Expansion Tale of Al Fanar Restaurant

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1. Introduction

AL FANAR Restaurant & Café is a famous restaurant who raved Emirati food in United Arab Emirates. With the passage of time, AL FANAR Restaurant & Café has gained excellent and well reputation locally, because the restaurant promotes the national culture, Society, traditions, food tastes of UAE country and it is planning to expand its operations in globally. After a thorough analysis, we came down to choose AL FANAR Restaurant & Café as an option for expansion outside the national border.

This case study analyzing how Kuwait market will be good for operating the business of Al Fanar Restaurant & Café. The entry model of the restaurant is influenced by varied internal and external factors. The study describes food and beverages market in Kuwait. For the purpose of risk free and profitable entry, a careful analysis has been undertaken to identify best suitable country for expansion. We will be considering the (SWOT Analysis) strength, weakness, opportunities and threat. Also, (PESTEL+C Analysis) political, economic, social, technological, environmental, legal aspects, competitors and varied modes of entry.

2. About Al Fanar

A small museum of Emirati culture. This is the idea of establishing the popular AL Fanar restaurant in the country, to introduce its visitors, both residents and tourists, to the local culture, although many of its close associates were disdainful of the idea. The idea changed completely and became its supporters. The restaurant was opened in Dubai on September 2011 for a trial period of one month before officially opening in October of the same year with 100 employees. Within three years, three (two in Dubai) and one in Abu Dhabi, with 310 employees, opened branches across GCC and the world in a strategic plan for the period 2014-2017.

A phone interview has been arranged on October 10, 2017 with Hashim AL Marzouqi – The Chairman of Al Fanar Restaurant and Cafe. He mentioned the success story of Al-Fanar, saying that "In 2010, I read a report of one of the local newspapers that published the fact of the absence of the UAE restaurant from shopping centers in the UAE. The idea of creating a restaurant that is a miniature museum of UAE heritage, to aware the citizen and foreign visitor in the history of the state. The restaurant, which was the first branch in a commercial center in Dubai, was keen on the details of heritage to aware the visitors of Dubai, especially the local cuisine in another word that the UAE cuisine is derived from several kitchens, most notably Indian and Iranian".

The chairman adds "I was a trader and an expert in other companies, and the restaurants needed different management, but I was designed to implement them. A year after opening the first branch, I invited my father to visit the restaurant and commented: If you told me the idea as I did it, you would be the first supporter. Many people have limited information about our heritage, and most of them have not entered the local museums only once or twice in his life, and if we turn to ask foreigners about science may make mistakes in its colors, and it is our duty to spread the heritage of the UAE and teach the people of the community".

The project was planned and studied for a year and a half, and a budget of five million dirhams. The chairman studied the history of the UAE country in detail for eight months, including the buildings and interior design of the historic houses, in addition to the popular food and utensils. The popular cuisine derived from the family recipes, and try to find out the proportion of success among the public. pointing out that he searched for the best family recipes among old local women of their neighbors and from their family knowledge to take the best tastes and experience, and then add them to the food's menu.

Al Fanar restaurant has 6 branches around the UAE (Abu Dhabi, Dubai, Ras Al Khaima and Al Ain). The restaurant gets excellent ranking and recommendation from the people. For Example, people ranked on trip advisor website 4.5 out of 5 on the quality of the restaurant.

Al Fanar restaurant diverse its menu to suit all the day such as traditional breakfast, Lunch, Dinner & sweets.

Al Fanar Restaurant & Cafe management decide to make a restaurant that show the tradition decorations of Dubai city in the 1960's, and with the taste of Emirati Cuisine. AL FANAR RESTAURANT and Café want to revive the history of Dubai when it was a small town on the shore of the Arabian Gulf at an idyllic spot close to the creek-with rows of wind towers surrounded by Al Badia oasis, with tents and barasti huts where fishermen, pearl merchants and Bedouins lived.

The old town was a thriving city of trade where goods-from neighboring countries are brought in, traded with pearls. The trading gives the architecture of the old town a very distinctive character-rows of wind towers, tossed up on walls made of coral stones and mud, grilled wooden windows and vaulted wooden doors.

3. The Choice of Kuwait

We have been chosen Al Kuwait country to expend the business of Al Fanar Restaurant and Café because Kuwait have some several advantages.

Firstly, Kuwait is the world's 8th leading exporter and the 10th largest oil manufacturer it has small area of 20,000 square kilometers and its population is 4.2 million.

Secondly, Kuwait has a number of trade areas, the largest being located in Shuwaikh, Sabhan and Shuaiba and a Free Trade Zone located at Shuwaikh port provides amenities for the exporting and importing of materials and other related activities.

Finally, a hospitable culture: this country offers a mix of elements of a modern society and traditional Islamic customs with new concepts. The local population is young and great consumer. They are very fond of foreign products, western brands and high technology. We can say that there are many similarities in the society traditions and beliefs.

4. PESTLE Analysis

4.1. Political Factor

Kuwait is a constitutional monarchy and it heads is Emir. Emir status is given be heritage from the previous one. Currently, Sheikh Sabah al-Ahmed al-Jaber al-Sabah is ruling Kuwait and he is the ruler since 2006. Before he becomes the ruler, he served as foreign minister over forty years and also, he served as prime minister from 2003 to 2006.

Political system in Kuwait is divided between appointed parliament and elected parliament (the National Assembly or Majlis al-Umma). The appointed parliament has the ministers who were chosen by the prime minister. The prime minister appointed by the Emir. The National Assembly consists of 65 members, 50 of them are elected as they are chosen in elections and they stay for four years in their position. The remaining 15 are appointed by the prime minister.

4.2. Economical Factor

Kuwait is a small country geographically with an area of 17,818 sq km (BBC, 2015) but very wealthy country. Six percent of the world reserves is in Kuwait as it has crude oil reserves of about 102 billion barrels. Kuwait is very dependent on the oil as petroleum accounts for over 50% of the Gross Domestic Products, more than 90% of the export revenues, and more than 90% of the government income. Therefore, Kuwait was one of the most countries that impacted by recent drop of oil prices.

According to Central Intelligence Agency the gross domestic product at purchasing power parity for Kuwait in 2016 estimated to be $303.7 billion and the gross domestic product per capita is estimated to be $71,900 in the same year

(CIA, 2017). The composition of the GDP by the sector of origin are: agriculture 0.4%, industry 59.6%, and services 40%.

The total volume of Kuwaiti exports in 2016 is $43.84 billion and the main commodities of exports are oil and refined products, and fertilizers (Moody's Analytics, 2017). In 2015, South Korea (14.8%), China (12.3%), Japan (10.6%), India (9.8%), USA (7.7%), Pakistan (6%), and Singapore (4.4%) are the main importer from Kuwait (Moody's Analytics, 2017).

On the other hand, the total volume of Kuwaiti imports in 2016 is $28.32 billion and the main commodities of imports are food, construction materials, vehicles and parts, and clothing (Moody's Analytics, 2017). In 2015, China (13.2%), US (9.6%), Saudi Arabia (7.7%), Japan (6.5%), Germany (5.1%) France (4.3%), and India (4.3%) are the countries that Kuwait imported goods from them (Moody's Analytics, 2017).

The inflation rate in Kuwait in 2016 is 3.20% which is higher than Oman (1.1%), UAE (1.8%), Qatar (2.70%), and Bahrain (2.8%) and lower than Saudi Arabia (3.5%) (CIA (b), 2017).

4.3. Social Factor

The total population of Kuwait is 2.9 million (BBC, 2015). There ethnic groups in Kuwait from the largest to the smallest are: Asian (37.8%), Kuwaiti (31.3%), other Arab (27.9%), African (1.9%), others (1.1%) (Moody's Analytics, 2017). The most common religion in Kuwait is Islam and Muslim are (76.7%) of the population. They are followed by Christian (17.3%), then other religions (5.9%) (CIA, 2017). Arabic is the official language in the country and English is widely spoken.
The population growth rate is 1.5%. The birth rate is 19.2 births/1000 population and the death rate is 2.2 deaths/1000 population (CIA, 2017). The life expectancy is 74 years for Men and 76 years for women (BBC, 2015).

In 2015, almost 98% of the total population are urban and Kuwait the capital city is the major urban are (Moody's Analytics, 2017). The densest areas are the areas along on the Arabian Gulf, particularly in the capital city (Kuwait) and in Bubiyan Island (CIA,2017).

The information about the age structure in the country is shown in the table below and it is taken from (Moody's Analytics, 2017):

Table 1. Moody's Analytics

Age Structure	**Percentage**	**Male**	**Female**
0-14	25.18%	371,021	342,362
15-24	15.16%	236,012	193,303
25-54	52.28%	936,604	544,378
55-64	4.95%	79,551	60,602
65 and over	2,43%	32,096	36,847

4.4. Technological Factor

There are seven airports in Kuwait, four of them with paved runways and three with unpaved runways. Kuwait International Airport is considered as one of the main hub for international air travel.
Because many area of Kuwait is bordered by sea, it has one of the biggest shipping industries in the GCC. The major sea ports are: Ash Shu'aybah, Ash Shuwaykh, Az Zawr (Mina' Sa'ud), Mina' 'Abd Allah, Mina' al Ahmadi (CIA, 2017).

According to (CIA, 2017), in 2016, there are a total of 403,000 subscriptions in the fixed lines and 5.392 million subscriptions in mobile cellular. Also, 78% of the total population approximately are using the internet in the same year.

4.5. Legal Factor
The legal system in Kuwait is mixed legal system consisting of English common law, French civil law, and Islamic religious law (CIA, 2017).

According to trading economics, Kuwait is ranked 98 of ease of doing business among 189 countries (Tradingeconomics, 2017). In the ranking, Kuwait is below all the GCC countries as UAE (26), Bahrain (63), Oman (66), Qatar (83), and Saudi Arabia (94) (Tradingeconomics, 2017).

4.6. Environmental Factor
Almost 99% of the population have improved drinking water source and all of them have sanitation facility access (CIA, 2017).

The spring season in March is warm with occasional thunderstorms. The frequent winds from the northwest are cold in winter and hot in summer. Summers in Kuwait is very hot and can be on of the hottest in the earth. The highest recorded temperature was 54.4 °C (129.9 °F), which is the highest temperature recorded in Asia. Kuwait experiences colder winters than other GCC countries.

4.7. Competitors
There are many competitors in Kuwait but Al Fanar will compete the similar restaurant that related to Kuwait traditional meals. Most of the local restaurants in Kuwait have lower quality services and tastes than Al Fanar Restaurant & Café. We can conclude the competitors in following three:

1. Most two famous Kuwaiti restaurants have high prices
    - Dar Hamad Restaurant: The cookery was carefully shaped to include influences from The Arabian Peninsula, Persia, India, and the Mediterranean to embrace the entirety of a modern Kuwaiti taste palate. Kuwait's distinctive hospitality is also represented in the food with rich portion being a central guideline in food presentation.
    - Freij Sweileh: Kuwaiti traditional Restaurant.

2. Small local restaurants (Offering food with low prices).
3. Kuwaiti local women food catering on social media.

8. SWOT Analysis

SWOT analysis is one of the most important and required steps to perform for any company. It will help the company to better understand the strengths, weaknesses, opportunities, and threats facing a business. In addition, an accurate SWOT analysis helps a company in the areas where it can improve in the competitive landscape, and what it is doing well.

In our case, Al FANAR restaurant wants to open a branch in Kuwait's market, and that is considered as opening a new business, because the uncertainty of Kuwait's market exists. Therefore, AL FANAR restaurant is required to perform a SWOT analysis before entering Kuwait's market to be on the right track. (www.bigcommerce.com)

Table 2. ALFANAR's SWOT Analysis

Strengths	**Weaknesses**
- Clean and tidy interior design - Reasonable prices - Unique service - Good Branded image - Good quality of the food	- Offering a product that already exists in the market - High operating cost
Opportunities - People love food - Few competitors providing the same food - Advanced Technology	**Threats** - Main Competitor has lowered their prices - Increasing Rents - New competitors will open - VAT

8.1. Strengths
Actually, after conducting the SWOT analysis for AL FANAR restaurant, we found that AL FANAR has a tidy and unique interior design that will take customers back to 1960s, where the life is simple and difficult at the same time. In addition, AL FANAR restaurant has special pictures with short stories related to them, which will make people reminisce about the old days. Also, AL FANAR restaurant has unique services which are provided by special waiters who are wearing traditional clothes to show the beauty of the old fashions in this region. Further to that, the quality of the food is very good compared to AL FANAR’s competitors in terms of the taste and cleanliness, despite FERIJ SOWAILEH restaurant providing equally tasty food. However, ALFANAR has special Emirati spices that will add the magic touch and make AL FANAR’s food more special. Moreover, the prices are reasonable compared to the other competitors such as FERIJ SOWAILEH. AL FANAR also has a good branded image within the UAE, and most of the Kuwaiti people visiting UAE regularly, so the brand image is not new for them.

8.2. Weaknesses
The traditional restaurants are not new for Kuwait’s market. There are some restaurants which are providing Kuwaiti traditional foods, such as FERIJ SOWAILEH, DAR HAMAD, etc. However, ALFANAR will be the first restaurant that provides an Emirati traditional food in Kuwait’s market. In addition, opening a branch in Kuwait’s market will require high operating costs, such as labors, electricity, etc.

8.3. Opportunities
There is high potential for success in Kuwait’s market. Kuwaitis are known for their love of food, and they always like to try new restaurants. In addition, Kuwaitis respects family gatherings, which is a good opportunity for AL FANAR to offer the Emirati traditional foods in their homes. Furthermore, the advanced technology will help AL FANAR restaurant to spread fast, by using special food phone apps such as TALABAT.

8.4. Threats
AL FANAR should be concerned that other competitors will enter the market, and then the current competitors may lower their prices which will result in a price war. In addition, AL FANAR has another threat, which is that the annual rent of the restaurant is expected to increase due to the increase in demand. Also, VAT is coming to the GCC market, which will increase the operating expenses for the restaurant. Therefore, AL FANAR restaurant must have a strong and flexible pricing strategy that will adapt to such changes.

9. Modes of Entry
There are two major types of market entry modes: equity and non-equity modes each type has his own modes of entry, the equity mode includes: joint venture, wholly owned subsidiaries and strategic alliance. The non-equity modes include: export, contractual agreements, licensing and franchising.
Entry modes and the advantages and disadvantages of each one will be given before the decision that we make for the mode of entry.

9.1. Exporting: is the process of selling the goods and services outside the border. There are two types of exporting: direct and indirect.

Direct exporting: is when the firm be responsible of exporting there products overseas.

Indirect exporting: is when the firm uses intermediaries export firms to be in charge of exporting process.

Advantages for exporting direct and in direct:

1. Fast market access.
2. Low financial risk since there are no commitment to clients.
3. Now a days there are many of transportation options and in lower cost.

Disadvantages for exporting direct and in direct:

1. No control of the distribution and marketing since it's only exporting so when it reaches the other country distribution firms will take over.
2. Low profit compares to the distribution firms and the stores.

9.2. Contractual agreements: Contractual agreements are cooperative modes in which an organization enters into a contract with foreign partners to deliver its operations abroad.

Advantages of Contractual agreements:

1. It serves as a useful lower risk learning experience into a foreign territory.

Disadvantages of Contractual agreements:

1. It relies on trust and relationship building between both parties so if there are any issues the risk of losing the contract is high

9.3. Licensing: This is a contractual arrangement which a company transfers the right to distribute or manufacture a product or service or the use of the trademark or the company name in a foreign country.

Advantages of licensing:

1. Easy entry to foreign markets.
2. Low risk since all products are already produced.
3. Potential high return in investment.

Disadvantages of licensing:

1. Low level of control
2. Possible risk of losing intellectual property.
3. Bad management form the licensee can affect the brand. (Creatovate, n.d.)

9.4. Franchising: This is a contractual arrangement in which semi-independent business owners (franchisees) pay fees and royalties to a parent company (franchiser) in return for the right to become identified with its trademark, to sell its products or services, and often to use its business format and system

Advantages of Franchising:

1. Low cost.
2. Market entry carries less financial, legal and political risk.
3. Expansion of the brand.

Disadvantages of Franchising:

1. Low level of control.

2. Possible risks of conflicts with franchisee.
3. Evaluating the franchisees and providing him with assistance. (Creatovate, n.d.)

9.5. Joint venture: is a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.

Advantages of Joint venture:

1. A combination of knowledge between two parties.
2. Spreading the risk between two companies.

Disadvantages of Joint venture:

1. Potential conflicts of interest between two parties.
2. Uneven Division of Work and Resources (Investopedia, 2017).

9.6. Wholly owned subsidiaries: The creation of a foreign subsidiary wholly owned (100%) by a parent company

Advantages of Wholly owned subsidiaries:

1. Full control of the products and services.
2. Possible high profitability.
3. Shifting the same image from one country to another.

Disadvantages of Wholly owned subsidiaries:

1. High risk to enter a new market without support from the local.
2. High cost.
3. Government restriction bureaucracy.

9.7. Strategic alliance: is a relationship between two or more businesses that enables each to achieve certain strategic objectives neither would be able to achieve on their own.

Advantages of Strategic alliance:

1. Learn new skills and improve your capability.
2. Political advantage to be able to enter new markets with restrictions to foreigner business.
3. Reducing the cost by distributing them among the alliances.

Disadvantages of Strategic alliance:

1. Shearing resource and profit.
2. Lack of control.
3. Less efficient communication. (Delaney)

For our restaurant we believe the best approach to enter Kuwait's market is by wholly owned subsidiaries, this choice came for many reasons:

1. UAE and Kuwait shear the same culture and also the same taste of food above all they shear the same traditional foods so a restaurant like Al fanar products will not be strange to the local community in Kuwait so we will eliminate the risk of the local not excepting the restaurant.
2. As part of the GCC agreement any national from the GCC country can start his own business in any of the GCC country and he will be treated as a local so from this advantage the owners of alfanar will not face any issue with the restrictions of international companies and government bureaucracy in Kuwait.
3. The cost of living and salaries is cheaper than UAE which will attract employees to work there even sending them from UAE which will help in maintaining the same level of quality in both the products and management.

4. Alfanar restaurant want to be in control on the management of restaurant to have the same reputation and try improving it.
5. Gain high profits by owning 100% from the restaurant.
6. Alfanar restaurant by opening a full owned restaurant in Kuwait they will minimize the risk of losing in one market.
7. Kuwait is popular in restaurants and they always introduce something new in the market by opining a restaurant their will help us to improve the products of alfanar restaurant and introduce new ones.
8. Starting the expansion in Kuwait will be very helpful to enter the remaining markets of the GCC countries.

10.Resources Needed

Basically, five types of resources contribute to the success of a new business. These five resources are Financial Resources, Human Resources, Educational Resources, Physical Resources and Emotional Resources. Financial Resources are the important resources to start and manage a new business but two of them are most important resources (Demil & Lecocq, 2010). In any business financial resources are considered as the most important sources and then human resources are considered as important resources. Financial resource is the accumulating sufficient fund which is essential for the business to manage their core operations in a new market place.
The success of a business depends on the talent and strength of its employees and human resource is all about the hiring of experienced professionals with the record of excellence with their areas of expertise ensures that the mission and goals of the business will be carried out efficiently and with competence (Banfield and Kay, 2012).

Both of these resources have a direct link with the cost of investment required for this project. The budget for the cost of investment is as follows:

Table 3. Cost Budget

	Amount (AED)
Budget for employees	800,000
Machinery	200,000
Patents/Rights	80,000
Rent	400,000
Kitchen and cafe equipment	150,000
Total Investment	1,630,000

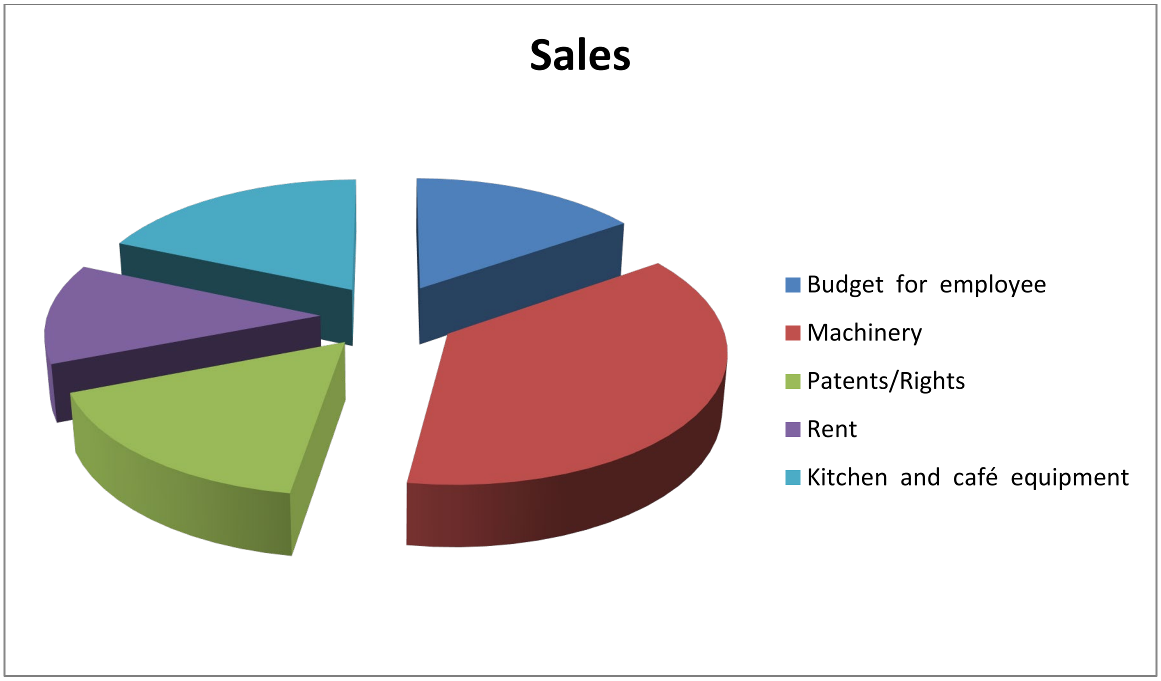

Figure 1. Sales

Above table and chart shows the proportion of Machinery is the highest, showing a proportion of 150% followed by Kitchen and Café equipment which has a proportion of 75%. The total employees' budget of AED 800,000 which has a net proportion of 62.5%. The return on investment for the next three years along with the graph is as follows:

Table 4. Return on Investment

	Revenue in 2018 by Dhs	Revenue in 2019 by Dhs
	494400	1039263
Return on Investment	1010415	1083501

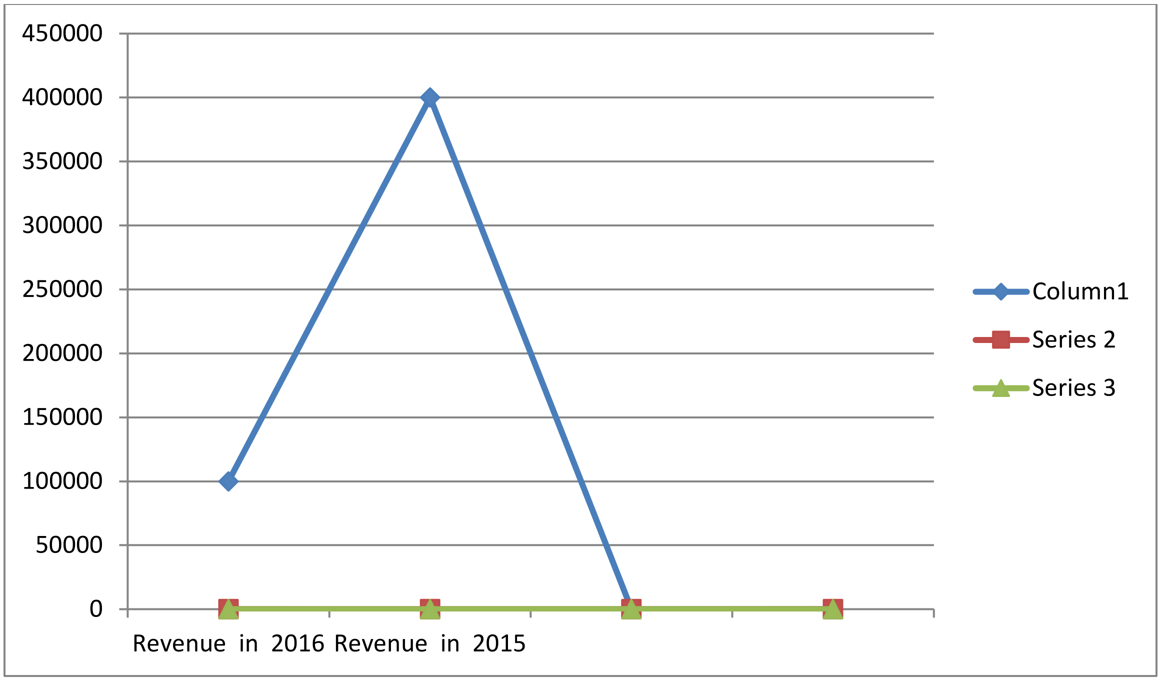

Figure 2. Return on Investment

The ROI in 2018 is AED1010415, and it will increase in 2019 and it is AED1083501, showing that the company will be gaining economic prosperity during their expansion. This particular ROI located in the favor of AL Fanar, and the company should expand its operations in the market.

11. Conclusion

After all the analysis above from looking at the PESTLE and competitors, analyzing the SWOT, and checking all the resources needed, we recommend that Alfanar restaurant go and for the wholly owned subsidiary in Kuwait.

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Biography

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