Preparing to export

Consultation and bespoke research
Visit: https://www.great.gov.uk/ for guidance on how to research overseas markets as well as a range of other important issues for exporters.

Researching the Saudi Arabian market

Saudi Arabia is a large country, and different regions may have different industry clusters. Good local research is needed and you should consider market-entry requirements using both desk research and market visits.

You need to determine whether:

- there is a market for your product or service
- your pricing is competitive
- to adapt your business model

The questions listed here should help you to focus your thoughts. Your answers to them will highlight areas for further research and also suggest a way forward that is right for your company. You may then want to use this as a basis for developing a formal Saudi Arabia strategy, although this may not be necessary or appropriate for all companies.

Your aims:

- Do you wish to buy from Saudi Arabia, sell to Saudi Arabia or both?
- Do you wish to establish your own company presence in Saudi Arabia (for example setting up your own branch office, forming a joint venture, appointing a local agent, or franchising)?
- Do you need to be involved in Saudi Arabia at all?
- Do you see Saudi Arabia as part of a wider plan including e.g. other Middle Eastern or North African (MENA) markets now or in the future?

Your company:

- Can you carry out a detailed SWOT analysis of your company?
- Are your competitors already in Saudi Arabia? If so, what are they doing?
- Can you carry out a detailed SWOT analysis of your competitors?
- What are the Unique Selling Points of your product or service?
- Do you know if there is a market for your product or service in Saudi Arabia?
- Do you know if you can be competitive in Saudi Arabia?
- Do you have the time and resources to handle e.g. the demands of communication, travel, product delivery and after-sales service?

Your knowledge:
- Do you know how to secure payment for your products or service?
- Do you know where in Saudi Arabia you should start?
- Do you know how to locate and screen potential partners, agents or distributors?
- Have you carried out any Saudi Arabia-specific customer segmentation, and do you know how to best reach potential customers in-market?

It is unlikely that you will have the answers to all these questions at the outset and these ‘knowledge gaps’ could form the basis for further research and investigation. Some of these questions will require quantitative research in your sector, while others involve more-contextual and cultural considerations.

Talking to other people in your industry and regularly visiting Saudi Arabia will give you access to the most-current advice and such experience can often lead to new insights and form the basis for further research.

There is also some useful guidance on developing a marketing strategy, customer segmentation, competitor and SWOT analyses, etc. on the https://www.great.gov.uk/site – and the IOE&IT and British Chamber can help too.

There may be trade shows held in Saudi Arabia each year, which could be useful to test product viability in the market. The Department for International Trade (DIT) Tradeshows Access Programme at: https://www.gov.uk/guidance/tradeshow-access-programme provides funding in the form of grants for eligible businesses to attend overseas trade shows.

The funding helps your business gain:
- market knowledge
- experience in attending and getting the most from overseas trade shows
- advice and support from trade experts

Visit the DIT events portal at: https://www.events.great.gov.uk/ehome/index.php?eventid=200183029& to find upcoming events and missions in Saudi Arabia.

Find out more about marketing your goods and services for Saudi Arabia at: https://www.great.gov.uk/.

Contact DIT in Saudi Arabia at: https://www.gov.uk/world/organisations/department-for-international-trade-saudi-arabia#contact-us for events and company launches at British Embassy locations.

Start-up considerations

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Getting started in the Saudi Arabian market

You must appoint a Saudi agent to conduct trading activities if you do not have a physical presence in the Kingdom.

You must have a physical presence in Saudi Arabia to be directly involved in the buying and selling of goods. Under Saudi investment law the establishment of a physical presence requires a joint venture with a Saudi partner.

Commercial agents

An agent can be:

- a highly proactive investor, deeply involved in all aspects of management, finance and marketing on a day-to-day basis

- a hands-off agent who just arranges official paperwork and has little other involvement

It is very important to choose the right agent. It should be made clear from the start what services will be provided and what will not.

You should evaluate your business partner thoroughly – take local legal advice and consult the Department for International Trade (DIT) Saudi Arabia at: https://www.gov.uk/world/organisations/department-for-international-trade-saudi-arabia#contact-us.
There are several ways you can do business in Saudi Arabia. The most common are:

- appoint a local partner, distributor or agent
- set up your own branch office
- form a joint venture
- franchising

You should seek legal advice as the tax and legal obligations of each business structure can differ.

The most common forms of companies are limited-liability companies (LLC), joint stock companies, general partnerships, and limited partnerships. A local lawyer can help you to avoid costly mistakes and ensure you start out in the way that is best suited to your sector of activity. See: https://www.gov.uk/government/publications/saudi-arabia-list-of-lawyers for a list of lawyers in Saudi Arabia.

You should conduct due diligence checks once you have chosen your method of entry into the market. However, if you want to establish a business relationship that goes beyond exporting, you will need to carry out further research.

**Direct marketing and e-commerce**

Direct marketing is not widely practiced in Saudi Arabia as cash transactions, face-to-face and personal relations play a more important role than in the west. Similarly online selling is not common but is beginning to increase in popularity. However, cybercrime is an issue so companies need to take necessary precautions.

**Franchising**

Despite the conservative nature of Saudi society, franchising is a popular and successful approach to establish consumer-orientated businesses in Saudi Arabia, and is an ideal business model for small and medium-sized enterprises (SMEs).

Franchising in Saudi Arabia is developing extensively and is one of the most successful mechanisms for entrepreneurship. Most of the franchises are in the restaurant, food and beverage and retail sectors.

There is no legislation governing franchising in Saudi Arabia, so you should contact DIT in Riyadh at: https://www.gov.uk/world/organisations/department-for-international-trade-saudi-arabia#contact-us for advice, or for help to find a legal adviser in Saudi Arabia before establishing a franchise.
Visit the international section of the British Franchise Association at: http://www.thebfa.org/international for more information on franchising.

Financial considerations

**Getting finance to fulfil an export contract to Saudi Arabia**


To make it easier to fulfil an export contract and grow your business, schemes are available to UK companies selling products and services to Saudi Arabia. Contact your bank or specialist financial organisation for assistance.

UK Export Finance (UKEF) has significant risk capacity to support exports to Saudi Arabia. See: https://www.gov.uk/guidance/country-cover-policy-and-indicators#saudi-arabia. You can contact one of UKEF’s export finance advisers at: https://www.gov.uk/government/publications/find-an-export-finance-manager for free and impartial advice on your finance options.

**Getting paid**

You are advised to take expert advice and appropriate measures to mitigate the potential risk of invoices not being paid on time and delays in processing payments, and any British company wishing to do business in or with Saudi Arabia should enlist the services of a law firm with experience of the country.

You can contact DIT in Riyadh at: https://www.gov.uk/world/organisations/department-for-international-trade-saudi-arabia#contact-us for help to find a financial adviser in Saudi Arabia.

**Payment insurance**

UK Export Finance (UKEF) helps UK companies to get paid by insuring against buyer default.

Be confident you will get paid for your export contract. Speak to one of UKEF’s export finance advisers at: https://www.gov.uk/government/publications/find-an-export-finance-manager for free and impartial advice on your insurance options, or contact one of UKEF’s approved export insurance brokers at: https://www.gov.uk/government/publications/uk-export-finance-insurance-list-of-approved-brokers/export-insurance-approved-brokers.
Currency risks when exporting to Saudi Arabia

If you have not fixed your exchange rate you have not fixed your price.

You should consider whether the best option for you is to agree terms in Sterling (GBP) or Saudi Riyal (SR) in any contract. You should also consider getting expert financial advice on exchange rates (sometimes called FX).

[Source – DIT/UKEF/gov.uk]
Case Study

Executive Search

Accountants/Professional Business Services

Project Management Design Engineering Consultancy Services

Law

Banking/Financial Services

Airlines/Corporate Travel Services
ICT/Telecommunications Services

Commercial Real Estate

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