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9B17M002

Château Qanafar: starting and operating a Lebanese VINEYARD

Bettina Bastian and Randa Salamoun wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On a warm spring day in 2016, George Naim, founder and chairman of Château Qanafar, a Lebanese winery, strolled along the seafront promenade in Beirut, Lebanon. Naim had just finished a meeting with Nick Karam—the wine buyer for a large luxury hotel in the city. Although the meeting had been positive and Naim had secured a new client for his winery, the difficult negotiations had reminded him how challenging the Lebanese wine market was. A handful of large wineries had monopolized the market for many years, until various promising new wineries had started to enter the local industry around 1990.

At 74 years old, Naim was proud of his company and its achievements thus far. Together with his wife and son, he had started the wine production in 2005. By 2010, the three had succeeded in constructing a state-of-the-art vineyard and developing a wine from scratch. Within a decade of its inception, Château Qanafar managed to produce one of the best wines of the Middle East, and obtained international acclaim. However, despite this success, Naim understood that the general business environment in Lebanon was characterized by many uncertainties related to a weak institutional environment and high political and economic risk. Moreover, Lebanon represented a very small domestic market for wine producers. Naim knew that Château Qanafar’s capability to produce well-crafted boutique wine would not be enough to ensure its success in the market. How could the business sustain and grow its operations in the future?

George Naim

Naim was a chemical engineer by training, and he had held various executive positions at the international level for a large multinational company before founding Château Qanafar. With regard to his passion for winemaking and oenology,[[1]](#endnote-1) Naim was self-taught: he had acquired his knowledge and skill by studying publications and reference materials.

In 2004, Naim grew his first vineyard as a hobby in the area of Khirbet Qanafar, his hometown in the Bekaa Valley in Eastern Lebanon. Initially, the wine was not intended for commercial purposes. At the time, Naim’s sister owned a small vineyard that he helped to harvest, using its grapes to make his first wine in 2005. To his surprise, the wine was very well received by friends, family, and visitors, who tasted it and encouraged him to further develop his venture with a larger-scale production. In fiscal year (FY) 2006/07, Naim acquired his first land for vine planting in Lebanon’s Bekaa region. The vineyard was located near the town of Khirbet Qanafar, on the foothills of Barouk Mountain, in an oak-forested terrain that overlooked the Bekaa Valley, Lake Qaraoun, and Mount Hermon. The region was situated about 70 kilometres southeast of Beirut, at 1,200 metres (m) altitude in an area with calcareous soil,[[2]](#endnote-2) which contributed to the high quality of the wine. Since 2004, Naim had been expanding the vineyards, adding several hectares (ha)[[3]](#endnote-3) to his property in order to increase capacity. In 2015, his vineyard comprised 18 ha of land.

In 2010, Naim began to build his planned five-floor winery, which had three floors underground (measuring 1,000 m2 each) by 2016. The ground floor was comprised of a production area and a space for visitors to meet and to taste the wine; these two areas were separated by a glass partition that allowed visitors to observe operations. Naim also planned to build a catwalk between tanks so that visitors could walk through the production facilities and learn about the winemaking process first-hand.

The LEBANESE wine industry

As one of the oldest wine-producing regions in the world, Lebanon had a long tradition of winemaking. The ancient civilization of Phoenicia (1550 BCE to 300 BCE), which occupied the same geographic area as Lebanon, cultivated and exported its wines, and also pioneered viticulture and wine appreciation.[[4]](#endnote-4) As of 2015, wine grapes covered 2,000 ha of land in Lebanon, and Lebanese wineries produced 8 million bottles (8,000 kilograms) of wine.[[5]](#endnote-5) Compared to global standards (e.g., France produced 80 million bottles per year), the Lebanese wine sector was tiny.[[6]](#endnote-6) Lebanon had a population of 4 million, and domestic wine consumption was around 4 million bottles, which included imported wine (see Exhibit 1).

The number of wineries in Lebanon had increased sharply since the end of the Lebanese Civil War in 1990. Only five wineries existed in Lebanon immediately after the war, whereas by 2015, there were 40.[[7]](#endnote-7) Entering the wine industry required substantial initial investments, and production costs were high. Most wineries did not see return on their investment before 10–20 years: land and labour were relatively expensive in Lebanon, and all equipment, barrels, bottles, etc. had to be imported and were subject to a value-added tax (10 per cent) as well as a customs fee (5 per cent). The major export markets for Lebanese wines were the United Kingdom, France, the United States, Canada, the United Arab Emirates, Germany, and Belgium.[[8]](#endnote-8) Lebanese wineries produced a large variety of wines in order to differentiate themselves from their numerous international competitors. Lebanese winemakers’ unique advantages included their creativity, their long cultural wine tradition, and their human capital.

Despite its predominantly medium-quality and high-quality wines, Lebanon represented only 0.018 per cent of global production, which pushed producers to find niche markets in order to sell their products. Many new entrants envisaged the production of high-end wines, yet the major competitive challenge stemmed from imported wine, which was still preferred by most Lebanese consumers due to higher brand recognition and appeal. Moreover, foreign wines (especially French imports) profited from the gradual reduction of customs taxes until 2014, when these taxes were cancelled entirely. In this way, foreign wine producers that produced based on economies of scale had an important advantage over local wineries when it came to the ability to offer competitive pricing.[[9]](#endnote-9)

Château Qanafar: a BOUTIQUE WINEry

Naim referred to Château Qanafar winery as a “boutique winery,” a term often used to describe small intimate wineries where wine was produced in an artisanal fashion. Although there was no standard definition of “boutique winery,” it was assumed that these wineries produced small quantities—about 5,000 to 8,500 cases of wine a year.[[10]](#endnote-10) The boutique winery model went back to winemaking traditions in France, where some high-quality wines were produced in very limited quantities. However, the term was not French, and had in fact originated among some small wineries in California in the 1970s, before being adopted by many producers across the globe.[[11]](#endnote-11)

Boutique winemakers were typically very passionate and knowledgeable about their wines, and took substantial pride in their products. These wineries were seen as more than just businesses. Their winemakers were personally involved in all aspects of the winemaking process. Further, they usually put significant time and effort into cultivating a dedicated clientele, and often had personal relationships with their customers.[[12]](#endnote-12)

Boutique wines were expected to express and reflect the flavours of their particular region.[[13]](#endnote-13) In Lebanon, most vineyards were boutique operations with high quality standards. The country’s winemakers hoped that this level of quality would turn Lebanon into one of the most important and prestigious boutique wine nations in the world.[[14]](#endnote-14) According to Naim, the wine did not have to taste identical each year: “Our wine will differ from year to year, but it will improve in character. [Variations in] the vineyards, climate, and soil give [the wine] a specific character. . . . There is a balance between the taste of the wine and the flavour of the oak.”

In terms of advertising, Château Qanafar relied heavily on wine exhibitions, such as Vinifest in Beirut, which took place every September to bring together wine producers and wine lovers from the region and abroad. In 2013, Château Qanafar was also covered by a popular Beiruti arts and culture magazine, *Hangout*. However, Naim was cautious about advertising because he felt that too much publicity would contradict Château Qanafar’s boutique winery image. Moreover, because the wine was only available in a few distribution outlets at that point, Naim did not believe that it was wise to market it to the mass market.

Château Qanafar produced the best wine possible based on modern winemaking methods and each year’s particular harvest conditions. The company expanded its production from 3,000 bottles per year in 2005 (its first year of operations), to 70,000 bottles in 2015 (see Exhibit 2). This was a relatively small output in comparison to larger Lebanese wineries, such as Château Ksara, which produced 3 million bottles per year.

It was not Naim’s intention to surpass the production levels of other boutique wineries; he wanted to limit Château Qanafar’s production somewhat—partly in order to preserve the high quality and character of the products, and partly because certain aspects of management would become more difficult to control and maintain with growth. However, the company’s short-term goal was to produce 125,000 bottles per year, its medium-term goal was an output of 200,000 to 300,000 bottles per year, and its long-term target was 500,000 bottles per year. According to Naim, terroirs[[15]](#endnote-15) similar to those already used by Château Qanafar could be secured in the mountains around Khirbet Qanafar and neighbouring villages; these would have to be developed to reach the size required for Naim’s envisioned production levels. The production capacity could also be expanded by adding tanks in the space already available. Naim intended to maintain the winery’s boutique status by emphasizing that “there will never be a compromise on quality.” He specified:

We will continue to know our vineyards well; the quality grapes that we allocate for the boutique-quality wines will continue to be allocated. The staff and the quality control unit will continue to follow the same processes. Because we do not buy grapes from third parties, as many others do, and strictly use our own grapes, increasing the volume will not negatively affect the quality of our wines.

Château Qanafar wanted to create a label that related its wines to the culture and history of the surrounding region. It also wanted to convey the fact that winemaking in Lebanon was a very old and well-established tradition, dating back to the Phoenicians. The company’s branding strategy started in 2008, and demonstrated Château Qanafar’s connection to the history of winemaking in Lebanon, as well as the desire to tell its company story. For one of its first wines, the winery adopted the name “Paradis” (French for “paradise”), which translated in Arabic to “Naim”—the founding family’s name. Paradis was a light and fruity red wine that used about 50 per cent Cabernet Sauvignon grapes and 50 per cent Merlot grapes. The second major label was the eponymous Château Qanafar, a high-end red wine based on Cabernet Sauvignon, Merlot, and Syrah grapes. The company also started to produce wines based on other, white wine grape varieties, such as Sauvignon Blanc, Viognier, and Riesling.

Château Qanafar’s dedication to quality was recognized in numerous contexts. For example, at the Horeca trade show in 2014, the Château Qanafar 2011 was praised and named for its unique taste and complexity; the renowned French wine guide *Gilbert & Gaillard* ranked the same wine as 93 out of 100—the highest rating for any Lebanese wine that had ever participated in the tasting. At the 2014 “Ultimate Wine Challenge” in New York City, the Château Qanafar 2011 was rated 92 out of 100, and was a finalist for the Chairman’s Trophy award.[[16]](#endnote-16)

THE COMPANY

Château Qanafar was a first-generation family business run by Naim, his wife, Colette, and their son Eddy. (Their daughter, Eva, was a silent partner, but there were plans to integrate her into the operational business in the future.) The company’s mission was “to lovingly create . . . Lebanon’s finest wines.” According to Naim, this involved producing the highest-quality products in a sustainable manner.

It was important for Château Qanafar to contribute to the local community, and to respect the natural environment. Naim grew up in a small village and had enjoyed playing and living in its natural surroundings as a child; the preservation of nature was an integral part of his life. As an example, he referred to the large oak tree in the middle of the vineyard that the family had decided to keep because it represented both a nice shady spot for visitors and the company’s attachment to nature. Naim and his wife successively planted additional trees in the surrounding hills and vineyards. Investment in Château Qanafar was beneficial for local development because it created jobs for residents, as well as attracted an increasing number of visitors to the area. For all these reasons, preserving a clean environment was at the core of the company’s activities—especially because Naim also saw the winery as a place that attracted people (including those from Beirut) who wanted to spend more time in nature.

Naim made the initial investment in Château Qanafar himself. He established the company so that each of the four family members would own equal shares in it, because he wanted to maintain the winery as a family business. Eddy Naim, a computer scientist, studied winemaking at the University of California, Davis, and became a certified winemaker in 2011. He was expected to become his father’s successor and lead Château Qanafar into the future. Yet, Naim did not exclude the possibility of inviting third-party investors to engage with the company as a strategic option.

At 74 years old, Naim was the official chairman and general manager of the company, but Eddy was effectively starting to assume the role of general manager; he oversaw everything he could, from purchase and storage of supplies to operations and inventory management, as well as other responsibilities. Naim’s wife, Colette, was in charge of sales and marketing; her responsibilities included all communications and interactions with customers and distributors. However, roles and responsibilities were not always strictly defined within the company; for instance, Eddy also contributed to sales and marketing. All business functions were managed by the three family members, who worked as a team to ensure the smooth running of the business. But in order to grow the business further, Naim felt he needed to hire professionals in sales, distribution, accounting, and operations. He anticipated that recruitment would be gradual and in accordance with any requirements as they arose.

Like many family firms in their early stages, Château Qanafar was governed informally, through casual family meetings. Topics were typically driven by business developments and needs, and ranged from daily operational issues to important strategic decisions. At the same time, final decisions were not easily reached, because not all family members shared the same perspective and vision regarding various issues. Naim pointed out that some family members tended to participate in these discussions in a more emotional way than others, but the family had always been able to come to sensible decisions thus far. He described Château Qanafar’s decision-making process as follows:

In case of discrepant opinions, the decision is deferred to another discussion, if it can bear delay. If not, we would concede to the most suitable decision but we note the other opinions. It is important to keep the family intact in order to avoid serious splits. Sacrifice, concession, and compromise are important factors in a family business. We must recognize that in winemaking aspects, we go with Eddy’s logic because he is the professional winemaker by training.

Decisions regarding different business functions had been delegated to the respective family members responsible for those functions. However, in the case of significant investments, the family members all agreed to openly share their views. Yet in many cases, investment decisions were made by Naim, which led to temporary frictions between the partners. Overall, Naim had been able to convince the rest of the family to align with his views, thus moving the business forward.

In addition to the leading management team, five people worked for Château Qanafar: a foreman (in charge of the operations and maintenance of all the equipment in the winery), two workers, an accountant, and a driver. Two of these employees benefitted from full social security according to Lebanese laws. Further, during the harvest, Château Qanafar hired about 50 seasonal labourers. These were mainly workers who had settled in the Bekaa Valley years ago. They had valid work permits and were hired year after year. Naim liked to work with these experienced agricultural labourers because the grapes needed to be handled with care, and it took some experience for workers to understand the needs of the winemaking processes.

In terms of the actual winemaking, Naim was personally in charge until 2009, when Eddy joined and became the dedicated winemaker. The company also sought support from local and international oenology consultants.

WINE PRODUCTION

Before each yearly wine production cycle, Château Qanafar forecasted its harvest and, accordingly, the expected wine production. The forecast was based on the area of land to be harvested, the grape varieties, the weather, and the wine grade to be produced. This forecast was readjusted in May and used to order supplies like yeast, bottles, labels, oak barrels, and corks. Production of the wine involved the following phases.

After the harvest, the grapes were brought back to the winery and de-stemmed in a machine. They were then transferred to a reservoir, where yeast was added and the mixture left to rest for 10 days to ferment and turn into the wine product. The mixture was then decanted, and the wine was collected and sarved for the production of Château Qanafar’s premium and Paradis wines. The skin that settled was pressed, and the collected pressed wine was used for the production of a side product line (“Arak”).[[17]](#endnote-17)

To produce the Château Qanafar wine, the wine was transferred to storage tanks where it remained for seven to 12 months. Then the wine was transferred to barriques[[18]](#endnote-18) where it was aged for 12 months; each barrique was only used a maximum of two times. Allocation to the various barriques was decided by a consultant oenologist and Eddy, who also tested each barrique to determine whether the wine was of sufficient quality once it was ready.

Ultimately, the wine was transferred to a storage tank to prepare it for the Château Qanafar blend. Other wines that were kept in the tanks would be added to the batch used for Paradis. The Château Qanafar-quality wine was left in the storage tank to stabilize and blend the flavours (since it was held in various barriques with a stronger or milder oak flavour). After settling, the wine was bottled, and the bottles stored for three to four years before they were sold. Château Qanafar aimed to keep and age 20 to 25 per cent of these bottles to be sold in subsequent years for a higher price.

MANAGING OPERATIONS

At the operational level, the Naim family was mainly concerned with sales, order fulfilment, and collection. The family members knew that they needed to formalize and systematize operations, but managing construction, production, and business development all at once was proving extremely difficult.

Sales

In the local Lebanese market, Château Qanafar focused entirely on direct retail sales. Naim was considering working with a local distributor but he was not sure whether it was worthwhile due to the costs associated with producing a boutique wine (see Exhibit 3). By 2016, three main distribution channels had been considered: supermarkets, hotels, and restaurants and wine bars. Supermarkets were not a priority in light of Château Qanafar’s positioning; Naim did not want his wines to compete with the low- and medium-quality wines that were typically available in supermarkets. The wines were only available at Carrefour, a supermarket reputed to have a wide wine offering (see Exhibit 4).

Château Qanafar selected special clients and prestigious outlets to display and sell its products. In this context, the company concentrated on high-end hotels, restaurants, and wine bars. Some hotel restaurants and restaurants located downtown (a district that had become increasingly popular for its night life) promoted Château Qanafar as their “wine of the month.” According to Naim, restaurants sold the Château Qanafar wine at a price of US$40–75 per bottle.[[19]](#endnote-19) The suggested retail price of a bottle of Château Qanafar, on the other hand, was $25. The company gave a discount of 20 to 30 per cent to restaurants and bars, which was customary in the market. (Typically, Château Qanafar supplied 12 bottles but invoiced 11 and offered one free bottle as a discount.) Distributing wines through these channels was not easy; restaurants and pubs often told Naim that other wineries had paid them a rebate or fees of up to $65,000 per year to include their wines on the restaurants’ wine lists.

Even though the winery had not yet opened its tasting room, the Naim family marketed Château Qanafar’s wines directly by pouring to friends, guests, and visitors who visited the vineyard. Wine was also offered free in Beirut at several social events. Direct sales to visitors, friends, and acquaintances were a valuable distribution channel for the company because they were relatively cost-effective compared to sales through distributors.

Order-Taking and Fulfilment Process

About 30 per cent of Château Qanafar’s production (21,000 bottles) was sold in the local market. The company had about 50 customers in total, which meant that each customer purchased about 420 bottles per year, on average. The large number of transactions was explained by the fact that some customers ordered weekly, while others ordered biweekly or monthly depending on their storage capacity. Naim explained, “Last week, one of our customers, a restaurant, ordered two bottles! Both Colette and Eddy went to deliver the bottles, but . . . a restaurant of this calibre should at least order one case.”

To place an order, clients would call one of the Naim family members or send a text message; email requests and orders were rare. The order was immediately confirmed to the client using the same communication medium. The person who received the order sent it to Eddy by email so that he could keep a written record of the order. Once Eddy received the email, he used the accounting system to issue an invoice, then saved the invoice in PDF format and stored it on a shared cloud drive folder. The warehouse manager then printed two copies of the invoice: one copy was signed and stamped, and the second copy served as a packing list and delivery note. The warehouse manager prepared the order, attached the two copies of the invoice to the order, and scheduled the delivery. He assigned the delivery to the driver based on the client’s preference, and also made sure to give the address and phone number to the delivery driver. The wine was then delivered to the client along with the invoice and delivery note. The client was asked to sign the delivery note, which would be returned to the warehouse manager and filed as a legal proof of delivery.

Collection

Individual customers usually paid cash, in which case the driver collected the cheque or cash and brought it back to Eddy, who was in charge of invoicing. For business customers, the term of payment was 60 days. Château Qanafar sent its clients a statement of account every quarter (or as required) as a polite reminder for payment. At the end of each month, all invoices and receipts were sent by email to the accountant, who worked on a contract basis for the company. The accountant checked the transactions and compared payments with invoices to ensure that all transactions were correct. In the case of inconsistencies, he emailed Eddy, who arranged to check and ratify any inconsistencies.

The Naim family members described their embarrassment when they gave their customers a tour of the vineyard and asked them to pay a pending invoice. Naim added that, on the other hand, sometimes the cheque was already written and waiting at the customer’s to be picked up by Château Qanafar’s driver.[[20]](#endnote-20) Usually, the customer did not inform Château Qanafar that the cheque was ready, and the Naim family members felt uneasy about calling their customers and asking for payments, which they considered rude.

Naim recognized that Château Qanafar did not control payment terms adequately. He believed the company needed to hire a person responsible for credit and collections, and also needed to set clear policies and procedures for collections and credit control.

FUTURE DIRECTION

Given the relatively small market size of Lebanon, Château Qanafar (like many other Lebanese wineries) planned to dedicate about 30 per cent of its products for the local market and 70 per cent for export, which was a common approach for Lebanese winemakers. Château Qanafar mainly exported to Germany because one of the country’s largest wine importers was an early visitor to its vineyard. Since then, the company was able to find other distributors in Europe (notably in Belgium, the Netherlands, and Luxembourg), as well as in the United States and Brazil. Naim had considered China and other Asian nations as future customers, but Château Qanafar was unfamiliar with that market and hoped to collaborate with a relative who lived in China in order to make its first contacts there. Naim expected to have additional costs in China, because local support and sales staff would be necessary in order to effectively enter the market. With respect to export markets, Château Qanafar relied on quality distributors.

Naim planned to establish a Château Qanafar boutique in Beirut in order to display the company’s products to a larger public. Château Qanafar’s boutique wines aligned with the interests of many Lebanese consumers who enjoyed locally produced high-end products, which reflected a worldwide trend. Château Qanafar’s target customers were typically well-educated and knowledgeable about wine culture; they also had the purchasing power to obtain high-end products. These clients sought greater attachment and identification with the region, and preferred specific local tastes and experiences as opposed to standardized mass market products.

Naim understood that the competition was very strong in the boutique wine sector. Lebanon had been a challenging environment for young firms like his; the company was located in an unstable environment, where roads to resources were sometimes closed for security reasons, and basic infrastructure (e.g., a constant electricity supply) was lacking. Moreover, winemakers faced substantial costs regarding land acquisition, electricity (supply of generators), water, imported goods necessary for production, and marketing. At the same time, it could be years before vines were mature enough to produce high-quality grapes.

Naim wanted to build a sustainable business for his family that would guarantee income for his children in the future. He knew that Château Qanafar’s returns would be slow and its profit margins comparatively small. He had sufficient strategic experience as an executive to understand that Château Qanafar could not rely solely on the ability to produce well-crafted, high-quality wine. As he walked through his beloved vineyard, Naim reflected on all the options. Developing synergistic business areas (e.g., wine tourism) would be challenging, but Château Qanafar needed a strong and sustainable infrastructure that would allow and support future growth.

Exhibit 1: Facts about the Lebanese wine industry

**Production**

7 million bottles

**Area of wine grapes**

2,000 ha

**Industry value**

US$41 million

**Number of wineries**

40 wineries (19 Union Viticole Libanaise members)

**Top export markets in order of market share**

* United Kingdom 32%
* France 17%
* United States 14%
* Canada 5%
* United Arab Emirates 5%
* Germany 4%
* Belgium 4%

**Primary wineries**

* Château Kefraya: the top Lebanese winery and the second-largest producer, producing 2 million bottles per year.
* Château Ksara: the largest producer of wine in Lebanon. Its annual production reached 2.5 million bottles per year, and it produced 30 per cent of the annual Lebanese export.
* Château Musar: the third-largest family-owned winery in Lebanon. It produced pure natural wine, with no interference of technology in the process.
* Château Fakra: founded by Carlos Guillermo Adem in 1985, Château Fakra was a major producer of exported Lebanese wines.
* Château Nakad: founded in 1923 and located in the village of Chtaura in the Bekaa Valley, it produced three red wines, and was well known both in Lebanon and in the international wine market.

Source: Macropolis L.L.C., “Top Wine Producers in Lebanon,” Macropolis, July 8, 2012, accessed April 6, 2016, www.marcopolis.net/top-wine-producers-in-lebanon.htm; Union Vinicole du Liban, “Facts,” Lebanonwines.com, 2011, accessed July 2, 2015, www.lebanonwines.com/facts.php.

Exhibit 2: Château Qanafar: key figures

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| Production in bottles | 3,000 | 3,000 | 3,000 | 3,000 | 14,000 | 14,000 | 14,000 | 14,000 | 50,000 | 50,000 | 70,000 |
| Sales (in US$) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,000 | 5,000 | 6,000 | 11,000 |
| Account receivables (%) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 60 | 50 | 50 | 55% |

Source: Company documents.

Exhibit 3: MAIN costs of Château Qanafar

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| In US$ | **2011** | **2012** | **2013** | **2014** | **2015** |
| Direct production cost | 68,000 | 68,000 | 150,000 | 215,000 | 290,000 |
| Salaries | 25,000 | 25,000 | 32,000 | 35,000 | 35,000 |
| Wine donations and pouring | 1,000 | 1,500 | 2,000 | 2,000 | 2,500 |
| Branding and advertising | 1,000 | 2,000 | 5,000 | 8,000 | 10,000 |
|  |  |  |  |  |  |
| Discounts to restaurants and pubs | 15% | 15% | 20% | 20% | 20% |

Source: Company documents.

Exhibit 4: Sales by channel (2015)

|  |  |
| --- | --- |
|  | **2015** |
| Hotels | 4.6% |
| Restaurants | 14.5% |
| Wine bars | 15.2% |
| Supermarkets and shops | 6.3% |
| Direct clients | 28.4% |
| Other companies/corporate clients | 12.1% |
| Traders | 5.9% |
| **Total Domestic** | **87.0%** |
| Export | 13.0% |

Source: Company documents.

endnotes

1. The study of wines. [↑](#endnote-ref-1)
2. Soil containing calcium carbonate, the primary element of limestone. [↑](#endnote-ref-2)
3. 1 hectare = 10,000 square metres. [↑](#endnote-ref-3)
4. “Phoenician Civilization,” TimeMaps, accessed July 2, 2015, www.timemaps.com/civilization/Phoenicians. [↑](#endnote-ref-4)
5. Lana Saadeh and Marwan Mikhael, "Lebanese Wineries Filling Glasses and Welcoming Tourists," Blominvest Bank, June 27, 2015, 2, accessed October 23, 2015, http://blog.blominvestbank.com/wp-content/uploads/2015/06/Lebanese-Wineries-Filling-Glasses-and-Welcoming-Tourists1.pdf. [↑](#endnote-ref-5)
6. “Lebanon’s Wine Makers Cultivate Niche,” *Financial Times*, April 27, 2010, accessed August 28 2015, www.ft.com/intl/cms/s/0/77d0facc-51f9-11df-a2a2-00144feab49a.html#slide8. [↑](#endnote-ref-6)
7. Saadeh and Mikhael, op. cit. [↑](#endnote-ref-7)
8. “Facts about Lebanese Wine,” Union Vinicole du Liban, accessed July 2, 2015, www.lebanonwines.com/facts.php. [↑](#endnote-ref-8)
9. Saadeh and Mikhael, op. cit., 5. [↑](#endnote-ref-9)
10. Barbara Insel, “MFK Survey Shows Increasing Importance of Direct Sales Channel,” *The MKFAdvisor*,Fall 2004. A case of wine contained six bottles. [↑](#endnote-ref-10)
11. Gary Zucca and Steve Stein, “The Boutique Winery Phenomenon in Argentina and California: Global Parallels and Regional Distinctions,” Zucca Wines*,* 2, accessed August 28 2015, www.zuccawines.com/assets/client/File/The%20Boutique%20Phenomenon

    %20in%20Argentina%20and%20California\_1.doc%20[Compatibility%20Mode].pdf. [↑](#endnote-ref-11)
12. “Traits That Define Boutique Wineries,” Wine Answers, accessed August 28, 2015, http://wine.answers.com/wine-destinations/traits-that-define-boutique-wineries; Zucca and Stein, op. cit. [↑](#endnote-ref-12)
13. Zucca and Stein, op. cit., 27. [↑](#endnote-ref-13)
14. “Lebanon’s Wine Makers Cultivate Niche,” op. cit. [↑](#endnote-ref-14)
15. The complete natural environment, including soil, topography, and climate, that contributes to the characteristics of a particular grape and wine. [↑](#endnote-ref-15)
16. “Lebanon’s Wine Makers Cultivate Niche,” op. cit. [↑](#endnote-ref-16)
17. Arak was an anise-flavoured Levantine spirit. [↑](#endnote-ref-17)
18. Wine barrels made of oak. [↑](#endnote-ref-18)
19. All dollar amounts are in US$ unless otherwise specified. [↑](#endnote-ref-19)
20. The Lebanese postal service was notoriously unreliable and many people avoided using it—especially for sending cheques. [↑](#endnote-ref-20)