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Orham Erdem, Secil Tuncalp,

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Biographical Note

Orhan Erdem is Professor of Marketing, Erciyes University, Faculty of Economics and Administrative Sciences, Kayseri, Turkey and *Secil Tuncalp* is Professor of Marketing, Bilkent University, Faculty of Business Administration, Bilkent, Ankara, Turkey.

Advertising Agency Scene in Saudi Arabia

by Orham Erdem and Secil Tuncalp

Introduction

Only about twenty-five years ago, the Saudi market was not lucrative enough to warrant the attention of international marketers. During 1972, the Gross Domestic Product (GDP) stood at a meagre level of around \$8 billion (Tuncalp and Yavas, 1986) and the imports were less than \$1.5 billion (Tuncalp, Yavas and Cavusgil, 1987). Also during this period, there were only 47 manufacturers operating in the existing industrial parks at Riyadh, Jiddah, and Dammam (Ministry of Planning, 1975).

The promotion industry in Saudi Arabia was almost non-existent. Few local agencies that existed at that time practiced their trade using simple newspaper ads, rusty billboards on the sides of the roads, and neon signs. The best form of marketing communication was by using the "word of mouth" process. The tribal nature of the Saudi society made this form of communication the best advertising medium. All one had to do was to hire a couple of persons who would go around asking people how to get to "that ice-cream parlour on sixteen street which has the best banana split in town", or some variations of this type of messages which had to be spread in the market.

For international marketers, Beirut was the hub of their advertising activities during the 1960s and 1970s (Khusro, 1981). Many international marketers maintained permanent branch offices in Beirut. They financed advertising campaigns for the Middle East market including Saudi Arabia using Beirut-based advertising agencies such as Pimo, Syco, Dentsu, Haku Hodo, and Ecliar Kazan Arab Advertising. This situation was drastically altered when Lebanon entered into a period of internal warfare. Most of the advertising agencies moved their offices to Southern Cyprus and the international marketers that had offices in Beirut shut down these offices and moved elsewhere.

Following the phenomenal price increases in crude-oil during 1973 and thereafter, the world's premiere exporter of crude-oil, the Kingdom of Saudi Arabia began to amass huge amounts of petro-dollars from export of crude-oil (Tuncalp and Yavas, 1986). This government income was used to embark upon an intensive economic development programme (Tuncalp and Al-Ibrahim, 1991). As a result, the Saudi market expanded prominently both in monetary and population terms. Within a short period of several years, GDP climbed to over \$100 billion (Tuncalp and Yavas, 1986) and imports hit almost \$30 billion by 1980 (Tuncalp, Yavas and Cavusgil, 1987). In addition, this fast pace of economic development required importation of millions of guest workers to Saudi Arabia (Tuncalp, 1988).

By 1980, Saudi Arabia had become a lucrative market to draw the attention of international marketers. Some of these international marketers located branch offices in Saudi Arabia. This lucrative market also required its own promotion

campaigns specifically targeted to the buyers there. The International Marketers exporting to Saudi Arabia began producing ads in the Kingdom specifically for the Saudi market instead of the Middle East market. At the same time, they asked their Saudi representatives to share some of their advertising activities through co-operative advertising schemes. All of these events changed the complexion of the advertising industry in the Kingdom. In response to the increasing demand for local promotion capability, many Saudi businessmen began to establish advertising agencies. Toward the mid-1980s, there was more awareness among the Saudi agents and other local businessmen about the importance of advertising and sales promotion in the competitive environment of a fast growing market. Hence the advertising industry had become a permanent fixture of the Saudi market.

Advertising Agency Characteristics

Descriptive studies dealing with the local agencies are not done frequently in Saudi Arabia. An extensive literature search covering both foreign and local publications identified only one recent study of Saudi agencies published in an Arabic periodical (Katib and Manair, 1991). This study surveyed some 300 local agencies (must be close to a complete count) and identified a number of general characteristics. For example, most of the agencies were established after 1975. This time period corresponds to the start of the take-off for the Saudi economy.

Most of the agencies identified by the study were small businesses located in one of the Kingdom's major cities and they had no other branches in other parts of the country. This finding implies that most agencies have targeted themselves small geographic niches where they give their clients a limited range of promotion services. These agencies lacked capability for developing and mounting promotion campaigns for national, Gulf, and pan-Arab markets. However, the survey also discovered some large agencies. Less than a dozen in number, these agencies had headquarters in major Saudi cities and they also had located branches throughout the Kingdom. The largest two agencies had established a branch network spanning 12 and 17 locations in the Kingdom. These large agencies had the capability to provide both national and various degrees of international (Gulf-wide, pan-Arab, and worldwide) market coverage.

About one-third of the agencies covered in the survey reported income levels which were less than one million riyals (3.75 riyals = 1 dollar). These agencies were one-man or two-men operations which limited their services to signmaking or preparation of neon signs for other businesses. Some of these agencies would also peddle television time to other agencies or directly to clients who were in need of this time. Another finding of the survey supported this interpretation. About one-fourth of the agencies have specialised in one type of media: either outdoor or television. Government owned Saudi television stations will sell air-time for placing commercial advertising to any agency as well as to any firm or individual who is capable of paying in cash for the cost of this air-time. This situation has created a new business opportunity to the small agencies. Instead of marketing promotion services, they re-sell at a profit the air-time they have booked from Saudi television.

About one-fourth of the agencies have established themselves as joint-ventures with foreign agencies. Most of these agencies are the large agencies that have multiple branches throughout the country. These foreign partners are needed:

because, almost all of the television ads and some of the magazine and billboard advertising requiring intricate artwork and photography have to be done outside the country. In addition, some forms of outdoor advertising which require highly sophisticated and computerised media such as video-wall and other electronic signs and displays require technology that can only be accessed through foreign agencies. Establishing joint-ventures with foreign partners is one way to make sure that these unique media are monopolistically controlled in Saudi Arabia.

About one-fifth of the collective manpower in these 300 agencies were Saudi nationals. As a matter of fact, this percentage would be drastically reduced when the Saudi owners/managers of the small agencies are deducted from the analysis. This finding points to a very important problem. The local agencies are not employing enough numbers of Saudis in their workforce. Since only Saudis would really understand why Saudi consumers buy things, advertising campaigns prepared by Saudi specialists would be most effective. A large portion of the agencies were cognisant of this major weakness for their operations. For example, close to fifty per cent of the agencies had on-going programmes to train Saudi employees in-house or in co-operation with the Chamber of Commerce. As Saudi culture is not conducive to the development of artistically talented individuals, the gap between the demand and supply for Saudi specialists in this field can be closed by extensive training programmes.

The survey of the local agencies established that about two-fifth of them considered themselves as full-service agencies. The requirements for a full-service agency included: having full-time staff who are experienced in marketing and advertising; helping clients in the planning of advertising campaigns; preparing the advertisements; and placing these advertisements in the most suitable media. Agencies also reported that about one-third of them could provide market research and marketing studies for their clients. However, they have also indicated that their clients almost never requested such services from them. Perhaps partially because of this situation, a majority of the agencies which took part in this study did not maintain separate research departments manned by full-time specialists.

Almost all of the agencies indicated that they do not market their services. Nevertheless, they felt that their clients commonly came from three industries. These industries, ranked on the basis of the level of demand, were food, cosmetics, and automobiles, respectively. Considering the keen competition among the marketers in these areas (Tuncalp, 1993), this finding is not surprising. The agencies have also indicated that banking and airline industries requested their services the least. This finding is also not surprising. Financial institutions never advertise their services because bank-advertising is an area which is not approved by social customs and tradition. On the other hand, both the national airline and the foreign airlines are active advertisers but they opt to use the services of foreign or international advertising agencies who tend to possess superior capabilities in comparison to the local agencies.

Finally, agencies that took part in the study indicated the most commonly used media by them and their clients. Rankings of the media based on the frequency of usage came out in the following order: newspapers, billboards, television, magazines, video tapes, brochures, and bus posters. The agencies also provided a ranking of the various media in terms of their costs. From highest to lowest, these cost rankings came out in the following way: television, magazines, newspapers, video

tapes, bus posters, and stickers. This finding shows that exorbitant costs of television commercial air-time is another factor for suppressing the demand for this audio/visual medium (Tuncalp, 1992).

To shed a further light on the picture of the advertising agency scene in Saudi Arabia described by the previously discussed study, in the next section the article will identify and describe a number of choice agencies. The purpose of this section is not to advertise these companies but it is to present some viable agency alternatives for international marketers who are targeting the Saudi market.

Prominent Agencies

Tihama for Advertising, Public Relations and Marketing.

Tihama is one of the largest advertising agencies in Saudi Arabia, occupying a position as the "king of the hill" (Saudi Business, 1981). In the past, it was claimed that Tihama had around 50 per cent of the market share in the Kingdom (Shehadi, 1984). This agency was established in 1974. Its headquarters is located in Jeddah, and the agency has close to twenty branches in major cities of the Kingdom including Yanbu, Hail, Buraida, Abha, Dammam, Makkah, Taif, and Riyadh. Tihama used to be the exclusive advertising agent for the publications of the Saudi Research and Marketing Company (MARAD), which publishes four daily and one weekly newspaper, and four weekly magazines. However, this concession was lost when MARAD established Al-Khaleejiah which took over the media representation for all MARAD publications. This reorganisation move was a major blow to Tihama's "king of the hill" market position.

However, Tihama has a number of other exclusive concessions. For example, this agency has the sole right for lamppost signs, and road and stadium panels in several cities of the Kingdom. It has the exclusive franchise to erect unipoles along the Saudi highways and expressways. Tihama already has erected and sells advertising space in hundreds of unipoles along several expressways: Makkah-Jeddah, Makkah-Taif, Al-Khobar-Dhahran-Dammam-Jubail, the Jeddah Bypass road, and the Jeddah-Madinah expressway. This agency maintains sole advertising rights on luggage carts used in the Kingdom's airports. Tihama also controls the media representation for a major daily newspaper called Al Nadwah. Moreover, this agency has the franchise for transit advertising on the buses of the Saudi Public Transportation Company (SAPTCO).

One of the strongest suits in Tihama's media mix is its VideoWall systems. In association with the May Technology Company, this agency introduced VideoWall system to Saudi Arabia and has the sole right to place ads in this facility. VideoWall is an array of monitors which is built to any configuration to range between 3x3, totalling 9 monitors, and 6x6, totalling 36 monitors. VideoWall can give a visual image which is a single composite picture across the entire configuration, or it can display different images on each monitor making up a configuration.

Tihama already installed this audio/visual medium in eight locations at the King Abdulaziz International Airport. It has VideoWalls at five locations of the South Terminal which is reserved for Saudia, the national airlines of Saudi Arabia. These five locations are: domestic departure lounge, international departure lounge, domestic and international check-in area, international arrivals - immigration area,

and international arrivals greeters area. It also has VideoWalls in three locations of the North Terminal reserved for foreign airlines. These locations include: arrivals-immigration and luggage claim area, arrivals-greeters area, and check-in and departures area. This agency also installed VideoWalls at four locations in the Jeddah Shopping Mall. These four locations are: the Jeddah International Market (Sarawat), the Middle East Shopping Centre (Printemps), the Corniche Commercial Centre, and the Al Basateen Shopping Centre.

Tihama is a full-service agency. In addition to media representation, it can perform a wide range of agency functions, everything from ad conception, design and production, to placement and follow-up. It also offers to its clients such specific services as: marketing research; product promotion; public relations; outdoor advertising; feasibility studies; training and seminars; advertising research; organisation of fairs and exhibitions; development of gifts, samples, and brochures; and a large production capacity for outdoor signs and panels.

During 1982, this agency purchased Interscope, a market research company, and added more strength to its market research capabilities. It has a separate public relations department as well. Occasionally, this agency publishes the Who's Who in Saudi Arabia and the Tihama Economic Directory, a classified guide to businesses in Saudi Arabia which contain both Arabic and English sections. In addition, Tihama has a branch located in London, as well as representatives in Egypt, Lebanon, Kuwait, Bahrain, Greece, Switzerland, USA, and Japan. In summary, this agency should be the first choice for international marketers wanting to use a local agency for their promotion programmes in the Kingdom of Saudi Arabia.

United Outdoor Advertising Company Limited

This agency is a division of the Abdul Lateef Jameel group of companies which is the sole distributor of Toyota cars in Saudi Arabia. This agency gained fame in 1979 when it conducted the first outdoor campaign in the Kingdom using Mohammed Ali, world's former heavyweight champion, on their billboards (Jameel, 1982). The agency blanketed the highways with two kinds of standard American signs: the 14 feet by 48 feet California-type hand-painted billboard, and the 7 feet by 14 feet milar-faced back-lighted sign. In the year-long outdoor campaign, the sales of Toyota cars increased by about 20 per cent. This agency's headquarters is located in Jeddah, and it is capable of providing professional outdoor advertising services to international marketers through a number of outdoor media of which it has franchising rights.

This agency has the exclusive rights to produce billboards which can be erected along the Saudi highways. These signs are 14 feet by 48 feet, 7 feet by 14 feet, and 5 feet by 10 feet California-type billboards which sit on single massive steel poles (known as Unipoles in the Saudi market). These billboards support two poster display sides, each angled to face the traffic, and both sides are illuminated by automatic light-sensory photocell systems. This agency was also the first to bring in the Rotasign to the Kingdom. This outdoor medium consists of a large metal case with a film spool inside. This spool moves automatically to bring into view illuminated transparency images. The length of time each frame is supposed to be exposed to viewing is determined by the customer.

This agency enjoys a strong competitive position in the market because of

introducing technologically innovative media in the Kingdom. This agency's most important outdoor medium is the Spectacolour, more commonly known as United-colour in Saudi Arabia (Rahman, 1984). Similar to the unit operating in Times Square in New York City, this medium is a 23 feet by 45 feet electronic computerised screen mounted on a 25 feet platform which can display animated advertisements and illustrations in 32 colours. The display can speak any language desired, and 15-, 30-, and 60-second spots are leased to advertisers. This agency has the exclusive franchise for this medium and two units are already operating in Jeddah and Riyadh.

Raed Marketing and Advertising

This agency is one of the oldest ones in the Kingdom. Raed was founded in 1963 and reorganised in 1971 to its present form. Its main office is located in Jeddah. Initially, this agency has targeted to develop and place newspaper advertisements. It now has a full-time workforce consisting of writers, graphic artists, calligraphers, photographers, and translators. This agency can distribute colour pamphlets and brochures through a systematised direct mail system. It can do market research, sales promotion, and can arrange fairs and exhibitions.

This agency has formed joint-ventures with foreign agencies and opened branches outside of the Kingdom toward becoming an international agency. One of its joint-ventures, Raed & Serge Bastien Marketing and Advertising, is located in Paris, France. Another one, Raed Marketing Corporation, is situated in New York, USA. This agency represents Arabic-language news weeklies Al-Mustaqbal (published in Paris, France) and Al-Jamboor (published in Beirut, Lebanon). In addition, it also represents the Wall Street Journal and some publications of Dow Jones International Marketing in Saudi Arabia.

Marwah Public Relations, Advertising and Marketing

This agency is also one of the oldest ones in the Kingdom. It was established during 1968 as the Makkah Advertising Company. This agency went through a major reorganisation, significantly expanded its capital, and changed its name to Marwah during the beginning of 1979. Its headquarters is located in Jeddah, and the agency has about a dozen branches throughout the Kingdom in such cities as Riyadh, Al-Khobar, and Dammam. Marwah is a large and experienced agency. It has the professional capability required to provide effective services to international marketers in all aspects of advertising, sales promotion, publicity, and market research.

Marwah also specialises in outdoor advertising. It used to have the sole concession for transit advertising on buses of the Saudi Arabian Public Transportation Company (SAPTCO). This agency holds the exclusive advertising rights to a number of newspapers and magazines published in Saudi Arabia. For example, Marwah is the sole media representative for such local newspapers as Al Bilad, Al Youm, and Al Riyadh. It also has exclusive rights to place ads in two local magazines, Iqraa and Al Yamamah. Marwah also represents the Times of London in Saudi Arabia as well as the in-flight magazine called "Ahlan wa Sahlan" of the Saudia, the national airline of Saudi Arabia.

Transworld Publicity Limited

Transworld was formed in 1975 as a full-service advertising agency. Its headquarters is in Riyadh with a branch office in Jeddah. This agency also has a branch in Cairo, Egypt. The agency has a comprehensive in-house facilities including: fully-equipped film and TV production studio, film editing suite, film library, sound recording studio, sound effects and music library, TV recording and editing suite, video tape facilities, fully-equipped outside broadcast van, film and video crews, still photography laboratory, design studio, and workshop for outdoor advertising.

Transworld can handle commercial productions for advertising campaigns in audio/visual media. It can place radio and TV spots in the Gulf states or Egypt. This agency has documentaries for the Saudi government. It produces the advertising work for the Saudia airlines, including an attractive calendar which features Saudi art-work, and illustrations of Arab art and history. It can prepare and execute public relation campaigns in Saudi Arabia for its clients. This agency is capable of providing valuable services to international marketers for promotion programmes that would use audio/visual media in Saudi Arabia or other Gulf countries.

Other Agencies

Saudi Advertising International (Saudi Ad) was established in 1978, and its headquarters is in Jeddah with branches in Al-Khobar and Riyadh. This agency was founded initially to prepare and place advertisements in local newspapers and magazines. Saudi Ad has the sole media representation for two newspapers, Arabic daily Okaz and the English daily Saudi Gazette, which are published by the Ikaz Organisation for Press and Publication. This agency also has the franchising rights to install and lease the illuminated advertising signs which line the median strips of Jeddah highways.

Al-Khaleejiah was founded several years ago to prepare and place advertising in the publications of the Saudi Research and Marketing Company (MARAD). Prior to the formation of this agency, the exclusive right to place advertising in MARAD owned newspapers and magazines belonged to another agency called Tihama for Advertising, Public Relations, & Marketing. This new agency is the sole advertising agent to a number of MARAD's publications including: Ad Hahira (midday Arabic daily), Arab News (English language daily), Al Muslimoon (Arabic weekly newspaper), Arriyadiyah (Arabic sports daily), Asharq Al Awsat (the international daily newspaper of the Arab), Asharq Al Awsat (Arabic weekly general magazine), Al Majalla (Arabic weekly news magazine), Basim (Arabic weekly children's magazine), and Sayidaty (Arab weekly family magazine). It must be stated that MARAD, which owns Al-Khaleejiah, is the largest customer of this agency.

Publi Graphics is a joint-venture agency. Its headquarters is located in Jeddah. The foreign partner's head office is in Beirut, Lebanon. This agency has experience in running sales training seminars, demonstrations, and exhibitions. It can also design and print brochures and press releases.

Misha'al Adham Establishment has the guardrail franchising rights for all major cities in the Kingdom. This agency rents advertising panel space mounted on guardrails already in place in Jeddah, Dammam, and Riyadh. The guardrails are

used to demarcate the border between roads or between pedestrian sidewalks and city streets, preventing jay-walkers from crossing roads at dangerous places.

Finally, Farooqui Advertising also specialises in outdoor advertising. This agency has the capability to produce different types of signs such as neon; electronic; billboard; engraved brass, metal, and plastic; and etched brass and marble. It maintains two showrooms in Jeddah where it displays its other specialty, give-away items.

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