

Consulting services in saudi arabia

Business



An American management consulting company is planning to extend its business broad and target a new international market. The consulting services help companies to develop their business plan, marketing plan, financial plan, logistic plan, information technology, and training. Today, this kind of services has become very common and widely spread across all business activities around the world. Also, it has become integrated Part of the huge numbers of companies. In 2007, the total revenue of its market amounted \$201 billion.

The management consulting market is almost shared between USA and Western European consulting companies. Many companies provide different consulting services and on the other hands many of them specialize in a certain filed such as information technology and accounting and auditing services. The management consulting market is very fragmented and low barriers to enter or go out (Encyclopedia of Global Industries 2012). The objectives of extend the business broad are; first, benefiting from the international growth demand on the consulting services. Second, finding new market with lower competition especially the US market is becoming stiff competition because of the growth of demand that attract new comers to compete. Third, enhance company acknowledge by working in verities countries and cultures that reinforces ability to attract new clients.

Forth, meet the international growth demand for consulting services (Encyclopedia of Global Industries 2012). The target market is Saudi Arabia, it is one of the emerging economies (Alder Audit Bureau 2010). There are several motives to target this market. First, the strength of economy, it is the largest economy in the Middle East and North Africa, and the 19th largest

economy around the world. It enjoys high GDP growth that exceeded the world growth, it amounted 5.8% in 2012. Also, the other economic indicators; economic stability, government expenditure and the the average person annual income (\$25,000) show that the Saudi's economy is an attractive market for foreign investors (Saudi Arabian General Investment Authority 2013).

Second, potential opportunities either in government and private sectors, Saudi government has launched several programs economic and regulatory reforms as a response to Saudis' claims and anticipation of the Arab Spring extension. Also, the private sector is seeking to be ready for competition with foreign companies because Saudi Arabia has become a member of WTO. As well as the government strives to increase the non-oil exports to minimize the dependence on the oil income, so it provides large support for non-oil sector ("Saudi Arabia Promotes Non-Oil Trade" May 16, 2013). Third, many family companies are planning to convert to public companies to tap into government aids and stock market opportunities. Also, the educated next generations of companies owners look forward to run business in modern concepts.

Fourth, the foreign consulting companies are very favored than the domestic companies because the high level management in both government and private sector think that the foreign companies are more skilled and better than domestic companies. Thus, the competition with domestic is an easy game. Those factors together create an attractive market for foreign consulting companies. However, this attractiveness of Saudi market involves significant challenges. First, the lack of fairness in competition, Saudi Arabia

is ranked the 66 in the transparency index of the Transparency Organization that implies there are serious corrupted practices in both the government and private sector activates (Transparency Organization 2012). The obtain problems here is that there are certain companies assigned because of their relationship with high level management in those organization not because of their qualification that make getting an opportunity hard for new comers or which do not have relationship.

Thus, the new comer has to build a strong relationship with key people in potential clients. Second, the regulatory issue, if the company chooses the franchise strategy to enter the Saudi market, it has to find a Saudi partner because the regulation requires the franchiser a Saudi citizen. As well as, the Saudi's law requires a certain portion of workers Saudi citizens to reduce the unemployment rate. The company would need a partner how is familiar with American business style and has ability to address the opportunities and runs the business in Saudi market. Third, the hardness of convincing potential client of they need consulting services. There are unique characteristics of business such as the government does not impose tax on income, and the majority of business are started by owners ownmoneyor free interest loan provided by government, and the competition is not fireclay.

Therefore, the business owners think that they conduct business in the best way as long they earn profit. Forth, the domestic consultanting companies claim to have the lion portion of consulting contactors and their voice has become noticeable. However, the last two issues will not last for a long time because of expected changes in the market due to Saudi Arabia has become

one of the WTO members and the existing constraints will collapse after tolerance durations are over.

Market- Entry Strategy:

The proposal entry strategy is the franchise strategy because of its advantages for the company. First, the company will not incur cost to enter the new market the Saudi partner will incur it. Second, it will benefit from the Saudi partner knowledge of Saudi market as well as its communications and relationships in target market. However, the company should keep in mind that according to the Saudi regulation the partner must be Saudi citizen and meet the required portion of national workers.

The marketing plan:

The targeted market is both government and private sectors. The target clients are segmented in two segments; the government departments and large companies (\$100 million market value and more), and the second segment is the medium companies. The preferred segment is the government and large companies because they tend to assign consultants for a long term contract and with large amount. For example; Saudi Telecom Company assigned with Booz & co a long term contract with bundle services and Booz Allen Hamilton got several contractors with different departments in Saudi government.

Marketing Mix

I. The Product: The sole of the management consulting services is giving clients advices and assistance in certain areas; developing strategic plan, marketing plan, financial plan, logistic plan, human resource, and training in

order to solve problems or achieve goals. The services could be offered as a bundle of services long-term contract or a single service short-term contract. However, each client's needs vary from other clients' needs, thus the company should tailor its products according to each client's needs.

II. The Price:

Pricing a product or service is the most difficult part of the marketing mix for all business and it is more difficult in consulting service pricing process because of lack of public information and in Saudi Arabia market particularly (Greg Gentshev May 31, 2010). There are different methods to set prices for consulting services such as; based on hourly/ daily rate, based on the value of project , based on performance (" Consulting fee rates | Consultant fees" 2012). However, it is very common in Saudi market well-known consultant charges higher in all consulting sectors. Thus, the company has to rise its fee with rise of its reputation in the market. It may start with low fee to get a place in the market then higher fee for next projects. Also, it may charge heavily for the adding on the contract to offset the low fee. And it may set the rate based on the client, it charges government departments and large companies higher than medium companies.

III. Promotion:

The consulting services targets limit number of clients, so the company has to find the effective ways and cost less to reach and attract the potential clients. There re several ways to promote the company's services; personal communication, the company staff visit and communicate (face - to-face) with business executives and government departments managers to

introduce the company abilities to help their entities (Robert 2013). Advertisement, the company needs to choose the press and media and press which focus on business such as CNBC Arabic TV, Alarabiya TV, Aleqtsadiah newspaper, Alrajl, Forbes Arab, Gulf news magazine. Public relationship, the company should sponsor participate in some events in Saudi Arabia such as Jeddah economic forum, and global competitive forum in Riyadh. Finally, offering the first conaoulatnting free to attract clients.

IV. Place:

In Saudi Arabia all governments departments' headquarter are in Riyadh, the capital city, whereas the companies' headquarters are in Riyadh, Jeddah, and the Eastern Region. That means the majority of potential clients concentrate in those three cities. On the other hand, many of clients allocate offices in their locations for the consulting staffs, and the transportation cost is cheap comparing to the USA. Thus, the company needs just one location in Riyadh. In future, it could open up another location, if it finds itself needs to do that. However, the cost of renting per meter square is in range between \$200 to \$ 346.