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Château ksara OF Lebanon: LOCAL focus versus GLOBAL Reach Trade-off

Maya Noujaim, Charbel Ghossan, Miguel Manglano, Abdellah Laaouane, and Yasmine Jreissati wrote this case under the supervision of Dr. Marina Apaydin 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 December 10, 2016, Zafer Chaoui, the chief executive officer (CEO) of Château Ksara of Lebanon (Château Ksara), one of the oldest wineries in Lebanon, was contemplating the mess of papers lying on his desk, when he spotted his spouse Tonia’s framed picture. Lately, Chaoui had been overwhelmed with preparations for the Christmas holidays, and had completely forgotten that today was their 30th wedding anniversary. Chaoui immediately called and made reservations at La Table d’Alfred, a luxurious restaurant in the heart of Beirut.

Upon ordering the main course, Chaoui asked for the wine menu. To his surprise, the list did not include any of Château Ksara’s products. Frustrated, he blamed himself for putting too much focus on promoting the winery in Spain, thus forgetting to oversee his subordinate managers’ work in Lebanon for the last month. Nevertheless, he had been assured that everything was going according to plan. Chaoui started wondering what could have been the reasons for the omission. Was the quality of wine giving competitors an edge in selling their brands? What position did Château Ksara currently hold within the wine brand landscape in its own country? How could Château Ksara add value to, and maintain profitable relationships with, its distribution channel partners?

LEBANON[[1]](#footnote-1)

Lebanon was home to a population of approximately 4 million, located on the east coast of the Mediterranean Sea. It ranked 170th on the list of smallest countries in the world, with 10,452 square kilometres (4,036 square miles). Lebanon was bordered by Israel to the south and Syria to the north and east, and had a coastline of around 225 kilometres and mountains with heights up to 3,088 meters (see Exhibit 1).

Lebanon’s history was known to be hectic, with periods of conquest, political turmoil, and war. After World War I, France freed the country from the Ottoman Empire, which later resulted in the declaration of Lebanon’s independence in 1943. After that, the country became the regional host for bankers, traders, emigrants, diplomats, and education seekers. Nevertheless, problems persisted and Lebanon suffered several political conflicts, internally and externally, alternating with few periods of peace and economic prosperity. From 1975 to 1990, a major civil war drastically affected the country and its cultural heritage. After 1990, however, Lebanon became a vacation hub for wealthy Arabs from the Gulf (the Arabian or Persian Gulf) and developed into an emerging economy with a nonetheless creaking infrastructure and an outmoded political system.

In 1948, the creation of Israel forced many Palestinians to leave their homes and move to adjacent countries, mainly Lebanon, Jordan, and Syria. This provoked conflicts among Lebanese, Israelis, and Palestinians, which led to a war between the Lebanese and the Israeli people in 2006. The war lasted one month and drastically undermined the country’s infrastructure. Despite the formation of an international force known as the United Nations Interim Force in Lebanon, unrest continued in the region after the war. The Hezbollah, a Lebanese political and military party, and the Israeli army continued attacks periodically since that time.

In 2011, the Syrian Civil War had major demographic, economic, and political effects on Lebanon, with approximately one million Syrians choosing Lebanon as a refuge. Throughout these troubles, Lebanon managed to leverage its position both financially and economically in the Arab world, coming right after the oil-rich countries of the Gulf.

Macroeconomic Factors

The Lebanese economy worked under free market economy; the government did not limit foreign investment. However, Lebanon was known for the corruption ingrained in its economy.

Lebanon’s gross domestic product (GDP) was equivalent to US$51 billion,[[2]](#footnote-2) accounting for 0.07 per cent of the world economy. The services sector was the largest portion, accounting for 69.4 per cent of the total GDP. Behind it ranked the industrial sector at 25 per cent and the agricultural sector at 5.7 per cent. The country’s public debt was equal to 161.5 per cent of GDP.

In 2016, Lebanon ranked 91st out of 227 countries in terms of GDP. The per capita GDP climbed from $9,904 in 2011 to $18,500 in 2016. This increase was not an accurate reflection of reality because the percentage of population living below the poverty line remained constant at 28 per cent throughout these five years. Therefore, only wealthy people became wealthier. The Lebanese workforce equalled 1.628 million people; however, the unemployment rate remained unknown because no census had been conducted for several years.

The inflation rate in Lebanon averaged 2.18 per cent from 2008 to 2015, reaching a record of 11 per cent in 2012 and an all-time low of –4.67 per cent in 2015. Both the U.S. dollar and the Lebanese lira were commonly used currencies in the country. The exchange rate had remained constant for the previous five years, with one U.S. dollar equal to approximately 1,507 Lebanese lira in 2016.

Sociocultural Factors

The Lebanese population reached 6,237,738 people in 2016 and consisted of different ethnic groups, mainly Arabs (95 per cent), Armenians (4 per cent), and others. Various languages were spoken in the country, with Arabic as the native language, followed by French, English, and Armenian. Eighteen recognized religious sects stemmed from the Lebanese people, but the general distribution was 54 per cent Muslims, 40.6 per cent Christians, and 5.6 per cent Druze. Muslims had a religious policy that restricted them from drinking, which left less than half of the Lebanese population as potential wine consumers, assuming that the Muslim population observed the policy.

The largest age group was 25 to 54, accounting for 44.44 per cent of the Lebanese population. The next age group, younger than 14 years old, accounted for 24.65 per cent of the population, while people aged 15 to 24 made up 16.73 per cent of the population (see Exhibit 2).

Almost all of the Lebanese people (94 per cent) were literate, and 88 per cent of them lived in urban areas. Due to times of political and economic instability, it had become typical for Lebanese people to migrate to different areas around the world, such as Canada or Australia. Most businesses in Lebanon were family-owned and inherited through generations.

Consumers within a market segment followed similar buying practices. The market was usually segmented by generation, each segment having its own preferences in terms of products and buying behaviours.

Technological Factors

After the wars, the Lebanese telecommunication infrastructure was left crushed. Efforts had been made towards its reconstruction and the improvement of its quality. The different ranges of fixed, mobile, terrestrial, and satellite telecommunication services had seen a considerable amount of enhancement since 1990. Lebanon was one of the first countries in the Middle East and North Africa region to go online, and the country controlled a major part of the Internet traffic in the area. This Internet boom helped businesses grow and substantially stimulated the Lebanese economy. In 2015, the number of Internet users increased to 4.577 million, representing 74 per cent of the Lebanese population. Lebanon’s research capacity and activity in science and technology was mainly concentrated in three universities, and this area witnessed a relatively dynamic improvement.

Climate and Environmental Factors

Lebanon’s Mediterranean climate varied between heavy winter snows and hot dry summers. Being a mountainous country, Lebanon was prone to frequent variations in landforms, climate, soils, and vegetation. Lebanon was roughly divided into five ribbon-shaped topographical areas, all spreading from North to South. Each of these areas were characterized by allowance for specific agricultural activity.

The coastline had subtropical weather. Agriculture in this area consisted mainly of banana plantations and olive trees. The mountains were home to different plantation types, depending on ground elevation; they varied between apple trees, orange and citrus groves, and olive trees. The Beqaa Valley was Lebanon’s most suitable area for farming. Its climate also allowed for plantations of tomatoes, potatoes, and grapes among others. The other two areas did not permit agricultural activities due to their topography and geography—they were either arid or rocky. Environmental issues had been arising recently, including deforestation, soil erosion, and air pollution (mostly concentrated in the capital city of Beirut).

GLOBAL WINE INDUSTRY[[3]](#footnote-3)

The wine industry had grown at a rate of 2.15 per cent between 2014 and 2015, faster than the total beverage alcohol industry, which had been growing at 2.9 per cent. It moved from an industry of $8.3 billion to $10.2 billion. In 2011, wine accounted for 17 per cent of the alcoholic beverage market, while beer and spirits controlled 49 per cent and 34 per cent, respectively. The four largest countries in terms of wine production were Italy, France, Spain, and the United States. Smaller producers like Argentina, China, Australia, and Chile were considerably increasing their production. Of those four countries, Chile had the largest growth for the year 2015, with a 28 per cent increase compared to its 2014 production.

Global wine consumption had grown by 0.37 per cent, a small variation explained by the multiple fluctuations of per-country consumption. The United States, France, Italy, Germany, and China remained the top five consumers for the fifth consecutive year. However, some countries had observed major fluctuations between 2014 and 2015. Romanian, Russian, and Austrian wine consumption decreased by 17 per cent, 7 per cent, and 6.5 per cent, respectively, while considerable growth was observed in South Africa with 7.5 per cent increase in consumption in one year. International trade had increased by 1.8 per cent. In terms of value, France was the biggest exporter with €8.2 billion[[4]](#footnote-4) per year, representing 29 per cent market share, while Spain surpassed France in terms of volume, with a global market share of 23 per cent. The 10 primary importing nations, which represented 70 per cent of world imports by volume, saw a development of their imports of 3 per cent in volume, compared to 2014.

Almost all wineries in the world followed the same major steps in the wine-making process (see Exhibit 3). However, wine makers varied certain elements within each step of the process to differentiate themselves from other product offerings. Differentiation was a major success factor in the wine industry, affecting not only the product but also the positioning, price, and promotion of the product.

LEBANESE WINE INDUSTRY[[5]](#footnote-5)

Lebanon’s valuable location was home to the Phoenicians, one of the oldest civilizations, known for their trade skills and wittiness. It was known as a commercial hub through which trade activities were seemingly never-ending.

Following the end of the Lebanese Civil War in the early 1990s, only five wineries were operating: Château Ksara, Domaine des Tourelles, Château Musar, Château Kefraya, and Château Nakad. However, the 1990s was an active period for the Lebanese wine sector. In 2015, Lebanon’s 40 wineries witnessed a production of 8 million bottles of wine. With sales to important markets in the United Kingdom (30.5 per cent), France (15 per cent), and the United States (11 per cent), Lebanese wine exports reached $16.6 million in 2014, representing 50 per cent of total Lebanese production. In 2011, Syria was the third-largest market for Lebanese wine, importing 206 tonnes worth $748,000. However, by 2014, exports to Syria had plummeted to 49 tonnes worth $128,000.

Local demand for wine in Lebanon was approximately 6 million bottles, with 33 per cent of that demand satisfied by foreign wine. Of that imported wine, 83 per cent came from France, followed by Italy and Spain with 8.6 per cent and 2.3 per cent, respectively. Lebanon held many advantages for current and potential wine makers, including no barriers to entry and a steadily increasing yearly budget for grants and subsidies from the ministry of agriculture. The Union Vinicole du Liban (UVL), the official co-operative of wine producers in Lebanon, played a major role in the promotion of Lebanese wine locally and internationally—highlighting the country’s potential and history.

The Lebanese environment stimulated inception and growth of the wine industry. The country’s climate was ideal for viticulture, and the Lebanese culture possessed a high level of wine-making skills acquired through years of hard work.

Industry Competitors in Lebanon

Vineyards covered approximately 2,000 hectares of Lebanese lands, and wineries produced 8 million bottles of wine yearly. Aside from the disposal of adequate lands for vineyards, the wine industry in Lebanon had no barriers to entry. As of 2016, Lebanon had around 40 wineries, out of which 19 were UVL members. The UVL dealt with governmental and economical entities to facilitate Lebanese wine exports and participation in international fairs, as well as defending wineries’ interests.

During the previous decade, different segments of the Lebanese wine market saw the entrance of various new wineries, including Château Marsyas, Domaine Wardy, Clos, St. Thomas, Karam, Nabise, Fakra, and Cave Kouroum. Château Marsyas’s main focus, for example, was high-end consumers. Instead of offering its wines in supermarkets, the winery targeted restaurants, hotels, and specialty stores. However, Château Ksara and Château Kefraya remained the major players in the Lebanese wine industry, with a market share of 37.5 per cent and 22.5 per cent, respectively.5 Along with these major wineries, the relatively newly established Ixsir winery also increased in value tremendously in a short time.

Château Kefraya started planting its grapes during the 1950s, making its first public appearance in 1979 in the Lebanese market with its headquarters in the Beqaa Valley. The winery’s product list consisted of a wide range of drinks, including white, rosé, and sweet wine, as well as *arak* (a clear, colourless, and unsweetened alcoholic drink). Château Kefraya’s main offering, however, was red wine, which represented 70 per cent of the winery’s total production. To produce the products that it exported to 35 countries all over the world, Château Kefraya used French vines like Cabernet-Sauvignon, Grenache, and Syrah. The winery’s products were marketed through traditional mediums like newspapers, magazines, and billboards, as well as other more contemporary advertising methods such as social media, public events, and wine tastings.6

Ixsir was established in 2007 by wine industry experts. Among others, the CEO of Nissan-Renault Alliance, Carlos Ghosn, invested in the firm and played a major role in Ixsir’s strategic management. One of the company’s peculiarities was the location of its vineyards. Unlike most Lebanese wineries, which were located in the Beqaa Valley, Ixsir was located in Batroun, a coastal region in the north of Lebanon where it produced a wide spectrum of wines and gained the rapid appreciation of Lebanese wine lovers. The winery reached people in settings such as art exhibitions, private functions, and charity events. Most recently, Ixsir was among the most noticeably active of the primary wineries on social media.

Château Ksara compared favourably against these two other major wineries—Château Kefraya and Ixsir—in terms of size, price, and marketing budget (see Exhibit 4).

CHATEAU KSARA

Background[[6]](#footnote-6)

Lebanon’s largest wine producer at the time, Château Ksara, was originally founded in 1857 by Jesuit monks, who inherited a 25-hectare plot of land located between Tanail and Zahlé. These monks produced the first non-sweet red wine in the region, which became the birth of Lebanon’s modern wine industry. Their main core values were tradition, nobility, and modernity. These values were represented by the company’s name and lineage (tradition), through a high-quality product (nobility), and the tremendous innovative advances made since 1991 (modernity).

After World War I and the demise of the Ottoman Empire’s hegemony, France was mandated to govern Lebanon. Thousands of French soldiers and civilians moved to the country, and luckily for Château Ksara, wine played an integral part in their diet. The Jesuits were responsible for making the wine for the monks, which inspired a winery business model. However, in 1972, the Vatican encouraged the monastery to sell off their assets because it felt that Château Ksara had become too commercial. At that time, the winery was selling about 1.5 million bottles annually. Jean-Pierre Sara, an investor in Château Ksara and one of the Lebanese business elites, assembled a consortium of 15 investors. Convinced that it was a sound investment, the consortium bought Château Ksara for £10 million,[[7]](#footnote-7) (roughly equivalent to $5 million at the time).

Château Ksara’s vineyards were growing around 20 varieties of grapes for the production of red, white, rosé, sweet wine, and arak. The vineyard kept introducing a wide variety of grapes to develop new tastes, which allowed the brand to stay in the vanguard of the Lebanese wine industry.

Towards the end of the civil war, a new board of directors took control over Château Ksara. Sara left the company and Chaoui was appointed CEO. Charles Ghostine was appointed managing director and emphasized the need to offer new kinds of wines and cultivate new types of grapes like Cabernet Sauvignon, Syrah, and Chardonnay. At first, local farmers were hesitant to go forward with these new plantations because they were unsure of their success. This innovative diversification was later considered a key component of Château Ksara’s competitive advantage.

Meanwhile, the board members developed a commercial strategy. They focused on three core elements: excellent product offerings, a new distribution network, and a marketing campaign. In 1991, the company started releasing new wines, including Gris de Gris, Ksara’s Arak, Réserve du Couvent, and a sunset rosé that won five gold awards worldwide. By 1994, the company had begun producing new labels and revising its pricing strategy. A new wine-making specialist was hired and new equipment was added. Château Ksara was also converted into a must-visit location for foreign tourists in the Beqaa Valley. This strategic plan helped the brand achieve its position as the most successful Lebanese winery in the 1990s. Eventually, it became Lebanon’s largest and oldest winery, increasing its production rate to over 2.7 million bottles annually. The company also expanded its operations to over 30 countries worldwide, including France, the United Kingdom, the United States, and others.

Mission and Vision Statements"Le Chateau." KSARA. Accessed May 21, 2016. http://www.chateauksara.com/le-chateau.php.

The company communicated to its customers and employees a detailed set of both corporate mission and vision statements on its website, although a redesign of the company website later omitted the mission and vision statements.

The company originally issued a three-part mission statement, as follows:

* Fully satisfy clients while being wary of their needs, their motivations, and their purchase practices.
* Develop a strategy taking into consideration the expectations of the shareholders as well as those of the employees and clients.
* Provide the cadre and all the personnel with the tools and capacity to achieve the company’s objectives in the most efficient way possible.

The company also originally issued a five-part vision statement, as follows:

* "Le Chateau." KSARA. Accessed May 21, 2016. http://www.chateauksara.com/le-chateau.php.Establish the processes aiming at securing the products and the total satisfaction of internal and external clients.
* Integrate just principles, a corporate culture based on the comprehension of clients and their motivations.
* Create a synergy and creativity consolidating the organizational support of the corporation.
* Establish winner/winner co-operation based on a true internal unity.
* Maintain the company’s position as leader of the vine and wine culture in Lebanon while seeking to develop the aforesaid sector.

Value Chain and Business Model[[8]](#footnote-8)

Château Ksara planted its own grapes on its lands in the Beqaa Valley. The company’s vineyards consisted of grape varieties such as Cabernet-Sauvignon, Cabernet Franc, Syrah, Merlot, Petit Verdot, Grenache Gris, Chardonnay, Sauvignon Blanc, and Clairette. The wide surfaces of land allowed Château Ksara to diversify the grape types being harvested.

Aside from growing its own grapes and producing its own wines, Château Ksara also did its bulk distribution and packaging in-house. The company owned a factory where products were sent for finalization. Château Ksara did not outsource to an external finished-goods distributor (or business distributor). Instead, the company directly delivered its products to the retailers (or business customers) with whom it was in contract.

Château Ksara was the first winery in the Middle East to receive certification from the International Organization of Standardization—ISO 9001 and ISO 22000, two certifications of quality management and food safety management provided by the renowned organization based in Switzerland. The winery followed all international standards regarding cleanliness and employee training. Chaoui and subordinate managers received annual training as well. The company also largely invested in infrastructure, technology, and research studies on a regular basis. These efforts, which were applauded by Lebanon’s Ministry of Economy and Trade, led to Château Ksara receiving the Lebanese Excellence Award for Quality Management. Additionally, as societal marketing began to be seen as an important cause, Château Ksara worked towards achieving ISO 26000 certification—a social responsibility standard.

Château Ksara succeeded in differentiating its marketing strategy from other Lebanese wineries. Being the oldest and largest Lebanese winery, it did not need to introduce or define itself to locals. Its focus was rather developing a wine culture in Lebanon, specifically by raising awareness about the numerous health benefits of consuming wine and its compatibility with all kinds of food. The winery organized daily open visits and tastings all year long for people interested in the activity of tourism for the purpose of tasting, consuming, or purchasing wine from vineyards (known as *oenotourism*). The initiative turned out to be successful, and the winery was continuously voted one of the best places to visit in Lebanon by tourism organizations. Château Ksara also participated in yearly wine exhibitions, where managers received direct feedback from consumers and wine enthusiasts upon tasting the products. Château Ksara wines were distributed in most Lebanese supermarkets, where customers were often assisted in choosing the most suitable wine for their meal by representatives, who were members of the Château Ksara organization (see Exhibit 5).

Throughout its history, Château Ksara always remained financially stable. The company distributed dividends on a regular basis, while retaining enough earnings for future investments in operational and innovative advances (see Exhibits 6 and 7).

CURRENT SITUATION

By December 2016, it seemed that no clear threat could harm a winery like Château Ksara, but Chaoui needed to understand why its wines were missing from the menu at La Table d’Alfred and possibly other fine dining establishments. Was the introduction of new brands causing trouble to well-established brands such as Château Ksara? Had the quality waned compared to that of local and international competitors? Was the positioning strategy of the brand causing it trouble in current times? How could Château Ksara add value to and maintain profitable relationships with its distribution channel partners?

Exhibit 1: MAP OF LEBANON



Source: “The World Factbook: Middle East—Lebanon,” Central Intelligence Agency, accessed May 29, 2011, https://www.cia.gov/library/publications/the-world-factbook; locations of wineries added by the case authors.

Exhibit 2: Lebanon POPULATION SEGMENTATION

|  |  |
| --- | --- |
| Religions | * Muslim 54% * Christian 40.5% * Druze 5.6% * 18 sects in total, some of them included within the above major categories |
| Age structure | * 0-14 years: 24.65% * 15-24 years: 16.73% * 25-54 years: 44.44% * 55-64 years: 7.54% * 65 years and over: 6.64% |
| Population Distribution | * Most population dense areas were found along the Mediterranean coast, with the biggest concentration around the capital, Beirut. * Beqaa Valley and the south-eastern side of the Lebanon Mountains had favourable farming and growing conditions, hence attracting farmers, which was reflected by a small population density in these areas. |
| Urbanization | * 87.8% of total population |
| Life Expectancy | * total population: 77.6 years * male: 76.3 years * female: 78.9 years |

Source: Developed by the case authors with information from “The World Factbook: Middle East—Lebanon,” Central Intelligence Agency, last updated November 27, 2017, accessed May 29, 2011, https://www.cia.gov/library/publications/the-world-factbook/geos/le.html.

Exhibit 3: WINE INDUSTRY VALUE CHAIN AND PRODUCTION PROCESS

Source: Created by the case authors.

Exhibit 4: Competitors COMPARISON CHART

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Chateau Ksara** | **Chateau Kefraya** | **IXSIR** |
| Number of bottles | 3,000,000 | 1,500,000 | 300,000 |
| Hectares of land | 450 | 320 | 120 |
| Lowest–highest price per bottle | $7–$41 | $10–$61 | $12–$39 |
| Marketing percentage of winery’s budget | 8% | 15% | 10–20% |

Source: Prepared by the authors with information from Nabila Rahhal, “Of Competition and Promotion: Marketing Lebanese Wine in a Growing Landscape,” *Executive*, September 26, 2016, accessed May 31, 2017, www.executive-magazine.com/wine/of-competition-and-promotion; “All Lebanese Wines,” 209 Lebanese Wine, accessed May 31, 2017, www.209lebanesewine.com/collections/all.

Exhibit 5: CHATEAU KSARA Organizational Chart

Note: CEO = chief executive officer; HR = human resources; PR = public relations; IT = information technology.

Source: Adapted by the case authors from Château Ksara internal documents.

Exhibit 6: CHATEAU KSARA BALANCE SHEET (In LbP)

|  |  |  |
| --- | --- | --- |
|  | December 31, 2015 | December 31, 2014 |
| Intangible Assets | 408,419,259 | 408,419,259 |
| Depreciation | (3,629,919,690) | (341,850,902) |
| Tangible Assets | 40,920,052,070 | 38,817,134,376 |
| Depreciation | (20,157,456,550) | (18,474,324,930) |
| **Non-Current Assets** | **20,808,095,088** | **20,409,377,803** |
| Stocks | 13,758,223,655 | 13,107,921,313 |
| Clients and Other Debtors | 12,099,675,173 | 13,139,591,630 |
| Cash and Deposits | 1,969,951,143 | 1,850,554,629 |
| **Current Assets** | **27,827,849,971** | **28,098,067,572** |
| **Total Assets** | **48,635,945,059** | **48,507,445,375** |
|  |  |  |
| Equity |  |  |
| Capital | 11,000,000,000 | 11,000,000,000 |
| Legal Reserve | 4,073,331,312 | 4,073,331,312 |
| Deferred Revenue | 16,689,558,387 | 15,338,775,863 |
| **Total Equity** | **31,762,889,698** | **30,412,107,175** |
|  |  |  |
| Provision for Indemnity of End of Service | 2,751,217,620 | 2,959,806,201 |
| Bonds | 2,155,725,000 | 2,155,725,000 |
| Bank Loans | 4,221,662,997 | 3,198,445,633 |
| **Non-Current Liabilities** | **9,128,605,617** | **8,313,976,834** |
|  |  |  |
| Providers and Other Payables | 2,991,139,084 | 3,312,303,169 |
| Taxes Payable | 1,807,639,096 | 1,810,716,367 |
| Shareholders’ Current Accounts | 441,840,733 | 352,295,225 |
| Bank Overdrafts | 2,503,830,831 | 4,306,046,606 |
| **Current Liabilities** | **7,744,449,744** | **9,781,361,367** |
|  |  |  |
| **Total Liabilities** | **16,873,055,361** | **18,095,338,201** |
|  |  |  |
| **Total Equity and Liabilities** | **48,635,945,059** | **48,507,445,375** |

Note: All numbers have been disguised to protect confidentiality;

Source: Adapted by the case authors from company financial filings.

Exhibit 7: CHATEAU KSARA INCOME STATEMENT For the year ended DECEMBER 31

(In LbP)

|  |  |  |
| --- | --- | --- |
|  | **2015** | **2014** |
|  |  |  |
| Sales | 27,424,765,316 | 26,849,631,471 |
| Cost of Goods Sold | (8,769,871,701) | (7,905,666,773) |
|  |  |  |
| **Gross Margin** | **18,654,893,616** | **18,943,964,698** |
|  |  |  |
| Other Products | 402,993,971 | 350,268,079 |
| Administrative Expenses | (11,712,431,920) | (11,113,867,349) |
| Other Operating Expenses | 2,204,102,546 | 2,248,332,445 |
|  |  |  |
| **Operating Income** | **5,141,353,120** | **5,239,032,983** |
|  |  |  |
| Interest Expense | 687,756,047 | 706,189,158 |
| Recovery on Provisions | 263,492,350 | 4,262,500 |
|  |  |  |
| **Earnings before Taxes** | **4,717,089,423** | **4,537,106,324** |
|  |  |  |
| Taxes | 713,106,900 | 669,986,900 |
|  |  |  |
| **Net Income** | **4,003,982,523** | **3,867,119,424** |

Note: All numbers have been disguised to protect confidentiality;

Source: Adapted by the case authors from company financial filings.

1. This section is based on information from “The World Factbook: Middle East—Lebanon,” Central Intelligence Agency, updated November 27, 2017, accessed January 5, 2017, https://www.cia.gov/library/publications/the-world-factbook/geos/le.html. [↑](#footnote-ref-1)
2. All currency amounts are in US$ unless otherwise specified. [↑](#footnote-ref-2)
3. This section is based on data from “State of the Vitiviniculture World Market,” OIV: Organisation Internationale de la Vigne et du Vin, April 2016, accessed February 13, 2017, www.oiv.int/public/medias/4710/oiv-noteconjmars2016-en.pdf. [↑](#footnote-ref-3)
4. €= European euro; €1 = US$1.0559 on December 10, 2016. [↑](#footnote-ref-4)
5. This section is based on information from “Exploring the Lebanese Wine Industry,” BLOMINVEST Bank, July 6, 2013, accessed January 10, 2017, https://www.blominvestbank.com/Library/Files/BLOM%20Invest/Spot2013/2013-07-Exploring%20the%20Lebanese%20Wine%20Industry.pdf; “Lebanese Wineries Filling Glasses and Welcoming Tourists,” BLOMINVEST Bank: The Research Blog, June 26, 2015, accessed January 10, 2017, http://blog.blominvestbank.com/lebanese-wineries-filling-glasses-and-welcoming-tourists/. [↑](#footnote-ref-5)
6. This section was based on information from Michael Karam,*Château Ksara 1857–2007: 150 Years of Winemaking*(Beirut, Lebanon: Château Ksara/VineHouse Media, 2007), 8-106. [↑](#footnote-ref-6)
7. £ = LBP = Lebanese pound; £1 = US$0.5 in 1972. [↑](#footnote-ref-7)
8. This section was based on interviews conducted by the Lebanese television station MTV: Lebanon; “Window Vineyard: Chateau Ksara,” MTV: Lebanon, December 26, 2015, accessed December 2016, www.mtv.com.lb/Programs/Window\_Vineyard/2015/Videos/Chateau\_Ksara\_-\_ايلي\_معماري\_-\_نجوى\_شداد/. [↑](#footnote-ref-8)