid growth, however, the network still depends on the emir's subsidies (about \$100 million a year²⁹) and has been incurring losses of \$30 million annually.³⁰ It has yet to attract enough advertisers to become self-financing. Al-Jazeera has still not reported a profit and is unlikely to break even for another five years.³¹

The satellite TV advertising market in the Arab countries is over \$500 million per year but the advertising industry in the region is far from fulfilling its potential and the advertising rate cards are relatively cheap in spite of increases of between 30 to 50% in 2000.³² (See Exhibit 8 for Al-Jazeera's rate card). Al-Jazeera has in particular faced difficulties in capturing advertising revenue since most of the advertising agencies in the region are controlled by the Saudis who are wary of the station's "freedom of the press" approach.³³ The majority of the multinational corporations that dominate the advertising market are hesitant to advertise on Al-Jazeera for fear of alienating Saudi Arabia and other Arab governments.³⁴ However, Al-Jazeera's growing success and popularity could change the mind of these multinational corporations.

Advertising revenues in 2000 were only \$15 million, despite its status as the region's most widely watched news program and second most viewed Arab network.³⁵ Meanwhile, the Middle East Broadcasting Centre earned \$76 million in advertising revenue in 1998 and Lebanon's

²⁸ Zednik, 2002.

²⁹ el-Nawawy, 2002. 34.

³⁰ Globalvision News Network, 2002.

³¹ Cozens, Claire. "Al-Jazeera to broadcast in English." Guardian Unlimited. 1 November 2002. 1 December 2002. <<http://media.guardian.co.uk/broadcast/story/0,7493,824144,00.html>>.

³² Kraidy, 2002.

³³ Gambill, Gary C. "Qatar's Al-Jazeera TV: The Power of Free Speech." Middle East Intelligence Bulletin. 1 June 2000. 1 December 2002. <http://www.meib.org/articles/0006_me2.htm>.

³⁴ el-Nawawy, 2002. 34.

³⁵ Zednik, 2002.

entertainment network, LBC (the region's most-watched network) earned \$93 million.³⁶ About 90% of revenue comes from advertising for most Arab stations, but advertising only accounts for 40% of revenue for Al-Jazeera. The other sources of income for Al-Jazeera are: renting out equipment (such as leasing cameras), cable subscription fees, contractual agreements and broadcasting deals with CNN, Japan's NHK and Germany's ZDF, and selling programming and videotapes. During the war in Afghanistan, the network was able to sell footage from Afghanistan to media channels worldwide for as much as \$250,000 per clip.³⁷

Cable subscription fees are mostly earned from non-Arab countries like Great Britain and the U.S. where Al-Jazeera can be accessed as part of a multichannel Arabic package. Viewers in the U.S. watch Al-Jazeera by subscribing to a package offered by the Dish Network for between \$22.99 and \$29.99 a month.³⁸ In contrast, Al-Jazeera's audience in more than 20 Arab countries views the program mainly via private satellite dishes, which have seen a large surge in popularity in the Middle East from Cairo slums to Dubai mansions. Tens of millions of Arab viewers have been able to buy the satellite dishes for less than \$100 and in most of these regions, Al-Jazeera transmits its signal for free.

Competitive Strategy

The network competes with and discerns itself from its competitors by focusing on independent journalism and political issues. Al-Jazeera has identified a market that demands specialized content centered around political and controversial matters. In contrast, entertainment takes up a large portion of airtime for most of the other Arab satellite services that shy away from social

³⁶ Zednik, 2002.

³⁷ Ajami, 2001.

³⁸ Ajami, 2001.

and politically-sensitive content. Many of the Arab satellite networks are tied to state-run TV networks and were established to enable Arab governments to expand their influence in other countries. These networks focus on official propaganda airing mainly protocol news about official visits and other government activities and announcements. Most of the networks also concentrate their resources in trying to improve the technical side of broadcasting as opposed to the quality of the content and programs.

Al-Jazeera's main competitors are the five major Arab satellite networks which include The London-based Middle East Broadcasting Center (MBC), which belongs to the Saudi King's brother-in-law; The Egyptian Satellite Channel (ESC), a division of the state-run monopoly Egyptian Radio and Television Union (ERTU); the state-owned Emirates Dubai Television (EDTV); Future TV, a private network owned partly by Lebanese Former Prime Minister Rafiq Hariri and the Lebanese Broadcasting Corporation (LBC), controlled by ministers and officials closely affiliated with the Syrian government.³⁹ (See Exhibit 9 for a profile of Al-Jazeera's competitors).

Al-Jazeera has been able to create a niche in which it broadcasts news and talk shows that are highly provocative and controversial to both the Arab community as well as the Western world. By raising eyebrows, the network has been riveting and engaging for viewers. It has attracted many viewers and sparked curiosity, instigated discussions and provoked strong views and emotions. Some have praised its uninhibited free speech and objective approach while others have criticized it for encouraging radical Arab sentiment and promoting dissident and anti-government views. The untraditional and controversial attitude makes Al-Jazeera different from

³⁹ el-Nawawy, 2002. 38.

the other Arab TV stations, most of which are regulated by the government and hold the same view toward issues such as the Arab-Israeli conflict.

THE GLOBALIZATION OF AL-JAZEERA

Al-Jazeera's prominence can be attributed to its success in filling institutional voids⁴⁰ in a society where free and uncensored information is rare. Specifically it has filled the institutional void in the market for products (in this case it is a service).

Within the market for products in the Arab world there is a void in the market for independent and uncensored news services and open political commentaries. Providers of such a service are hindered by the Arab rulers who do not permit a free press. Meanwhile, buyers of the service do not have any mechanism to confirm the accuracy of the news services with which they are provided and because of the censorship, cannot be sure about the extent to which the news and information is true, exaggerated or biased.

Al-Jazeera bridges this gap by offering objective and uncensored news broadcasts to the Arab community. Unlike the local news stations, Al-Jazeera does not have to cater to the viewpoints of the Arab leaders and can air controversial, uninhibited and provocative programs to its audience worldwide. In addition, Al-Jazeera has developed an established brand that is widely known and trusted. Its reputation ensures buyers that they are receiving credible and high quality programming. The prestige of its name will provide an advantage if the company enters into other segments of the media industry through acquisitions or creating new programs.

⁴⁰ Khanna, Tarun and Palepu, Krishna. "Why focused Strategies May Be Wrong For Emerging Markets." *Harvard Business Review*, July-August 1997.

Al-Jazeera has also filled a void by providing footage in Taliban-controlled Afghanistan where all other networks were prohibited. In addition, Osama bin Laden only used Al-Jazeera to broadcast his messages. Although there is no institution or mechanism to confirm the credibility of such footage in Afghanistan, Al-Jazeera, because of its reputation, was trusted by the Taliban, bin Laden and Western networks such as CNN who were willing to buy footage from Al-Jazeera. In this way, Al-Jazeera served as the intermediary that provided news of Afghanistan and bin Laden to the Arab and Western public.

As such, Al-Jazeera, as a multinational entity with offices in Europe, the U.S. and most of the Arab states, has been able to fill institutional voids across borders. However, this model is only transferable to areas where censorship is prevalent and where there is a large enough community that is unified by a common identity. Al-Jazeera's appeal is that it is the sole provider of context specific independent news that caters to the Arab people in a society where all other news is censored.

Al-Jazeera's globalization efforts can assist other emerging giants in the region. It can act as an example for other networks and journalists that may want to enter the niche of uncensored news for the Arab world. Furthermore, it can help both foreign and local businesses by providing credible news and information, which is vital to working in the region.

Finally, in regards to the future of globalization, Al-Jazeera can play an important role in promoting free and independent news in the Middle East and perhaps even serve as an example

for other regions of the world that do not have a free press. Through encouraging the emergence of such networks, the dominance of major giants such as CNN will be challenged and more options for the public will be provided. From Egypt to Kuwait, major satellite and cable services are already starting to imitate Al-Jazeera's content, production, values and style.

In many parts of the Arab world, democracy does not prevail. However with globalization and the increasing prominence of Al-Jazeera and other networks that follow its example, many regions will move one step closer to democracy, transparency and a free press. At the same time, with more open information provided by Al-Jazeera, audiences around the world, including non-Arabs, will be able to better understand the opinions, views and events occurring in this part of the world.

CHALLENGES AL-JAZEERA FACES IN SUSTAINING ITS SUCCESS

The station's biggest challenge is earning enough advertising revenue to become self-sustaining. Advertising revenues are stagnant making the prospects for success even more difficult. Saudi Arabian companies have responded to Al-Jazeera's uncensored and free speech approach by lowering their advertising buys on the network. Many commercial advertisers bowed to pressure from the Gulf Cooperation Council member states and have cancelled their advertising on Al-Jazeera. U.S. based firms have also bowed to pressure. Pepsico and General Electric have stopped their advertising campaigns (valued at \$3 million) on the station.⁴¹

Another problem Al-Jazeera faces is that its popularity relies on the strong sentiments and hotly debated issues that surround major international events. The station cannot expect such major

⁴¹ Zednik, 2002.

happenings to occur all the time. Its prominence skyrocketed after the terrorist attacks of 9-11 and the subsequent war in Afghanistan, as viewers scrambled to watch Al-Jazeera's uncensored news and political discussions featuring radical viewpoints from all sides. 9-11 and other monumental events such as the potential war with Iraq will eventually settle down and the excitement from these news stories may not be quickly replaced by other major happenings on which the station depends.

Al-Jazeera also faces the problem of tensions with Arab governments, several of whom have closed down the local Al-Jazeera bureaus. If the station continues to be kicked out of Arab countries, it will affect its ability to cover news in the regions. Furthermore, the Qatari government may feel pressure to tone down its news coverage and controversial political commentaries. There have been over 400 official complaints from other Arab countries to Qatari diplomats regarding Al-Jazeera's uncensored news and programs.⁴²

Al-Jazeera may also face the challenge of competitors copying its uncensored approach. The tremendous popularity of Al-Jazeera and the increasing exposure to uncensored programs and outspoken political commentaries (from Al-Jazeera), could encourage existing and new networks to replicate Al-Jazeera's model and appeal.

AL-JAZEERA'S NEXT MOVES

The managers and owners of Al-Jazeera may have reached a critical decision point. After six years in operation, the company is generating revenue, but has yet to show profits. Al-Jazeera may need to look for new options of organizing itself going forward. An effective round of

⁴² Gambill, 2000.

scenario planning could help clear the way toward making the optimal decision. For simplicity, this section outlines just four of the many possible directions Al-Jazeera can now choose.

The four choices are as follows:

- ***Status Quo*** Qatari government and emir continue to subsidize until Al-Jazeera reaches profitability;
- ***Exit*** Sell company to international competitor;
- ***Transform*** Transform into a permanently subsidized quasi-public non-profit organization to maintain its editorial independence;
- ***Expansion*** Purchase or start non-Middle East based news services beyond Arab speakers and/or acquire other news organizations.

(See Exhibit 10 for a graphic depiction of these four options).

Status Quo

Al-Jazeera can continue on its current path – taking what has become an almost permanent subsidy from the Qatari government while continuing to convince wary advertisers to commit more of their precious Rial (Qatar’s currency) to the network. This would mirror companies such as Landmark Communications -- owner of The Weather Channel – which has long rebuffed acquisition advances from much larger media companies. Landmark created the market for 24-hour national weather news just as Al-Jazeera has created the market for uncensored 24-hour news for its Arab viewers. Al-Jazeera can use Landmark’s strategy of improving the prestige of its brand making it more valuable to advertisers.⁴³

Exit

The current owners and managers of Al-Jazeera can sell to a larger, better capitalized international media company. Two of Al-Jazeera’s main problems are 1) generating enough advertising revenue to reach sustained profitability and 2) generating enough revenue to ride out

⁴³ Batten, Frank and Jeffrey L. Cruikshank. “The Weather Channel: The Improbable Rise of a Media Phenomenon.” Cambridge, Ma: Harvard Business School Press, 2002.

very expensive hot news cycles. Selling to a larger company could give Al-Jazeera access to a larger pool of advertisers and help the company spread its costs across several lines of business. The exit strategy will also enable the emir and the Qatari government to recover some of their investment. An example of this strategy is Ted Turner selling CNN to AOLTimeWarner. CNN was having financial difficulty when it was acquired by TimeWarner and it was able to leverage the media conglomerate's size to improve its financial position.

Transform

Al-Jazeera could shift itself from a commercial entity to a non-profit media organization. This replicates the strategy employed by the British Broadcasting Corporation (BBC). Throughout its history, the British government has subsidized the BBC – requiring only that its media professionals create fair, accurate, and independent reporting without advertising pressure. This kind of transformation might allow Al-Jazeera to become the BBC of its region and eliminate once and for all the need to prioritize advertising dollars over providing a vital service to the Arab community.

Expansion

Al-Jazeera can expand by create programming in several non-Arabic languages to increase its audience base. It can also acquire regional media entities to extend its reach. As such, the company can grow and command a big enough audience to make it impossible for advertisers in the Middle East to ignore. In addition, the company can spread its risk over several entities if it owns different ones. A roll-up strategy is similar to that employed by companies such as Infinity

Broadcasting. Infinity has invested in 140 stations in 40 U.S. markets and has been able to hedge its risk since when some of the stations experience downturns others are doing well.⁴⁴

Recommendation

The authors believe that Al-Jazeera should combine the Status Quo and Expansion strategies. An Exit strategy creates too much risk regarding maintaining the content, programming and focus. A new Middle Eastern owner may be unwilling to continue the practice of uncensored news programming, so vital to Al-Jazeera's credibility. On the other hand, a Western owner may not be able to connect with Al-Jazeera's core Arab audience.

The Transform strategy is not advisable because Al-Jazeera would be too dependent on the emir's good will for its survival. If the emir is replaced, or if he decides to stop funneling money into Al-Jazeera there is no guarantee that another concern will step in to keep it financially viable or editorially independent.

The authors suggest a mix of the Status Quo and Expansion strategies. Al-Jazeera needs to ride out its financial difficulties by accepting the cash infusions of the emir. At the same time it must continue to increase its brand awareness, credibility and audience so that advertisers will be compelled to use the network to reach its vast numbers of sophisticated viewers. Furthermore, expanding into non-Arabic languages and acquiring other complementary media properties will help the network develop into a self-sufficient profit making entity.

⁴⁴ Infinity Radio Website. Infinity Radio, cited 4 December 2002. <<http://www.infinityradio.com/station/>>.

CONCLUSION

Al-Jazeera is a grand experiment in changing attitudes. This channel employs a free press and journalists trained to believe in its value with the sensibilities of one of the world's most conservative regions. Al-Jazeera has succeeded as a brand because viewers know they can trust the network to provide their perspective. The deep problem is that Al-Jazeera has not yet translated this brand equity into profitability. The scenarios for the future presented here represent the author's best estimates for the company. The analysis is hampered, however, by the lack of transparency that has prevented the authors from having access to the company's financial statements and other important company information . The authors suggest that up-close exposure to the company would go a long way toward understanding the real challenges this company faces in the coming years.

There is no question that this network is vital to the multi-layered conversation among Arabs in the Middle East and around the world. Now its owners and managers must decide how to change the company to make it profitable. This is not a natural instinct for journalists. Seeking profit is often in opposition to doing good journalism. In the end, Al-Jazeera is making the same tough choices of any Western media company: live free, independent and constantly in jeopardy or bring in more and more advertising with the potential of losing that special quality that makes this network so unique.

Exhibit 1: Map of the Middle East and North Africa



Source: Canada Department of Foreign Affairs and International Trade. Cited 30 November 2002.
<http://www.dfait-maeci.gc.ca/middle_east/map-e.asp>.

Exhibit 2: Map of Qatar



Source: CIA World Factbook, 2002.

Exhibit 3: A Statistical Portrait of Qatar

Head of State	Emir Hamad bin Khalifa Al Thani (since 27 June 1995)
Population	800 thousand
GDP	16 billion (30% is oil)
Per Capita GDP	21 Thousand
Exports	11 Billion
Top Export	Oil (80%)
Top Trading partner	Japan (43%)
Communications Sector (1997)	
Radios	256 thousand
Televisions	230 thousand
Cell Phones	43 thousand

Source: CIA World Factbook, 2002.



Exhibit 4: Historical Development of Satellite Television in the Arab World

1967:	Arab information ministers articulated the principles of a satellite network whose goal was the integration of the social and cultural activities of the Arab League.
1969:	Arab States Broadcasting Union (ASBU) was formed.
1974:	Saudi Arabia joined the Egypt led and Cairo-based ASBU.
1976:	The Arab Satellite Communications Organization (ARABSAT) was established under Arab League jurisdiction and entrusted with serving the information, cultural and educational needs of its members. Saudi Arabia, was the main financier of the new organization and Riyadh, the Saudi capital, housed its headquarters.
1985:	A failed launching attempt by a French Ariane rocket led to the loss of the first satellite 1-A, the U.S. space shuttle Discovery successfully launched a second satellite, 1-B.
1991:	Initial satellite broadcasts by the Middle East Broadcasting Center (MBC) and the Egyptian government satellite channel (ESC). They have been followed by a variety of contenders.
1992:	ARABSAT 1-C was launched.
1993:	Arab Radio and Television (ART) began broadcasting in Arabic and English.
1994:	Orbit Satellite Television and Radio Network transmitted on 19 television channels.
1996:	ARABSAT launched its second-generation satellites 2-A and 2-B. Their expanded technical capacities were said to give ARABSAT a competitive edge in the region. By this year, Arab and Middle Eastern skies were invaded by a plethora of satellite programs. Several government-sponsored services such as Libya TV, Yemen TV, Jordan TV and The Syrian Satellite Channel, competed against private corporations such as MBC, ART, Orbit and also the Lebanese Broadcasting Corporation International and Lebanon's Future Television. Al-Jazeera was also born this year.
1999:	The third generation ARABSAT 3-A satellite was launched. This is a powerful satellite with one single transponder covering all Arab countries, most of Europe and a good part of Africa.

Source: Kraidy, Marwan M. "Arab Satellite Television Between Regionalization and Globalization." *Global Media Journal*. Vol 1, Issue 1, Fall, 2002. 1 December 2002.

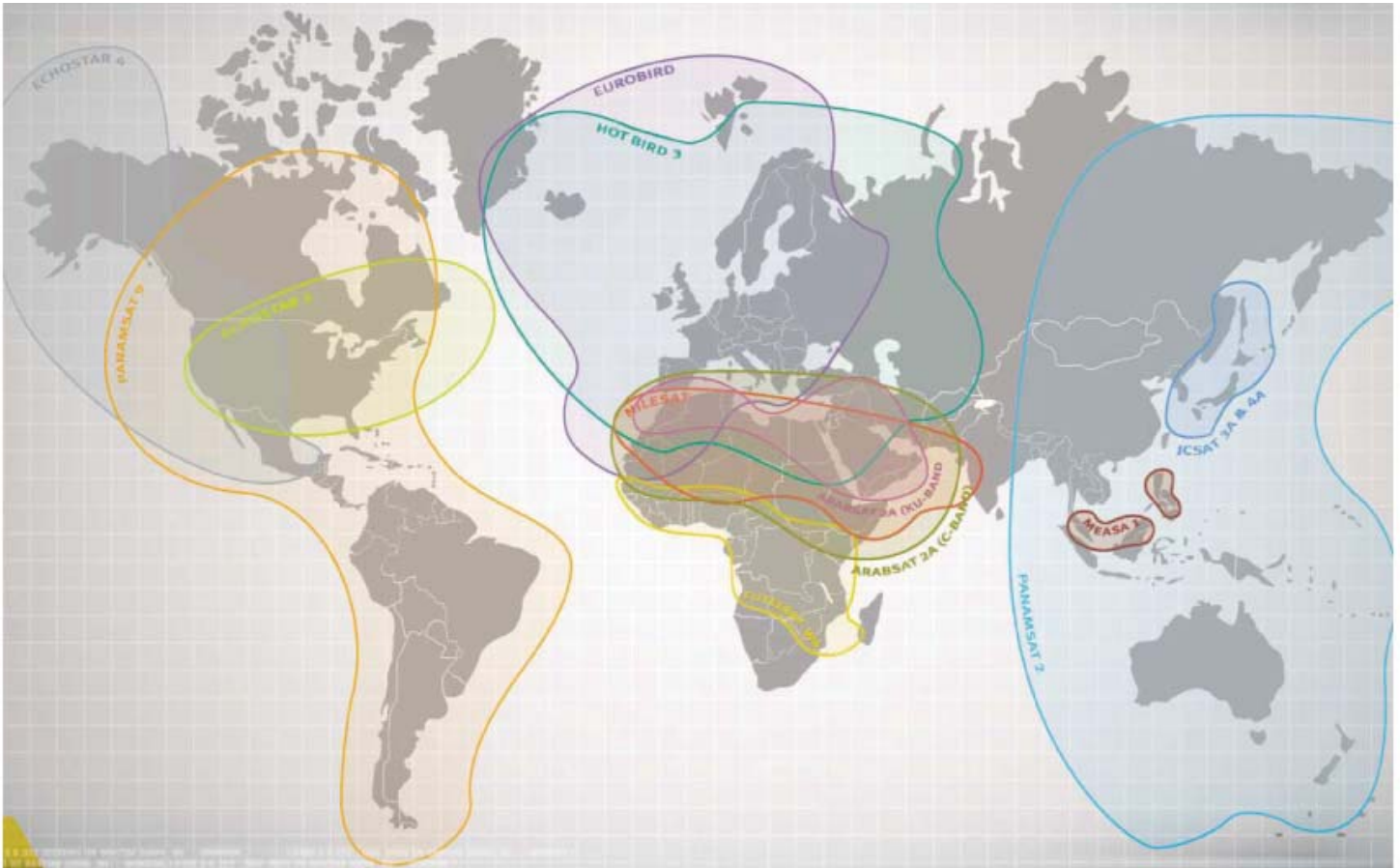
<<http://lass.calumet.purdue.edu/cca/gmj/SubmittedDocuments/Kraidy.htm>>.

Exhibit 5: Al-Jazeera General Information

	Medium Information Update Al Jazeera Satellite Channel	
Station	Al Jazeera Satellite Channel	
Location	Doha, Qatar	
Launch	01 November 1996, with 6 hours a day broadcasting, <i>now 24 Hours</i>	
Language	Arabic	
Broadcasting	24 Hours "round the clock"	
Beaming	<div style="border: 1px solid red; padding: 2px;">Arabsat IIA_C (High Power) & KU Band_26 Degrees East_@ Frequency 4122.75</div>	
Covering	Arab World, Europe, Central & Northern Africa plus Western Russia	
Beaming	<div style="border: 1px solid red; padding: 2px;">Eutelsat Hot Bird III_KU Band_Digital_13 Degrees East_@ Frequency 12111.08</div>	
Covering	Arab World, Europe, Central Asia and Northern Africa	
Beaming	<div style="border: 1px solid red; padding: 2px;">Eutelsat W2_KU Band_16 Degrees East_@ Frequency 11446.00</div>	
Covering	Western Europe, Northern Africa & Western Russia	
Beaming	<div style="border: 1px solid red; padding: 2px;">Echo Star III_KU Band_61.5 Degree East_@ Frequency 12.297</div>	
Covering	Northern America	
Beaming	<div style="border: 1px solid red; padding: 2px;">Echo Star IV_KU Band_148 Degree East_@ Frequency 12.253</div>	
Covering	Western & Eastern America	
Beaming	<div style="border: 1px solid red; padding: 2px;">Nilesat 101_KU Band_7 Degree West_@ Frequency 11880.92</div>	
Covering	North Africa & Middle East	
Access to receive	Receiver + Satellite Dish (Free uncoded)	
Receiver /Dish Free in	Eastern Region of Saudi Arabia & Bahrain due to overlapping phenomenon	
Ad Material Requirements	Betacam SP (PAL) - AUDIO SHOULD BE 2 CHANNEL MIX) Plus 1 VHS	
Deadline	Material should reach 7 working days, prior to the first airing date to:	
JSC_Contents	Live News Update Bulletins every hour each mid hour,	
	Live Controversial Talk Shows, Political, Social, Religious and Sports...	
	Live Economic News Bulletins,	
	Live Sports News Bulletins,	
	Live & Exclusive Interviews, unique Documentaries Nature, Adventure, Science & Technology etc..	
	& a measure of Entertainment & Fashion Programs Movie, Fashion shows etc...	
Rate Card	Existing Programs Grid and Rate Card Per Second (Enclosed)	
Awards (1999)	IBN RUSHD AWARD IN GERMANY FOR FREEDOM OF SPEECH AND OBJECTIVE DEBATES	

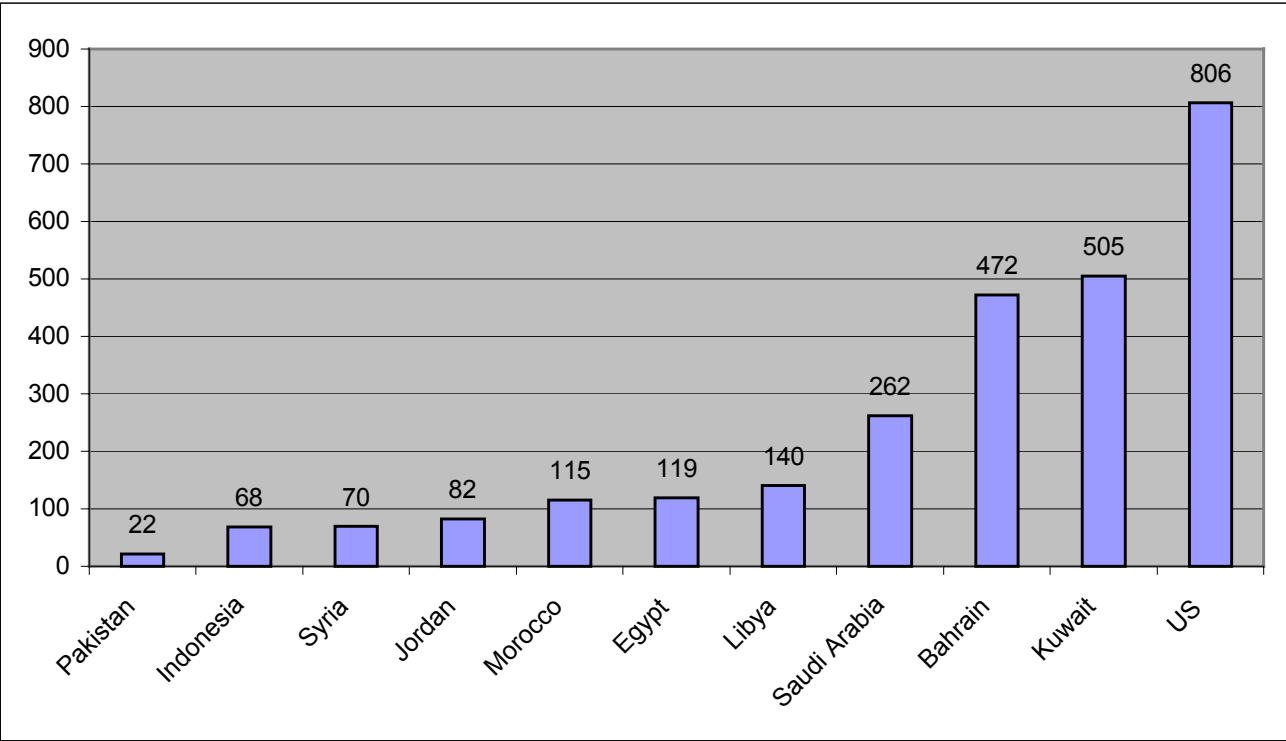
Source: Allied Media Corp Website. "Al-Jazeera Satellite Television." Cited 30 November 2002.
<<http://www.allied-media.com/aljazeera/index.htm>>.

Exhibit 6: Al-Jazeera's Satellite Coverage



Source: Allied Media Corp Website. "Al-Jazeera Satellite Television." Cited 30 November 2002. <<http://www.allied-media.com/aljazeera/index.htm>>.

Exhibit 7: Televisions per 1000 People (1997)



Source: UNESCO, 2002.

Exhibit 8: Al-Jazeera's Rate Card/Second in \$U.S.

SEC	OFF PEAK TIME		EARLY PRIME TIME		PRIME TIME	
	ADJACENT	CENTER	ADJACENT	CENTER	ADJACENT	CENTER
10	175	345	700	875	1,050	1,400
11	190	380	765	955	1,155	1,540
12	210	415	830	1,040	1,260	1,680
13	225	450	900	1,130	1,365	1,820
14	245	485	970	1,215	1,470	1,960
15	260	520	1,040	1,300	1,575	2,100
16	275	555	1,110	1,390	1,680	2,240
17	295	590	1,180	1,475	1,770	2,360
18	310	625	1,250	1,560	1,870	2,495
19	330	660	1,315	1,650	1,975	2,635
20	345	695	1,390	1,735	2,080	2,775
21	365	730	1,455	1,820	2,185	2,915
22	380	765	1,525	1,910	2,290	3,050
23	400	800	1,595	1,995	2,390	3,190
24	415	830	1,665	2,080	2,495	3,330
25	435	870	1,735	2,170	2,600	3,465
26	450	900	1,805	2,255	2,705	3,605
27	470	935	1,870	2,340	2,810	3,745
28	485	970	1,940	2,430	2,910	3,885
29	490	990	1,980	2,470	2,950	3,900
30	500	1,000	2,000	2,500	3,000	4,000
31	510	1,010	2,020	2,350	3,050	4,050
32	515	1,035	2,070	2,590	3,105	4,140
33	535	1,065	2,135	2,670	3,200	4,270
34	550	1,100	2,200	2,750	3,300	4,400
35	565	1,130	2,265	2,830	3,395	4,525
36	580	1,165	2,330	2,910	3,490	4,655
37	600	1,195	2,395	2,990	3,590	4,785
38	615	1,230	2,460	3,070	3,685	4,915
39	630	1,260	2,520	3,155	3,785	5,045
40	650	1,295	2,590	3,225	3,880	5,175
41	665	1,325	2,650	3,315	3,975	5,305
42	680	1,360	2,715	3,395	4,075	5,430
43	695	1,390	2,780	3,475	4,170	5,560
44	710	1,425	2,845	3,560	4,270	5,690
45	730	1,455	2,910	3,640	4,365	5,820
46	745	1,490	2,975	3,720	4,460	5,950
47	760	1,520	3,040	3,800	4,560	6,080
48	775	1,550	3,105	3,880	4,655	6,210
49	790	1,595	3,170	3,960	4,755	6,345
50	810	1,620	3,235	4,040	4,850	6,465
51	825	1,650	3,300	4,125	4,950	6,595
52	840	1,680	3,365	4,205	5,045	6,725
53	855	1,715	3,425	4,285	5,140	6,855
54	875	1,745	3,490	4,365	5,240	6,985
55	890	1,780	3,560	4,445	5,335	7,115
56	905	1,810	3,620	4,530	5,430	7,245
57	920	1,845	3,685	4,610	5,530	7,370
58	940	1,875	3,750	4,690	5,625	7,500
59	955	1,910	3,815	4,770	5,725	7,630
60	970	1,940	3,880	4,850	5,820	7,760

All above rates are net.

Source: Allied Media Corp Website. "Al-Jazeera Satellite Television." Cited 2 December 2002. <<http://www.allied-media.com/aljazeera/index.htm>>.

Exhibit 9: Al-Jazeera's Competitors

Middle East Broadcasting Center (MBC):	Based in London, it is owned by Saudi investors, notably Sheikh Walid Al-Ibrahim, the Saudi King's brother-in-law. MBC offers news and a variety of shows.
The Egyptian Satellite Channel (ESC):	Broadcasting out of Cairo, it is the first Arabic language TV channel to telecast its programs through satellite. It is a division of the large state run monopoly, Egyptian Radio and Television Union (ERTU).
Emirates Dubai Television (EDTV):	EDTV is state-owned and conforms to government reporting guidelines. It broadcasts out of the UAE through satellite to many parts of the world in Arabic and English.
Future TV:	A private network partly owned by billionaire Lebanese Former Prime Minister Rafiq Hariri.
Lebanese Broadcasting Corporation (LBC):	A private Lebanese network controlled by ministers and officials closely affiliated with the Syrian government. It provides basic entertainment and is known for its attractive women presenters.

Source: el-Nawawy, Mohammed and Iskander, Adel. Al-Jazeera: How the Free Arab News Network Scooped the World and Changed the Middle East. Cambridge, MA: Westview Press. 2002.

Exhibit 10: Scenario Planning for Al-Jazeera

