

Strategic Management

DMT GROUP EXPANSION STRATEGIES

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1. EXECUTIVE SUMMARY

DMT Group, TUV Nord subsidiary since 2007, is a provider of consulting & engineering services for O&G, mining, plant & process engineering and infrastructure & civil engineering. About 1,000 employees are spread globally operating in Australia, Canada, Germany, India, Indonesia, Peru, Russia, South Africa, Turkey, United Arab Emirates and United Kingdom. The company was founded in 1737, and after a series of events, the company was officially announced as DMT Group in 2006.

DMT aims to continuously improve innovation & effectiveness to distinguishing itself with R&D projects and working on industry related patents. Differentiation focus strategy is implemented by DMT, with a narrow focus on the serviced industries, while sustaining the uniqueness of the competitive services. In 2018 DMT has established the first office in the Middle East region.

DMT's major strengths are diversification sectors serviced and R&D performance, even as penetration of new markets remains its major weakness. Meantime, the increase in Infrastructure & mining sector investments globally could be growth opportunities to DMT. Foreign currency fluctuations & regulations could impact the business's performance.

PESTLE insight studies the Middle East as the zone of focus, emphasising on Saudi Arabia & UAE. The region enjoys several foreign ties which following numerous of investment agreements, however, the state excessive control could form a political challenge. The region is key in the O&G market, regardless the decrease in oil prices. Income dependency on O&G is a major future risk. On the social level, future prospect in education improvement, while females participation is current challenge. IT market is witnessing growth in the region, however the governmental institutions are struggling with intellectual property record. Although the taxation system in the Middle East is attracting investors, the strict laws remains future risk & traditional laws are current challenge. Climate change represents a future risk in the region, with the current challenge of emissions levels & weather conditions. The local governments are willing to improve the environmental policies, and as future prospect implement renewable energy.

Focusing on the construction & mining industries, forces driving competition in the construction industry in the Middle East, including buyer power, supplier power & new entrant are assessed moderate. Where the degree of rivalry is strong in both industries, the threat of substitute is weak for mining and moderate for construction.

DMT has numerous of open-doors and opportunities available in expanding in the Middle East region, concurrently lining up the differentiation focus strategies with the business objectives. Joining forces, reaching TUV & current clients operating locally and hiring qualified calibres are recommended to sustain the company's strategy.

2. INTRODUCTION

2.1 Corporation Summary

DMT Group is a provider of consulting & engineering services. The company has wealth of 280 years of experience and knowledge in several sectors & disciplines (Dmt-group.com, 2020), including infrastructure, civil engineering, plant engineering and natural resources (MarketLine, 2019). DMT is forming the engineering arm for TUV Nord Group, which is headquartered in Hannover, Germany (Tuv-nord.com, 2020). TUV Nord, officially known as TUV Nord AG, is an independent, neutral and third party service provider and advisory (MarketLine, 2019), focusing on variety of sectors, comprising IT, traffic, education, health, energy, certification and real estate (Tuv-nord.com, 2020). In 2018, TUV Nord recorded USD 1,451m, spreading over five continents with workforce of 10,539 employees (MarketLine, 2019).

2.1.1 Global Operation

DMT is spread internationally operating in Australia, Canada, Germany, India, Indonesia, Peru, Russia, South Africa, Turkey, United Arab Emirates and United Kingdom (Dmt-group.com, 2020). As a TUV Nord subsidiary, DMT's headquarter is located in Essen, Germany (MarketLine, 2019).



Figure 1 - DMT Global Operation Map (Dmt-group.com, 2020)

2.1.2 People

DMT Group is comprised of a collaborative team of experts & engineers who have a passion for achieving excellence, performance and innovation sustaining value creation for DMT's clients (Dmt-group.com, 2020).

About 1,000 employees globally work on various organisational departments & projects, including nearly 225 engineers & scientists (Middle-east.dmt-group.com, 2020), enhancing DMT's portfolio considering the organisation values 'ENGINEERING PERFORMANCE' (Dmt-group.com, 2020).

Board of directors:

- Dr Maik Tiedemann – CEO
- Jens-Peter Lux – Managing Director
- Hazem Hanafy– ME Managing Director

(Dmt-group.com, 2020) (Middle-east.dmt-group.com, 2020)

2.2 Scope

This report addresses the relevant market challenges for DMT, a subsidiary of TUV Nord AG, focusing on civil engineering, construction and mining sectors in Middle East region. The aim of the report is to clarify DMT strategic position, while assessing internal factors & external conditions. As DMT Middle East office currently in Abu Dhabi, large attention is directed towards UAE market. Additionally, further consideration is given to Saudi Arabian market as vital and dynamic market within the region (Hanafy, 2019) (Middle-east.dmt-group.com, 2020).

2.3 Justification of Data Collection Methods

The methodology was conducted using research based on the information which is available in resources; journal articles, business reports, official governmental reports, and DMT/ TUV Nord website.

In addition, number of relevant stakeholders were reached to participate, including some of the current key personnel at DMT, providing inputs and adding major value to the report.

2.4 Abbreviations

The abbreviations used in this report are listed below:

Table 1 - Abbreviations

Term	Definition
CEO	Chief Executive Officer
COO	Chief Operating Officer
O&G	Oil & Gas
R&D	Research and Development
UAE	United Arab Emirates
US/ USA	United States of America

UK	United Kingdom
WGI	Worldwide Governance Indicators
USD	United States Dollar

3. COMPANY OVERVIEW

3.1 History

The organisation history goes back to 1737 when it was founded in Germany, as training service provider for mining workforce (Dmt-group.com, 2020). The group has altered the trading names along the years, keeping the same business ethics, performance and growth. In 1990, when the organisation initiated a joining forces with mining associated institutes & expert bodies to form the merge of 'DeutscheMontanTechnologie', which was officially changed to DMT in 2006 (Dmt-group.com, 2020).

Since then, DMT has become a success on various level, improving and innovating around mining and engineering sides, as well as on the business side, with number of successful acquisitions locally and internationally (MarketLine, 2019). In 2007, DMT joined TUV Nord, becoming an operational member of the group with a wealth of experience in mining and engineering (MarketLine, 2019).

3.2 Business Definition

As a business, DMT has a precise focus on four niches offering its services to O&G, mining, plant & process engineering and infrastructure & civil engineering (MarketLine, 2019). As a sufficient presence globally, the group achieved more the 10,000 projects, 226 patents and over 20 current R&D projects (Middle-east.dmt-group.com, 2020).

3.3 Major Services

The major services offered by DMT Group are as following:

- Engineering (Incl. mining engineering, fire safety, air quality, geotechnical Engineering and material processing)
- Consulting (Incl. investor & lender support, risk management, feasibility studies and HSE)
- Geotechnics (Incl. environmental services & rehabilitation and ground penetrating radar)
- Exploration (Incl. Geophysics and Surveying & Geo information)

(Dmt-group.com, 2020)

3.4 Key Competitors

Key competitors globally:

- AECOM (Aecom.com, 2020)
- WSP Global (WSPnz, 2020)
- ARUP & Partners International (Arup.com, 2020)
- GBM Minerals Engineering Consultants (Gbmmecc.com, 2020)

(Hanafy, 2019)

3.5 Corporate Strategy

As mentioned previously, DMT targets four specific segments limited to O&G, mining, plant & process engineering and infrastructure & civil engineering providing its service (Refer to 3.2). This approach is forming DMT's strategy as sticking to specific sectors where its expertise and competencies are significantly relevant to the natures of services provided (Hanafy, 2019). An evident differentiation focus strategy is implemented by DMT, with a narrow focus on the serviced industries, while sustaining the uniqueness of the competitive services (Refer to Figure2).

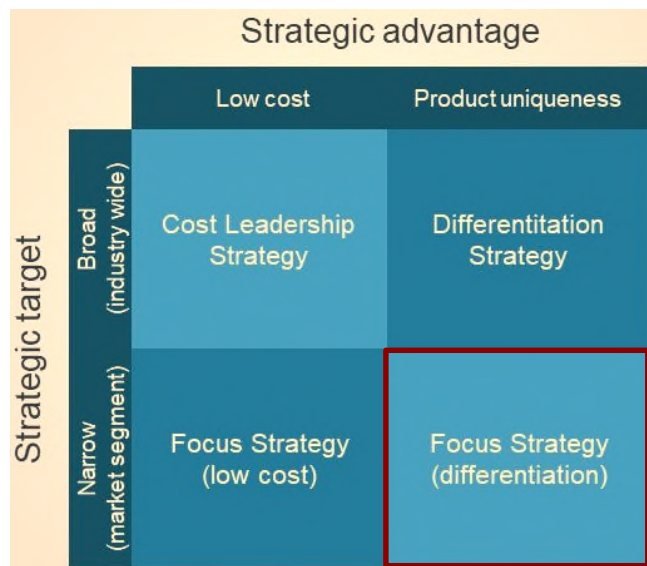


Figure 2 – DMT Position - Generic Strategies Diagram (Porter, 2008)

Achieving such competitive advantage required DMT to be selective about the operational scope and market appeal (Karnani, 1984), to eliminate the threat of being 'lost in the market'. While competing with firms of the same nature, DMT aims to continuously improve innovation & effectiveness to maintain that competitive advantage and distinguishing itself with R&D projects and working on industry related patents (Hanafy, 2019).

As business objectives prolongs to ambitious global expansion, in 2018 DMT has established the first office in the Middle East region (DMT GmbH & Co. KG Corporate Communications, 2018), targeting same segments locally (Hanafy, 2019). This report will look at the factors impacting expansion step whilst maintaining the differentiation focus & strategic situation in the competitive environment accordingly. (Refer to 2.2) (Karnani, 1984).

4. INTERNAL & EXTERNAL ANALYSIS

4.1 Market Definition

Targeting on Middle East market as DMT growing outside of Europe & UK (DMT GmbH & Co. KG Corporate Communications, 2018). The region consists of major countries, mainly Saudi Arabia, United Arab Emirates, Egypt, Qatar and Israel (MarketLine, 2018).

4.2 SWOT Analysis

Table 2 – SWOT Analysis

Strength ▪ Diversified sectors services ▪ R&D performance	Weakness ▪ New markets penetration
Opportunity ▪ Increase in Infrastructure investments globally ▪ Increase in mining sector globally	Threat ▪ Foreign currency fluctuations ▪ Regulations

4.2.1 Strength

Diversified sectors services

DMT group provides its services to a wide range of clients aiming growth across various sectors. As mentioned before, several services are targeting sectors like civil engineering & infrastructure, oil & gas, mining and plant engineering & process engineering (Dmt-group.com, 2020). Also, DMT is spread globally with 30 offices, providing services to multiple clients (Middle-east.dmt-group.com, 2020). This diversification forms a real strength as it mitigates the risk of dependence on a precise market or industry.

R&D performance

DMT group is leading in R&D, with established 226 patents and more than 20 R&D projects (Middle-east.dmt-group.com, 2020). That puts DMT in a strong position in the market enhancing clients' confidence as primarily attention to innovation, research and development.

4.2.2 Weakness

New markets penetration

DMT group have not entrenched itself in several spots as a strong name around Europe (Dmt-group.com, 2020). It was more expected for DMT to shadow TUV Nord in increasing its business and locations (Tuv-nord.com, 2020). This approach can be critical, as it results commonly competitors to step ahead and occupy market position with less effort, whereas DMT's growth chances are reduced.

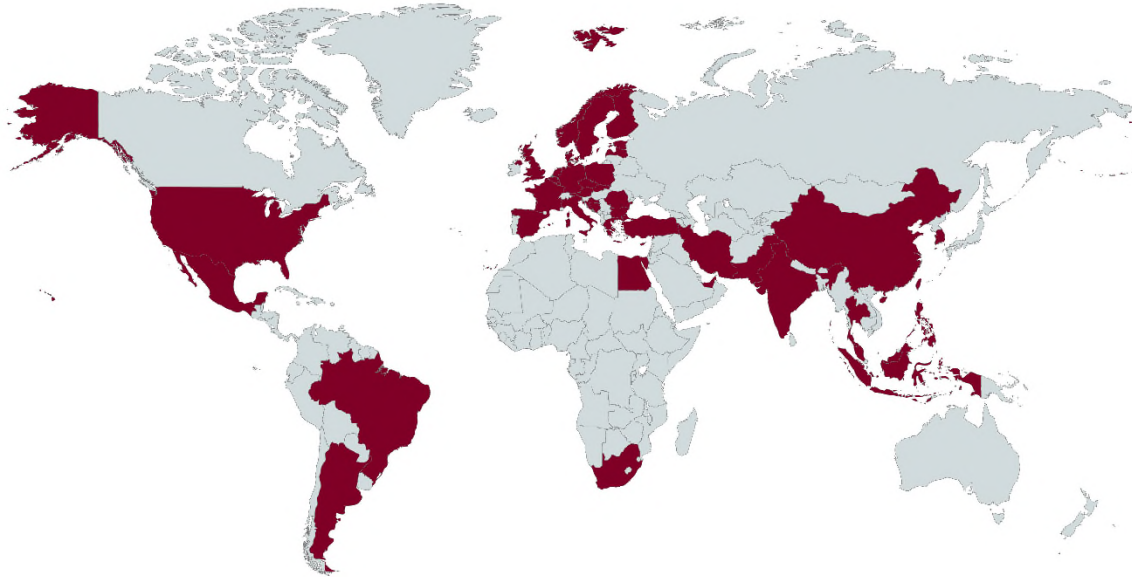


Figure 3 - TUV Nord Global Operation Map (Tuv-nord.com, 2020)

4.2.3 Opportunity

Increase in Infrastructure investments & mining sector globally

DMT Group has a potential opportunity benefiting from the growth in investment needs for infrastructure internationally. By 2040, the worldwide infrastructure investments are forecasted to proximate USD 94tn, according to the World Bank, as well as the increase of global population will create needs to meet economic challenges and demographic alterations everywhere (MarketLine,2019). This figure signifies growth at faster rate across the world.

It's expected that Middle East and North Africa regions to achieve further growth in construction during that period (Linesight, 2019). According to MarketLine, *"The construction output growth in the Middle East and Africa are estimated to grow in the forecast period (2018 to 2022) with 6.3%, followed by Eastern Europe (4.2%), Asia-Pacific (4%), Latin America (3.4%), Western Europe (2.3%) and North America (2.2%)"*.

4.2.4 Threat

Foreign currency fluctuations

As the company operates in multiple countries, foreign currency exchange rates can be an obvious risk in regards to expenses, as the company reports relevant financials in Euro (Tuv-nord.com, 2020). Appreciation or depreciation of other currencies, other than Euro, including Australian dollar, Canadian dollar and USD, could reduce profit margins of the company, and increase the spending in Euro (MarketLine,2019).

Compliance/ Regulations

DMT can be impacted by various regulation imposed by local governmental bodies where it operates, as relevant activities are subject to regulations (Hanafy,2019). DMT must sustain expenses to conform to relevant regulations and licences, which will obviously decrease profit margins. Furthermore, any type of failure to adhere to regulations may result in penalties and affecting the organisation's reputation in future business.

4.3 PESTLE Insight

PESTLE insight analyses the political, economic, social, technological, legal and environmental structures and elements. Middle East is the zone of focus, emphasising more on Saudi Arabia & UAE, as PESTEL factors in revealing to four areas, considering current strengths, current challenges, future prospects and future risks (Hanafy, 2019). Some factors might be displayed in diagrams, but not essentially discussed, depends in relevancy.

	2015	2016	2017	2018f	2019f	2020f	2021f	2022f
GDP at constant prices 2010 (\$ billion)	678.7	690.1	685.0	696.0	709.2	722.5	737.6	753.6
GDP growth rate (%)	4.1	1.7	-0.7	1.6	1.9	1.9	2.1	2.2
GDP, constant 2010 prices, per capita (\$)	21,508	21,380.5	20,796.3	20,741.5	20,772.6	20,816.9	20,916.7	21,053.6
Inflation (%)	2.2	3.5	-0.2	3.7	2.0	2.2	2.2	2.1
Exports, total as a percentage of GDP	33.4	29.8	30.5	31.4	32.2	32.9	33.8	34.6
Imports, total as a percentage of GDP	35.4	29.8	30.4	30.8	31.0	31.2	31.3	31.7
Mid-year population, (million)	31.6	32.3	32.9	33.6	34.1	34.7	35.3	35.8
Unemployment rate (%)	5.7	5.6	5.6	5.5	5.5	5.5	5.5	5.4
Mobile Penetration (per 100 people)	176.6	157.6	156.3	154.3	153.4	151.4	149.7	148.0

Figure 4 - Saudi Arabia – Key Fundamentals, 2018 (Marketline, 2018)

	2017	2018	2019e	2020f	2021f	2022f	2023f	2024f
GDP, constant 2010 prices (US\$ Bn)	386.11	392.77	398.82	408.73	419.72	429.32	439.51	450.22
GDP growth rate (%)	0.49	1.73	1.54	2.48	2.69	2.29	2.37	2.44
GDP, constant 2010 prices, per capita (US\$)	42,177.82	42,372.22	42,427.40	42,836.31	43,349.83	43,749.70	44,227.48	44,744.59
Inflation (%)	1.97	3.07	-1.77	1.41	1.77	2.36	2.54	2.72
Exports, total as a percentage of GDP	101.43	99.95	104.70	107.94	110.35	112.24	113.69	114.95
Imports, total as a percentage of GDP	91.15	92.25	94.25	95.01	96.39	97.91	99.37	100.83
Mid-year population, total (million)	9.40	9.54	9.68	9.81	9.94	10.06	10.19	10.31
Unemployment rate (%)	2.46	2.58	2.57	2.56	2.54	2.53	2.51	2.49
Mobile penetration per 100 people	208.98	208.50	208.03	207.56	207.08	206.61	206.14	205.66

Figure 5 - UAE – Key Fundamentals, 2019 (Marketline, 2020)

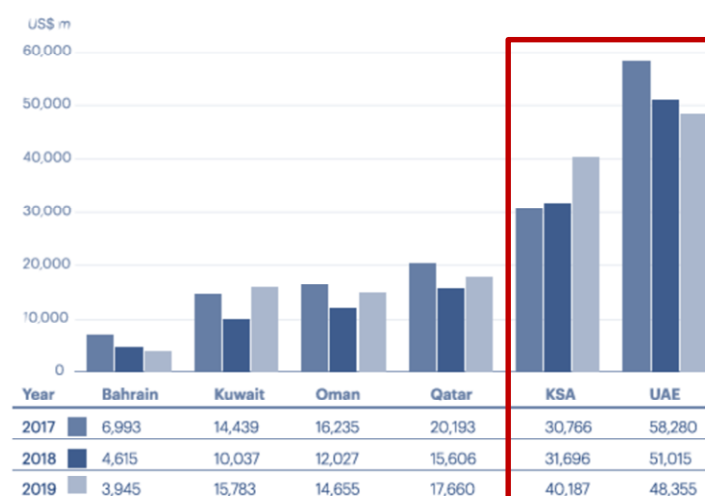


Figure 6 - GCC Construction Projects Awarded (Linesight, 2019)

4.3.1 Political

Table 3 – Political Factors Analysis

Current Strengths ▪ Political stability ▪ Investments agreements	Current Challenges ▪ Excessive governmental control
Future Prospects ▪ Strong foreign ties ▪ Geopolitical Power	Future Risks ▪ Conflicts with neighbouring states

The UAE sustains abundant political stability apart from unrest in the rest of the region (Kaufmann and FELLOW, 2011), with political stability rank of 71.43 percentile according to WGI in 2018. National acceptance for king's selection and governmental alterations is widely spread locally. Regardless scoring 28.57 percentile according to WGI in 2018, Saudi Arabia maintains good levels of political stability. A strict rule by the king & Al Saud family to govern the country caused keeping the continuity of policies with no major changes while upholding government stability (Lees, 1980). Saudi Arabia & the UAE form a vital part of the Gulf Cooperation Council (GCC) as founding members (Investmentpolicy.unctad.org, 2020). The council has numerous investment agreements amongst the council members and with other countries such as US, China and France (Gcc-sg.org, 2020).

Journalism, media & digital social media are well monitored by the authorities in both countries by the authorities, which puts high level of control over expression and criticism of the ruling families & government (RSF, 2020).

The GCC countries have strong ties with major countries on economic and political level, as mentioned before. The UAE keeps robust relationships with the European Union, UK and US, as part of the foreign policies, as well as maintaining diplomatic relations with other 50 countries worldwide (Al Mashat, 2008). Likewise, the UAE provides strategic access to NATO forces to its ports and relevant facilities (Al Mashat, 2008). Also Saudi Arabia has strong ties with the US, since president Trump was elected (the Guardian, 2020). The US president welcomed crown prince Mohammad Bin Salman on several occasions to develop and improve the bonds (the Guardian, 2020). Also, Saudi Arabia maintains close bonds with China, with great prospect on many cooperation between the two countries, expanding on energy, infrastructure, aerospace, education and technology (Wacaustin.org, 2020). Moreover, Bin Salman's plans for modernization and development form a great prospect for Saudi Arabian future creating significant atmosphere for investment (the Guardian, 2020). As regional allies, Saudi Arabia & UAE follows 'non-interfering' policy regarding internal affairs (Gcc-sg.org, 2020).

4.3.2 Economic

Table 4 – Economic Factors Analysis

Current Strengths ▪ Key region for O&G market	Current Challenges ▪ Declining oil prices
Future Prospects ▪ Attracting foreign investments	Future Risks ▪ Income dependency on O&G

The Middle East region is a major player in O&G global market, whilst Saudi Arabia & UAE are important members of the Organization of the Petroleum Exporting Countries (Opec.org, 2020). The economy in Saudi Arabia has increase by 9.14% between 2008 & 2013 (Marketline, 2018), while UAE recorded growth rate of 4.36% between 2010 & 2016 (Marketline, 2020). On the other hand, oil prices drop has caused an obvious economy slow down for both economies (BBC News, 2020), they retain more than 30% of the OPEC crude oil reserves share which represents nearly 26% of the global reserve. Whereas both countries register GDP per capita of 43,005 for UAE (Data.worldbank.org, 2020) and 23,418 for Saudi Arabia (Opec.org, 2020).

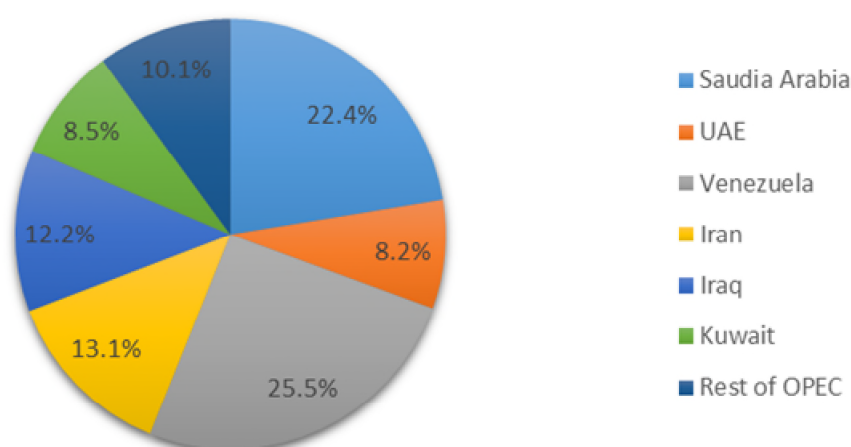


Figure 7 - OPEC crude oil reserves share (Opec.org, 2020).

The reliance on oil prices can be a major risk, and there will be a real need of economy diversification and focus on modernisation of the state. Financial services, tourism, renewable energy and real estate sectors are considered to be the economical focus to expand the non-oil sectors in UAE (MarketLine,2020), obtaining USD 443.25bn as total of non-oil trade in 2018 (Fcса.gov.ae, 2020). Saudi Arabian government has developed various programs to boost the non-oil sectors, including the Saudi Export Program and Saudi Fund for Development (MarketLine,2018), as the country aims to expand more in the non-oil trades such as renewable energy & manufacturing industries (MarketLine,2018) to reduce the reliance on O&G trades/ market as major source of revenue. Furthermore Saudi Arabia is investing in numerous infrastructure mega projects, worth nearly USD 80bn, to be accomplished by 2030 (MarketLine, 2018).

As free trade zones and zero-tax environment, foreign investment should be attracted to such environment. In UAE, foreign direct investment has recorded a growth in 2018 of USD 10.38bn with slight increase from USD 10.35bn in 2017 (UNCTAD, 2019). Those figure are forecasted to increase, upon adoption of new policies in 2018, agreeing on 100% ownership of companies by foreign investors (UNCTAD, 2019). UAE is ranked as one of the best countries in giving access to utilities for start-up businesses and issuing construction permits, according to World Bank.

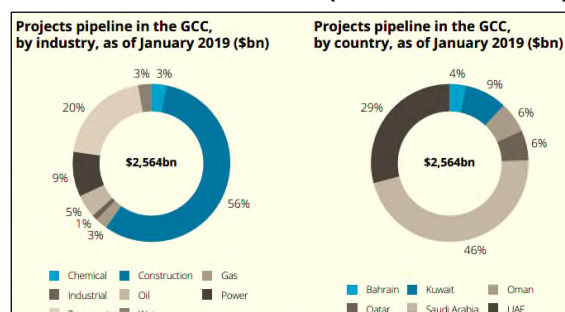


Figure 8 - Projects pipeline in GCC (Deloitte, 2020)

4.3.3 Social

Saudi Arabia & UAE are enjoying exceptional social & healthcare systems comparing to their peers in the region. UAE applies mandatory health insurance to all residents, depends on the emirate, obliging employers to provide minimum cover for workers including their dependents, as part of the Essential Benefit Plan (Medical Insurance, 2020). According to MarketLine, 'UAE has a low rate of unemployment and toil of semi-skilled workers for labour markets'. Some serious steps have been taken by the Ministry of Social Affairs to enhance the social security system (MarketLine, 2020). In Saudi Arabia, the government provides various social support program, including social welfare, through the General Organization for Social Insurance (Gosi.gov.sa, 2020).

Table 5 – Social Factors Analysis

Current Strengths Broad health & social security system	Current Challenges Women participation
Future Prospects Education improvements	Future Risks Health concerns around cancer & obesity

The presence of females in workforce and participation is always challenging topic in the Middle East region. In UAE, that could be a result of the gender ratio, as females are representing 28.3% in 2019 (MarketLine, 2020). The challenge is slightly different in Saudi Arabia, females represent 12% of the non-Saudi workforce, comparing to 88% are males whereas Saudi employed females are 16% to 84% male workforce, according to General Authority for Statistics of Saudi Arabia. While the majority of Saudi females are well-educated (MarketLine, 2018), the new education plan approved by King Abdullah will aim to improve the quality of education, according to Saudi Arabia Ministry of Education, and might be an opportunity to overcome such challenge offering females more chances to participate in the workforce and society.

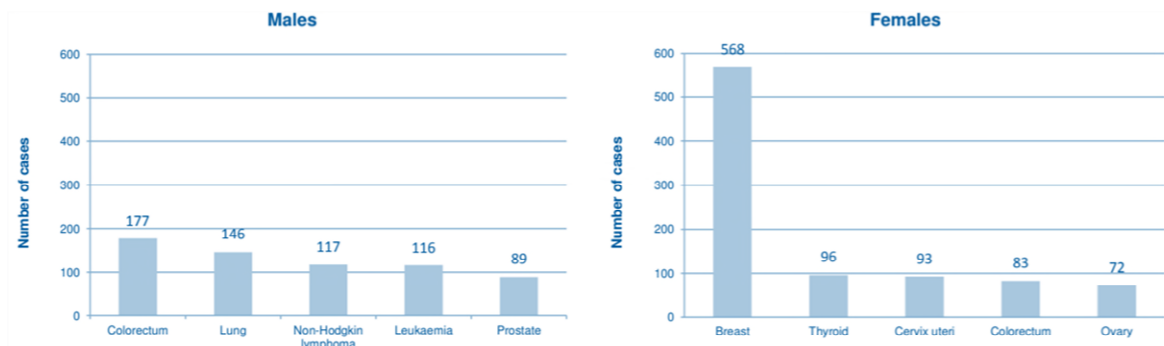


Figure 9 - Cancer Incidents, UAE (WHO, 2014)

Both countries suffer of medical challenges as major health concerns. In Saudi Arabia, obesity is a major health concerns that the state work on reducing relevant health risks (Al-Nozha, Al-Mazrou, Al-Maatouq, Arafah, Khalil, Khan, Al-Marzouki, Abdullah, Al-Khadra, Al-Harthi, and Al-Shahid, 2005). UAE residents suffer several types of cancer, comprising breast cancer, colorectal cancer, thyroid cancer, prostate cancer & leukaemia, according to World Health Organisation (WHO, 2014).

4.3.4 Technological

The high monetary growth rates for both countries and the relevant robust financial position dictates to invest more in innovation & technological research & development and expand the digital network (MarketLine, 2018) (MarketLine, 2020). The UAE owns a strong tele-communications infrastructure, providing an attractive environment for digital entrepreneurs, however relevant laws need to be reinforced including trademark protection and IP laws (MarketLine, 2020). Likewise, Saudi Arabia has weak protection laws and relevant implementation of intellectual property right laws which appear to be a main risk in technological side.

Table 6 – Technological Factors Analysis

Current Strengths E-commerce & financial institution technological development	Current Challenges Humble scientific outputs
Future Prospects IT market growth	Future Risks Lack of intellectual property record

4.3.5 Legal

Table 7 – Legal Factors Analysis

Current Strengths Simple taxation system	Current Challenges Traditional judicial rules
Future Prospects Minimal income tax	Future Risks Strict laws

Businesses in UAE enjoy the simplest tax system globally ranked 16th (out 190), according to World Bank. Although the revenue of tax isn't contributing into the local income, the simple tax structure is one of the features drawing more investment into the region (MarketLine, 2020).

The judicial rules in Saudi Arabia rested conservative and according to traditional standards, regardless the economic advancement reached by the country, as the king is judicial head appointing the justice minister (MarketLine, 2018). The judicial system can be reflected on some laws, being rigorous comparing to mutual international standards, which forms vital risk (Vogel, F.E., 1999). In 2017, women were allowed access to all governmental services upon King Salman's order, terminating the male guardian, with some exceptions (MarketLine, 2018), which shows high level approach of improving and refining traditional systems to give more flexibility.

4.3.6 Environmental

The continuous increase of growth was leading to fast progress in standard of living, resulted consumption of significant quantities of resources including food, energy and fibre. The UAE has set up the suitable framework to reduce environmental impact and wastage (Government.ae, 2020). Correspondingly, Saudi Arabian government has developed relevant regulations to address environmental matters (MarketLine, 2018). Despite the fact that renewable energy is a key focus in the region, the emissions level and climate conditions remain to be a main concern.

Table 8 – Environmental Factors Analysis

Current Strengths ▪ Appropriate environmental policies	Current Challenges ▪ Emissions levels & weather conditions
Future Prospects ▪ Renewable energy projects ▪ Green agenda	Future Risks ▪ Climate change effect

4.4 Five Forces Analysis

As DMT Group is targeting primarily to mining & infrastructure clients, microenvironment should be directed towards Middle Eastern construction and metals production where civil engineering and relevant practices are the focus (Hanafy, 2019). For this purpose, five forces analysis will reveal & assess the market key aspects, including service providers as key suppliers (Porter, 2008).

4.4.1 Buyer Power

In Middle East, buyers are broad spectrum in construction market, varied between individuals, property developers and governmental projects that includes civil engineering & public infrastructure work (Linesight, 2019). Infrastructure projects funded by the governmental institutions, including construction of roads, transportation, utility infrastructure and public works, are commonly put out to public tender practices (Deloitte, 2020). The public tender process and relevant selection criteria vary from country to other, therefore give limited power and flexibly to bid contenders. Whereas pricing is the most critical bid element (Deloitte, 2020). Same factors applies for urban development & commercial buildings bids in Middle Eastern countries, depending on urbanization rate (MarketLine, 2019), for example data centres that accompanies digital expansion (Linesight, 2019).

Similarly, metals and mining sector in the Middle East is growing and improving (Austrade.gov.au, 2020), whereas iron & steel are dominating with value of 57.8%, as multiple usage for various applications (MarketLine, 2018). As big players are involved as buyers, with large financial capacities, long-term negotiations for contracts is likely which can impose prices (MarketLine, 2018). In 2016, there was a clear gap of 7.9 million tons between demand and supply through the Arab countries (Arab Iron & Steel Union, 2020), which indicates a great opportunity for expansion on production.

Therefore, buyer power for both is evaluated moderate.

4.4.2 Supplier Power

The construction industry is greatly segmented in terms of suppliers, compromising material suppliers, sub-contractors and specialized service providers. It's very challenging to alternate a specialized service provider in relevant activities, such as planning, health and safety or engineering (Linesight, 2019), however large number of service provider can generally impact the power of suppliers (MarketLine, 2019). Service quality can be vital and key in distinguishing between businesses. Mining sector follows the same as construction in supplier power. Additionally, high skilled and experienced workforce are vital for mining industries, which are regularly rare and very costly in terms of retaining or training (MarketLine, 2018). Therefore, supplier power is evaluated moderate for both markets.

4.4.3 New Entrant

Construction is one of the heavy industries which involves significant capital, however, construction firms and service providers are asset-light with the ability of outsourcing activities on site and gear to be hired (Linesight, 2019). This arrangement is lowering the cost and the risk for new entrants to the construction market. In the mining sector, it's more trending for companies and institutions to merge and integrate through acquisition strengthening their position, whilst lowering relevant costs and expanding into new markets (MarketLine, 2018).

Each country individually has a group of restrictions including customs, regulations and tariffs related to mining and construction industries (Austrade.gov.au, 2020). UAE has a diverse set of regulations across various emirates (Austrade.gov.au, 2020). Relevant permits, site health & safety and security are types of governmental regulations, therefore compliance with requirements can increase the cost (Deloitte, 2020). Moreover, foreign companies are required to obtain relevant licenses from local states to operate (Hanafy, 2019).

As a conclusion, moderate is the threat of new entrants for both industries.

4.4.4 Threat of Substitute

Substitutes for both industries differ slightly. As substitution for metals can be considerably weak (MarketLine, 2018), construction sector is different as it's difficult to study the feasibility of alternatives (Hanafy, 2019). For example, infrastructure and commercial projects alternatives are less valid, depends on relevant demand and purpose of the project (MarketLine, 2019). The threat of substitute can be assessed differently for both sectors, as mining is weak and construction is moderate.

4.4.5 Degree of Rivalry

Construction contains various levels of companies, comprises small & medium enterprises with large institutions and corporations (Linesight, 2019). This type of segmentation limits rivalry within the relevant target market and operations (MarketLine, 2019). The big players in the market involve continuously in infrastructure and commercial projects (Linesight, 2019). Competitive advantage and quality service are more vital for specialised service providers to keep across the competition (Deloitte, 2020). There are numerous of services within the industry, including design and project management (MarketLine, 2019). The Degree of rivalry is strong within both industries as it's evident.

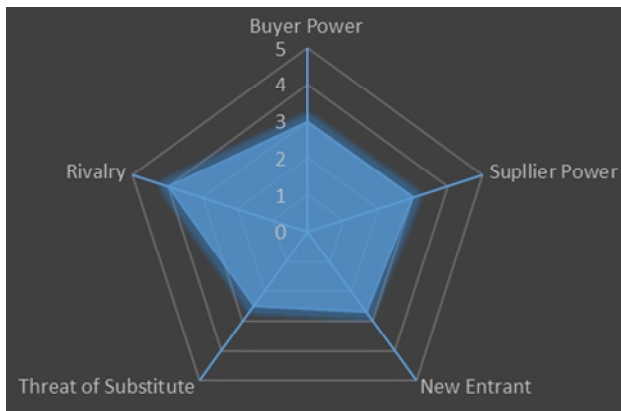


Figure 10 - Forces driving Mining industries - Middle East (MarketLine, 2018)

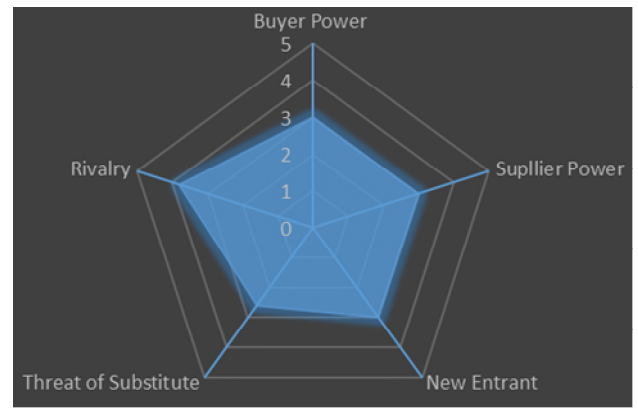


Figure 11 - Forces driving Construction - Middle East (MarketLine, 2019)

5. CONCLUSION & RECOMMENDATIONS

Based on all analysis and assessments conducted on the DMT, the market and the surroundings, it's apparent that numerous of open-doors and opportunities are available in expanding in the Middle East region, concurrently lining up the differentiation focus strategies with the business objectives.

As the differentiation of companies in construction industry is typically by the variety of services provided (Deloitte, 2020), joining forces with an economy of scale contractor operating locally will present a real prospect, where both firms can combine their strengths of competencies, learnings and experiences. This approach can take several arrangements, including project joint venture, or delivery partner model, whereas each arrangement will achieve reducing or sharing specific risks.

Likewise DMT group can shadow its main company, TUV Nord, in reaching clients as TUV Nord has an established operational office in the Middle East (Tuv-nord.com, 2020). Similarly, reaching the client that DMT previously deal with and established good relations with in Europe, where they have business in the region. That should be fairly simple and professional, as familiarity of their organisational standards, culture and values would give DMT an apparent advantage to build the brand loyalty within the Middle East.

Furthermore, the company need to focus on hiring skilful and qualified calibre within the region, as relevant industries are resources sensitive. The appointment of Hazem Hanafy as Middle East Managing Director in 2019 (DMT GmbH & Co. KG Corporate Communications, 2018) indicates the intent of DMT to sustain that uniqueness and the homogeneity of continuously providing high-end services in the region. With 19 years of experience in civil engineering, infrastructure and mining internationally, Hazem Hanafy is a great add value to DMT (LinkedIn, 2020). Also, he is a fellow member of Engineers Australia (FIEAust) and currently the chairmen of the chapter in UAE of Engineers Australia (LinkedIn, 2020), which will help the company with establishing connection locally with fellow engineers effortlessly.

With the substantial increase of investment in infrastructure and mining sector globally, whereas it's in faster pace in the Middle East region, DMT will be heading to bid & build a considerable profile within its niche focus locally. Therefore, DMT will succeed in sustaining the overall differentiation focus strategy in the Middle East as in Europe.

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