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## AL BABA SWEETS: AN EXPANSION OPPORTUNITY

*Ahmad Badran, Maya Noujaim, Ghida El Baba, and Antoine Sabbagh 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 August 14, 2018, Ghida El Baba, the outlets manager at Al Baba Sweets, decided to take the rest of the day off and enjoy a relaxing afternoon guitar session with her band. In the midst of her set, she received a phone call. This call was long awaited, and she rushed to her father's office to share the good news—a high-profile investor had purchased 51 per cent of the company.

Al Baba Sweets was founded in 1950 by Mohammed Bachir El Baba, Ghida's grandfather, in Sidon, a small city in the south of Lebanon. The company, a third-generation family business, was a leader in the oriental sweets production and retail industry in Lebanon. The sales department was the revenue-generating means for the company, and it entailed both good quality products and courteous service. Given the country's economic situation, Al Baba Sweets had been suffering from declining revenues, but this new investment could help the company become the major market player. Most importantly, the investor had agreed to keep Ghida's family as the primary decision-makers of corporate strategy.

Now that the necessary funds had become available, Ghida and her father were considering their next steps. Should Al Baba Sweets branch out to other countries? If so, which modes of entry should they use? What other possibilities were there to enhance and expand operations?

### A MACROECONOMIC AND POLITICAL VIEW OF LEBANON

#### Background

Lebanon, a small Middle Eastern country on the Mediterranean Sea, had gained its independence in 1943. The country was bordered by Syria and Israel and was ranked the seventh-smallest country in Asia, with 10,452 square kilometres (see Exhibit 1). As of July 2018, the population of Lebanon was estimated at 6,100,075. The majority of the population lived within or around the capital, Beirut. Lebanon was mostly a mountainous country, with its highest peak at 10,128 feet (3,087 metres), and it benefited from dozens of minor rivers flowing from the mountains to the lands, mainly to the Bekaa valley.<sup>1</sup>

<sup>1</sup> *The World Factbook*, s.v. "Lebanon," accessed April 5, 2019, [www.cia.gov/library/publications/the-world-factbook/geos/le.html](http://www.cia.gov/library/publications/the-world-factbook/geos/le.html).

## Political and Legal System

Following Lebanon's independence, the country experienced a severe civil war between 1975 and 1990, ending with the implementation of the Ta'if Agreement, which created a sectarian division within the government in an attempt to solve the different views of the various political and religious groups. Lebanon's legal system was a mix of French-inspired civil law, Ottoman legal principles, and Lebanon's own rules regarding personal and family statuses. The country's unstable political situation was related to the 2006 war, fights between the different parties, a lack of presidency, and assassinations of major political figures. That instability had a great impact on the population, the majority of which could no longer afford to spend on non-necessary products, which harmed the luxury goods industry, including the expensive sweets industry. On January 2019, Moody's downgraded Lebanon's government rating to Caa1, reflecting the high risk and financial instability of the country.<sup>2</sup>

## Economy

Lebanon's economy was a free market, mostly composed of services, with tourism and banking as the most important sectors. However, the tourism industry in Lebanon took a downfall after the war in Syria. The Lebanese government did not restrict foreign investment, but Lebanon was known for its corruption and fraud. In 2017, the inflation rate was 4.5 per cent; between 2008 and 2015, it averaged 2.18 per cent; in 2015, it hit an all-time low of -4.67 per cent; and in 2012, it peaked at 11 per cent. In 2017, Lebanon's gross domestic product (GDP) was worth US\$51.84 billion.<sup>3</sup> The GDP value of Lebanon represented 8.0 per cent of the world economy.

## Social

Different ethnic groups made up Lebanon's population—95 per cent were Arab, four per cent were Armenian, and one per cent were of other origins. Numerous languages were spoken within the country, such as Arabic, English, French, and Armenian. Lebanon was considered diverse in its religions—Muslims represented 57.7 per cent of the population; Christians, 36 per cent; Druze, 5.2 per cent; and the remainder consisted of Jews, Baha'is, Buddhists, and Hindus.<sup>4</sup> Arabic sweets were traditionally provided during special occasions and events in Lebanon. It was popular to have these sugar confectioneries during holidays such as Ramadan.

Due to the political instability in the country, many Lebanese citizens had chosen to leave the country and migrate to different areas around the world.

## Infrastructure

Even though many reconstruction projects were undertaken after the civil war to improve Lebanon's infrastructure, it was severely damaged and remained substandard, suffering from high amounts of congestion. Technological developments enabled businesses to operate more efficiently. Examples

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<sup>2</sup> "Rating Action: Moody's Downgrades Lebanon's Rating to Caa1, Changes Outlook to Stable," Moody's, January 21, 2019, accessed March 10, 2019, [www.moody.com/research/Moodys-downgrades-Lebanons-rating-to-Caa1-changes-outlook-to-stable--PR\\_393771](http://www.moody.com/research/Moodys-downgrades-Lebanons-rating-to-Caa1-changes-outlook-to-stable--PR_393771).

<sup>3</sup> All amounts are in US dollars unless otherwise specified.

<sup>4</sup> from *The World Factbook*, s.v. "Lebanon," accessed April 5, 2019, [www.cia.gov/library/publications/the-world-factbook/geos/le.html](http://www.cia.gov/library/publications/the-world-factbook/geos/le.html).

included the introduction of mechanized machinery for lower operating costs and better quality and consistency in products, as well as customer relationship management software that linked customer orders to the accounting, production, and warehouse departments of each organization. Technology had changed the shopping experience for customers and made it possible to order from and deliver products to any country in the world. However, as of July 2017, Lebanon ranked 131st out of 133 countries in terms of fixed broadband speed, according to the Speedtest Global Index, thus indicating that Lebanon was one of the worst countries in this regard.<sup>5</sup>

## THE WORLD SWEETS INDUSTRY

The sweets market consisted of chocolates, candies, cakes, Arabic sweets, cookies, ice cream, and other sugar- or sweetener-based products. These products were consumed everywhere in the world and were developing in terms of product and manufacturing innovations.

### Europe

Revenue from the confectionery segment in Europe reached \$21.52 billion in 2018 and was expected to grow 1.1 per cent annually up until 2021. As production capacity increased, the market began to grow. For instance, Mondelez International Inc. (Mondelez), a leading player in Europe, had built a huge plant in Turkey, and several other international companies were also moving their production abroad.<sup>6</sup> This led to an increase in production capacity as well as the ability to cover all processes from production to packaging. Due to high demand for dark and premium-quality chocolate, the chocolate segment was a leader in the confectionery market. Big vendors in the chocolate segment included Ferrero SpA (Ferrero), Nestlé S.A., Mars Incorporated, and Mondelez.

### The Association of South-East Asian Nations Market

East Asia had one of the biggest confectionery markets in the world, \$15.84 billion in 2018, and the market was expected to grow annually by 1.8 per cent. The market of the Association of South-East Asian Nations (ASEAN) included three important confectionery segments: chocolate, sugar confectionery, and gum. Chocolate was the biggest segment of all, and many international companies such as Barry Callebaut, had chosen to focus their production on this segment due to low costs and big opportunities. Europe had the largest sweets market, followed by the Asia-Pacific region, the main markets of which included Thailand, Vietnam, the Philippines, and Indonesia. Indonesia was the top consumer of sweets in the region.<sup>7</sup> The drivers of this market were a growing population with increasing income and increased consumer spending on confectionery; however, some drawbacks included rising health concerns, government policies, raw material costs, and changing consumer behaviours.

Sweets were usually sold in retail markets, supermarkets, and convenience shops. Regional and local companies who operated in this market were well connected and had distribution expertise. Major players in the ASEAN market were Ferrero, the Hershey Company, and Chocoladefabriken Lindt & Sprüngli AG.

<sup>5</sup> Najib, "Lebanon among the Three Worst Countries in Average Fixed Broadband Speeds, 2017," BlogBaladi, August 12, 2017, accessed March 10, 2019, <https://blogbaladi.com/lebanon-among-the-three-worst-countries-in-average-fixed-broadband-speeds-2017/>.

<sup>6</sup> "Confectionery Market in Europe – Market Research 2015–2019," Technavio, October 2015, accessed March 17, 2019, [www.technavio.com/report/europe-confectionery-market](http://www.technavio.com/report/europe-confectionery-market)

<sup>7</sup> "Confectionery Market: ASEAN Industry Analysis and Opportunity Assessment 2015 – 2025," Future Market Insights, 2015, accessed March 17, 2019, [www.futuremarketinsights.com/reports/asean-confectionery-market](http://www.futuremarketinsights.com/reports/asean-confectionery-market).

## The United States

As of July 2018, the population of the United States was estimated at 329.2 million, 3.7 million of which had roots that could be traced to Arab countries such as Lebanon, Syria, Palestine, Egypt, and Iraq. Sugar confectionery sales in the United States constituted \$11.997 billion and were forecasted to increase to \$14.3828 billion by 2023. Although there were Arabic sweets in the United States, they were offered by small bakeries and were not well dispersed throughout the country.<sup>8</sup>

The United States was a diverse country where many gourmets sought to experience different authentic cuisines from around the world. There was a growth in non-American food, and it was trendy to expose oneself to different foods from exotic places. Another trend in the United States was a growing awareness of healthier food options, and Arabic sweets were a healthier alternative to traditional sugar-based American products.

In 2019, the sugar confectionery industry in the United States amounted to \$18.961 billion and was expected to grow at a rate of 2.3 per cent. The United States was the highest revenue-generating country in the sugar confectionery industry (see Exhibit 2); however, the United States was considered a very risky country in which to conduct business; 44 per cent of foreign businesses in the United States failed within four years.

## Saudi Arabia

In 2017, the population of Saudi Arabia was estimated at 33,100,000, 37 per cent of which were immigrants who mostly originated from India, Pakistan, Egypt, and Syria. In the same year, Saudi Arabia imported \$119 billion worth of imports—a large part of which were food products.

Sales of sugar confectioneries in Saudi Arabia constituted \$463 million and were forecasted to increase to \$629 million by 2023. Saudi Arabia had the eighth-highest per-capita consumption of confectionery products among the top 10 confectionery growth markets. In 2017, the market structure was formed as follows: 33 per cent was domestic production, 44 per cent was imports, and 23 per cent constituted trade margins. The market structure by buyer was made up of 95 per cent households and five per cent business-to-business purchases. In 2016, Saudi Arabia's imports of snack foods, including sweets, were mainly from Italy, Turkey, and Poland, as those countries dominated with both product quality and accessible prices.<sup>9</sup> Sweets in Saudi Arabian shops consisted mostly of the same sweets offered in other Arab countries, including *baklava*, *kanafeh*, and *qatayef*<sup>10</sup>.

With 70 per cent of its population under the age of 30, Saudi Arabia was an attractive growth market for a large range of food products, especially confectionery and beverages. This under-30 segment was known for its fast lifestyle and high disposable income and was likelier to try new convenient food products. Saudi Arabia's extremely hot weather conditions, which lasted for almost the entire year, continued to increase demand for refreshing foods and non-alcoholic beverages.

<sup>8</sup> "Sugar Confectionery - United States," Statista, accessed March 17, 2019, [www.statista.com/outlook/40100200/109/sugar-confectionery/united-states](http://www.statista.com/outlook/40100200/109/sugar-confectionery/united-states).

<sup>9</sup> Hussein Mousa, *Saudi Arabia, Food Processing Ingredients, 2018* (USDA Foreign Agricultural Service, March 29 2018), accessed March 15, 2019, [https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients\\_Riyadh\\_Saudi%20Arabia\\_3-29-2018.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients_Riyadh_Saudi%20Arabia_3-29-2018.pdf); Euromonitor International, Global Market Information Database, "Saudi Arabia Data," accessed March 13, 2019, [www.euromonitor.com/saudi-arabia](http://www.euromonitor.com/saudi-arabia).

<sup>10</sup> Respectively: sweets made of layers of filo dough with nuts and sweetened and held together with sugar syrup; cheese pastry soaked in a sweet syrup and covered with semolina dough; and sweet dumplings filled with nuts and syrup.

The Saudi government established the Saudi Arabian General Investment Authority to assist foreign investors. The government offered many business incentives, including 100 per cent foreign ownership of properties and companies in some industries and low minimum capital requirements (see Exhibit 3).

## THE SWEETS INDUSTRY IN LEBANON

### Background

The origins of Lebanon's sweets empires were humble. They began as small shops in major Lebanese cities. A high presence of sugar and milk in Tripoli and the influences of the Ottoman Empire encouraged confectioners to create Arabic sweets. Now in their third, fourth, or even fifth generation, these initially small family businesses had expanded and diversified into big companies that owned several branches in and outside of Lebanon.

The food and beverages sector constituted 32 per cent of the country's GDP in 2017. It included the largest number of industrial establishments, with 1,401 producers accounting for 22 per cent of industrial enterprises. Out of those, 18 per cent produced sugar confectioneries and 16 per cent produced bakery and pastry products. In 2017, about 329,000 tons of agri-food products were exported from Lebanon, 32.2 per cent of which were sugars and sugar confectionery. The major destinations of these exports were Syria, Saudi Arabia, Iraq, Qatar, and the United States.<sup>11</sup>

### Sector Opportunities and Threats

Arabic sweets were usually of interest to the older generation, as people over the age of 40 had been familiar with these sweets long before the emergence of French or American confectionery, and they had always served Arabic sweets during special occasions and events. Lebanese culture dictated that events like Ramadan, Christmas, births, graduations, and weddings were celebrated with sweets, usually Arabic sweets. However, young people were shifting away from Arabic sweets, as they preferred the taste of American and French sweets, which also happened to have more exposure over social media than their Arabic counterparts. Some manufacturers of Arabic sweets had higher retail prices because they adopted a differentiation strategy, highlighting the superior quality of raw materials used, compliance with international food safety standards, and elegant presentation and packaging. Higher retail prices targeted Lebanese upper middle-class customers.

The Arabic sweets sector benefited from a wealth of resources and technical support by private incubators and associations such as the Investment Development Authority of Lebanon, which provided market data analyses, legal and accounting advice, and training in the field of business ventures. The Banque du Liban (Bank of Lebanon) offered sponsored financial advances to help the improvement and development of profitable ventures. Skilled, relatively cost-effective, and educated labour was readily available to support such ventures.

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<sup>11</sup> *Investment Opportunities in the Agrofood Sector 2018* (Beirut, Lebanon: Investment Development Authority of Lebanon), accessed March 20, 2019, <https://investinlebanon.gov.lb/Content/uploads/SideBlock/181114041152570~IDAL-INVESTMENT%20OPPORTUNITIES%20IN%20THE%20AGROFOOD%20SECTOR-2018.pdf>; Nathalie Rosa Bucher, "Catering to Our Sweet Tooth: Lebanon's Biggest Sweet Manufacturers Battle It Out in Ramadan," *Executive*, August 8, 2013, accessed March 30, 2019, [www.executive-magazine.com/business-finance/society/sweet-manufacturers-lebanon](http://www.executive-magazine.com/business-finance/society/sweet-manufacturers-lebanon); "Agro Industry," IDAL, accessed March 13, 2019, [https://investinlebanon.gov.lb/en/sectors\\_in\\_focus/agro\\_industry](https://investinlebanon.gov.lb/en/sectors_in_focus/agro_industry).

## Growth Rate and Maturity

In terms of industry age, Arabic products were considered mature for several reasons. First, they had been present in the market for more than 150 years and had become part of Lebanese culture. Products were constantly renewed through the introduction of new flavours. In addition, manufacturing processes were shifting toward mechanization, such as with the introduction of the maamoul molds.<sup>12</sup> More investments were being made to reduce costs by further distributing fixed costs. In addition, operating efficiency was set to improve with the introduction of mechanized manufacturing processes. Market share was maintained in Lebanon and was improving with new social media marketing platforms, which increased brand awareness worldwide. Profitability had been in slight decline for some years due to the country's political instability, and this had been the case for all players.

## Competitors

Al Baba Sweets was one of the five most prominent Arabic sweets manufacturers in Lebanon. The others were Abdul Rahman Hallab & Sons (Hallab), Douaihy, SeaSweet, and Amal Bohsali (see Exhibit 4). Hallab was renowned for its major customer loyalty in northern Lebanon, its area of origin. Also, it was a pioneer in online shopping and international delivery and remained very strong in these areas. Most of Hallab's outlets were franchised in Lebanon and around the world. Its goal was to cater to both the older, more traditional, generation, as well as the younger one, by innovating but at the same time not changing the flavours. Douaihy and SeaSweet had very loyal customer bases in the Mount Lebanon region, which was also their area of origin. Douaihy's competitive edge was its youthful branding in terms of packaging and outlet design. Some of Douaihy's branches offered French pastries, salads, and snacks to cater to the younger generation. SeaSweet, on the other hand, was relatively behind in terms of innovation in branding but had introduced some Western cakes and pastries to its menus. Amal Bohsali had high customer loyalty in the Beirut area, and its outlets were limited to the capital itself. It preferred to stick to the traditional approach by focusing solely on Arabic sweets.

## AL BABA SWEETS

### Company Background

In 1934, 13-year-old Mohammed Bachir El Baba worked at a Lebanese sweets retailer in Sidon, Lebanon. Drawing on his experience as well as his talent and enthusiasm for the trade, he started his own home-based sweets business in 1943. His venture was successful, and in 1950, he opened a shop in Sidon, offering homemade, quality sweets to the neighbouring locals.

Sixty-seven years later, Al Baba Sweets had become a major and innovative sweets manufacturing and retailing company in the Middle East. It had seven outlets in Lebanon—three in Sidon, two in Beirut, one in Choueifat, and one in Chtaura—and four spread between Abu Dhabi and Dubai in the United Arab Emirates.<sup>13</sup>

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<sup>12</sup> Maamoul are nuts-filled pastry in the shape of domes, traditionally decorated by hand. Maamoul molds were invented to simplify that decoration process.

<sup>13</sup> "About Al Baba Sweets," Al Baba Sweets, accessed March 12, 2019, <https://albaba-sweets.com/pages/about-al-baba-sweets-lebanon>.

## Mission and Vision

The company's mission was as follows: "We strive to satisfy customer tastes, while maintaining food innovations and quality standards. We work to create a welcoming environment for our customers, while learning and adjusting to their needs and tastes."<sup>14</sup> Their vision was as follows:

We aim to become the leading destination for traditional sweets in the Middle East and Gulf region, while maintaining the best quality and hygiene standards. We want to build a team of expert employees in food and customer service. And ultimately, we want to make our customer part of this family business, whilst understanding his needs and adjusting to them.<sup>15</sup>

## Value Chain and Business Model

*Inbound Logistics:* Suppliers delivered the raw materials to the headquarters in Sidon, in a closed receiving area. The portfolio of suppliers was very diversified and had a strong relationship with the company.

*Operations:* When an online order was placed, the warehouse delivered the materials to the factory, which was located in the same building. Factories were equipped with machines; however, the nature of some products required that they be handmade. A quality control department inspected the materials and sent the finished goods for packaging. All Al Baba Sweets retail stores throughout Lebanon made their factory requests using an online ordering system. Delivery trucks were then sent to distribute the products.

*Outbound Logistics:* Some products were ordered online. After-sales service was handled by the customer service department, which followed up on all complaints and customer satisfaction.

Al Baba Sweets products were promoted by the firm itself through social media and public relations (PR) events. Retail displays changed seasonally or when new products were introduced. Sales were conducted directly in the shops or through the online buying platform, which delivered globally. The latter's orders were handled by a third-party transportation company. The accounting, human resources (HR), and purchasing departments worked closely together to produce reports that were used to make C-level decisions (see Exhibit 5).

Outcomes of different company operations were monitored by different departments and managers—for example, the quality assurance department followed up on food quality and safety, the operations department followed up on production and delivery, and the outlets manager followed up on retail operations. Each Al Baba Sweets retail store had a specific target it was required to reach by the end of the fiscal year. Al Baba Sweets focused heavily on the quality of their products. They did random quality inspections at least once a week, using an in-house microbiology lab.

*Marketing and Sales:* Marketing was mainly done through social media, PR events, and in-store marketing. Sales took place in Al Baba Sweets retail stores or through online purchases.

*Service:* Employees were trained on the job and through manuals on company products and services. They attended customer service workshops every six months. Other than retail targets, employees worked to reach their own individual sales targets and were rewarded accordingly. The HR department oversaw scheduling, analyzed and reported employee shortages, resolved employee conflicts, and issued warnings,

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<sup>14</sup> Ibid.

<sup>15</sup> Ibid.



when directed by the general manager or outlets manager. It also ensured that employees abided by internal and external regulations. Technology was introduced in the manufacturing process, as well as in operations. An online system linked the supply chain and allowed consumers to purchase products directly through the firm's website. In addition, Al Baba Sweets used third-party delivery platforms, such as Zomato, to have more market accessibility.

### **Factory and Employees**

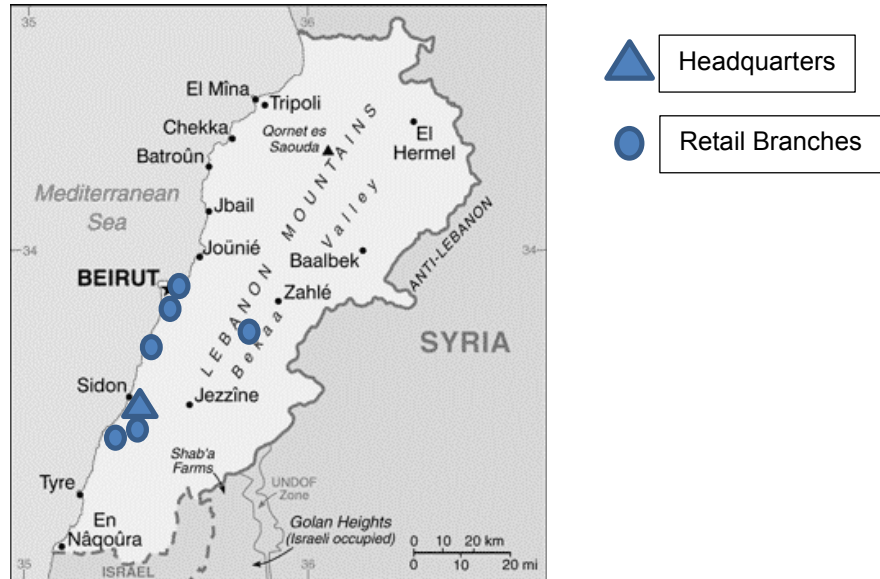
Al Baba Sweets' labour force gave the company a competitive market edge. The company had loyal employees who had been with Al Baba Sweets for three generations. Its employees were faithful and devoted to the firm and had the unique skill set and talent to produce sweets of the highest quality and design. This was highly crucial for Al Baba Sweets, as its Arabic sweets factories were 30 per cent labour intensive, and its French pastries factory was 50 per cent labour intensive. Furthermore, Al Baba Sweets was not fully utilizing the capabilities of its factories: the Arabic sweets factories were only operating at 30 per cent; the French pastries factory at 60 per cent.

There were 60 employees distributed among Al Baba Sweets retail outlets, including branch managers, cashiers, waiters, and sales employees. The outlets were the company's largest means of generating revenue (see Exhibit 6). During low seasons, the general manager usually cut the budget and did not take on any new hires (See Exhibits 7 and 8).

### **AN OPPORTUNITY FOR EXPANSION**

Ghida and her father were preparing for a meeting with the investor in order to discuss all of the issues pertaining to the company's declining revenues, as well as possible growth strategies. They had to decide whether Al Baba Sweets should branch out to other countries—and if so, which modes of entry to use—or whether the company should focus on enhancing and expanding operations within Lebanon.

**EXHIBIT 1: MAP OF LEBANON**



Source: Adapted from *The World Factbook*, s.v. “Lebanon,” accessed April 5, 2019, [www.cia.gov/library/publications/the-world-factbook/geos/le.html](http://www.cia.gov/library/publications/the-world-factbook/geos/le.html), last updated August 14, 2019.

**EXHIBIT 2: TOP THREE CONFECTIONERY MARKETS IN THE WORLD**

<b>Sales Revenue, 2018 (in \$US Billions)</b>	
Central & Western Europe	10.74
East Asia	16.52
North America	21.85

Source: “Confectionery – Worldwide,” Statista, accessed April 5, 2019, [www.statista.com/outlook/40100000/100/confectionery/worldwide](http://www.statista.com/outlook/40100000/100/confectionery/worldwide).

**EXHIBIT 3: MARKET SELECTION—MAJOR BUSINESS ENVIRONMENT INDICATORS**

2018	United States	Saudi Arabia
<b>Demographics</b>		
Total Population	329,256,465	33,091,113
Population Growth Rate (%)	0.80	1.63
<b>Government</b>		
Government Type	Constitutional Federal Republic	Absolute Monarchy
Economic Freedom (with 1 Being the Best)	12	91
Restrictions on FDI (0–1, with 0 Being Open)	0.089	0.369
<b>Economics</b>		
GDP Growth Rate (%)	2.20	–0.90
Per Capita GDP (US\$)	59,800	54,500
Consumer Inflation Rate (%)	2.10	–0.90
<b>Doing Business</b>		
Ease of Doing Business (Out of 100)	82.75	63.5
Number of Procedures	4	2
Time (in Days)	12	1.5
Total Tax and Contribution Rate (% of Profits)	45.7	15.7
Cost to Import Border Compliance (US\$)	175	779
Cost to Import Documentary Compliance (US\$)	100	390

Note: FDI = foreign direct investment; GDP = gross domestic product.

Source: Prepared by the authors using data collected from *The World Factbook*, s.v. “USA,” “KSA” accessed April 12, 2019, [www.cia.gov/library/publications/the-world-factbook/geos/](http://www.cia.gov/library/publications/the-world-factbook/geos/); *World Bank*, “Data Catalogue,” accessed April 12, 2019, [www.worldbank.org/](http://www.worldbank.org/); *Organisation for Economic Co-operation and Development and Heritage reports*, “FDI Restrictiveness,” accessed April 12, 2019, [www.heritage.org/index/ranking](http://www.heritage.org/index/ranking), <https://data.oecd.org/fdi/fdi-restrictiveness.htm>.

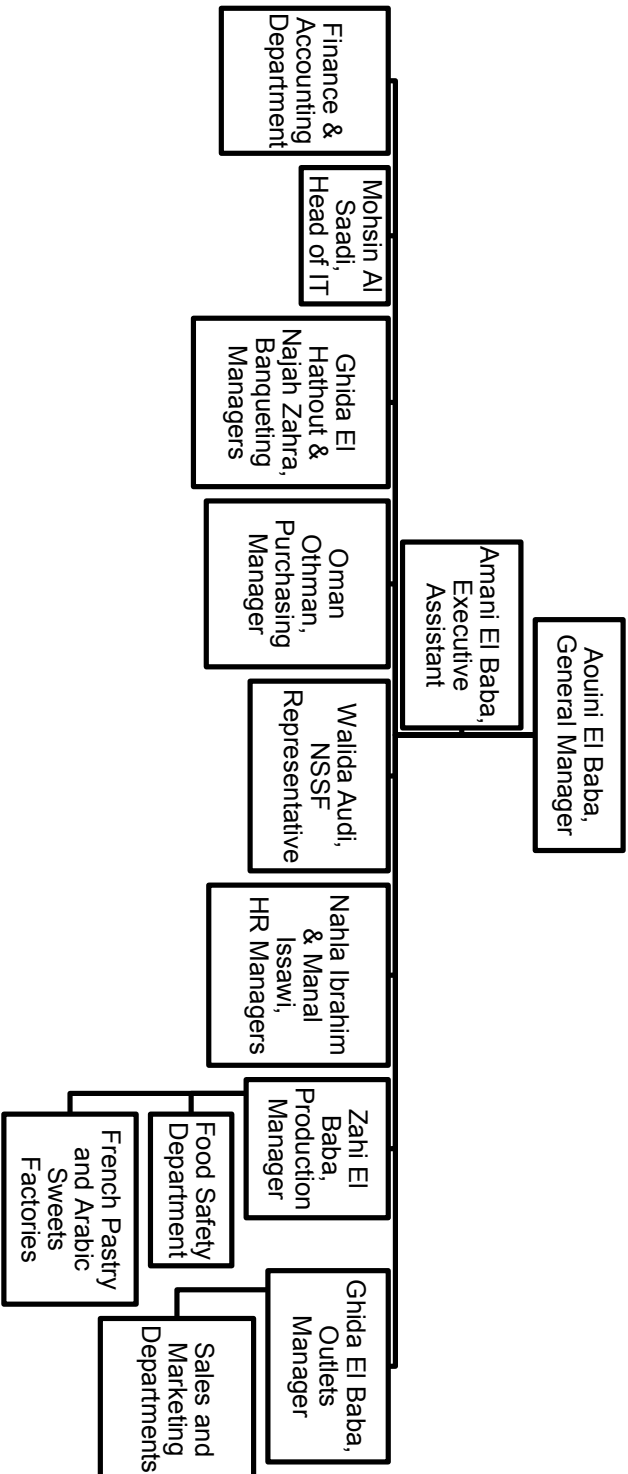
**EXHIBIT 4: COMPARISON OF LEBANESE SWEETS PRICES (US\$)**

	Al Baba Sweets	Amal Bohsali	SeaSweet	Abdul Rahman Hallab & Sons	Douaihy
Baklava (1 kg)	27.50	23.50	24.00	24.60	24.00
Maamoul (1 kg)	19.40	20.00	15.00	18.60	19.00

Note: kg = kilogram.

Source: Developed by the case authors based on data from company files.

**EXHIBIT 5: ORGANIZATIONAL STRUCTURE AT AL BABA SWEETS**



Note: IT = Information Technology; NSSF = National Social Security Fund; HR = human resources.

Source: Developed by the case authors based on data from company files.

**EXHIBIT 6: SALES COMPARISON, 2017 AND 2018 (US\$)**

Branch	2018	2017
Sidon (Headquarters)	2,099,775	2,251,999
Tavouneh	2,141,068	2,402,072
Kraytem	958,909	1,112,272
Sidon (Second Branch)	314,757	358,900
<b>Total</b>	<b>5,514,510</b>	<b>6,125,242</b>

Source: Adapted by the case authors from company filings.

**EXHIBIT 7: INCOME STATEMENT FOR AL BABA SWEETS, 2017 AND 2018 (US\$)**

	<b>2018</b>	<b>2017</b>
Sales	5,514,510	6,125,242
Cost of sales	-3,888,863	-4,286
Gross profit	1,625,647	1,838,778
Administrative expenses—Staff costs	-1,112,907	-1,380,695
Depreciation and amortization	-140,915	-101,249
Provision for doubtful debts	-9,883	...
Rent revenue	...	33,225
Other income	42,780	396
(Loss) Gain on disposal of property and equipment	728	45,502
Finance costs, net	-52,605	-53,751
Non-operating revenues		
Miscellaneous income (non-operating)	1,738	205
(Loss) Gain on exchange, net	8,321	13,635
Profit before tax	362,905	396,046
Income tax expense		
Profit for the year	362,905	396,046
Other comprehensive income		
<b>Total comprehensive income for the year</b>	<b>362,905</b>	<b>396,046</b>

Note: All numbers have been disguised to protect confidentiality.  
Source: Adapted by the case authors from company filings.

## EXHIBIT 8: AL BABA SWEETS BALANCE SHEET, 2017 AND 2018, AS OF DECEMBER 31 (US\$)

	2018	2017
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	3,005,681	3,135,444
Financial fixed assets	14,648	...
Intangible assets	21,604	21,604
Due from related parties	1,695,882	1,335,584
	<u>4,737,815</u>	<u>4,492,633</u>
<b>Current assets</b>		
Inventories	166,062	171,074
Accounts receivable and other debit balances	114,429	88,276
Bank balances and cash	151,304	121,105
	<u>431,795</u>	<u>380,455</u>
	<u>5,169,610</u>	<u>4,873,087</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	195	195
Partners' current account	1,266,401	1,455,625
Gain (Loss) for the period	362,905	...
<b>Total equity</b>	<u>1,629,502</u>	<u>1,455,820</u>
<b>Non-current liabilities</b>		
Notes payable	...	110,282
Employees' end-of-service benefits	133,988	128,230
	<u>133,988</u>	<u>238,513</u>
<b>Current liabilities</b>		
Accounts payable and accruals	558,996	783,091
Due to related party	2,114,878	1,978,143
Notes payable	311,283	39,394
Bank overdrafts	420,965	378,126
	<u>3,406,121</u>	<u>3,178,754</u>
<b>Total liabilities</b>	<u>3,540,109</u>	<u>3,417,267</u>
<b>Total equity and liabilities</b>	<u>5,169,610</u>	<u>4,873,087</u>

Note: All numbers have been disguised to protect confidentiality.

Source: Adapted by the case authors from company filings.



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