

Market study on Kingdom of Saudi Arabia

February 4th, 2009

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The intermixing of culture and market exists in a very widespread scope throughout the world now. One cannot fully understand the market without being familiar with the culture of the target audience. Because of this paradigm shift, people have adopted an accepting attitude and strategies toward other cultures in order to perform well in other markets. It is the case with every country and the country's market where one is interested in carrying out a business. Since every country has its own set of rules and values, it becomes very important to learn them for a novice businessman in order for a successful interaction.

Culture is the mental software of civilizations which is learned, not innate. Different categories combine to formulate a solid entity which is called culture. These categories include language, religion, customs, power distance, taboos, lifestyle, etc. Some countries tend to be very strong in their belief and have strict laws to restore the original identity. Similar is the case with the Kingdom of Saudi Arabia (KSA) which has very strong belief system and the core values are the same throughout the country for several reasons. Following is presented an overview of the culture and market of Saudi Arabia.

KSA Culture Overview

The different attributes of KSA are discussed below and discussed how such attributes have an impact on the social interaction and development of the country's culture.

Cultural Models

The society of KSA tends to be very collectivist which is obvious from the monarchy system of the government as well. Very less diffusion of external influence is allowed in the country especially in terms of community lifestyle. As it was discussed in the example in the book, Saudis are long term oriented and want to avoid as much uncertainty as possible, especially in a business deal. They allow very little, almost no room, for strangers to enter their sphere. They tend to conduct business with a credible business source but on strong grounds of trust and familiarity. Any sudden changes, minute or large, can act as deal-breakers.

The following cultural model shows the impact of culture on the market and expresses the core mentality of Saudis about society and business. The outer thick dark black circle represents the strong boundary of familiarity and trust towards the society or business agents. The white openings in the black circle specify the very thin particular channels through which outsiders can enter their trust-zone. Once in the white circle, the trust zone, they are closer to the goal which is the red circle in the center. After getting into the trust zone, business is completed with them satisfactorily in the yellow zone and then they are allowed to enter the red zone which is the goal of the business deal. Same is the case in Saudi society that Saudis have several openings in the strong external black covering and they allow people to enter through it in particular ways.

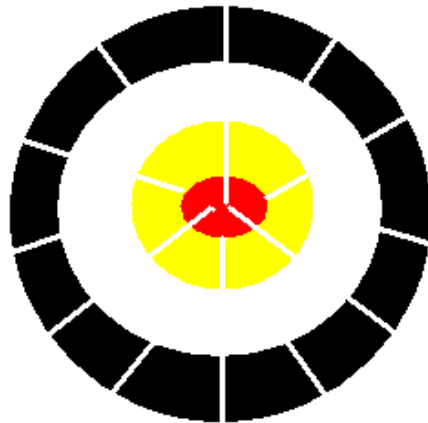


Figure 1. Cultural Model for Saudi Society

Similar instances in the culture can be seen which shows the slow inclusion of external influence from other cultures on the existing culture of Saudi Arabia. However, since the customs and traditions are strongly Islamic, the core of the culture does not deviate from its primary form. Technology and other multiple sectors are bridging the gap between Saudi Arabia and with other societies and businesses.

Some other considerations that should be taken into account include power distance and segregation of males and females. Since the Sharia'h Law (Islamic Law) is implemented in the country, there is severe segregation of males and females. The literacy rate for females is about 70% out of which only 5% are seen working in the industry. The masculinity and femininity model below represents this segregation as well. The bigger gray circle is the male representation and smaller dark circle is the female representation. The overlapping area in the center with small red circles represent the interaction of male and female which only happens in malls, restaurants or other similar places. The overall population is almost balanced but there is severe segregation as can be see in the model below.

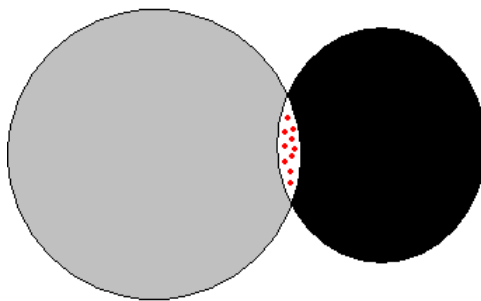


Figure 2. Masculinity/Femininity Model

Despite the fact that Saudi Arab have strong cultural values and belief system, the still tend to incorporate certain attributes of western culture. It can be seen in the Saudi TV channels that even though certain values are to be followed, there are certain groups who tend to deviate from the norms. A continuous but a very slow change can be seen in the culture and the model below is a representation of that.

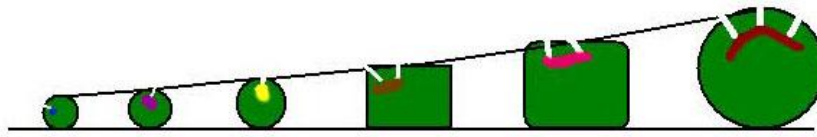


Figure 3. Trends in culture

The above model represents how culture formulated in what it is today. Saudi culture developed based on strong religious values which are represented through the color green. The green color also represents the close association of KSA society with Islam. The core of the society is still based on it and since it is the constitution, it will continue to have these roots. The shape of the culture changes and the size grows as well since additions in cultures are made throughout by the influence of technology and other social practices. The openings in the shapes show the addition of other influences in Saudi culture. The different color shapes inside each circle/square represent how different attributes, for example, technology, media etc, are entering the Saudi society and having an effect on the culture to a very small extent.

Geography

Kingdom of Saudi Arabia is located in the Middle East and is known to be the heart of the Middle East. Saudi Arabia contains the world's largest continuous sand desert, the Rub Al-Khali. It also has the world's largest oil reserves and the revenue generated through this petrochemical sector is the major portion of the annual income.

Religion

The vast majority of the people of Saudi Arabia are Sunni Muslims. Islam is the established religion, and the constitution of Saudi Arabia is also based on Sharia'h Law (Islamic Law). Punishments in Sharia'h law are very severe, for example, the punishment for a rapist is stoning to death in a street intersection, punishment of severe robbery in the presence of four witnesses is cutting off both hands, punishment for smuggling drugs or any illegal material is death etc. Due to these severe punishments, the crime rate is extremely low. But, due to this, several other communities feel intimidated and feel unwelcomed in the country. Also, non-Muslim entrance is not allowed in the two Holy cities; Mekkah and Madina, because of religious reasons. Another legal ruling over women is that they cannot drive which also creates a sense of discrimination against women whereas it is observed that women seem to be bold and loud.

Customs

The Saudi Arabian monarchial government recognizes the Quran as the Constitution of the country. The customs and traditions of Saudi Arabia are based on the tenets mentioned in the Quran. One such custom is the prohibition of consumption of alcohol and the eating of pork. Hospitality and guest care are primary features of the customs and traditions in Saudi Arabia.

Language

The language of Saudi Arabians is Arabic. Conversationally, people use colloquial Arabic. There are many subdialects and internal variants. English is the main second language spoken in the country. This facilitates the mingling of other cultures with Saudi culture.

Economy

Saudi Arabia exhibits extreme differences between the large group of rich, and the poor which are found both in rural districts and in cities. Saudi Arabia is a net importer of foodstuffs of all kinds. Much of this development has taken place with the growing profits from the oil industry.

Still oil is the principal source of income, as Saudi Arabia is the largest exporter of oil in the world. Saudi Arabia has an export surplus of more than 100%. Also, Saudi Arabia offers the second largest tourism through Pilgrimage for 2 million Muslims making Haj (a religious activity) in Mekkah. The total annual revenue estimated by the Islamic Bank is 1.5 billion.

KSA Market Overview

The Saudi Arabian telecommunication market is rapidly becoming more competitive. The large population, fast growing economy and relatively low penetration rates make this a market with exciting potential. A new second mobile operator has rapidly grown its subscriber base and a third mobile license has recently launched. The Saudi market will be the first in which the Gulf's three largest mobile operators compete. New competitors in the broadband market have also shown they intend to make a serious bid for market share. The changes currently taking place are covered in this overview of the telecommunications market in Saudi Arabia.

Tele-Communications

Communications in Saudi Arabia is carried out through telephones, television, radio, satellite channels and internet. There are about 3,317,500 mainline telephone connections in Saudi Arabia. According to an estimate, in 2002 there were 5.008 million mobile phones in use.

In 2000 the statistics revealed that there are 6.25 million radios. The radio broadcast stations are AM 43, FM 31 and shortwave 2. The Wahhabi Culture (a sect in Islam) in Saudi Arabia prohibits the representation of animals or human beings and therefore there are no cinema halls in the country except in private premises. This necessitates the possession of a television to keep one updated about the happenings in the rest of the world. In 2000 it was recorded that there are 5.4 million television sets in Saudi Arabia. Television broadcast stations are a little more than 117 in number.

Communications in Saudi Arabia also include internet facilities. In 2005 a survey recorded that there are 22 Internet service providers in Saudi Arabia and internet usage rate is 22%. People are also entitled to Satellite Communications in Saudi Arabia.

Market – Language	Population [000]	PPP Adjusted GDP per Capita	Internet Penetration	eReadiness Economist Rank
KSA – Arabic	302,360	\$21,003	22%	46

Table 1. KSA statistics

The market trends and statistics make it quite clear that the telecommunications industry is growing rapidly. New technology has boosted and facilitated the use of various electronic communications method. Saudi Arabia has focused on this industry since it wants to be able to generate revenue in other sectors as well and not just petrochemical sector.

Structural Considerations

The rapid globalization and spread of technology boom is clearly visible in Saudi Arabia. The government is encouraging private sector growth, especially in power generation, telecommunications, natural gas exploration, and petrochemicals, to decrease the kingdom's dependence on oil exports and to increase employment opportunities for the swelling Saudi population, nearly 40% of which are youths under 15 years old. Unemployment is high, and the large youth population generally lacks the education and technical skills the private sectors need. Riyadh has substantially boosted spending on job training and education, infrastructure development, and government salaries. But rapid development of industries is in progress. Several universities and high level educational institutions are under construction as well. The government pays students get education in higher level institutions which is encouraging them to gain technical education.

Trends

Mobile usage across the region has increased rapidly in recent years, outstripping that of fixed line. Mobile subscriber growth has been fuelled by increased levels of competition, as second GSM operators launch services in markets across the region. Internet usage has also been on the increase.

YEAR	Internet Users	Population	% Pop.
2000	200,000	21,624,422	0.9 %
2003	1,500,000	21,771,609	6.9 %
2005	2,540,000	23,595,634	10.8 %
2007	4,700,000	24,069,943	19.5 %
2008	5,400,000	28,146,656	22.0%

Recent launches of next-generation mobile services in a number of markets in the Middle East and Arab States region could also help to increase mobile subscriber numbers. The use of personal computers and the Internet has increased rapidly in the early 2000s. The number of Internet users in the country nearly doubled between 2003 and 2005, reaching 2.5 million. The path for communications is moving up a steep hill in KSA which is quiet expressive through the statistics. KSA being a very bipolar nation in terms of its belief and culture, opposite is seen in the industry, especially telecommunications industry. So therefore, the future of telecommunications is looking really progressive and continues to prosper with innovation.

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