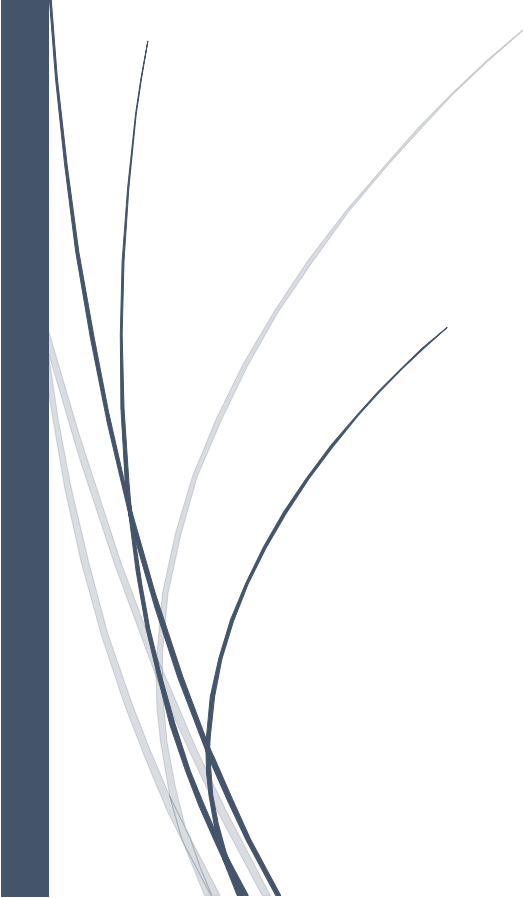




Final Project 2

PMG 497

An Analytical Study of Trading Companies in Saudi Arabia



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An Analytical Study of Trading Companies in Saudi Arabia

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1. Introduction

Trading companies play an important role in Saudi Arabia's economy by linking local markets with global suppliers and customers. They support national growth by improving trade efficiency, logistics, and product distribution. Under Vision 2030, these companies have gained greater importance as the country seeks to diversify its economy and promote private sector development.

This study provides an analytical view of trading companies in Saudi Arabia, focusing on their structure, operations, and challenges. It aims to understand how these companies contribute to economic development and how they can improve performance in a competitive market

1.1. Research Background

Trading companies are a core part of how goods move from producers to end users. In the Kingdom of Saudi Arabia (KSA), they link local manufacturers, international suppliers, and institutional buyers such as contractors, retailers, and government projects. Their work involves sourcing, negotiating, warehousing, and distributing a wide variety of items—from tools and fasteners to safety equipment and electrical materials. Because they operate at the interface between supply and demand, their success depends on how well they understand market signals and customer preferences.

In recent years, the Saudi economy has been transforming under Vision 2030. Policy changes have encouraged private-sector growth, foreign investment, and digitalization across industries. As a result, trading activities have become faster and more data-driven. Customers expect better availability, transparent pricing, and responsive service. At the same time, firms face greater competition, rising quality expectations, and pressure to professionalize sales and marketing. These shifts make it essential for trading companies to understand what customers value most and how those values translate into actual purchasing behavior.

This research focuses on “market and sales preferences” in Saudi trading companies. By market preferences, we refer to the characteristics of offerings and buying conditions that customers find attractive—such as product quality and brand reputation, delivery reliability, warranty and after-sales support, and fair, stable pricing. By sales preferences, we refer to the ways customers prefer to interact with suppliers—such as channel choice (field sales vs. online ordering), responsiveness of the sales team, technical support during selection, and ease of quotation and invoicing. Clarifying these preferences is valuable because trading companies often work with similar catalogs and suppliers; the way they sell, support, and deliver can become the real differentiator.

Although many managers recognize the importance of being customer-centric, practical challenges remain. Sales decisions are sometimes based on habit rather than evidence, and data about customers can be scattered across spreadsheets, emails, and informal notes. As product assortments expand, it becomes harder to know which brands and pack sizes should be prioritized, where to price competitively, and which service promises matter most to specific customer segments (e.g., contractors vs. factories). Without a clear view of preferences, companies risk stocking the wrong items, quoting too slowly, or missing opportunities to upsell complementary goods.

There is also a technology angle. E-commerce, mobile communication, and digital payments are reshaping expectations in B2B trade. Many buyers now want accurate stock visibility, instant quotations, and simple re-ordering. Social media and messaging apps have become informal channels for product discovery and support. For trading companies, the question is not whether to adopt digital tools, but which ones actually improve conversion and loyalty for their particular customers. Understanding preferences helps leaders choose where to invest—in

CRM systems, online catalogs, inside-sales teams, delivery tracking, or technical training.

Given this context, the introduction proceeds through five stages. First, it defines the broader territory: trading companies in KSA and their role in the economy. Second, it narrows the focus to market and sales preferences as strategic levers. Third, it explains the problem—limited, structured insight about what customers in this sector truly value and how those preferences influence performance. Fourth, it states the purpose of the research—to identify, analyze, and prioritize preferences that drive better sales outcomes. Finally, it outlines the contribution—clear questions, measurable objectives, testable hypotheses, and a simple conceptual model that managers can use to guide improvements in sales practice and service design.

In summary, this chapter establishes why preferences matter now: competition is growing, offerings are similar, and buyers are more informed. Saudi trading companies that can translate preference insights into day-to-day decisions—what to stock, how to price, how to sell, and how to support—are more likely to win repeat business, improve margins, and build stronger brands.

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1.2. Research Problem

Many Saudi trading companies operate with partial or anecdotal knowledge of their customers' priorities. This creates gaps between what buyers value and what suppliers deliver, which can lead to slow quotations, unavailable items, weak differentiation between brands, and inconsistent service quality.

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1.2.1. Theoretical Gaps

Academic work on customer preferences in Middle-Eastern trading firms is relatively limited compared with studies in retail or manufacturing. Existing studies often generalize across sectors without accounting for the distinct role of intermediaries, multi-brand portfolios, and B2B decision processes typical of trading companies.

1.2.2. Practical Gaps

In practice, firms may lack integrated customer data, formal segmentation, and regular feedback loops. Sales teams often rely on experience rather than systematic evidence, making it difficult to prioritize service attributes (e.g., delivery reliability vs. price flexibility) and to standardize best practices across branches.

Main Research Question: What market and sales preferences most strongly influence customer choice and sales performance in Saudi trading companies?

1.3. Research Significance

In this section, the student should clarify the importance of the study at the theoretical level, and the empirical level

1.3.1. At the theoretical level

This study is valuable at both the theoretical and practical levels. It links preference theory with the day-to-day realities of B2B trading in Saudi Arabia and offers an applied framework managers can act on.

At the theoretical level, the research contributes context-specific evidence from KSA on how product, price, service, and relationship factors interact in a trading-company setting. It refines understanding of preference formation in B2B markets and supports comparative work across regions.

1.3.2. At the practical level

At the practical level, the research provides a prioritized view of what buyers want from trading companies and how those preferences relate to conversion, repeat purchases, and loyalty. Managers can use the findings to guide assortment planning, pricing policy, quotation processes, salesforce development, and investment in digital channels.

1.4. Research Questions

- 1) Which product-related attributes (e.g., quality, brand, availability) most influence supplier selection?
- 2) Which service attributes (e.g., quotation speed, delivery reliability, after-sales support) matter most to different customer segments?
- 3) How do price perceptions (e.g., fairness, transparency, discount policy) affect repeat purchasing?
- 4) To what extent do digital touchpoints (e.g., online catalogs, messaging, e-payments) shape sales outcomes?
- 5) How do these preferences collectively predict sales performance indicators (conversion rate, order value, repeat rate)?

1.5. Research Objectives

- 1) Identify and define the key market and sales preference drivers in Saudi trading companies.
- 2) Measure the relative importance of product, price, service, relationship, and digital factors.
- 3) Examine links between preferences and sales performance metrics.
- 4) Provide practical recommendations for sales strategy, customer experience, and digital enablement.

1.6. Research Hypotheses

- H1: Perceived product availability and delivery reliability are positively associated with sales performance.
- H2: Faster quotation and responsive communication increase customer conversion and repeat purchasing.
- H3: Perceived price fairness and transparent discount policies are positively associated with customer loyalty.
- H4: Effective use of digital touchpoints (e.g., online catalogs, messaging) mediates the relationship between preferences and sales performance.

1.7. Research Model

Conceptual Model (description): Market & sales preferences (independent variables) include product (quality, availability, brand), price (fairness, transparency), service (quotation speed, delivery reliability, after-sales), relationship (trust, technical support), and digital touchpoints (online catalog, messaging, payments). These factors influence sales performance (conversion, average order value, repeat rate) and customer loyalty (intention to repurchase, positive word-of-mouth). The analysis will test direct effects and, where applicable, mediating effects of digital touchpoints.

1.8. Scope of The Study

The study focuses on trading companies operating in Saudi Arabia that supply tools, fasteners, safety items, and electrical materials to B2B customers. Respondents are expected to include purchasing officers, site engineers, and procurement staff. The scope excludes pure retailers and manufacturers selling only direct to consumers.

1.9. The Project Structure

This project is organized into five chapters. Chapter 1 introduces the background, problem, significance, questions, objectives, hypotheses, model, scope, and structure. Chapter 2 reviews the literature on customer preferences and sales performance in B2B contexts. Chapter 3 explains the methodology, including operational definitions, design, sampling, data collection, and analysis procedures. Chapter 4 presents statistical results and discusses findings. Chapter 5 outlines limitations, recommendations, and the conclusion.

2.Chapter 2: Literature Review

2.1. Introduction

This chapter reviews relevant academic and industry literature concerning the evolution, challenges, and opportunities of trading companies. It provides theoretical and empirical insights into how trading companies function globally and how these models apply within the Saudi Arabian context

2.2. Overview of Trading Companies

Trading companies are business entities engaged in buying and selling products domestically and internationally. They often act as intermediaries that connect producers, distributors, and retailers, while managing risks related to logistics, pricing, and market fluctuations.

Globally, trading companies contribute to improving supply chain efficiency and increasing market accessibility for manufacturers. Major international trading firms, such as Mitsui & Co. and Sumitomo Corporation in Japan, have demonstrated that strategic diversification and strong financial structures can ensure long-term sustainability.

Saudi Arabia's trading companies share similar objectives but face unique challenges due to market regulation, logistics infrastructure, and limited access to international networks.

2.3. Trading Companies in Saudi Arabia

Saudi Arabia's trading sector has been evolving rapidly due to economic reforms and globalization. Historically, trading companies played a key role in importing goods required for industrial and infrastructure projects. Today, they are increasingly diversifying into exports, digital commerce, and service-based trading.

The Ministry of Commerce and the Saudi Export Development Authority (SEDA) have implemented several initiatives to support the trading sector. These include export financing, simplified customs procedures, and programs to strengthen local manufacturing and distribution.

However, despite these efforts, many trading firms still depend heavily on imported goods and face operational inefficiencies. This dependency limits their ability to compete globally and contribute to Saudi Arabia's goal of becoming a leading trade hub.

2.4 Theoretical Framework

The study is guided by two main theories:

1. Porter's Competitive Advantage Theory (1985)

Porter's model explains how firms achieve a competitive edge through cost leadership, differentiation, or focus strategies. Saudi trading companies can apply these strategies by improving logistics efficiency, digital platforms, and customer service.

2. Resource-Based View (RBV) Theory

This theory emphasizes that a firm's unique resources—such as knowledge, technology, and supplier relationships—determine its success. For Saudi trading companies, leveraging internal capabilities like supply chain knowledge and partnerships can create sustainable advantage.

2.5 Vision 2030 and Its Impact on the Trading Sector

Saudi Vision 2030 aims to position the Kingdom as a global logistics hub. The government has launched programs such as the National Industrial Development and Logistics Program (NIDLP) and Zakat, Tax and Customs Authority (ZATCA) modernization projects. These initiatives simplify export and import procedures and promote private sector participation.

Digital transformation is another major driver reshaping trading operations. Platforms like Fasah have digitized customs clearance, reducing processing time and costs. These efforts align with Vision 2030's goals of efficiency and transparency in trade operations.

2.6 Key Challenges Facing Saudi Trading Companies

1. **Regulatory Complexity:** Despite improvements, firms often face bureaucratic delays in licensing and customs processes.
2. **Limited Digital Transformation:** Many small trading companies still rely on manual documentation, which increases operational costs.
3. **Supply Chain Inefficiencies:** Weak infrastructure in some regions causes delays and increases costs.
4. **Competition:** Growing entry of international players increases market pressure on local companies.
5. **Financial Constraints:** Limited access to credit and long payment cycles affect small and medium enterprises.

2.7 Opportunities for Growth

1. E-commerce Expansion: Digital marketplaces enable new sales channels.
2. Export Diversification: Regional and international trade agreements create new opportunities.
3. Government Support: Vision 2030 programs offer funding and training for SMEs.
4. Technology Adoption: Implementing ERP systems and AI-driven supply chain tools can improve efficiency.

2.8 Previous Studies

Several studies highlight the critical role of trading companies in developing economies:

Al-Mutairi (2019) examined how trading firms drive diversification in Gulf economies.

Khan (2020) emphasized the need for digital transformation in Saudi commercial activities.

Lee & Chen (2021) found that technology integration improves trade competitiveness in emerging markets.

These studies collectively underline that innovation, policy reform, and strategic investment are key to enhancing the performance of trading firms in Saudi Arabia.

2.9 Summary

This chapter reviewed theoretical and empirical literature related to trading companies globally and in Saudi Arabia. It highlighted how Vision 2030, digitalization, and logistics development are reshaping the sector. The next chapter outlines the research methodology used to analyze data and achieve the study's objectives.

3. Chapter 3: Research Methodology

3.1. Introduction

This chapter presents the research design, methods, and procedures used in conducting the study on trading companies in Saudi Arabia. It explains how data were collected, analyzed, and interpreted to answer the research questions and achieve the objectives identified in Chapter One.

3.2. Research Design

The study adopts a descriptive and analytical research design.

Descriptive design was chosen to understand the current operations, challenges, and strategies of Saudi trading companies, while analytical design helps evaluate the factors influencing their competitiveness and sustainability.

The research combines both quantitative and qualitative approaches. Quantitative data were gathered through surveys distributed to managers of trading firms, and qualitative insights were obtained from secondary sources such as reports, government publications, and journal articles.

3.3. Research population & Sampling methods and technique

The study population consists of Saudi trading companies engaged in import, export, or local distribution.

A purposive sampling technique was used to select 15 trading companies located in major commercial regions such as Riyadh, Jeddah, and Dammam. These firms represent a mix of small, medium, and large-scale enterprises.

Survey respondents included operations managers, marketing executives, and finance officers, as they possess direct knowledge of the firms' strategic and operational practices.

3.4. Data collection method

Data were obtained from both primary and secondary sources:

Primary Data: Collected through a structured questionnaire designed to assess company operations, challenges, and adaptation to Vision 2030 initiatives.

Secondary Data: Sourced from published reports, government databases, the Ministry of Commerce, and scholarly journals addressing trade and business management in Saudi Arabia.

3.5. Research Instrument

The questionnaire was divided into three sections:

1. Company profile (size, location, business type).
2. Operational practices and challenges.
3. Opinions on government reforms and digital transformation.

3.6. Statistical analysis procedures

Data were analyzed using descriptive statistics such as frequencies, percentages, and mean scores to summarize responses.

The analysis focused on identifying common patterns regarding:

Digital adoption levels.

Perceived regulatory and logistical challenges.

Strategic initiatives for competitiveness.

Qualitative data were analyzed thematically to support and interpret quantitative findings

3.7. Conclusion

This chapter outlined the research methodology applied in the study. It explained the design, population, sampling, and analytical methods used to explore the operations of Saudi trading companies. The next chapter presents the data analysis and discusses key findings derived from the study.

4. Chapter 4: Statistical Analysis & Findings discussion

4.1. Introduction

4.2. Sample profile (descriptive statistics for research sample)

4.3. Validity & reliability tests for the questionnaires

4.4. Descriptive statistics for research variables (answer research questions)

4.5. Testing Hypotheses & Findings Discussion

4.6. Conclusion

5. Chapter five: Research limitations, Recommendations & Conclusion

5.1. Research Limitations & Future Research

5.2. Research Recommendations

5.3. Conclusion

References

Appendix