

# **Saudia Dairy and Foodstuff Company (SADAFCO) Competitive Position**

**Esraa AlDabbagh**

Master's of Business Administration  
Dar Al Hekma University  
Jeddah, Saudi Arabia  
Emdabbagh@dah.edu.sa

**Lojien Jowharji**

Master's of Business Administration  
Dar Al Hekma University  
Jeddah, Saudi Arabia  
lijowharji@dah.edu.sa

**Mostafa Fawzy, Ph.D., CPEM**

Management and Marketing Department  
Dar Al Hekma University  
Jeddah, Saudi Arabia  
Mfawzi@dah.edu.sa

## **Abstract**

This research studies Saudia Dairy and Foodstuff Company (SADAFCO) and its competitive position in the Saudi market. A comprehensive background analysis of the organization was conducted. Then, data were collected implementing strategic management tools to assess the organization's competitive position. The data analysis was executed using three different strategic analytical tools to understand and evaluate the organization's internal and external status. The employed analytical tools are PESTEL, SWOT, and Porter's Five-Force Model. The company background and products are discussed in the first section of the research, followed by the literature review, which discusses the theoretical and empirical overviews of the strategic management tools. This research study obtained data from secondary sources: published research articles, industry reports, and company websites to gain the maximum amount of information. Based on the analysis, different strategic recommendations are provided to keep the company's competitive position. The findings have shown that SADAFCO offers the highest price range in some product categories, such as milk products, compared to its competitors, which declined its market share. Based on the research results, it is recommended that SADAFCO should reconsider and reexamine its pricing strategies to attract consumers and improve its competitive position.

## **Keywords**

SADAFCO, SWOT, PESTEL, Porter's Five Forces Model, Business Environment Analysis

## **1. Introduction**

### **1.1 Company Background**

Saudia Dairy and Foodstuff Company (SADAFCO) was established in 1976 (SADAFCO, 2019). The report states that it is one of the leading companies in Saudi Arabia regarding long-life milk, tomato paste, and ice cream. SADAFCO markets its products under the brand name "Saudia." The company's vision is "to be the brand of choice," and its mission is "to develop, produce, and market a range of nutritious food propositions for consumers of all age groups and create maximum shareholder value through teamwork" (SADAFCO, 2019). Therefore, the organization aims to provide valuable and trustable products to fulfill and satisfy its consumer base. The organization's values include passion, the courage to innovate, the embrace of change, and the quality of execution. Hence, it accentuates

the significance of consistently modifying its products to meet the ever-changing consumer demand and cope with modern tastes. SADAFCO launched its IPO and was listed on Tadawul in 2005 (SADAFCO, 2019). SADAFCO states that the company's activities include local production, importation, distribution, and marketing. It adds that it operates three factories (all halal certified) in Saudi Arabia. Two of its factories are located in Jeddah and one in Dammam. In addition, the company operates one plant in Poland. It also has three regional distribution centers and 20 depots across several Arab countries (SADAFCO, 2019). The article explains that SADAFCO's products are offered in Middle Eastern and North African markets.

### **1.2 Company Products and Offerings**

SADAFCO offers a wide variety of products, which include: Ultra-High Temperature (UHT) or long-life milk (plain or flavored), powder milk, ice cream, tomato products, cheese products, butter, juices, cream, still water, and snacks (SADAFCO, 2019). The report states that milk products are regarded as the most profitable products. Therefore, with the wide variety of products that SADAFCO delivers, it meets customers' needs from different segments.

### **1.3 Problem Statement**

The food and beverage industry is a highly competitive sector with invariably changing consumer demands and tastes. Organizations need to continuously track consumer needs to maintain their competitive position, increase their market share, and provide innovative products and services that reciprocate the current and future market demands. Therefore, with fierce competitors such as AlMarai and Nadec in the same field, SADAFCO must constantly alter and improve its strategies and products to maintain its position. Competitors' pricing strategies are one of the reasons for the deterioration of SADAFCO's consumer demand and market share. SADAFCO's external and internal environments, directly and indirectly, influence the organization's status. Hence, with a comprehensive analysis of these factors, SADAFCO can determine gaps, threats, and opportunities that it can leverage to drive itself to become the leading organization in the industry.

### **1.4 Objectives**

One of the research objectives is to identify SADAFCO's competitive position; the external and internal environments that affect and influence its market share. Secondly, the research focuses on providing recommendations that could potentially improve and sustain the organization's competitive position.

### **1.5 Significance of Research**

This research thoroughly analyzes SADAFCO's internal and external environments. It investigates uncontrollable factors and events that are most likely to affect SADAFCO's operations adversely. It identifies external factors, including political, economic, social, technological, legal, and environmental factors. This research also explores SADAFCO's strengths, weaknesses, opportunities, and threats, giving a holistic overview of risks the organization should avoid and promising possibilities to venture. Secondly, the report intends to reach a set of clear recommendations applicable in designing the company's operational frameworks and future strategies.

## **2. Literature Review**

Different tools can analyze a company's situation, externally and internally. The literature review provides a holistic overview of the subject that the data collection phase is founded on. This section breaks down the types of tools used in strategic management, what they are precisely, and the benefits and challenges of these tools. These tools include PESTEL analysis, SWOT analysis, and Porter's five forces model. PESTEL and Porter's Five Forces are external analysis tools, while SWOT is internal and external.

### **2.1 PESTEL Analysis:**

PESTEL is an acronym that stands for certain external factors. According to Matovic (2020), it is a tool used in strategic management to assess a company's external factors. These factors are Political, Economic, Social, Technological, Environmental, and Legal factors. The author claims that the political aspect deals with how stable the political circumstances in the market are. It also considers the local laws and regulations, business ethics, taxes, and fees. Market barriers and tax policies are also under the political umbrella (Matovic, 2020). Matovic states that the economic aspect involves financing, interest rates, cost, inflation, and more from the financial lens. The social factor is one of the most significant aspects as it covers the demographics, religion, culture, and education. (Matovic, 2020). It also has to do with the safety and wellbeing of the individual. Most of today's business conditions deal with technology. The author also states that it is imperative to have the right IT tools to support modern systems. Therefore,

it falls under innovation, which is extremely important in a competitive market. Also, the attitude of humans towards natural resources, recycling, and the environment are most important when considering the environmental aspect of this tool. Sustainability is also crucial in this aspect. Legal factors simply include laws imposed on businesses (Matovic, 2020).

Before commencing, the goal and subject should already be determined for the PESTEL analysis. They could be from an existing local business, a new entry to the market, or an existing company but introducing a new product (Matovic, 2020). Therefore, PESTEL is essential, especially when starting a new business. These specific factors aid in planning a key strategy to improve and give the firm some sense of direction. Being an external tool of analysis and having aspects that are not interrelating, the PESTEL tool is better utilized with other tools. It allows the company to adjust to market changes and recognize opportunities and threats constantly.

The PESTEL analysis tool has some challenges. There might be insufficient information or depth in analysis, leading to weak strategic decisions and missed opportunities (Matovic, 2020). In addition, sales planning could also be affected if some of the aspects, namely the social aspect, were not analyzed properly.

Due to the continually changing environment, Hoffren (2020) researched the dairy industry in St. Petersburg, Russia, to assess and predict future market changes. The author utilized the PEST tool to investigate the external environment of the dairy industry in St. Petersburg. After the examination, results have revealed that due to some political and economic issues, foreign companies are restricted from importing their products to the Russian Federation due to economic sanctions imposed by the country (Hoffren, 2020). Therefore, organizations in the dairy industry were encouraged to produce and distribute their products to offset the shortage locally. Secondly, the author claims that the coronavirus pandemic has directly affected the Russian economy, which led to the increase of unemployment of the workforce and the drop in the solvency of the residents of St. Petersburg. However, Hoffren states that experts believe that the pandemic had a positive social impact because people in Russia became more health-conscious and aware of the products they purchase and consume. As a result, consumers were encouraged to buy natural and organic products, such as dairy, rather than consuming products that are low in benefit. Finally, the author discovered that the technological aspect had shown growth and expansion in recent years due to the excessive dependence on electronic devices and digital communication channels. Hence, many organizations need to modify their marketing approaches from traditional to digital mediums to reach a broader range of customers.

## **2.2 SWOT Analysis:**

Strategic management is the process that helps an organization assess its relationship with its environment. External conditions and internal environmental factors have a dynamic correlation that is crucial to be examined. The SWOT matrix is a tool for assessing alternative strategies that include external and internal company data (Maulina, 2018). Therefore, it can be used as a tool for strategic planning. The alternative strategies are Strengths, Weaknesses, Opportunities, and Threats. The author adds that the SWOT analysis gives the organization the ability to analyze several domains and systems through multidimensional modeling quickly. Namugenyi et al. (2019) claim that the SWOT analysis provides a cohesive perception of the connection between elements by minimizing any emerging ambiguities through the data modeling stages. Therefore, many scholars have agreed that utilizing a SWOT analysis can help a business determine its strategies, providing the foundation for problem-solving.

The internal environmental aspects of the SWOT analysis are based on factors that are holistically founded within the organization. Therefore, the company can control them. The internal environment is analyzed by identifying aspects that become strengths and weaknesses of the organization (Maulina, 2018). Hence, the author claims that it measures factors that help businesses move forward. By using a functional approach, the organization can assess internal elements. Furthermore, this method is approached by analyzing each division within the company through evaluating the human resources, production, finance, marketing, accounting, utilization of information resources, and innovation departments.

The threats and opportunities in a SWOT analysis assess the external environment that aims to accentuate trends and events beyond an organization's control. The external environment analysis scrutinizes the importance of determining the key factors that are potential opportunities or threats (Maulina, 2018). Thus, the author adds that an organization can plan tactics and objectives to elevate or maintain its market position. The external environment is commonly

evaluated through multiple aspects, including political/policy, economic and governmental, technological, cultural, and social factors.

Nugeroho et al. (2020) conducted a study on SMEs Food in the city of Tangerang to formulate and recommend strategies on how these organizations can maximize and sustain their profit while minimizing and avoiding environmental risks. The authors used SWOT analysis to examine the SMEs' internal and external forces in the food industry. Results have shown that one of the strengths of these enterprises is their production and distribution of good quality products. While one opportunity presented is the availability of new technology that supports the enhancement and efficiency of product development. Therefore, Nugeroho et al. (2020) recommend that the SMEs leverage both the strength and opportunity discussed to increase production quality to gain a competitive advantage. The authors add that one of the weaknesses of the food industry is that SMEs lack capital, while a significant threat is financial issues overbearing the enterprises. Therefore, the authors suggest that since the community promotes business activities, SMEs can utilize the government's support and request capital loans offered to IKM food.

### **2.3 Porter's Five Forces Model**

Porter's five-force model is an external framework analysis tool that examines the level of competition within a specific industry. This tool is immensely beneficial for newly founded organizations or organizations that anticipate entering a new industry sector (Ferdinand and Tresyanto, 2020). The authors accentuate that competition does not only rely on competitors. However, the level of competition within a specified industry is measured through five fundamental competitive forces: the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products or services, and existing industry rivalry. Organizations, by then, can examine the collective intensity of the forces that verify the profit potential of an industry and its level of attractiveness. For example, if the five forces are shown to be high, almost no organizations in the sector earn attractive returns on investments (Ferdinand and Tresyanto, 2020). On the other hand, when competition is mild, there is a bigger room for higher returns. The five forces are as follows:

#### **2.3.1 The Threat of New Entrants:**

New entrants bring new volume and desire to take market share in an industry. However, each industry has different barriers to entry. The higher barrier to entry, the smaller the threat for existing organizations (Ferdinand and Tresyanto, 2020). Therefore, barriers to entry are determined based on the need for cumulative experience, high customer loyalty for existing organizations, limited access to distribution channels, economies of scale, and government policies.

#### **2.3.2 The Threat of Substitution:**

When products or services in one industry can substitute products or services in another, this enables the threat of substitution. Organizations should always focus on alternatives for similar products branded differently by competitors (Ferdinand and Tresyanto, 2020). Therefore, any product or service that fulfills a similar need or purpose is considered a threat. Energy drinks such as Redbull are products consumers buy to retain energy levels. On the other hand, the authors claim that coffee is a product from another industry that fulfills the same purpose. Therefore, energy drinks and coffee are alternative products to consumers, where substitution could occur when the price of one increases (Ferdinand and Tresyanto, 2020). Moreover, the threat of substitution can affect an industry's profitability and attractiveness.

#### **2.3.3 Bargaining Power of Suppliers**

This competitive force assesses the intensity of power and controls an organization's supplier has on the firm. The supplier can potentially reduce the quality of its products and raise its prices (Ferdinand and Tresyanto, 2020). Therefore, the suppliers heavily affect an industry's profitability potential. According to the authors, to determine the power of suppliers, organizations must assess supplier concentration and the availability of substitute suppliers. In other words, the fewer the suppliers, the greater the power the supplier has. Organizations are in a better stance when there are several available suppliers that they can switch between (Ferdinand and Tresyanto, 2020). Other sources of supplier power emerge from the switching costs between suppliers, the distribution channels, and the uniqueness of the product or service that the supplier provides.

#### **2.3.4 Bargaining Power of Buyers**

This force assesses the amount of pressure the buyers can place on an organization. Buyers' power increases when there are not many of them and when there are several alternatives to buy from (Ferdinand and Tresyanto, 2020).

Hence, switching from one organization to another is easy for buyers. Consumers have low power over the company when they purchase small amounts and when the seller's products and services are differentiated from one another. Nowadays, customers have gained empowerment through access to the Internet, which allows them to easily compare different companies' products and gain access to offers from other organizations. Therefore, organizations have developed various strategies to reduce customer empowerment by implementing loyalty programs and delivering differentiated products (Ferdinand and Tresyanto, 2020).

### 2.3.5 Rivalry among Existing Competitors

This competitive force examines the level of competition and its intensity among competitors in the same industry. It is measured by the number of existing competitors and the capabilities of each competitor. Ferdinand and Tresyanto (2020) state that rivalry is intense when there are many competitors in the industry, and they roughly have similar sizes and power, the industry has a stagnant growth rate, and buyers can easily switch between the competitors. The authors claim that an industry's concentration ratio is a fair indicator of competitive rivalry. Competitors go through price wars and intense advertisement schemes when rivalry is intense, which, as a result, may affect businesses. Another factor that leads to intense rivalry, high exit barriers can maintain the level of competition, which forces organizations to remain in the industry even when profit margins are deteriorating (Ferdinand and Tresyanto, 2020).

### 2.3.6 The Case of Culinary Center in Sidoarjo

As a guide, the following research was conducted at the Culinary Center in Sidoarjo Regency. The strategy management offices have assessed the center's competitive forces through Porter's Force Model. It has undertaken this tool to increase culinary marketing and public awareness of the centers. The following is the organization's tool structure to determine the competitive forces.

#### 2.3.6.1 Rivalry among Existing Competitors

The market has intense competition among rivals (Ferdinand and Tresyanto, 2020). Many culinary centers in the Regency provide similar services to buyers. However, the authors claim that several culinary centers have shut down due to intense competition. Competitors with differentiated products have shown a more significant market share.

#### 2.3.6.2 Threat of New Entrants

In the Sidoarjo Regency, recent new entrants have joined the market, offering new concepts to buyers (Ferdinand and Tresyanto, 2020). One of the new approaches is targeting the adolescent age groups. The authors state that this segmentation has been commenced due to teenagers' increased interest in gathering in culinary centers. As a result, the culinary center must assess new strategies to compete with the new entrants (Ferdinand and Tresyanto, 2020). Therefore, customer loyalty programs can come of aid to reduce the threat of new entrants.

#### 2.3.6.3 Bargaining Power of Suppliers

The power of suppliers of the MSME organizations in the culinary center is high (Ferdinand and Tresyanto, 2020). According to the authors, this is because the prices of raw materials are unstable, and it heavily depends on the market. Therefore, if the cost of raw materials increases, the MSME organizations will not always be able to increase the price of their products. The players tend to find other solutions rather than burdening the price increase on the buyers who can easily switch between the competitors (Ferdinand and Tresyanto, 2020).

#### 2.3.6.4 Bargaining Power of Buyers

The power of buyers in the industry is very high (Ferdinand and Tresyanto, 2020). This is because the types of food and beverage in the Sidoarjo Regency culinary centers are similar, allowing buyers to switch between competitors easily. Therefore, if the UMKM players cannot differentiate their products and services, their profits will gradually decrease and eventually shut down. Differentiation can be applied through food packaging, maximizing delivery services, delivery messages, consistency of menu taste, and customer loyalty programs (Ferdinand and Tresyanto, 2020).

## 2.4 Summary of Literature Review

In conclusion, PESTEL, SWOT analysis, and Porter's five-force model are analytical tools that give an organization an overview of its external and internal environments. These tools aid in informing organizations about opportunities they should leverage and risks they should evade. The strategic tools assist in defining a company's operational framework and strategic objectives that can reposition an organization in its industry.

### 3. Methodology

Descriptive research is the method conducted in this study through using a qualitative approach. To further understand and apply the strategic management tools, cohesive research on several strategic management case studies and data collection has been deployed to gain the ability to analyze, evaluate, and recommend SADAFCO's potential strategies. Using different tools to assess SADAFCO position based on the most critical points discussed facilitates the analysis of facts that permit the reevaluation of theoretical frameworks into generated and factual strategies. The SWOT analysis, PESTEL, and Porter's five force model have been conducted to assess SADAFCO's external forces. However, the SWOT examined the internal details that affect SADAFCO. After investigating the points, the research only covers and accentuates the most significant internal and external factors. The methods and procedures presented in the case studies guide the former and applied section of the research.

### 4. Data Collection

This research study obtained data from primary and secondary sources to gain the maximum amount of information in line with the descriptive approach. Data were collected from the company website and company-published research articles. Moreover, some financial and economic data were collected from industrial reports.

### 5. Results and Discussion:

As mentioned in the methodology, the work is conducted via using three different analysis tools. Used tools analyzed both the internal and external business environment. The results and dissection are completed based on each tool separately. Moreover, at the end of each analysis, some strategies are recommended based on the conducted analysis. Finally, general strategies are recommended by looking for the big picture of the company including all the recommendations and results shown at the level of tools analysis. This section has three parts which are SWOT Analysis, PESTEL Analysis, and Analysis Using Porter's Five Forces Model.

#### 5.1 SWOT Analysis

SWOT analysis sets a framework for examining SADAFCO's strengths, weaknesses, opportunities, and threats. SWOT analysis sets a holistic and profound perspective and conclusion for the future growth opportunities and revised objectives. Moreover, it discusses the main strengths and internal capabilities that can support SADAFCO to achieve its goals. Weaknesses are internal factors that can prevent SADAFCO from achieving its goals. The main opportunities are external circumstances that may be exploited for higher performance and profit. Threats are external circumstances that may potentially deteriorate its performance and profit in the market. Table 1 demonstrates SADAFCO's SWOT analysis.

Table 1. SWOT Analysis for SADAFCO company

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• The geographic presence in different regions: It has excellent business reach to the target market and easy accessibility.</li> <li>• Broad product portfolio: The product lines permit the organization to offset the losses from one product category with benefits generated from another.</li> <li>• Substantial brand equity and brand awareness: SADAFCO has some of the most recognized brands in the domestic market in which it operates.</li> <li>• Horizontal and vertical integration: It helps increase control over the whole value chain, which results in improved access to raw material and faster product delivery to the customer.</li> <li>• Pricing strategy: SADAFCO sells its products at premium, psychological, geographical prices to target all consumers and gain more market share.</li> </ul>	<ul style="list-style-type: none"> <li>• Supply of milk: One of SADAFCO's most significant weaknesses is the supply of milk. There is no raw milk production in Saudi Arabia, which forces longer lead times for products to be ready for sale and increases the cost of goods sold.</li> <li>• Low return on investment: Although SADAFCO has a stable balance sheet, it is not excelling in the return-on-investment metric.</li> <li>• Inventory management: Due to inadequate inventory management practices, SADAFCO loses efficiency. Poor inventory management results in a shortage or excessive inventory and incompetency in the cash cycle.</li> <li>• Research and development: Less expenditure on the research and development activities can deteriorate the company's performance due to poor local/international market knowledge.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Market leadership: SADAFCO can become a market leader by expanding its global market since it has financial capabilities. SADAFCO is in a prime position to grow its market share. Expansion in the international market can also help the organization diversify the risk because the company is less dependent on the domestic market for revenue.</li> <li>• Milk powder: The market position in the milk powder industry is weak compared to the competitors. As a response, modification to the product price and an analysis of the market need is required.</li> <li>• Joint venture: SADAFCO can expand its market by having a joint venture with other continents, such as Europe, America, and Asia, due to its strong brand awareness in the GCC countries.</li> <li>• Diversification: SADAFCO has high product diversification. To develop its financial position, the company can focus on fewer business segments. Diversifying cold beverages and frozen products due to the arid climate of KSA.</li> </ul>	<ul style="list-style-type: none"> <li>• Competitors: One of the significant threats that all companies have is their local and international competitors, especially when competitors have lower prices and better strategies. Competitors such as Al Rabie Food Company (Alrabie), Nestle Al Othman Dairy, National Agricultural Development Company, Al Safi Danone Company, and SAVOLA are positioned as the key market players in the global dairy food industry.</li> <li>• Inflation: SADAFCO faces additional costs due to the increased fuel and interest rate.</li> <li>• Mad cow disease or veterinary: Consumers are becoming more health-conscious; therefore, animal diseases such as the Mad cow disease can affect the sales of the company's dairy products. This factor affects the sales in both Saudi Arabia and GCC markets.</li> <li>• Increasing costs due to environmental regulations: The organization has to work with these imposed costs as governments are trying to inflict higher environmental taxes to endorse cleaner options. As a result, it causes higher logistics costs and higher packaging costs for the organization.</li> </ul>

### 5.1.1 Summary and Recommended Strategies:

SADAFCO focuses on different strategies, which as a result, rendered it a leading food and beverage organization. As mentioned in the SWOT analysis, it has numerous strong points. SADAFCO has a long experience in the industry, and it has been part of the market since 1976; therefore, the organization is familiar with the market mechanisms, challenges, and risks. Secondly, it has a strong financial position, which permits its ability to invest in new projects and expand its product lines. Thirdly, SADAFCO has vital market share metrics in its key business segments in Saudi Arabia, including UHT milk 62.3%, tomato paste 45.6%, and the first position in ice cream with a 24.9% market share. Fourth, it has access to suppliers who offer lower-priced raw materials, enabling the organization to produce products with reduced cost of goods sold and high profit.

Based on SWOT analysis, the first recommendation is that SADAFCO should expand its business. Since SADAFCO has a solid financial position and brand awareness, SADAFCO has an opportunity to grow its business by entering a new market (new region) to gain more market share and increase its profit. Secondly, SADAFCO should focus on diversifying its product portfolio (introduce new products): SADAFCO holds a strong market position in the tomato paste segment and should strive to maintain this position by responding to the ever-changing consumers' needs. Due to this circumstance, SADAFCO has an opportunity to deepen its paste product line and introduce different types of paste such as onion, garlic, and Pesto paste. Thirdly, SADAFCO should keep competitors in mind. One of SADAFCO's most significant weaknesses is long-life milk. The most considerable direct competitor of SADAFCO is AlMarai. This might be because of the change in pricing between SADAFCO and AlMarai (SADAFCO price is higher than AlMarai). This, as a result, would be a disadvantage for SADAFCO to introduce fresh milk, so SADAFCO should reduce the production cost, which leads to reducing product cost and maintaining the quality of the milk to be able to compete AlMarai. SADAFCO can build a strong relationship with customers by spending more on marketing. The final recommendation is that SADAFCO should expand its product lines that do not include dairy products. Since animal diseases such as the Mad Cow disease can affect SADAFCO's sales, SADAFCO can reduce these risks by expanding other product lines that do not include dairy, such as fresh juices. This strategy can increase its profit and minimize its dependence on dairy products. Moreover, the consumption of fresh juices increases nowadays, and people are currently more health-conscious.

## 5.2 PESTEL Analysis:

This part examines the uncontrollable factors that may affect SADAFCO, foresee their impact, and find ways to overcome or mitigate them. These factors may be Political, Economic, Social, Technological, Environmental, and legal factors. The primary purpose of analyzing these factors is to consider all factors that may affect organizational performance. Table 2 discusses SADAFCO'S PESTEL analysis.

Table 2. PESTEL Analysis for SADAFCO Company

Perspective	Analysis
Political Factor	The political system is stable in Saudi Arabia, and the strategies set by SADAFCO can be built on a sound political system. However, political trends could be a threat or an opportunity to SADAFCO. One major political conflict between Saudi and Qatar in 2017 led to a drop in sales for SADAFCO as it stopped selling its products in the Qatar market. In January 2021, the announcement of resolving the political issue and resuming relations with Qatar presented an opportunity for SADAFCO to continue its sales in Qatar.
Economic Factor	<p>One of the most critical factors is the economic trends. Referring to the SADAFCO Annual report of 2018-2019, the company has witnessed lower net income sales (-17%) than the previous year. The leading cause was the expatriate exodus and closure of many mini markets as the introduction of value-added tax in 2018.</p> <p>The inflation rate has risen from 2.45% in 2018 (introduction year of VAT 5%) to 3.23 in 2020 due to increase in VAT to 15% (VAT guideline for government bodies in KSA) and (Statista). This might influence the demand for products, and SADAFCO might need to raise prices in line with inflation. A strategy based on pricing is believed to be an undiscerning vision for SADAFCO to implement if the inflation rate continues to rise and probably will lead to reduced brand loyalty.</p>
Social Factor	<p>With the continuous attempts of the local government to educate people more about health and environmental sustainability, the level of consumers interested in more organic and healthy food has been advancing in the last years. SADAFCO has an assertive norm related to health and safety. Health-conscious customers have a significant impact where young customers are now moving toward a healthier and more nutritious lifestyle and choices. SADAFCO successfully used this opportunity by producing organic tomato paste and flavored water.</p> <p>However, socio-cultural trends may create an opportunity or cause a threat. As SADAFCO holds the highest market share in UHT milk, consumers have started shifting their interest toward organic milk like almond milk, soya milk, and rice milk.</p>
Technological Factor	<p>As the kingdom announced its vision of 2030 in 2016, some standards and rules were implemented in all types of industries. The vision encourages renewable and safe energy usage among all industrial sectors. Therefore, there might be an opportunity for SADAFCO as it consistently explores innovative solutions and new technologies. SADAFCO can adapt automated useful technologies while eliminating negative environmental impact and maintaining sustainable production.</p> <p>The kingdom also offers ample support to companies who adopt such technologies, and this is another opportunity for SADAFCO to use before its competitors in the market.</p>
Environmental Factor	<p>Environmental change has an undeniable impact on trades and regulations. Following the vision's 2030, some environmental sustainability laws have been developed to preserve the region's ecological character. The kingdom has developed programs and initiatives to mitigate the impacts of climate change. These initiatives include utilizing valuable technologies and renewable energy, reducing carbon dioxide, Methane recovery, and gas flaring reduction.</p> <p>Climate change led to the extinction of 20% of species by the end of this decade. Climate change might lead to delays in shipments or a dangerous drop in demand for some products. The 2030 vision pursues to improve the local living environment by promoting clean energy utilization and the construction of green buildings. Current projects in the implementation phase reflect the positive environmental impact following the vision's goals, such as developing agricultural terraces in mountainous areas, flood control, and dam construction.</p>

	The level of environmental awareness is not overlooked. The kingdom promotes corporate social responsibility to reduce pollution and protect the environment from natural threats. According to the 2030 vision and newly implemented standards concerning environmental sustainability, industries must enhance their operational strategies in alignment with these rules.
Legal Factor	Legal factors incorporate all statutes to enter and operate in the market. SADAFCO keeps track of all legal regulations such as consumer protection law, securities law, business law, and employment law in all markets it operates locally and internationally. The firm built a flexible strategy that can meet any change in legal laws and gives considerable attention to any updates in this aspect.

### 5.2.1 Recommended Strategies:

SADAFCO should create an environmental Sustainability strategy. SADAFCO started lately showing some interest in environmental sustainability, so it is recommended to implement sustainability in its operations processes. With the increasing awareness of environmental sustainability among people from different categories, consumers became more inclined toward using sustainable products. By adopting such a strategy aligned with used ones, SADAFCO will improve cost management and customer loyalty, which is reflected in increasing the business's profitability. The second recommendation is to encourage SADAFCO to implement a proactive strategy. This strategy will help SADAFCO anticipate future requirements or potential threats and challenges. Five main elements need to be understood and implemented when applying such a strategy. These elements are predicted, prevent, plan, participate and perform. Finally, SADAFCO should focus on building Economics of scale. This strategy helps decrease the risk of economic instability. Creating a sustainably managed workforce and controlling the product's end price by maintaining business costs is recommended.

### 5.3 Analysis Using Porter's Five Forces Model:

SADAFCO uses Porter's model to minimize or avoid the risk of losing its competitive advantage and sustain the profitability of each product line in the long run. Porter plays a vital role in shaping the market and industry. As a company, SADAFCO uses the Porter Five Force Model to measure the competition intensity and profitability by analyzing all external factors that may affect the organization. These five forces, including two forces from the vertical competition and the remaining three from the horizontal competition, are (competitive rivalry, threat of new entrants, threat of substitutes, bargaining power of buyers, and bargaining power of suppliers). Table 3 discusses SADAFCO's competitive position.

Table 3. Porter's Five-Force Model for SADAFCO Company

Perspective	Analysis
Competitive rivalry	<ul style="list-style-type: none"> <li>• Nature of fragmentation:                             <ul style="list-style-type: none"> <li>- The food and beverage market is highly fragmented, which drives the market more competitive.</li> <li>- The market is not concentrated, resulting in having different players, from minor to significant players.</li> </ul> </li> <li>• Brand management:                             <ul style="list-style-type: none"> <li>- Producers use brand management techniques and contemporary merchandising to launch new and bold brands, label designs, and run massive marketing campaigns to make the brand more identifiable to the public.</li> </ul> </li> <li>• Diversification:                             <ul style="list-style-type: none"> <li>- Buyers have a varied range of products to choose from with relatively low switching costs, which results in intensified rivalry.</li> <li>- Due to the organizations in the industry offering niche or premium products, they can continue operating in the mass markets at large, which leads to high competition.</li> </ul> </li> <li>• High business cost:                             <ul style="list-style-type: none"> <li>- Due to the high bargaining power of the buyer and fixed cost resulting in lowering the organization net profit and led to war pricing between organizations in the market.</li> </ul> </li> </ul> <p>- The competition between rivals is very high.</p>

<p>Threats of New Entrants</p>	<p>As the food and beverage industry has high profits, many new entrants attempt to enter the market. However, the new entrants will eventually cause decreasing SADAFCO net profit and the overall industry profit. Therefore, it is necessary to prevent new entrants from entering the market. Several factors threaten new entrants to enter the market, reducing the threat for SADAFCO.</p> <ul style="list-style-type: none"> <li>• Market and industry share: <ul style="list-style-type: none"> <li>- New entrants to the industry will eventually cause in decreasing SADAFCO's net profit as well as the overall industry profit. Moreover, they place pressure on price, cost, and the investment price that is essentially needed to compete.</li> <li>- For SADAFCO, the new entrants are diversifying from the different markets into the industry, allowing SADAFCO to leverage its existing talents and cash flows to shake up the opposition.</li> </ul> </li> <li>• Limitation on earning expectation and capability of firms in an industry: <ul style="list-style-type: none"> <li>- The threat of the entrants could be high on SADAFCO; therefore, SADAFCO should maintain its prices or increase its funds and investments to discourage new competition.</li> </ul> </li> <li>• Some barriers to entry for new entrants in favor of SADAFCO: <ul style="list-style-type: none"> <li>- Capital budgeting: as a new entrant requires solid financials and resource cushioning for operations and to be sustained in the market.</li> <li>- Economics of scale: a solid barrier to enter, since the existing organizations in the industry operate with high economics of scale, which resulting new entrants taking much time to achieve.</li> <li>- Product differentiation: organizations in that industry have high levels of differentiation in which they operate and approach customers, which makes the barrier to entering the industry high.</li> <li>- Access to distribution: a stander barrier to entry because the new entrants will have access to the retailers and distributing agents within the industry.</li> <li>- Customer loyalty: a solid barrier to entry since the existing organizations have strong customers loyalty, and it requires a long time for a new entrant to build it.</li> </ul> </li> </ul>
<p>Threat of Substitutes</p>	<ul style="list-style-type: none"> <li>• Substitute form: <ul style="list-style-type: none"> <li>- There are different substitutes for SADAFCO products in the market.</li> <li>- The substitutes could be direct or indirect provided by different organizations in the market that can replace the products of SADAFCO.</li> </ul> </li> <li>• Switching cost: <ul style="list-style-type: none"> <li>- Switching cost for substitutes is not high.</li> <li>- The pre-unit volume prices could be higher or lower, which led to the high threat of substitutes.</li> </ul> </li> <li>• Substitute and product benefit: <ul style="list-style-type: none"> <li>- Alternative or substitutes of the products may provide the same benefit.</li> <li>- There is no switching cost in the SADAFCO case to switch from SADAFCO products to substitutes.</li> </ul> </li> </ul>
<p>Barging Power of Buyers</p>	<ul style="list-style-type: none"> <li>• Who is the buyer: <ul style="list-style-type: none"> <li>- The buyer of SADAFCO is not necessarily the group who consumes the products; it could be retailers and wholesalers such as supermarkets and hypermarkets who are the core buyers for SADAFCO purchase a considerable quantity.</li> <li>- Hypermarkets, supermarkets, and many other food chains that are concentrated can increase buyer power.</li> </ul> </li> <li>• Buyer power and cost: <ul style="list-style-type: none"> <li>- SADAFCO may not experience switching costs for switching buyers.</li> <li>- Buyer power increases since there are multiple products offered to buyers.</li> </ul> </li> <li>• Retail product differentiation: <ul style="list-style-type: none"> <li>- Several characteristics make the products offered by retailers differentiated due to the retailers not only depending on product characteristics but also on customers segmentation aspects. Hence, retailers offer a wide range of products and substitutes, weakening the overall buyer power.</li> <li>- Buyer power tends to be moderate to low in the SADAFCO case.</li> </ul> </li> </ul>
<p>Barging Power of Suppliers</p>	<ul style="list-style-type: none"> <li>• SADAFCO's sources of production: <ol style="list-style-type: none"> <li>1. Sourcing from independent suppliers</li> <li>2. Owned manufactured equipment and resources; SADAFCO has vertical integration; backward and forward integration.</li> </ol> </li> <li>• Independent suppliers: <ul style="list-style-type: none"> <li>- SADAFCO has different independent suppliers within the industry.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"><li>- SADAFCO can face challenges due to suppliers, and independent sellers can locate different opportunities and invest in alternative markets.<ul style="list-style-type: none"><li>• Supply quality and business dynamics:</li></ul></li><li>- The raw materials and the quality of suppliers are essential to the buyers; however, SADAFCO has vertical integration, forward and backward integration results in having control over production and maintaining consistency in quality.</li><li>- SADAFCO can switch to different suppliers at any time because there are several suppliers in the industry, which might lead to incurred costs.</li><li>- Suppliers can integrate into the decision-making and business dynamics.</li></ul>
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### 5.3.1 Recommended Strategies:

The first recommendation revolves around encouraging SADAFCO to focus on research and development. Therefore, SADAFCO should ensure the products have a competitive advantage over substitutes in the market by adding value and differentiating the products to compete with the competitors, attract more customers, and gain more market share. Secondly, SADAFCO should increase its customer loyalty. Using different marketing strategies can establish a point of differentiation in consumers' perceptions and strengthen customer loyalty to gain more market share and compete with competitors. Thirdly, SADAFCO should focus on reducing the production cost leads to reduced cost of the products and increased SADAFCO net profit. At the same time, it facilitates maintaining high quality to compete with competitors and attract more customers.

## 6. Conclusion

In summary, the two most effective and appropriate strategies for mapping factors that impact SADAFCO operations are SWOT and PESTLE analysis. In light of these assertions, the SWOT and PESTLE analyses conducted gave a birds-eye view of factors that affect SADAFCO's internal and external operations. The SWOT analysis identifies strengths, weaknesses, threats, and opportunities that the company faces. Some strengths held by the company include a wide range of products, using different pricing strategies, and substantial brand equity. While the company has considerable powers, a few weaknesses can disrupt operational sustainability. The dominant weaknesses include a lack of raw milk in Saudi Arabia since the company supplies milk products. Moreover, SADAFCO faces aggressive competition from AlMarai, making it challenging to introduce fresh milk, primarily because of changing prices. That said, competitors such as AlMarai have a wide product range providing a better diversity than SADAFCO.

Amid desires to embrace optimization and quality assurance, the company incurs high operational costs that are sometimes difficult to source. High operational costs limit the profit margins that companies can potentially make. The SWOT analysis findings indicate that SADAFCO can utilize its lead position in the supply of tomato pastes. Therefore, the company must hold the position and leverage avenues for expanding its operations. Secondly, the company has a solid financial record and can use its resources to diversify its product line. The primary threat SADAFCO faces are competition, both domestic and international. Accordingly, the PESTLE analysis reveals that Saudi Arabia is stable politically. Still, disruptive trends such as border conflicts can hinder business operations while rising inflation rates reduce disposable income, while changes in social movements can be leveraged positively or negatively. The inclusion of SWOT, PESTEL, and Porter's five forces analysis was instrumental in understanding the company's position in the market. It is imperative for the company to effectively utilize its competitive advantage and address its weaknesses and threats to maintain its sustainability and reduce risk.

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## Biographies

**Esraa M. AlDabbagh** is an Architect working at AlMawel Contracting Company, Jeddah, Saudi Arabia. She is also enrolled at Dar AlHekma University in Jeddah, Saudi Arabia, to obtain her master's degree in Business Administration by the spring semester of 2022. Arch. Dabbagh has received her Architecture Bachelor's degree from Dar AlHekma University in 2019.

**Lojien I. Jowharji** is a Stylist and Image Consultant working at NovoVogue Firm, Jeddah, Saudi Arabia. She worked for five years at Ismsil Joharji Company in the Finance and Insurance Department. Before that, she worked as an Assistant Teacher in the Physics Department for a year at Umm AlQura University, Makkah, Saudi Arabia. Lojien received a master's degree in Business Administration from Dar AlHekma University in 2021. Lojien has received her bachelor's degree in Applied Physics from Um AlQura University in 2016.

**Dr. Mostafa F. Fawzy** is the Department Chair of Management and Marketing Department in Hekma school of Hekma School of Business and Law at Dar Al-Hekma University, Jeddah, Saudi Arabia. He worked as a Visiting Assistant Professor in the Industrial and Systems Engineering Department at the University of Jeddah, Saudi Arabia. Before that, he worked as an instructor at the School of Engineering, Northern Illinois University, USA. Dr. Fawzy was also the Head of Education Department of Middle East Learning and Cultural Center. In addition, Dr. Fawzy worked in the consulting field as a development engineer and project manager for more than five years in the Jeddah Municipality and different consulting companies. Dr. Fawzy received a Ph.D. in Industrial Engineering from Iowa State University in 2015. His research interests are in the development of decision-making support systems for complex problems, lean principles applications, strategic planning, and performance enhancement.