

**Notre Dame University
Faculty of Business Administration and Economics
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&

**Bordeaux Business School
Institute of International Business**

Khoury Home Expansion to Jordan

**A Thesis Submitted in Partial Fulfillment of the
Requirements for the Joint Degree of Master of Business
Administration (M.B.A.) and the Master of Science in
International Business (M.I.B.)**

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**NDU-Lebanon
2010**

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DECLARATION

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ABSTRACT

Many companies seek to grow and develop their consumer and market base through international expansion. Foreign markets are normally targeted for more profit, brand building, and growth. Furthermore, expanding into foreign countries can be the cause of an unstable economic and political situation in home country.

Internationalization has become very important in world's business, and companies should sustain with the ongoing stream of globalization and internalization. Venturing from domestic to other geographical countries is very crucial, and choosing the correct entry mode is even more important for a successful market entry. Internal and external factors should be also taken into account prior to making the decision.

Khoury Home is the leader in home appliances' sector in Lebanon. The company started as a small enterprise in 1999 with 5 employees in Elissar, Beirut. In 8 years period, the company faced a rapid and un-expected growth, arriving at 300 employees, 3 branches and a turnover of \$51M. It decided to take advantage of overseas markets through internationalization like many other businesses that continually seek to develop their consumer and market base. The Lebanese economic and political instability were mainly the key factors for Khoury Home's serious internationalization and thoughts for investing abroad. It decided to venture into Jordan, a nearby geographical country, a fertile ground for business development, with flexible rules and regulations facilitating foreign investment operations.

Before going abroad, questioning the business model to adopt, the readiness and the capacity of the company, the marketing strategy and relative implementation is a necessity.

The purpose of this memoir is to comprehensively answer these questions, define the best theoretical framework, and portray the limitations, whether financial or physical, that might face Khoury Home. The entry decision should be determined by the model to adopt, the corporate culture, the company's objectives, the level of resources, the level of control and the level of risk that the company is ready to allocate and assume.

Several business models were depicted and the Uppsala Model was chosen for Khoury Home's entry to Jordan.

We have constructed two research questions; are Khoury Home ready to internationalize and will the Uppsala fit the company's strategic decision.

Based on the research questions, a literature review was conducted. Qualitative and quantitative data collection was carried out. Quantitative data were based on books, internet resources and articles, while qualitative data on interviews with Khoury Home' board members. Our research is basically to answer all these questions through the best model to adapt (the Uppsala model), scanning the environment through PEST and SWOT analysis, analyze the market and the household appliances sector in order to decide how and when to enter the market, highlight the internal and external factors that will affect market entry strategies and set the actual mode of entry: exporting, franchising, licensing, joint ventures or wholly owned subsidies.

Key words: Internationalization, The Uppsala model, Foreign Direct Investment, KHA (Khoury Home Appliances).

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ACKNOWLEDGMENTS

I would like to thank teachers, family and friends for their direct and indirect help in accomplishing this memoir.

First of all, I would like to thank Dr. Youssef Zgheib and Dr. Atef Harb for their time and assistance.

I would like to thank Khoury Home for their interest in my thesis and significant access to confidential information.

*Also, my big thanks go to my wonderful family who has been very supportive:
Imad, my husband, for his constant and positive encouragement
Michele, Chloe, and Roxane, my beloved girls for their tolerance and patience
The parents for their unconditional help alleviating my task.*

Roula Nahas Moujaes

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Chapter I: Introduction

The objective of this chapter is to give an overview and a clear understanding on Khoury Home Appliances then highlight the purpose of this memoir. The chapter ends with the memoir structure and the delimitations.

1.1 Background

Who is KHA? What is the company's positioning? What kind of products does it offer to customers? Who are the customers and are their needs satisfied? What market does KHA cover? Who are the competitors? Is it the leader in the sector? What kind of prices does it offer? Why is the company seeking expansion? Where and most importantly how will it succeed?

Khoury Home Appliances is a very successful Lebanese company selling large and small home appliances with a turnover of more than \$51 Million. It provides a large and wide selection of quality products at competitive prices.

The company moved from a wholesaler of home appliances in the 80's to a retail giant in the late 90's. It achieved the leadership position in the home appliances industry with 17% market share in only 8 years period. KHA's key success factors are many, the superior sales force and "after sale service" on which the company allocates a very high importance and is keen to maintain, the consistent advertising, and the correctly chosen marketing promotions with respective campaign timing. The company's dedication and determination to offer the best service and the best quality to its clients lead to achieving the ISO 9001-2000 certification in 2005. Its devotion to quality never stopped as it is still implementing and updating all relative processes to-date and taking corrective measures and actions for any possible claim or problem that might suddenly face the company.

The first branch opened in 1998 at Elissar region in the Metn of Lebanon with only 5 employees. One year later, they ventured into another 2000 m² outlet in Dora, Beirut,

a prime location on the main highway in the middle of North East Beirut. In a very short period of time, KHA achieved a strong corporate image and a solid reputation.

In 2002, Dora Branch developed into a 5000 m² outlet with wide showrooms and appealing displays. It became the company's main branch and houses its headquarters. Since that time, Khoury Home became the leader in the industry and was able to compete successfully against older established competitors in the market.

Faced with such an unexpected and spectacular growth, in 2006, KHA opened their third outlet in Jnah region, in South West Beirut attracting a larger target. The Jnah branch competed with BHV, a French department store franchise selling similar home appliances products. Despite the July 2006 war that broke out between the Hezbollah and Israel, the new outlet's sales figures were exceptionally surprising. KHA continued their national expansion and bought a 20,000 m² location in 2007 in Baabda, Beirut that is currently operational. By 2011, KHA considered having Baabda branch fully operational in addition to two new branches in the Kesrwan region.

KHA accomplished their vision of becoming the number one in the home appliances industry in Lebanon. Following the successfully achieved national coverage and the sustainably reached domestic market growth, the company believed it is time to move geographically into new countries, and more specifically into a neighboring country, Jordan. To be able to fulfill their go-to-market strategy, this memoir will portray, elaborate and recommend a business model that can ensure a smooth market entry.

1.2 Problem

The need of this memoir is to find the proper framework for going international. Therefore, several business models will be studied and presented in order to assist in the implementation of the internationalization process.

1.3 Purpose

The purpose of this memoir is to first highlight KHA objectives behind going international. Second, investigate, elaborate and test the chosen Uppsala business model by presenting and discussing cases of other similar companies that went international following the Uppsala model. Third, research how KHA should adapt to

the Jordanian market and its relative customers. Finally consider and portray possible risks that might face KHA during their expansion.

1.4 Research Questions

Before going international, we need to observe and explain whether KHA is ready to expand or not and whether the Uppsala model is the right model or not. We will try to answer these questions, define the best theoretical framework and portray the limitations whether financial, physical or human. The entry decision should be determined by the readiness of the company and the adopted model, not to forget the corporate culture, the company's objectives, the level of resources, the preferred level of control and the level of risk that the company is ready to allocate and assume.

We have two research questions regarding KHA's internationalization into Jordan:

- Is KHA ready to internationalize?
- Will the Uppsala business model fit KHA's strategic decision in entering the Jordanian market?
- Is Jordan the right market to enter?

1.5 International Perspective

The conducted research showed the existence of several internationalization business models. Some will be simply defined and exposed, while the one found most relevant to this memoir will be elaborated. One case study for Haier group will be tackled; showing the company's application of the Uppsala business model.

1.6 Definitions

We will provide definitions of what we believe need to be explained so that the reader can keep track while reading this memoir.

Internationalization: The process of planning and implementing products and services to be easily adapted to specific local languages and cultures, a process called localization.

KHA: Khoury Home Appliances

ISO: The international Organization for Standardization is a worldwide federation of national standards bodies (ISO member bodies). (Canadian Standards Association)

ISO 9001:2000: This International Standard specifies requirements for a quality management system where an organization:

- needs to demonstrate its ability to consistently provide product that meets customer and applicable regulatory requirements, and
 - aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable regulatory requirements.
- (Canadian Standards Association)

1.7 Brief Overview

Theoretical and empirical research have been fully conducted in the hope of finding the best and smoothest way for KHA to go international, starting with Jordan. In chapter one, we defined KHA and the company's vision, mentioning the reason behind its expansion. Chapter two will tackle the theoretical framework giving an overview of existing theories and business models among which is the Uppsala model. Chapter three will deal with the methodology used and data collection. Chapter four illustrates how KHA should go international following adequate PEST and SWOT analysis and obstacles that possibly will face the company. Chapter five will discuss the full market entry with regards to strategy and implementation: feasibility study, marketing mix, budget required and expected return on investment. Last, chapter six will tackle the limitations of this memoir while conveying our recommendations and conclusions.

Chapter II: Review of Literature

In chapter one, we highlighted the research area with the overall purpose. In this chapter, we will tackle the theoretical framework demonstrating several business models among which the Uppsala model that might pilot KHA's expansion, then display a case study that have applied the chosen Internationalization model.

2.1 The Internationalization Process Model (The U-Model)

In 1977, Johanson and Vahlne 1977 defined Internationalization as a dynamic model, a process in which firms gradually increase their international involvement through psychic distance and establishment chain. The Uppsala model, the internationalization process model, and the stage of development model, all refer to one international business model: the U-Model or the Uppsala model. The stage of development (SD model) was proposed by Johanson and Paul (1975) while studying internationalization strategies of small and medium sized enterprises (SMEs). This model explains that the process of internationalization of SMEs is long and slow taking into account the geographical and cultural expansion and the market and investment commitment.

The Uppsala model or the Internationalization Process model has emerged via the works of Carlson (1966), Forsgren and Johanson (1975), Johanson and Wiedersheim-Paul (1975), Welch and Wiedersheim-Paul (1980), Johanson and Vahlne (1990). It deals primarily with knowledge acquisition, how organization learns and how this learning affects their investment behavior (Johanson and Vahlne 1977, and 1990). The fundamental statement of this model is that the major obstacle to internationalization is the lack of knowledge about foreign markets and learning about the latter will destroy these obstacles. The main foundation of this learning is the firm's own current operations. Investment decisions and the actual investment commitments are made when uncertainty is reduced. Therefore, the more the firm knows about the foreign market it wishes to enter, the lower the risk, therefore the higher the investment in that market will be.

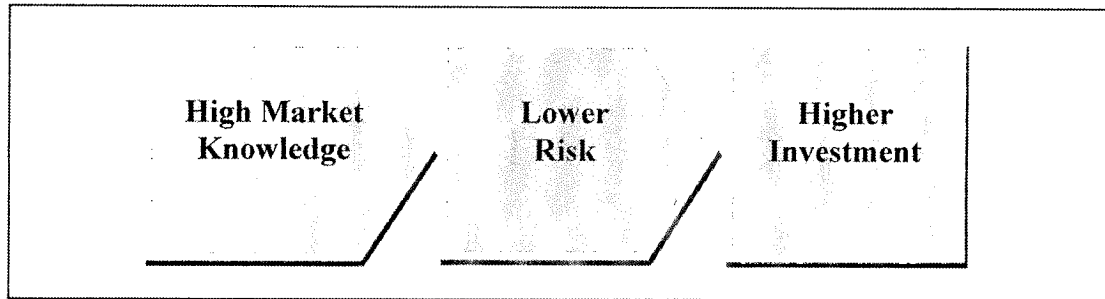


Figure 1: The Internationalization Process Model

The Uppsala states that both market knowledge and market commitment affect the investment commitment decision. Firms are expected to follow a low to high commitment operation sequence and enter new markets with successively greater psychic distance.

Johanson and Wiedersheim-Paul (1975) introduced internationalization as the outcome of a series of incremental decisions, where lack of knowledge and resources are the most important obstacles to internationalization.

2.1.1 The Establishment Chain and the Psychic Distance

The Uppsala model explains two patterns in the internationalization process of a firm: The Establishment Chain and the Psychic Distance (Johanson and Vahlne 1990, Johanson & Associates 1994).

a- The establishment chain

The commitment to proceed in a foreign operation develops according to the establishment chain, a sequence of stages in small steps with higher level of commitment for each step.

The model acknowledged four chronological stages of the establishment chain of the internationalization process:

- 1- No regular export activities
- 2- Export via independent representatives or agents
- 3- Sales subsidiary
- 4- Production / manufacturing

The firm starts with exporting then chooses an agent or an independent representative, helping in sales subsidiary in the foreign country and finally the company is ready to face the new market. The establishment chain clearly highlights the high commitment

to engage in a specific market. The more the people working in the company get highly involved in the international activities, the more the company gains foreign market experience hence higher market knowledge (Johanson and Vahlne, 1990).

b- The Psychic distance

The psychic distance however means that the firm tends to invest in one or a few neighboring countries rather than in distant markets or in several markets simultaneously. Neighboring countries means close countries i.e. markets where the extent of knowledge is high. These markets are considered as located in a shorter psychic distance.

According to Johanson and Vahlne, (1977) psychic distance is the sum of factors that prevents the flow of information from and to the market. These factors are considered to be the differences in language, education, business practice, culture and industrial development. The less the company understands the market, the greater the psychic distance and the level of uncertainty are; therefore the firm wishing to enter a market should have clear knowledge about that market with a low level of uncertainty. The best way to achieve low uncertainty and see opportunities is through experiential knowledge. Knowledge can be acquired through representatives, the reason behind the incremental steps.

2.1.2 State Aspects and Change Aspects

The U-Model is based on four concepts that are grouped under state aspects and change aspects. State aspects are market commitment and market knowledge, the change aspects are current activities and commitment decisions.

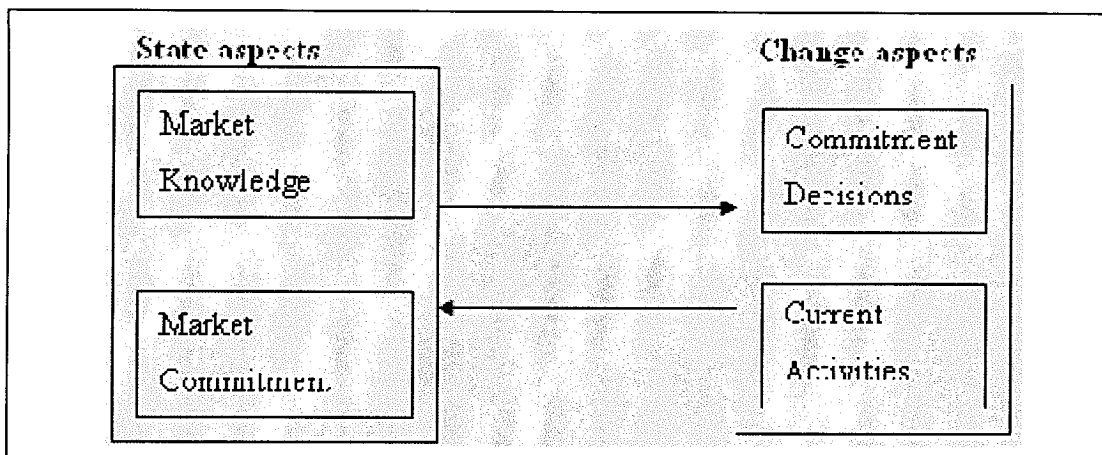


Figure 2: State Aspects and Change Aspects
(Source: Johanson & Associates 1994)

These concepts are linked, affected and dependent of each other. “Market knowledge and market commitment are assumed to affect decisions regarding commitment of resources to foreign markets and the way current activities are performed. Market knowledge and market commitment are, in turn, affected by current activities and commitment decisions.” (Johanson and Vahlne, 1990, Johanson & Associates, 1994)

a- State Aspects

Following the above statement that state aspects are market knowledge and market commitment, we would like to add that they are also considered as resources commitment to foreign markets.

1. Market Knowledge

Prior to deciding on which market to enter, knowledge about this market is very important with regards to its performance and its environment. According to Johanson & Vahlne, market knowledge can be divided into general knowledge and market specific knowledge. General knowledge covers the marketing means while market specific knowledge involves specific national market characteristics (Johanson & Vahlne, 1977, Johanson & Associates, 1994). Market knowledge and market specific knowledge are both needed to enter a market. Market knowledge can be transferred from one market to another while market specific knowledge can be received through experience in the specified market. Knowledge can be considered as a human resource and the better knowledge a firm has about the market, the more valuable the resource is. As a result the firm will have a stronger commitment to the specific market.

It is also important to mention that the firm obtains the knowledge either through *objective* knowledge that can be taught and transferred from one market to another, or *experiential* knowledge that can be learned from personal experience in the specific market (Penrose, 1995). To sum up: the greater the knowledge about a specific market, the greater the willingness to allocate resources. The commitment to the market increases with the increase of allocated resources devoted to that market.

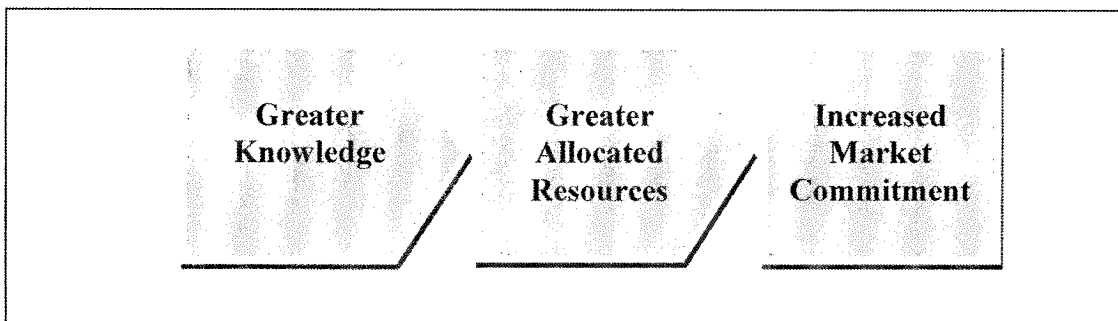


Figure 3: Market Knowledge

2. Market Commitment

The market commitment is the amount of resources i.e. the size of the investment, and the degree of commitment that increases with the increase of allocated resources within the organization. It can be the result of the firm's perception of opportunities and risks within a market. The size of the investment means marketing, organization, personnel and others. The more the resources are integrated with other parts of the organization, the higher the degree of commitment (Johanson and Vahlne, 1977, Johanson & Associates, 1994)). And the more specialized these resources are to a market, the higher the commitment. A marketing department with special product knowledge and established customer relations in a specific market is considered as resource with high degree of commitment.

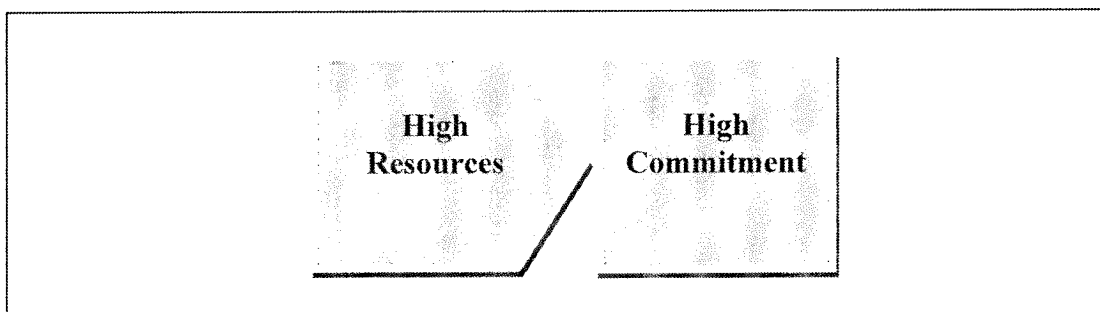


Figure 4: Market Commitment

b- Change Aspects

Change aspects are what make a change in the market. They are the current activities and the commitment decisions.

1. Current Activities

Current business activities are very important because it is through these activities that the experience is achieved. It is through experience that firms can perceive opportunities that lead to market commitments. However, the firm can gain the requested experience either by hiring experienced personnel or by taking over another firm with experience, or by having advice from outside the firm. Yet one problem can be the lack of experienced personnel, no experienced firm to acquire and simply no one to provide the external advice. Another problem can be the way to interpret and integrate the experience within the firm. Hence, experience is not something that can be easily achieved; consequently, the firm should acquire it through a long process of learning that is in connection with the current activities. There could definitely be other ways of gaining experience but are not mentioned in the model.

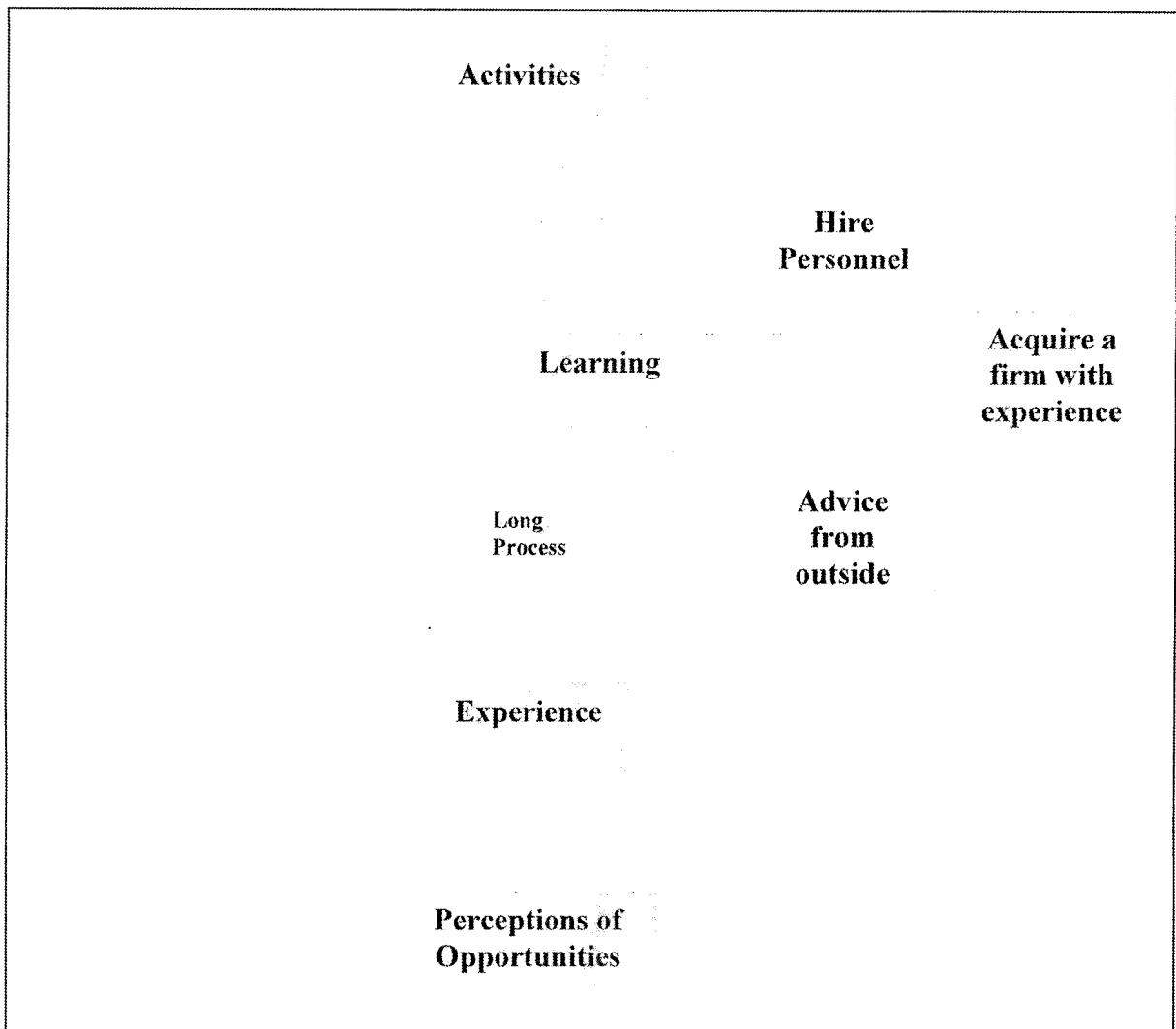


Figure 5: The Uppsala Current Activities

Delay between the activities and the consequences often exist, for instance the desired consequences of marketing activities may not be realized unless the activities are performed continuously over some time. This means that the longer the delay, the more resources are needed, and the higher the commitment is.

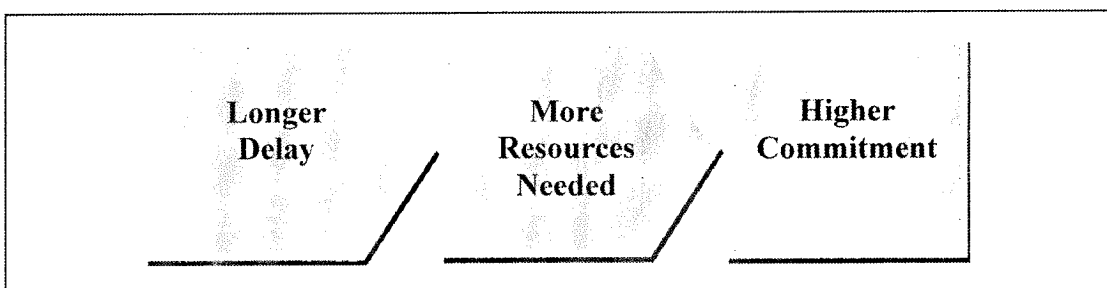


Figure 6: Continuous Activity

If the need for interaction between the activities and the market environment is low, and the activities are more production oriented, then it will be easier to launch new operations that are not add-ons to the current activities. (Johanson and Vahlne,1977), (Johanson & Associates,1994).

2. Commitment decisions

As the title states, commitment decisions are decisions on committing resources to a foreign market i.e. what resources to allocate to the foreign market operation. Decisions are taken either to answer problems or in response to opportunities on the market and are dependent on the awareness of these problems and opportunities. They are also dependent on experience from the business activities in the specific market as well as on the existing market risk and market uncertainty. Existing market risk is when the firm takes high commitments to the market until its maximum supportable risk is reached and the commitments are incrementally taken due to the market uncertainty, the inability to estimate the current and future market and other market influencing factors. (Johanson and Vahlne, 1977), (Johanson & Associates, 1994). The more the firm is knowledgeable about the market, the lower the uncertainty and market risk.

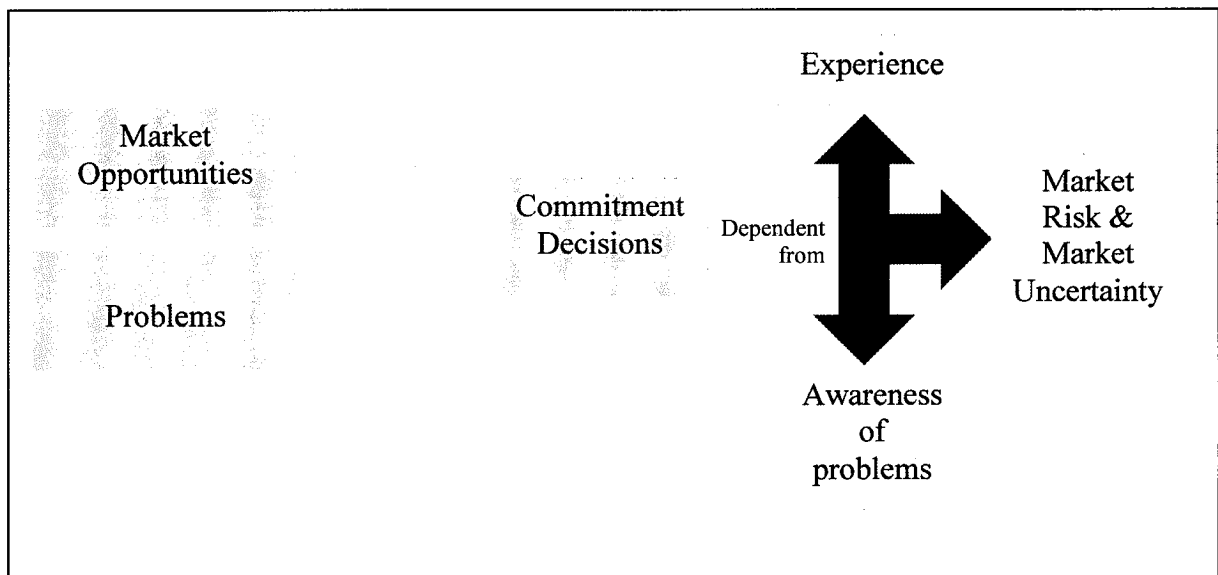


Figure 7: Commitment Decisions

2.2 Exceptions to the Model

As discussed, the Uppsala is a gradual small steps process of entering a new foreign market with regards to market commitment and geographical aspect. There are; however, some exceptions to be considered when a firm internationalizes according to this model.

If the firm's resources are large, the effect of commitment is small. Yet, the firm can make larger international steps. Another exception is when a firm has gained experience from similar markets with similar conditions; it can then use that experience and generalize it to the specific market. Finally, stable market conditions can lead to market knowledge through different ways than experience (Johanson and Vahlne, 1990, Johanson & Associates, 1994).

2.3 Critiques of the Model

Ever since the Uppsala model was created in 1977, it has been the subject of many empirical tests and targeted by many criticism some of which we will reveal.

2.3.1 Learning behavior

According to Forsgren, 2002, the creators of the model apply a narrow understanding of learning that makes the model unable to explain certain forms of internationalization behavior.

As mentioned earlier, the experiential learning (the model's main emphasis) through a constant ongoing activity makes of the internationalization process a very slow one. Conducted researches during the last twenty years show that knowledge can be gained not only through a learning by-doing behavior but also through "grafting". Grafting is finding local elements with necessary market knowledge, which accelerates the process. The grafting learning type not only speeds up the internationalization process, but also gives the firm more alternative directions to discover than the one visualized by the Uppsala (Forsgren, 2002). Studies show other ways of gaining knowledge than the ones presented by the Uppsala, which is the imitative learning behavior. The observation of other firms' internationalization actions can reduce uncertainty thus the internationalization investment can take place without previous experience (Forsgren, 2002). An organization needs two types of learning: learning to

increase the firm's awareness of different alternatives and learning to increase effectiveness. As studies show, the Uppsala misses these two types of learning (Forsgren, 2002).

2.3.2 Competition, experience

The Uppsala does not refer to competition. With globalization, firms are changing and competition is growing therefore, not any firm can succeed internationally. Firms with successful investments can succeed in their internationalization. This is mainly because of the well chosen and strong resources that they acquire like human, financial and technological, not only experience. A firm's competitive advantage is its key to success in internationalization. (Nordstrom & Vahlne, 1992).

Another point that the Uppsala misses is that firms with previous experience from foreign activities tend to make quicker entry and daring decisions. Some researches show that the number of firms investing in psychically distant markets is increasing. The explanation of this trend is that the world is becoming more homogenous, i.e. new firms can directly enter big and distant markets that are not neighboring markets but culturally close markets (Hollensen, 2001).

2.3.3 Too deterministic

The model was also criticized as being too deterministic, aiming mainly at the establishment chain model. Deterministic means that firms' choice is only to go incrementally following several stages with a low risk approach following a slow process. Forsgren argues that the model is only applicable at the first stages of the internationalization process. Yet, when the firm, in its internationalization process, starts to react to changing conditions, the concept of market knowledge cannot be deterministic anymore. Most of the empirical studies talk about the early stages of the internationalization process (Johanson & Associates, 1994).

2.3.4 Decreasing psychic distance

The world of today is becoming more and more homogenous which is leading to a decrease in psychic distance among the nations. Empirical results among Scandinavian firms that see markets like Britain, Germany and the United States as

common targets in their first internationalization stages (Johanson & Associates, 1994).

2.3.5 Service industries

Another criticism is that the U-Model does not work for the service industries. Studies showed that Swedish banks did not set up subsidiaries by taking into account the psychic distance. Other Swedish consultants did not consider cumulative commitment in their internationalization in foreign markets as the process implies (Johanson & Associates, 1994). An Australian study examined 228 cases of outward direct investment of which 43.8 percent were service companies, and the results were 39 percent of the firms skipped the first three stages and directly set up a foreign entity (Welch & Luostarinen, 1988). These service companies did not necessarily follow the whole internationalization process of the Uppsala.

2.3.6 General

Another criticism on the Uppsala is that the model is too general. The process is not well defined in terms of functionality. How do we proceed from one stage to another and in how much time?

2.4 Modification to the model

Being a very simple model, researchers carefully proposed additional variables for improvement. First of all, and as mentioned earlier, market knowledge is a very important aspect of the model. Firms can obtain market knowledge through experience. As they gain more market knowledge, their perceived risk decreases. However, Grafting and imitation are two alternatives as previously discussed (Forsgren, 2002).

Sometimes, investments are made in foreign markets without own experiential knowledge. Assumption of the model is that if the perceived risk is higher than the tolerable market risk, then investments should not be considered. In this case, we refer to the risk that a firm faces if the investment did actually take place. However, in the below figure, the firm chooses to invest abroad even if the perceived risk is high due

to low market knowledge and if the firm considers the risk of not investing to be higher than the risk of investing.

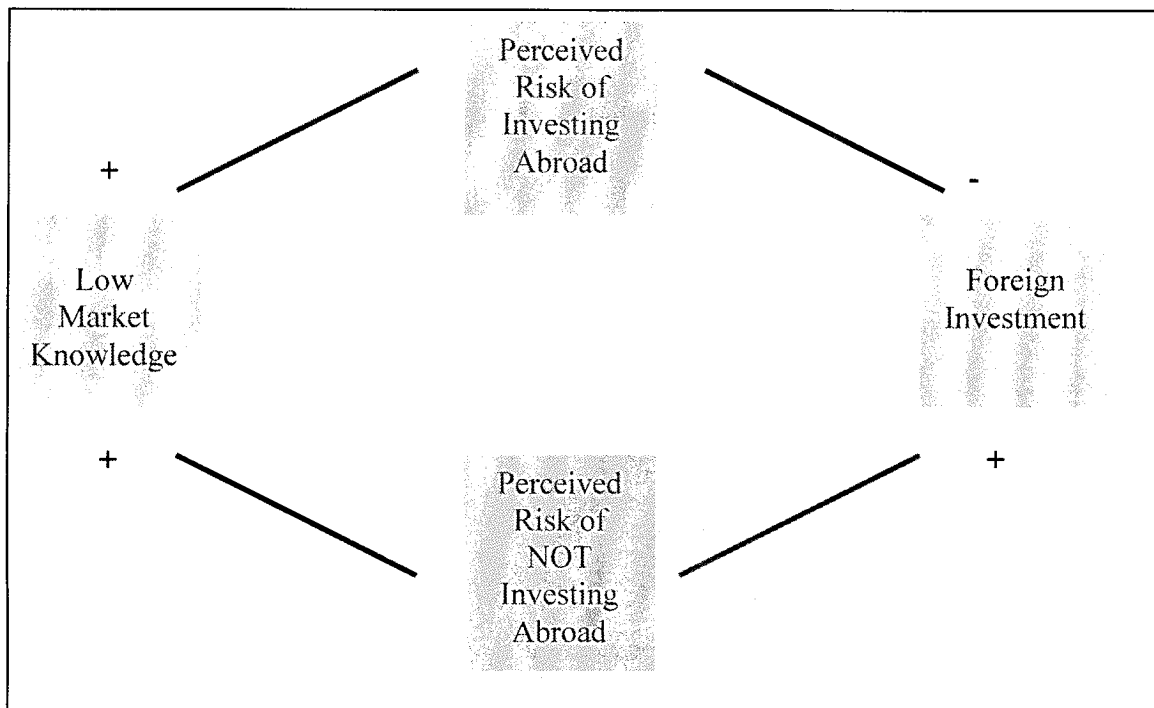


Figure 8: Foreign Investment
(Source: Forsgren, 2002)

2.5 Network of Knowledge

In Johanson & Vahlne, 2006, the authors discussed that the model needed some slight improvement. They stressed on commitment and knowledge with regards to relationships, networks and opportunities. They realized that the internationalization can not only be focused on the firm itself and that a mutual commitment with other international firms might take place. Therefore, commitment and experiential learning are no more focused on the firm only, but knowledge can be shared with a partner company that the firm may have mutual interest and new business opportunities with. This leads to shared knowledge access and a mutual relationship. Relationship will then be looked at as a strong advantage to the company as it takes hard time to develop it. Learning from one another, creates a new knowledge (Johanson & Vahlne, 2006) that can be either gained through experience or from the available offered information from the partner company.

Consequently, this relationship involves a network of knowledge as the partner company's other relationships are considered as an additional knowledge and opportunities to the firm in question. Uncertainty is thus decreased (Johanson & Vahlne 2006).

2.5.1 Criticism on the above development

A negative assumption is that the firm becomes more dependent on other partner company's resources such as suppliers and customers within the network. The risk gets high if dependency happens for example on an unreliable supplier (Hollensen, 2001). The problem that might occur is that all different players -Firm and Partner Company- will have different views on the way the network should be structured, leading to bigger differences (Johanson & Associates, 1994)

2.6 Theories and implications

During our research work, we have examined several business models like the International Product Life-Cycle, the Transaction Cost, the Electric Paradigm, and the Decision-Making Process. We would like to go through some of them.

2.6.1 The International Product Life-Cycle Theory

First introduced in 1966 (Hollensen, 2001), the model, based on USA being an innovative country, describes the distribution of new products from one country to another. The theory announces that most of the innovations are developed and produced in the US. In the beginning of the cycle, the production facilities take place in the home country, that is the US with high labor and income costs, then the products are exported to overseas markets. To reduce production costs and increase competitiveness, firms' production activities embark to developed markets. Since products cannot be sold at a relatively high price, there is no immediate need for a low-cost production in developing countries (Hill, 2003). In the early stages of any product's life cycle when national demand begins to grow rapidly, demand in other countries is limited to wealthy, innovative consumers only. Therefore, firms find themselves with no interest in producing the product but to export it from the US. Over the time, other countries start producing products for which demand is high,

forcing American firms to producing their products in these countries and consequently lowering the opportunity of export from the USA. In the last stage, with the fierce competition in standardized products, firms are obliged to move their production amenities to take advantage of the rather cheaper labors and overheads in the developing countries. As such, the developing countries become the clear exporters and the developed countries the clear importers.

a- Criticism of the International product-life cycle model

As this theory states, products are being mainly developed and introduced in the USA. This might have been true from the year 1945 to 1971 when the USA was dominant globally. However, nowadays, products are being introduced not only in the US, but simultaneously in Japan and the advanced European countries too. Products parts are also being globally produced especially where comparative advantages can be obtained (Hill, 2003).

2.6.2 Transaction Cost Analysis model – TCA

The Transaction Cost Analysis focuses on costs. It has been simplified since its introduction in 1937 to cover how costs affect the company's choice of market and mode of entry. The transaction cost is identified as follows:

Transaction cost = Ex ante costs + Ex post costs = (search costs + contracting costs) + (monitoring costs + enforcement costs), (Hollensen, 2001).

This model states that the expansion of a company takes place when the cost of making an extra transaction within the company is equal to the cost of making the same transaction in the open market. To better explain it we will provide a simple example: when going international, if a company finds that the research costs for a nearby country is less than that of a distant country yet finds internationalization through an intermediary cheaper, then it will externalize to the distant country.

a- Criticism of the TCA model

Usually for small and medium enterprises – SME, the major reason for internationalization is the lack of resources and knowledge. The TCA model can better relate though to multinational companies. The model seems to ignore the internal transaction cost when supposing a zero sum state (Hollensen, 2001).

2.7 Case Study

As mentioned previously in chapter 1, Khoury Home Appliances is a retail company selling large and small home appliances products. While examining similar businesses that followed the Uppsala model in their internationalization process, we came across Haier Group. Despite the difference between KHA being a retailer in home appliances and Haier Group being a producer and exporter of home appliances, the line of business is similar. In the below presented case, we would like to share Haier's successful strategy in competing with world giant brands, and describe how they followed the Uppsala model and how they effectively challenged the traditional stage models of internationalization.

2.7.1 Haier Group profile:

a- History of Haier Group:

Haier is primarily a Chinese household appliances -or white goods- producer of air conditioners, refrigerators, washing machines, etc. It was founded in 1984 and is currently managed by Zhang Ruimin. Haier first started as Qingdao Refrigerator Co. in 1984. Due to China's WTO (World Trade Organization) entry and with the country's opening up to world markets, foreign businesses started searching for partnerships in China. Liebherr Group, a German company went into agreement with Qingdao Refrigerator Co., offering them technology and equipment, Qingdao-Liebherr was thus born. The new created or merged company, German technology combined with Zhang's disciplined management techniques, turned the company around. By 1986, Qingdao Refrigerator had returned to profitability and sales growth averaged 83 percent per year. An incremental sales increase from CNY ¥3.5 million in 1984 to CNY ¥40.5 billion by 2000; a growth of more than 1,150,000 percent. In 1988 and 1991, the production increased to reach microwaves, air conditioning and freezers respectively (Wikipedia). In 1992, the Haier Group name was finally decided upon. The company established itself as the country's leading brand through reliability and quality, and lowering the risks through diversification. In 1995 Haier acquired a rival Red Star Electric Appliance Factory. In 1997, the company began manufacturing televisions acquiring Huangshan Electronics Group to become in the late 1990s the most renowned brand in the country with a wide range of products

from mobile phones to computers. Haier was able to gain a significant market share in its white goods department.

b- Haier International Expansion:

Securing its local position, Haier looked for expansion with one objective in mind, building a global brand name. In 1996, through implementing the first production facility, the company first entered Indonesia, then the Philippines and Malaysia in 1997. Haier then decided to enter the US market. It was able to depict two underdeveloped and neglected niche markets with high growth potential, compact refrigerators and electric wine cellars, which it successively managed to reach. Haier's sales figures demonstrated the success and the company was able to establish itself in the US niche market.

Haier's great success did not stop the company from moving. The company aimed for the North American markets, but this time with the full-sized refrigerator. This means a direct competition with world giants like GE, Frigidaire, Maytag and Whirlpool. Part of the company's strategy, Haier opened a new production facility in South Carolina, US in the year 2000. By 2001, Haier's overall revenues reached \$7 billion among which, \$200 million US revenues, with an objective of reaching \$1 billion with 10% of the US refrigerator market. Haier's expansion reached Pakistan in 2002 and Jordan in 2003 strengthening its position in the ME. Nowadays, Haier has production facilities in Tunisia, Nigeria, Egypt, Algeria, South Africa, as well as Europe. Nowadays, and as of year 2008, Haier is considered to be the fourth largest white goods manufacturer in the world reporting sales of over \$16.2 billion in 2007 with 50,000 employees (Wikipedia).

Haier's successful growth has no limit, as the executive vice president of Haier' overseas operations Mr. Chai Yongsan said: "Our target is to becoming the No.3 appliance maker in the world after Whirlpool and Electrolux" (Haier, 2003).

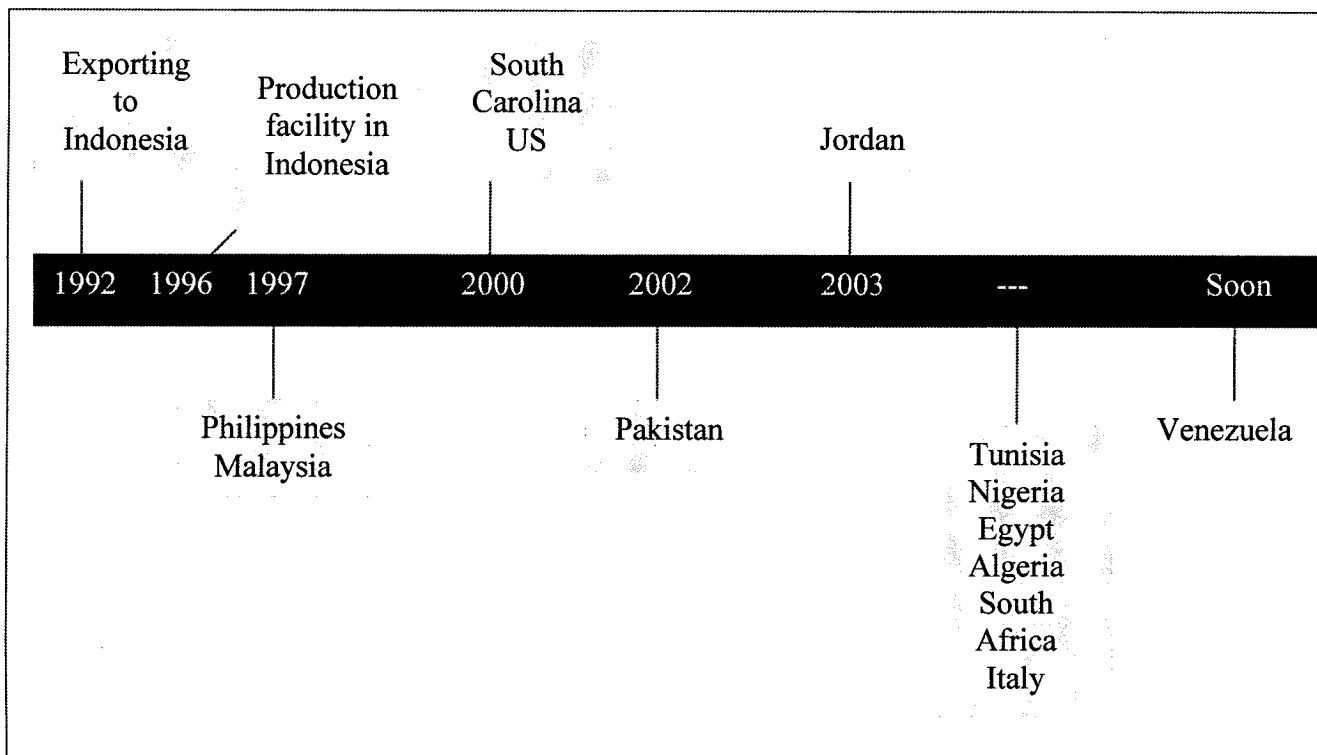


Table 1: Haier International Expansion

We find the below quote interesting to mention in our case study:

“As of 2007, the Haier Group has established a total of 64 trading companies (19 located overseas), 29 manufacturing plants (24 overseas), 8 design centers (5 overseas) and 16 industrial parks (4 overseas). Consistent with Haier's position as a global brand, the company employs over 50,000 people around the world. In addition, Haier boasts a 58,800-strong sales network in 2007 which accounted for a global turnover of 118 billion RMB (16.2 billion USD).” (Haier, 2008)

In 2006, for the fourth consecutive year, Haier was ranked first in terms of overall leadership among mainland Chinese companies in the *Wall Street Journal Asia's* annual survey of Asia's 200 Most Admired Companies.

In March 2008, the *Financial Times* once again added Haier to its list of Top 10 Chinese Global Brand Names with survey respondents ranking Haier number one in terms of product quality, trust, innovation, management and branding. In May 2008, Haier ranked 13th on *Forbes'* Reputation Institute Global 200 list.” (Haier 2008).

2.7.2 Haier Internationalization Process

As explained earlier, the Uppsala model states that firms are expected to follow a sequence from low to high commitment operation modes, entering new markets with successively greater psychic distance. As a recapitulation, the Uppsala stages are: no regular export activities, export via independent representatives, establishment of overseas sales subsidiaries then overseas production. From what we have previously introduced, we can relate Haier’s internationalization process to the Uppsala model, complying in exporting and Foreign Direct Investment.

a- Exporting and gradual establishment

Quingdao General Refrigerator began exporting in 1986. From 1992, the establishment of Haier Group till 2001, the total exporting revenue rose to \$7 billion in nearly 200 countries and regions. Exported products were refrigerators, freezers, air conditioners, washing machines, etc. in white, black and cream. Exports of Haier nearly reached 60% to European markets, 20% to Japan, 16% to Southeast Asia and 4% to other places. The company owns nowadays 56 trading centers, 11976 service centers and 38000 sale offices. Exporting was a key element in Haier’s worldwide brand recognition and in gaining market share on the international scene.

Year	1986	1993	1994	1995	1996	1997	1998	1999	2000	2001
Amount in US\$	300,000	1,8M	1,84M	4,2M	5M	5,636M	7,565M	1,38B	2,8B	7B

Table 2: Haier Export Figures

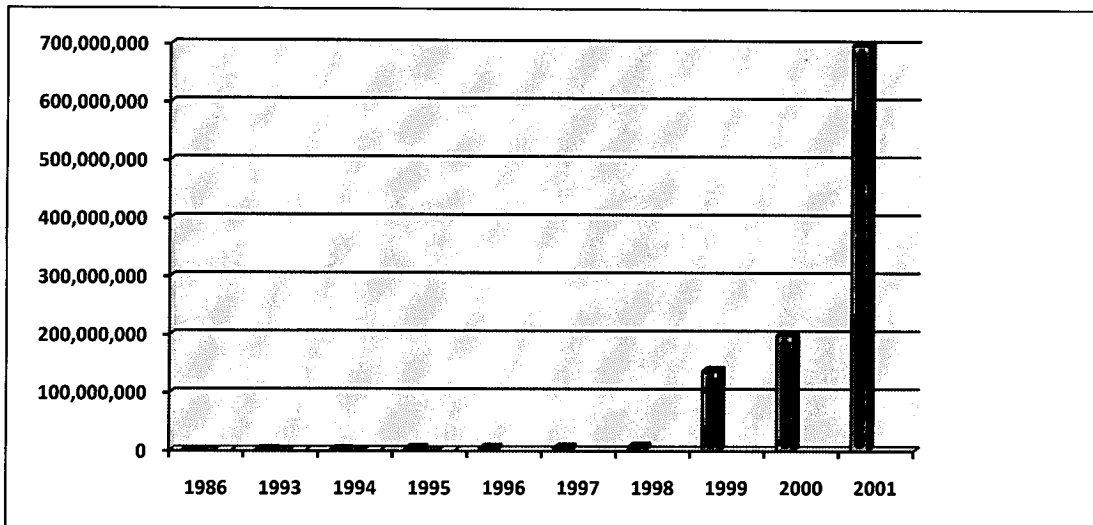


Figure 9: Haier Exporting Growth

Haier did start their internationalization through exporting and via representatives before the company's establishment, as per the Uppsala model. Exporting was being performed indirectly first through Qingdao General Refrigerator, then direct export took place by Haier Group. This gradual stage paved the way for Haier to gain experience in internationalization. First, export was to Germany based on licensing agreement, then and at later stages, exporting covered developing countries.

b- Foreign Direct Investment

The first exporting operation took place in 1992 to Indonesia, and Haier's refrigerators were highly accepted by both consumers and distributors. Haier's interest in the Indonesian potential large market led to its first FDI there in 1996, which paved the way for Haier to establish subsidiaries in 13 countries, 8 design centers and 10 information centers overseas. This first FDI was considered as the pilot in Haier's internationalization process. The second investment in the Philippines was also another key decision that helped training Haier's multinational managers. These managers were sent to the US manufacture because of their gained knowledge in the Philippines market. The US investment aided Haier recognize its localization strategy through its triangular network in design, production and marketing. Later on, with Haier's acquisition of the Italian plant, the company built three windows of information, technology and purchasing. Haier also built two possibilities of expansion, a geographical expansion from Italy to European countries and a product expansion from refrigerators to other electrical appliances. Haier's successful export

to a number of countries shows the company's engagement in FDI activities thus fulfilling the stages of the Uppsala model.

It is important to remind the reader that according to the Uppsala model, firms should enter the new markets with successively greater psychic distance in order to lower uncertainty and Haier did not follow the Uppsala model in that regard. Haier's FDI happened through joint ventures with local partners.

2.7.3 Haier Internationalization Strategy

Competition was the key driver for Haier to be a pioneer. Haier later on, felt the urge to follow a survival strategy in their strategic internationalization, thus followed Dawar and Frost's survival strategy theory that tackles the way local companies compete with giants.

a- Haier's positioning in exporting

Haier's strategy was a very creative strategy not complying with the usual stage models. We will go through each stage of this strategy.

1- Stage one: a "defender"

Haier was considered in its initial stage as a *defender*, importing advanced technology from Germany (after the licensing agreement that happened with the German company from 1984-1991) and working on strengthening its brand name in refrigerator production through the quality control system. After detecting and destroying 76 defective refrigerators in 1985, following a customer complaint, Haier implemented TQC (Total Quality Control) system to enhance the management system; yet its export was still limited and indirect.

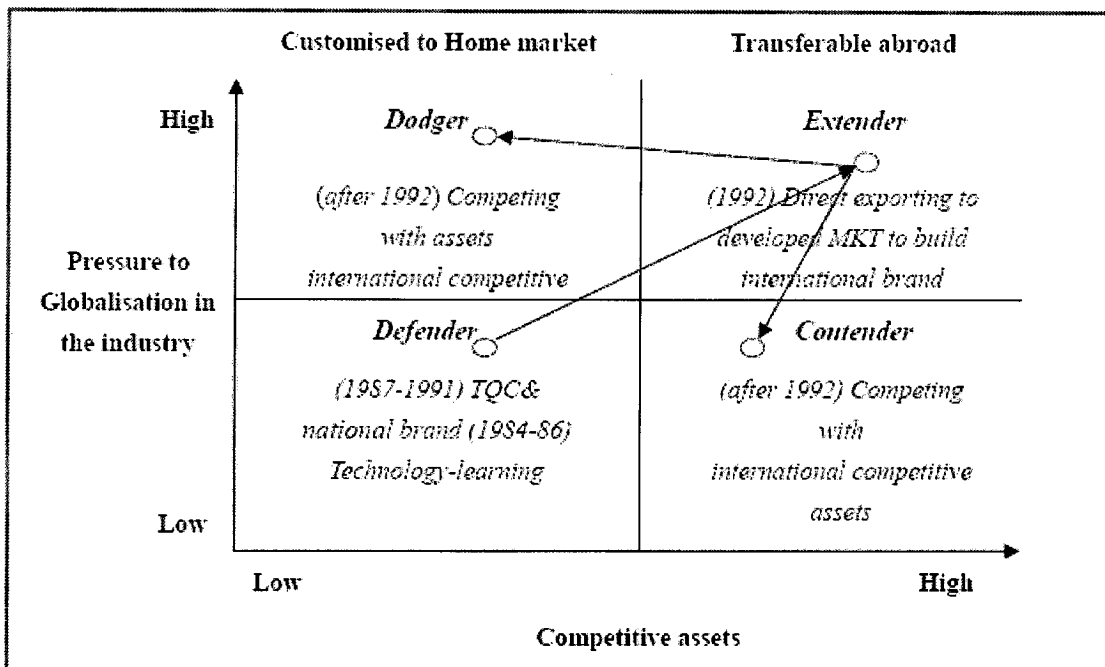


Figure 10: Haier Positioning in Exporting

(Source: Du, 2003)

2- Stage 2: a “contender”

Haier’s competitive exporting strategy was as a *contender*. The company did export very creatively, without adhering to any former internationalization models or rules. Haier’s principle was “first difficult, then easy”. The company entered the developed markets like Europe, Japan, and the US through direct export in order to establish and build the brand. The contender strategy enabled Haier Group to compete internationally and build a high desirable industrial image for Haier’s quality products.

3- Stage 3: both a “defender” and a “dodger”

Haier entered without obstacles some developing and less developed countries as a strong *defender* after the year 1992. To avoid price wars Haier applied a *dodger* strategy at the local market while enjoying the advantages of the extender strategy. The dodger strategy was applied through using Haier’s integrated international competitive assets to improve the Chinese household electrical appliance industry to attain a high standard, employing an innovative way towards internationalization.

b- Haier's positioning in FDI overseas

In 16 years, Haier was able to develop into a well-known and well-reputed brand through applying the internationalization approach and its marketing strategies.

1- Stage one: a “defender”

At the first stage, Haier was a *defender* with local customization. Through acquisition of small Chinese enterprises, Haier diversified its products to avoid having all the company's eggs in one basket.

2- Stage two: an “extender”

Aiming for an international brand, Haier used its competitive assets (brand, TQC, etc.) and transferred them in 1996 through FDI by extending to less developed countries, Asian neighboring countries, then to the Middle Eastern countries and East European countries. During this stage of implementation of the Uppsala internationalization model, Haier followed an *extender* strategy using and expanding developed competencies and skills into similar markets. Haier then, decreased the investment risks and gained experience and knowledge for its future expansions into developed markets as a contender.

3- Stage three: a “contender”

Haier's internationalization process created a global information centers and product-design sectors through the establishment of internationalized marketing networks, ventures and mergers with production facilities in developed countries. Haier creatively applied local production, local sales and local design approach. With the establishment of information, marketing networks and design centers, Haier followed a *contender* strategy.

4- Stage four: a “dodger”

Following the three above stages in which Haier was able to upgrade its capabilities by integrating global resources from overseas subsidiaries and R&D centers; the company's overall worldwide network was readily established. Haier could compete with world giants everywhere in the world through an innovative and quick feedback to markets opportunities to obtain its niche markets and build a worldwide brand name. At this stage, Haier conducted a *dodger* strategy locally. On the other hand, and

in its domestic market, Haier brought the international competitive assets back to its home country. Instead of competing with other players on the Chinese market, Haier played a win-win strategy forming technological alliances with competitors and world players in other industries like GE, Toshiba, Whirlpool and Microsoft.

2.7.4 Drives and empirical challenge

Haier's drive behind its internationalization is achieving a competitive oriented foreign market entry and development (Young et al, 1989). Competition is the most important element in competing with world giants. Haier's motives behind its creative internationalization process are: 1- to build a permanent international market position, 2- to meet competition, 3- to follow customers "where there is a market, there must be a factory", and 4- to exchange threat "first difficult, then easy" and to shape the competition (Du, 2003).

Haier's empirical challenge to the traditional stage models of internationalization was shown through its internationalization strategy in not entering a nearby market with great psychic distance. It was exporting to Germany that is not a psychically close market that led to Haier's worldwide brand recognition (Cavusgil, 1980). Haier did apply some stages of the Uppsala model in FDI yet did not follow a full ready made rule, but a creative and flexible strategy. Adding to that, the successful innovative internationalization process that helped the company compete and enter the European markets, the American market, and the developing and less developed countries.

The Chinese believe in the saying "cross the river by feeling the stone", which means that Internationalization requires commitment, full detailed research, and adaptation of products to meet local consumers' needs (Vern and Ravi, 1994). The key to Haier's growth is not only learning from other foreign markets but also "speed" as Zhang Ruimin, the CEO of Haier Group said: "*How can you let a stone float on the water? The answer is "speed"*" (Haier on-line, 2003).

2.8 Summary

We can conclude this chapter by indicating the most important aspects that should be taken into consideration when internationalizing. As the Uppsala model states, a

company should gradually internationalize to lower uncertainty. The model was modified (Johanson & Vahlne, 1990), to suggest a more dynamic international model assuming that both market knowledge and market commitment affect the commitment decision and the current activities. In turn, commitment decision and current activities influence the market knowledge and market commitment. It is suggested that the company targets first a similar international market with similar environment. For the case of Khoury Home expanding into Jordan, a neighboring country, we believe that by applying the Uppsala model, KHA would follow the gradual entry into a similar market environment and would decrease the investment risk taking small steps to lower uncertainty. However, Khoury Home could go aggressive, like in the case of Haier, where we noticed the real aggressiveness of a company that defies traditional models in order to build its strong brand name internationally. Haier fulfilled the Uppsala export stages yet, neglected the psychic distance that the Uppsala model demonstrates and went over the edge adopting a creative internationalization process where it acted as defender, contender, extender and dodger. In our opinion, being a retailer and not a producer would necessitate a more thorough and gradual market entry because KHA's target mainly focuses on consumers and not on wholesalers or retailers. KHA might possibly engage in exporting activities in the future, if they decide to engage in production, but mostly on sales subsidiary in the new market. We will further probe Khoury Home's internationalization in the fourth chapter of this memoir.

Chapter III: Procedures and Methodology

Chapter two described the theoretical framework and a very successful case study that we might refer to in building KHA's expansion plan. Having defined the research questions and the research design, this chapter discusses the research methodology in more details, i.e. the research approach and strategy in terms of the whole process used as well as data collection. How results were achieved and how data was generated and analyzed.

3.1 Introduction

In the previous chapter we were able to reveal market entry strategies that might be of good example to Khoury Home. The Uppsala model is one of the most recognized international models and we find some stages appropriate to our case. Haier's case, on the other hand, is an aggressive and daring case that can be considered as unique. We found it very interesting to reveal it especially that it was successful enough to reach the fourth position worldwide in the home appliances industry. Chapter two's theoretical framework along with Haier's case will make us reflect on the proposed research questions that were triggered in the first chapter of this memoir: will KHA be able to internationalize into Jordan and will Uppsala help this company in its internationalization?

Besides Haier's internationalization, we will conduct focus groups with Khoury Home and other companies that are considering entering Jordan or that has already penetrated the market.

3.2 Hypotheses

Hypothesis is "*an unproved theory, proposition, supposition, etc. tentatively accepted to explain certain facts or (working hypothesis) to provide a basis for further investigation, argument, etc.*" (yourdictionary.com/hypotheses)

From what we have explained, learned and observed in the previous chapter, we can presume that if KHA follows the establishment chain and the psychic distance stages

of the Uppsala model, internationalization will be gradual with low investment risks. But if KHA is not financially, physically and logistically ready to internationalize, none of this will be possibly realistic.

3.3 Research Method

We located literature on research philosophies, approaches and strategies, among which we have chosen the research process “onion” that Saunders *et al.* (2003) defined as consisting of 5 layers:

Layer	Approaches
1: Research philosophy	Positivism, Interpretivism, Realism
2: Research approaches	Deductive, Inductive
3: Research strategies	Experiment, Survey, Case Study, Grounded theory, Ethnography, Action research
4: Time Horizons	Cross Sectional, Longitudinal
5: Data collection methods	Sampling, Secondary data, Observation, Interviews, Questionnaires

Table 3: The Research Onion
(Source: Saunders et al. 2003)

We have used the research onion with all its layers in our memoir as it gives an overview on the research methodology and best describes how we have composed our research.

3.4 Research philosophy

There are three types of research philosophies: 1- the positivistic philosophy, 2- the realistic philosophy, and 3- the interpretivistic philosophy (Lewis, 2003) that we have explained in the below table 4:

Positivistic	<p>Aiming at the derivations of laws or law-like generalizations similar to physical or natural sciences laws.</p> <p>The emphasis is on the collection of facts and causes of behavior.</p>
Realistic	<p>Shares with the positivistic approach the belief that natural and social sciences should apply the same approach for data collection and explanation.</p>
Interpretivistic	<p>No theories found to describe the study phenomenon.</p> <p>Defined as qualitative research as it produces findings not arrived at through quantification, yet occurred from real-world settings.</p>

Table 4: Different Research Philosophies

Our study is based on both positivistic and interpretivistic approaches. First, we have explained and criticized the Uppsala model that is a law-like generalization that can be applied to several firms, through observing a social reality that is Haier Group case. Since it is difficult to apply a model to all firms, because business changes from one firm to another and can be complex and unique, therefore, our memoir is also based on interpretivistic philosophy.

3.5 Research approach

A research can either be deductive or inductive. Deductive means that we are deducting a theory or testing it; while inductive means that we are building a theory (Lewis, 2003).

For more developed explanation, deductive reasoning is when someone starts thinking about generalizations and then moves to the specifics on how to prove or implement the generalizations. Opposing the deductive reasoning is the inductive reasoning that is applicable to situations where the specific observations are made in order to develop generalizations. The below table 5 can best compare both reasoning:

Deductive	Inductive
<ul style="list-style-type: none"> - Scientific principles - Moving from theory to data - Need to explain causal relationships between variables - Collection of quantitative data - Application of controls to ensure validity of data - Operationalisation of concepts to ensure clarity of definition - Highly structured approach - Researcher independence of what is being researched - Necessity to select samples of sufficient size in order to generalize conclusions 	<ul style="list-style-type: none"> - Gaining an understanding of the meaning human attach to events - Close understanding of the research context - Collection of qualitative data - More flexible structure to permit changes progresses - Realization that the researcher is part of the research process - Less concern with the need to generalize

Table 5: Deductive and Inductive Research
(Source: Saunders et al. 2003)

Our research approach is deductive because heavy research was conducted on the internationalization processes to be able to choose the suitable business model that can be implemented for KHA. We wanted to test the Uppsala model and see whether KHA can apply it or not, since through the research and the readings on the business models, we felt that the Uppsala model can be applicable to KHA case of internationalization.

To be able to gather the required necessary data, we had to engage in both qualitative and quantitative research methods. *“Qualitative Research is collecting, analyzing, and interpreting data by observing what people do and say. Whereas, quantitative research refers to counts and measures of things, qualitative research refers to the*

meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things” (ukgeocities). Qualitative research is subjective unlike quantitative research that is objective, and it is used in interviews with open-ended questions. Quantitative research is considered as a “hard science”, it is measurable, in the form of numbers and figures, while qualitative research is considered as a “soft science” and it is interpretive.

In this memoir, qualitative research was used for finding the empirical research and was collected through focus groups. For chapters where numerical data and representation were needed, the quantitative approach was adopted.

3.6 Research Strategy

A theory explains how something works and predicts how something reacts to certain specific conditions. Our theoretical framework has been collected from empirically tested theories about how to enter a new foreign market. It was important to gather information on the internationalization process and the best way to receive the right information was through a case study that can best portray and criticize the chosen model. The case of Haier Group was observed and analyzed to test the researched empirical theory, the Uppsala model. Most literature suggests case studies to be used as the appropriate research strategy. Yin (1994) for example, recommends experiments and case studies and considers them as the appropriate research strategy when the research questions are in the form of “how” and “why” and when the study focuses on a contemporary experience. We believe that case studies are very useful for judging or criticizing a theory. As Yin (1994) argues, case studies are used for validation, checking how correct certain theories are. The Haier Group case study shed the light on the internationalization process as a whole. It demonstrated that it is not imperative to follow only one model, as the company did not use the Uppsala model in all its stages.

3.7 Focus Groups

Focus groups are used to generate valid information important to organizations. Focus groups are powerful tools to evaluate or test ideas or projects. They are interviews of a group of 6 to 10 people at the same time. Each focus group should have a meeting

objective, well developed questions, and an invitation to the meeting. After setting the focus group and the objective of the meeting, we develop the questions -5 to 6 questions, - and each session should last 1 or 1.5 hours during which we examine whether our new project will work or fail and understand how. The focus groups are basically several interviews at once; therefore, it is similar to conducting interviews. The mere differences between focus groups and other quantitative survey methods are that focus groups acts on insights and not rules, social and not individual opinion, consider words and not numbers. They are flexible and not standardized allowing participants to relax, open-up and work together during the session. Participants are generally allowed to be open and say anything they'd like to say. Focus groups are considered to be naturalistic (Krueger and Casey, 2000). Emotions, irony, tensions, contradictions can arise in focus groups delivering a production of insight. Focus groups can provide trustworthy and natural data but they are not set up to generalize as survey researches do (Fern, 2001). The focus group is a kind of group interview. If well controlled, focus groups generate high quality information and highly useful data about a subject or a product.

3.7 Data collection: Primary and Secondary Data

When faced with a new subject requiring elaboration, investigation and analysis, accurate data collection is a very important element in the research. Besides the research result on internationalization process that we came across, we needed more data that can confirm or challenge the chosen model and direct us through our research. Therefore, we looked into a case study that can demonstrate the validity of our finding. However, according to Yin (1994), case studies can be criticized because they do not always meet the quantitative or scientific criteria such as reliability study, internal and external validity. In this study, the utilized data collection methods are readings and documentations as secondary resource and focus groups and observations as primary resource.

3.7.1 Secondary data

For more reliability and accuracy especially when researching business models and case studies, we conducted a full and extensive research by reading books, magazines, journals, professional researches, articles, newspapers and consulting companies, websites, foreign investment reports such as the IMF, World Bank, studied cases of companies entered Jordan through focus groups and surfed the internet.

3.7.2 Primary Data

For the primary data, we have conducted two focus groups with 5 companies: Khoury Home and its consulting firm, an International Water Company, Paul De Vartens a Swiss cosmetic company, and a major department store.

1- Focus Group A (9 persons):

From Khoury Home Appliances, we have requested that Khoury Home's general manager, commercial operations manager, one board member of Khoury Home Appliances, financial manager, and marketing manager and one brand manager be present for information reliability and accuracy. The general manager and operations manager are greatly involved in the overseas investments decisions and activities. Consequently, the marketing manager and the financial manager involved in the company's daily issues and in the internationalization decision process provided their insights regarding the Jordan entry.

On the other hand, we have been able to meet with a group of 3 management consultants from the Consulting firm - directly involved in Khoury Home's business - that has been assisting the company for five years. Khoury Home relies on this consulting firm for all the company's strategic decisions. The consulting firm helped KHA get the ISO certification and is always available for follow-up and management decisions. The consulting firm assisted our research by providing an assessment about Khoury Home in terms of its strategic decisions, capabilities, management and marketing strength granting access to a new market investment.

2- Focus Group B (11 persons):

We held a focus group with three companies:

- 1- An international water company that has been in Jordan since 2004. We met with a group of managers: one brand managers, one marketing manager, one sales managers and the financial manager - that provided sufficient and useful

information about the Jordanian market. These managers are directly involved in the Jordan office.

- 2- Paul De Vartens, a Lebanese cosmetic company that has penetrated Jordan in 2009 and moved out one year later because the business was not rewarding. We met with the general manager and one sales manager.
- 3- The third company is a department store that entered Jordan in 2007. We met with a group of managers, the marketing manager, the operations manager, the communication manager, showroom manager, and the financial. They helped providing clear insights concerning KHA's Jordan entry.

Prior to the focus groups and to be able to know what kind of questions we needed to ask, we gathered as much information as possible on each company and on the Jordanian market. The first data we were able to gather about each company, its competitors, its position in the market and its reputation was through the companies and their competitors' websites. From this initial collection of information, we prepared well structured questions covering the local business, the approach to apply and/or have applied in their internationalization process. The meeting although formal in general, ended up in an informal way, allowing interviewees to speak freely and provided additional information that we thought unattainable.

3.8 Reliability

In a qualitative research, reliability is concerned with whether the researcher can reveal the same information or not, whether the researcher is bias or not by asking the questions. Bias can also be the way the interviewee interpret the questions (Lewis, 2003). In our case, the questions were asked in a proper manner, smoothly, without affecting the participants' answers. The focus groups were well prepared. The people knew ahead the purpose of the meeting. Sometimes participants can be bias, disturbed from revealing sensitive information about certain issues. In our case, the answers were transparent, as no sensitive questions were posed. On the contrary, they opened up and provided answers that we thought were quite difficult to get. Our questions to Khoury Home and its Consulting firm were mainly related to the company's profile, why and how they wish to enter the new Jordanian market. As for the other focus

groups, questions were mainly collecting insights from their actual experience in entering Jordan, the entry's advantages and disadvantages, the country's economic state, and Jordanians' consumers behaviors. Their insights that were very useful to our case will be revealed in chapter four.

3.9 Validity

According to Lewis (2003), validity is whether the findings are really what they appear to be. In our case, the focus groups were our core primary. Conducting the group of interviews with the owners of some companies was legitimate enough, believing that no one else can be more knowledgeable of the business than the owner himself/herself. In addition to having the findings of the focus groups complementing our research findings and recommendations.

3.10 Choice of literature

Any topic needs to be fully researched in order to be reliable and valid; therefore to be able to succeed in our research, we surfed the internet for "internationalization" and found many interesting theories. When searching for "the process of internationalization" and "market entry modes", the primary data found was the Uppsala model and Johanson & Vahlne. The found results demonstrated several business models, yet the most common one was the U model or the Uppsala model. For more accuracy and validity, we looked in amazon.com and found the book of Johanson and Vahlne "*The Internationalization Process of the Firm-A model of Knowledge Development and Increasing Foreign Market Commitments*" that best describes the Uppsala model.

Our research covered as well reading books, journals, some national business magazines, reading articles dealing with Jordan and neighboring countries for our quantitative data in professional reviews.

3.11 Summary

No research can be conducted without a proper method and a clear approach. In this research paper, we followed the research onion process of Saunders et al., we have conducted, surveyed, observed, interpreted, deducted, and analyzed focus groups.

In the first three chapters, we exposed the required information about the Uppsala business model, examined Haier case study, and discussed the research methodology and data collection. The following chapter will reveal the gathered data about Khoury Home, its choice for internationalization, shed the light on Jordan- the chosen neighboring market-, and the entry strategy.

Chapter IV: Market Entry

Prior to generate the findings of our analysis, we would like to tackle Khoury Home Appliances in a more detailed presentation: the company's background, potential and capacities, the choice for internationalization. Then engage in the Jordanian market as the pilot market. We will also convey a PEST analysis on Jordan and reveal KHA's SWOT analysis. The entry strategy that KHA might consider in entering Jordan will be discussed besides the main findings that will be further elaborated.

4.1 Khoury Home Appliances

Khoury Home is the leader on the market. Their success can be mainly measured through their competitiveness and aggressiveness on the market, risk taking approach, competitive pricing strategy, and wide selection of products, nationwide well-located outlets presence, and trust in their well-trained staff. Subsequent to their national growth, international expansion became an objective.

4.1.1 National expansion

The first branch opened in 1998 at Elissar region in the Metn of Lebanon with only 5 employees. One year later, they ventured into another 2000 m² outlet in Dora, Beirut, and a prime location on the main highway in the middle of North East Beirut. In a very short period of time, KHA achieved a strong corporate image and a solid reputation.

In 2002, Dora Branch developed into a 5000 m² outlet with wide showrooms and appealing displays. It became the company's main branch and houses its headquarters. Since that time, Khoury Home became the leader in the industry and was able to compete successful against older established competitors in the market.

Faced with such an unexpected and spectacular growth, in 2006, KHA opened their third outlet in Jnah region, in South West Beirut attracting a larger target. The Jnah branch competed with BHV, a French department store franchise selling similar home appliances products. Despite the July 2006 war that broke out between the Hezbollah

and Israel, the new outlet's sales figures were exceptionally surprising. KHA continued their national expansion and bought a 20,000 m² location in 2007 in Baabda, Beirut that is currently operational. By 2011, KHA consider having Baabda branch fully operational in addition to two new branches in the Kesrwan region.

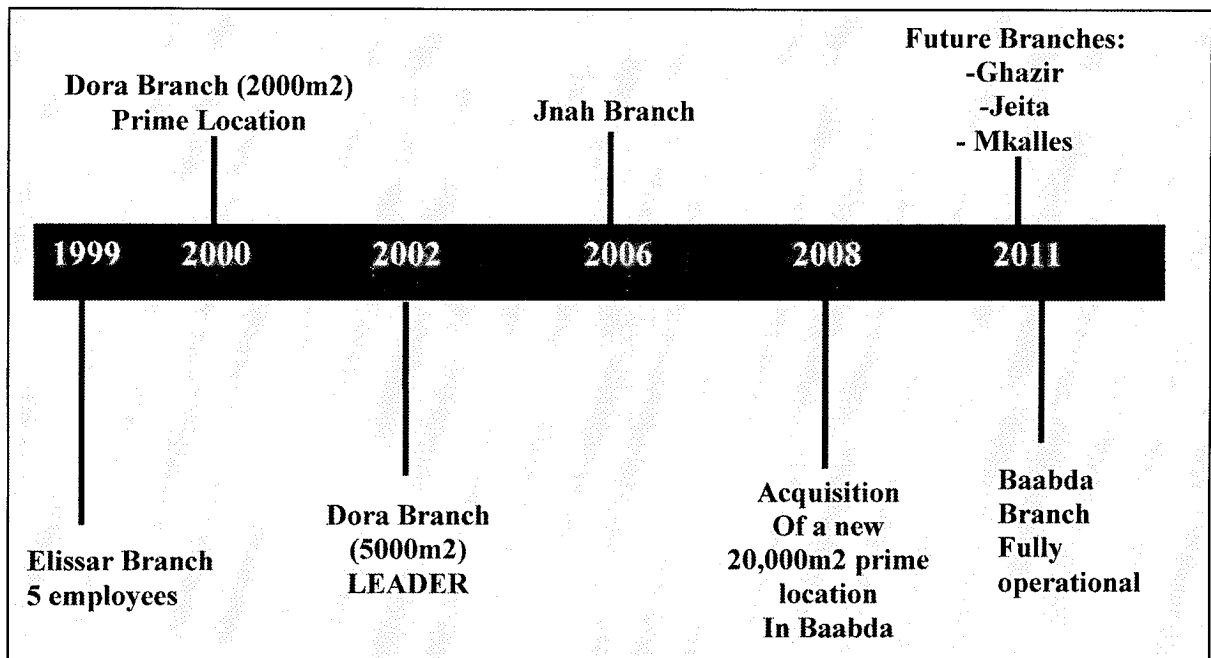


Figure 11: Khoury Hone National Expansion

The operations HQ managing all other branches is in the Dora branch.

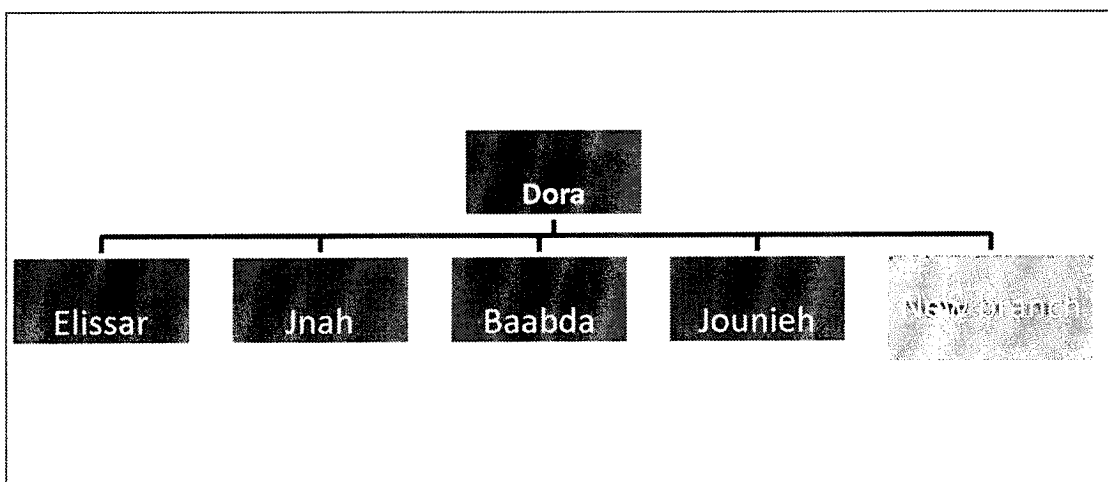


Figure 12: Dora Branch Runs the Business

4.1.2 Ownership and Structure

Khoury Home Appliances was established by the father and successively, his sons took the charge. Nowadays KHA is mainly owned and managed by the Khoury family with 60% equally divided on three brothers. The remaining 40% are owned by an independent shareholder (Identity to be kept confidential).

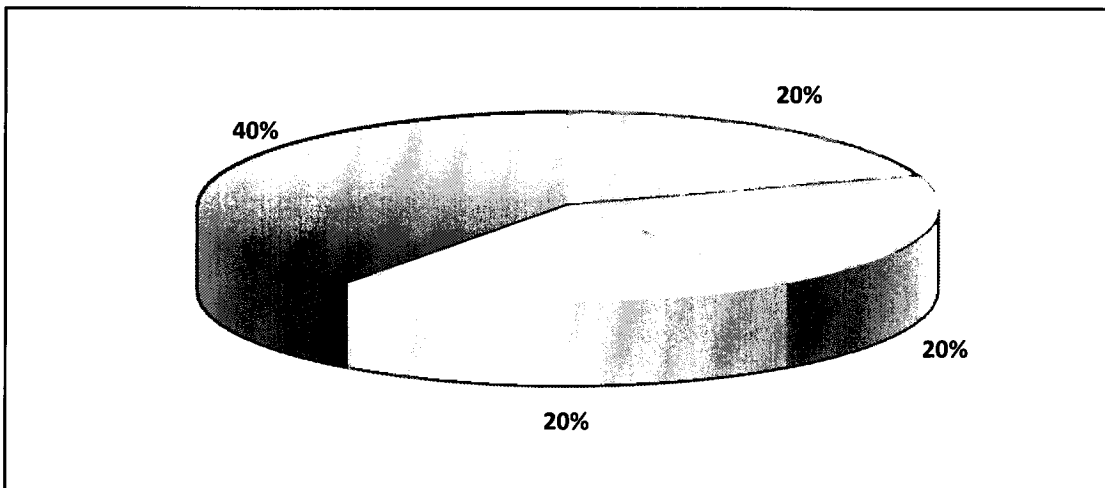


Figure 13: KHA Ownership

Khoury Home organizational structure is clear and defined. Responsibilities are set and identified, hierarchal structure is respected, to keep a smooth flow of work and a positive working environment. The CEO adheres perfectly to his job description; he sets the strategy and the vision with the help of the senior management team. He proposes the business plans to be approved by the board and the shareholders. He decides which markets the company will enter, which strategy to implement and with what product lines? He sets budgets, forms partnerships, and makes sure the company steering team he chose is doing its job. However, when faced with critical issues, the three brothers meet to decide on and apply any critical action plan.

All marketing activities, sales force, management and customer service, are under the responsibilities of the commercial operations manager, HR, finance, accounting, IT operations, logistics and quality are controlled by the management operations.

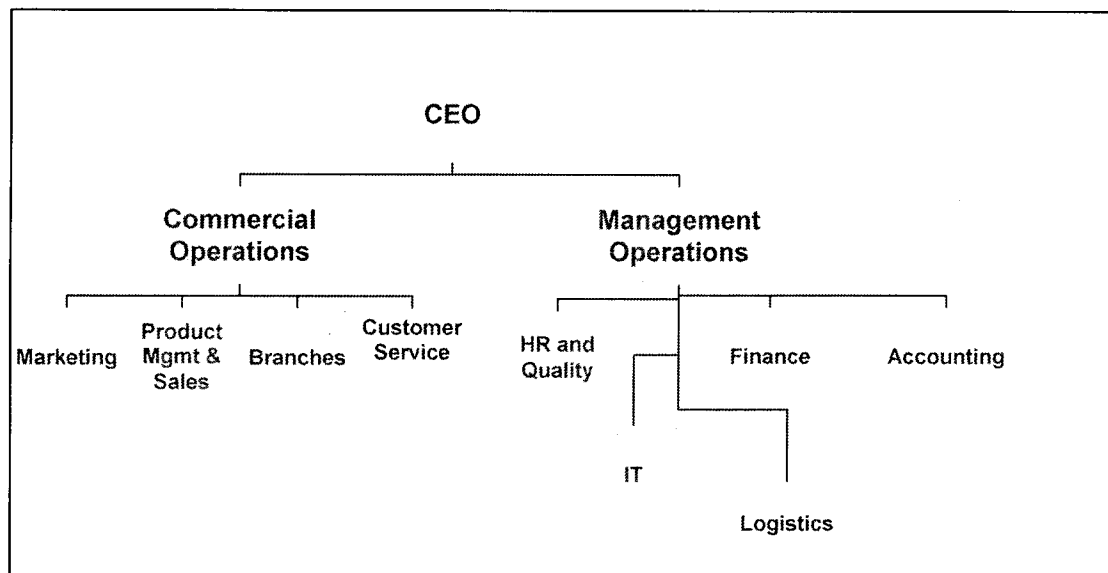


Figure 14: KHA Organizational Structure

4.1.3 Leadership & Sales

The Home Appliances' industry's 2009 turnover in Lebanon is \$350 million. KHA represents 18% of the market share with an annual turnover of \$63 Million, followed by Abed Tahhan with 8% who has been in the market since 1930, Homeline with 5.5%, and Hokayem Brothers with 2%. The remaining 67% are represented by several malls (city mall, Metro, Beirut Mall...), stores and small shops selling home appliances products.

This leadership position is creating pressure on the company to maintain and strengthen its position on the market.

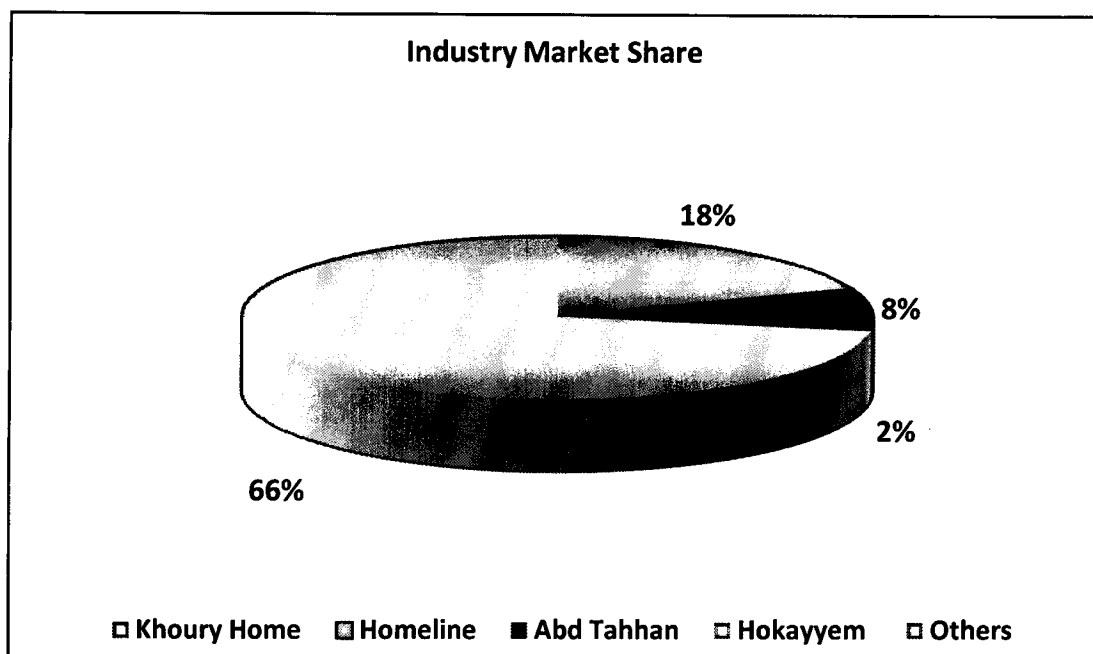


Figure 15: Household Appliances Industry

Khoury Home reputation made it the number one visited home appliances company in Lebanon. For confidentiality, we will not be able to exhibit the sales figures; however, we will portray the yearly and monthly sales growth percentages that can verify our statement. Figure 16 exposes the yearly growth in percentage of Elissar and Dora branches' total sales from 1998 till 2006. Jnah sales are added up in 2006, when the branch started its operation. It is important to mention that despite the July 2006 war between Israel and Hezbollah in Lebanon, the company was able to achieve a 19.39% sales growth in 2006.

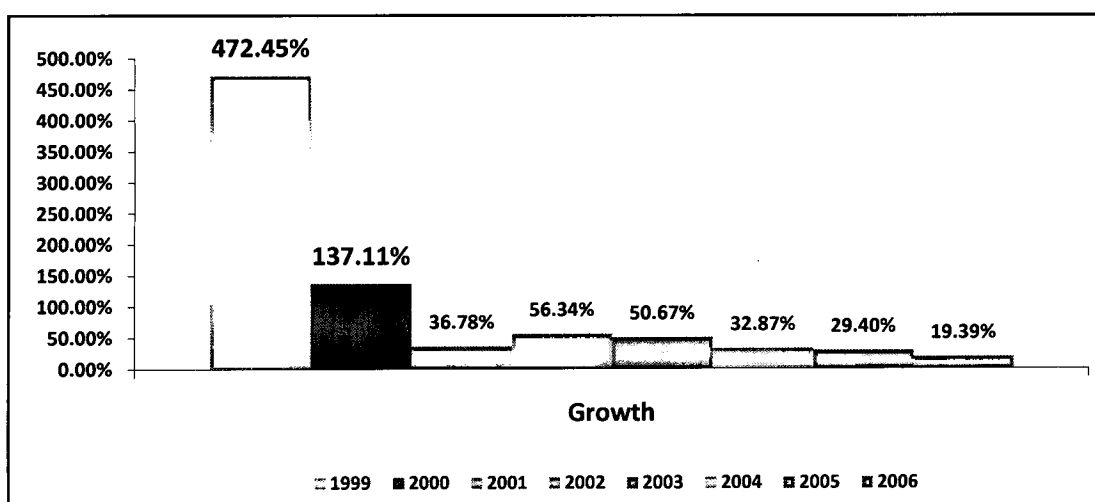


Figure 16: KHA Yearly Sales Growth

When comparing 2006 with 2007, the below figures in table 6 show the evolution and success of the company by month. The company was faced with unpredicted growth as the real sales figures in some months exceeded the relative forecasted sales.

Month	2006-2007 Sales Growth
Jan	42.11%
Feb	48.22%
Mar	95.69%
Apr	91.89%
May	38.91%
Jun	50.03%
Jul	174.73%
Aug	270.82%
Sep	51.48%
Oct	78.04%
Nov	75.68%
Dec	55.89%
TOTAL	73.72%

Table 6: Monthly Sales Growth 2006-2007

4.1.4 Product/Price

Khoury Home delivers a wide variety of products of well-known brands. Consumers can choose from a large selection of merchandise and products vary from the smallest appliance to the high end products. The company ensures consumers' satisfaction and needs fulfillment by providing relatively all requested brands. It ensures the best quality v/s price ratio. KHA prices are affordable and lower than the competition with credit facilities and flexible payments, and do not charge installation.

KHA product line is divided into 7 product lines:

- 1- "Big Home Appliances" that represent refrigerators, freezers, washers, dryers, air conditioners, dishwashers, ovens, hoods, and gas cookers.
- 2- "Audio/Video" product line including LCDs, plasma, hi-fi, televisions, DVDs, MP3/MP4 players, portable radios, and play station.
- 3- "Computers and office products" comprising fax machines, printers, desktops, laptops.
- 4- "Cameras & Camcorders" like photo printers, camcorders, and basically cameras.

5- “Small Home Appliances” that deals with all small appliances going from steam irons, shavers, fryers to vacuum cleaners and water dispensers..Etc.

6- “Outdoor” products like barbeques

7- “Fitness & Leisure” product line including sport machines, like treadmill, power plate...etc.

Besides the wide variety of brands’ selection that KHA offers to consumers; it is the main representative of Smeg, Liebherr, Blomberg, Hisense, Severin and Blumatic brands and the company is in partnership with the well known brands: Carre Blanc, Radio Shak, Bo Concept and others .

4.1.5 Target Market

Who are the Lebanese consumers and what are their purchasing power and behavioral habits? Although it is difficult to extract the accurate data, according to the last census of 1946, the Lebanese population is quite young, open-minded, likes foreign products (especially American and European products). Chinese and Japanese products that have massively entered the Lebanese market in the past years were highly accepted by medium and low income population.

The Lebanese buying behavior is highly affected by good quality and after sales service, the availability of high-tech and state-of-the-art products and price are determining factors in their buying decision.

All these factors determining the local consumers’ buying behavior are met at KHA. The company makes sure that its consumers’ high expectations are met. Men, women and children of all social classes, can find all what they are looking for at competitive prices. KHA offers them a wide variety of products going respectively from small TVs to giant screens and barbeque equipments, kitchenware to big appliances and beauty care equipments; radios to surround systems and entertainment games. The company makes sure that all consumers of both genders belonging to different age groups are well served and satisfied. Due to the competitive and elastic prices they supply, it is the first company in the consumers’ mind, in terms of unaided awareness.

4.1.6 Advertising and Promotion

Communication and promotion is a vital element in the marketing mix, and Khoury Home heeds its importance and necessity. As per Mr. Khoury’s statement, every year,

2% of the total sales are allocated to communication. The corporate communication represents 70% of the total budget and 30% are spent on aggressive promotions. Khoury Home is on the right track with regards to creating the brand's corporate identity and the needed awareness among all Lebanese nationwide. Their communication is consistent believing that advertising is a strategic element and the best tool for success. They work on implementing the marketing mix plan with no exception. Mr. Khoury believes that advertising keeps the brand alive and promotional activities are the best tools for effective and direct sales.

4.1.7 Competition

The market is mainly divided on 4 key players and some other home appliances stores. As mentioned earlier, the main key players on the market are Khoury Home, Homeline, Abed Tahhan and Hokayyem Brothers. Among the 4 players, Khoury Home competes being the ultimate place for home appliances with regards to large showrooms, attractive displays and exceptional customer service. The company strives towards excellence; it takes care of its staff by training, motivating and rewarding them. The widest home appliances' brands are available to satisfy the largest number of clientele. The constant presence of the Khoury family members in the showrooms prevents any kind of issues and/ or complaints. They make sure that no customer leaves the store unhappy. Consequently, all locations have free parking lots and/or valet parking to facilitate accessibility and visit to the store.

Because of Mr. Khoury's risk taking strategy and aggressive promotions, Khoury Home is the leader in promotions while the others act as followers.

We will go through the main local competitors' market position with regards to Khoury Home, to give a better understanding on the leadership position of Khoury Home in its home country:

Abed Tahhan & Sons:

- Since 1930 in the market
- Located at mass regions like Mazraat, Jnah, Ghobeiri, Beirut Mall, Mkalles and Mansourieh
- \$28M Turnover

- Informative yet weak website: <http://www.abed-tahan.com>
- Weak advertising
- No appealing showrooms
- Not well-trained staff as compared to Khoury Home
- Credit facilities
- Competes by following Khoury Home's promotions

Homeline:

- \$18M Turnover
- 5 main branches : Jnah, Zalka, Furn el Chebbak, Jounieh Maameltein, Mansourieh
- Offering wide choice of electronic equipment and electrical home appliances at competitive prices with exceptional services
- Credit facilities
- Some locations are prime ones
- Good displays
- Informative & easily accessible website (<http://www.homeline.com.lb>)
- 7/7 opening days
- Considered the main competitive to Khoury Home, as it delivers the appealing showrooms, aggressive promotions and consistent advertising
- Fair sales force as compared to Khoury Home

Hokayem Brothers:

- \$7M turnover
- Two branches: Zouk Mosbeh and Jal el Dib
- Weak locations
- Weak displays
- Weak sales force as compared to Khoury Home
- Website: www.hokayem.com

Khoury Home differentiates itself from its competitors via the unique concept of large showrooms and welcoming trained staff. Homeline and Hokayem Brothers for example have smaller showrooms with less number of employees which affects the quality of service that any customer is looking for.

4.2 International Expansion

Why go international and what are the issues to consider?

According to Welch & Luostarinen (1988), internationalization is “the process of increasing involvement in international operations.” Internationalization is primarily considered by companies for growth and exposure that is broader than the domestic demand. Internationalization occurs because of niche market opportunities with less competition, where sometimes foreign government tends to be encouraging for new businesses. However, there are international issues to be taken into account like exchange rate risk, competition, legal issues, politics, economy, consumers’ tastes, consumers’ purchasing power and company’s degree of commitment. Going international can have cost advantages such as tax savings; however, a company might face cultural shock, management distance –if managed from another country-, and lack of local know-how. If we are to follow the Uppsala model, then it is important to heed the model’s fundamental statement: “the major obstacle to internationalization is the lack of knowledge about foreign markets; by learning about these markets we break these obstacles”. Therefore, Khoury Home in its venture into a new market, should consider learning about Jordan, getting the necessary knowledge to reduce uncertainty. The more knowledge it can get, the lower the risk.

As mentioned in chapter two, the Uppsala model explains two patterns: the establishment chain and the psychic distance. The commitment to proceed in a foreign operation develops according to a sequence of stages in small steps with higher level of commitment for each step and the investment in neighboring countries, located in a shorter psychic distance with high extent of knowledge, rather than distant markets. Khoury Home is seeking expansion into Jordan, a neighboring country, with a short psychic distance: close culture, language, education and business practices. Prior to the expansion, KHA should study the market to be able to know whether it is the right choice or not, gather the required knowledge and allocate the required investment and resources. First of all, the company should set the mission, assess the political situation and risk of Jordan, determine an entry strategy, define the cost (FDI, partnership, acquisition, joint venture, agreements), decide on entering the market through direct contact with the government or through consultants, choose how to differentiate their products, agree on the company’s positioning, study the

competitors, identify the country needs and possible restrictions, and discern the market conditions and consumers behavior.

We will discuss Jordan in depth with regards to its political, economic and social aspects and deploy the reasons behind choosing Jordan to be KHA's first pilot foreign market.

For marketing and business development assessment and decision-making, we will abide by the **PEST** analysis that can be a strategic tool for our work. To begin with, let us define **PEST** analysis:

To be able to enter a new market, we will need to conduct a thorough market analysis. This analysis will help us understand and assimilate the best market entry possible. **PEST** commonly measures a "market" and it stands for Political, Economic, Social and Technological.

PEST usually assists in:

- A better understanding of a market growth or decline
- Determining the business position and potential
- Deciding whether the market we choose is attractive enough and suitable to access or not.

PEST is also extended to even more factors. Adding Ecological, Legislative and Industry Analysis, **PEST** gets modified to **PESTELI** model. Several interpretations can also be given like **STEEPLED** to include Political, Economic, Social, Technological plus Ecological or Environmental, Ethical, Demographic and Legal. However, we will stick to **PEST** that is familiar to everyone, considering that the legislative factors are normally covered under the Political heading, being politically motivated. Demographics usually fall under the Social factor. Industry analysis is covered under the Economic heading, and Ethical factors would be included under the Social/Political areas (Businessballs, 1995-2010).

Following the above-mentioned explanation, we will tackle all these factors while, as said earlier- sticking to the simple **PEST** model to simplify our analysis fully and strategically.

4.2.1 Jordan for investment

Among all the Middle Eastern countries neighboring Lebanon, why did Khoury Home Appliances decided to invest in Jordan?

We will reveal in this section the focus group A results. According to the focus group in which Khoury Home managers and the consulting firm were participating, KHA participants mentioned that they will be introducing a *new concept* into the Jordanian market. Besides being a good place to invest, Khoury Home has been offered the possibility of partnering with the international brand in the household industry, Singer. However, they haven't finalized the agreement yet neither the business plan which determine each partner's financial and management responsibilities & profit shares. The Focus group A provided more information on the local market than on the new market venture. They stated that expected sales should reach \$10M in the first year. The reason the company chose Jordan is because it is a booming country in addition to having an available partner that will supply the location and Khoury Home will supply the know-how. The management will be a mix of Jordanians and Lebanese. The consulting Firm helped providing information about Khoury Home: the company's focused strategy, the company's good governance, organization and structure, the good business management in addition to being certified in ISO and still implementing all of the its international standards to reach excellent sales, management, internal communication, client servicing and customer care.

- *New concept:*

Khoury Home considers introducing "the ultimate outlet for home appliances" as a new concept that doesn't exist on the Jordanian market. Household appliances in Jordan are sold in malls, shops, and there are specialized outlets for this particular sector on the market. However, we will find out at the end of this chapter that Khoury Home will not be the pioneer of this concept in Jordan.

- *Wedding Lists:*

The concept of wedding lists does not exist in Jordan. Khoury Home is among the first to have introduced it in Lebanon and is familiar to it. Initiating the concept of wedding lists in Jordan could be a first and could hit the market inducing customers' interest and sales.

- *Cultural Differences:*

According to Geert Hofstede, “culture is often a source of conflict than synergy. Cultural differences are often a disaster” (Hofstede, 2001). Despite the fact that Jordan and Lebanon are both Arabic countries, that does not mean that both cultures are similar. There are some cultural similarities and other cultural differences.

Generally, the closest the foreign market and its relative consumers are to the domestic market, the easier the entry. The simple understanding of the language, the similar weather, the conservative market should create an uncomplicated and simple market entry. However and following Hofstede’s dimensions of national cultures: power distance (small to large), individualism v/s collectivism, masculinity v/s femininity, and uncertainty avoidance (weak to strong) the focus group B provided some cultural differences between Jordan and Lebanon with regards to each of these cultural dimensions.

We will define Hofstede’s cultural dimensions and will portray where do Jordan and Lebanon fit in, in the focus group findings section (4.5.4):

Power distance: it is defined as the extent to which the less powerful members of an organization/institution within a country expect and accept that power is distributed unequally (Hofstede, 1977).

In general, Arab countries are among the countries where orientation towards authority is high. If we are to compare Jordan to Lebanon, Lebanon is starting to follow a more westernized philosophy with lower power distance while Jordan is still conservative.

Individualism v/s collectivism: Individualism pertains to societies where individual ties are loose,; meaning that everyone is expected to look after himself/herself and his/her immediate family. On the other hand, collectivism pertains to societies in which people are integrated into strong, cohesive groups that protect each other in exchange of unquestionable loyalty (Hofstede, 1977). Both Lebanon and Jordan are related to collective culture.

Masulinity v/s femininity: masculinity indicates the extent to which the dominant values of a society are masculine. It pertains to societies in which the social gender roles are

clearly distinct (Hofstede, 1977). Despite the high percentage of working women in Lebanon and Jordan, both countries belong to masculine societies.

Uncertainty avoidance: defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations and try to avoid such situations. This feeling is, among other things, expressed through nervous stress and in a need for predictability: a need for written and unwritten rules (Hofstede, 1977). Uncertainty avoidance can be described as weak or strong. The majority of Arab countries lean towards a strong uncertainty avoidance.

- *Investment:*

Because of the country's socio-political stability and strategic location, KHA considers Jordan as the pilot country for investment. It has a stable political environment, and has access to major markets. Jordan has several trade agreements with: The US (the Jordan-US Free Trade Agreement and the bilateral investment treaty), Europe (Jordan-Euro association Agreement), Asia (Jordan-Singapore Free Trade Agreement), the Arab countries (Greater Arab Free Trade Agreement (GAFTA)), Jordan is also a member in the WTO (world trade organization). The easiness to open and close a business, to deal with licenses, employing workers, register a property and getting credit facilities makes Jordan a favorable ground for investment. Nevertheless, our focus group B considered Jordan to be an expensive country and mentioned that entering Jordan is complicated.

- *Market Access and Partnership possibility with an international brand:*

Khoury Home also mentioned that having one qualified agent that either does all the marketing and promotion' activities or assists in doing them can be the best way to enter the market. This agent can have access to key personnel and contact decision makers in the government. Due to the fact that the Jordanian market is small, more than one agent is undesired. Focus group A mentioned that they would provide technical support and train the local staff in sales and after sales, considering entering Jordan as a step to other regional markets.

Khoury Home is considering an entry through partnering with Singer. However, since 1851 Singer has been tightly associated with sewing and from focus group B, we were

able to know that Singer is merely inexistent in Jordan. In our opinion, this partnership is perceived as uncoordinated and unbalanced. In the coming chapter, we will discuss whether KHA's entry should be through foreign direct investment or through partnership with Singer. Is Singer the right partner? We will be able to judge at the end of this chapter.

First, we will study the country from its political, economic and social facets. The competitive household appliances market will be elaborated to understand the market activity; however we believe that a fully detailed market research on the ground prior to proceeding with the project should be considered.

4.2.2 Jordan Political Situation

The strategic location and the stable political environment are the main reasons for investing in Jordan. Jordan is stable in the Middle East, due to its political good relation with all of Israel and the Arab countries. However, there is an ongoing conflict between the government's desire to maintain ties with Western powers and popular support for the Palestinians and Iraq. Support for the Palestinians is necessary because more than 60 percent of the population is Palestinians. Jordanian friendship with both the Palestinians and the Iraqis has led to problems with the United States.

a- Influence of the Middle East conflict

Jordan became the preferred country for many Palestinians, Lebanese and other people from the Gulf because of its peace with surrounding countries. The on-going war between Arabs and Israel and the Gulf War (1990-1991) influenced Jordan's economy, and decreased the amount of resources people could have. For instance, Palestinians have the right to obtain citizenship; however they are not allowed to purchase a land. A "war on extremism" was called in November 2005 due to three suicide bombings in the capital, Amman.

b- Foreign relations

Jordan faced bad relations with Western countries due to its maintaining relations with Iraq during the Gulf War. Yet, after King Hussein's death and following the Gulf War, Jordan restored its relations with these countries through participating in the Middle East peace process and the enforcement of the UN sanctions against Iraq. Jordan was well-reputed for being pragmatic following a non-confrontational foreign policy and having fair relations with its neighbors. In 1994, a peace treaty was signed between Jordan and Israel in Washington DC witnessed by President Bill Clinton. Jordan is a member of the World Bank, International Monetary Fund (IMF), and Organization of the Islamic Conference (OIC), Nonaligned Movement (NAM) and the Arab League. Jordan is also a member of World Trade Organization (WTO) since 2000, the International Atomic Energy Agency (IAEA), and the World Health Organization (WHO).

4.2.3 Jordan Economic Situation

Jordan is a small country with limited natural resources, classified by the World Bank as a "lower middle income" country. Jordan showed good performance through the recent economic reforms that were aimed at trade liberalization and attraction of investment.

According to the CIA US factbook of January 2010, Jordan's economy is among the smallest in the Middle East with a GDP purchasing power parity of \$33.05 billion (2009 estimate).

To have a clear understanding of the economic situation, we need to understand what GDP stands for:

GDP: Gross Domestic Product, is the value of all final goods and services produced within a nation in a given year. The sum of consumer spending plus government spending, plus investments, plus total net exports that are exports minus the imports, indicates the country's total production.

$$\text{GDP} = C + G + I + \text{NX (exports-imports)}$$

The higher the GDP the better and the healthier the economies of countries are.

The main factors affecting healthy economy are low unemployment rate, low inflation rate and equilibrium -when supply intersects the demand-.

GNP is the Gross National Product, the total value of goods and services produced within a nation in a particular year, plus income earned by its citizens (abroad and locally) minus income of non-residents located in the country (regardless of their location). GNP is considered a measure of the economic condition of the country, assuming that the higher the GNP the higher the living quality (investwords.com). During the last few years, Jordan experienced an economic growth despite the low GNP/capita.

GDP Purchase Power Parity “gives the gross domestic product (GDP) or value of all final goods and services produced within a nation in a given year. A nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States. This is the measure most economists prefer when looking at per-capita welfare and when comparing living conditions or use of resources across countries.” (CIAWorld Factbook, 2009).

Jordan has insufficient supplies of water, oil and other natural resources. The economic challenges that the government faces is the chronic high rates of poverty, unemployment, inflation and the large budget deficit of \$1.55 billion according to the Finance Minister statement to Reuters in 2009 (Reuters.com, 2009). Described by the Managing Director and Chairman of the Executive Board of the International Monetary Fund (IMF) Dominique Strauss-Kahn, as “the biggest budget deficit in the history of the fragile economy”, he attributed the deficit to the financial crisis and mentioned that “no economy in the world is immune to the impacts of the crisis...Jordan’s projected four percent economic growth rate for 2010 shows the slow pace of the economy’s recovery from the global financial crisis” (IMF article at Menafn.com, 2010). In 1999, King Abdullah implemented significant economic reforms, such as opening the trade regime, privatization of state-owned companies, eliminating fuel subsidies which have stimulated economic growth by attracting foreign investment and creating job opportunities. The recent global economic slowdown has weakened Jordan’s GDP growth and foreign assistance to the government in 2009 dropped, hindering the government’s efforts to control the large

budget deficit. The export oriented sectors, such as manufacturing, have been hit the most. The government guaranteed bank deposits through 2010. Jordan's financial sector has been relatively detached from the international financial crisis because of its limited exposure to international markets (2010 CIA World Factbook, 2010).

Country	GDP - Purchasing Power Parity	GDP per capita
Jordan	\$33.05 billion	\$5,300
Lebanon	\$53.68 billion	\$13,100
Egypt	\$471.2 billion	\$6,000
Syria	\$102.5 billion	\$4,600
Bahrain	\$27.99 billion	\$38,400
Kuwait	\$145.7 billion	\$54,100
Iraq	\$112 billion	\$3,600
Iran	\$876 billion	\$12,900
Morocco	\$146.7 billion	\$4,600
Qatar	\$101.4 billion	\$121,700
Saudi Arabia	\$585.8 billion	\$20,400
Sudan	\$92.81 billion	\$2,300
UAE	\$201.4 billion	\$42,000
Yemen	\$58.19 billion	\$2,500
Tunisia	\$83.21 billion	\$8,000
Turkey	\$863.3 billion	\$11,200
Libya	\$95.88 billion	\$15,200
Oman	\$69.48 billion	\$23,900
Algeria	\$239.6 billion	\$7,000

Table 7: Middle East GDP Comparison

Source: CIA Factbook, 2010

The Jordanian Dinar is the country's currency and 1JD = 1.41 USD, and USD1 = 0.7 JD. Despite the 1991 economic problems that followed the Gulf war and that have

resulted to a drop in exchange rates for the Dinar; it remained strong and more convertible than most Arab currencies.

Jordan's economy depends on the 2.5 million visitors / year. However, with the support of the Jordanian government to increase foreign investments, Jordan remains a poor country with demand higher than the production. It has one of the lowest GNP/capita in the Middle-East: \$1500 (35% of world average). Jordan's GDP growth rate is over 6% with an official unemployment rate of 13% (2008).

Unemployment rate was 15.2% in 2006, dropped to 14.6% in 2007 to reach 13% in 2008. The population below poverty line is 30%. Jordan's foreign debt remains a major problem and an economy highly dependent on foreign aid. Due to the increase in subsidies for food and energy products and a drop in international aid, the budget deficit rose to 8.5% GDP in 2007 against 7.2% in 2006 (Jordan Economic and Political Outline, 2008).

The lack of resources and the large foreign debt made Jordan's economy struggling with almost one-third of the population living below poverty level.

a- Economy in 2010

Though the most acute phase of the global financial crisis seems to have passed, recovery remains fragile, slow and bumpy. Persistent risks to economic health include high unemployment and low growth in developed countries and scarce international financing for developing countries. The poorest countries continue to need assistance to move beyond the crisis. These countries can play a key role in helping to boost demand to support global recovery, but they will need access to financing for years to come (The World Bank, 2010).

According to an article in Jordan Times¹, Jordan's economy is expected to grow nearly 3.9% in 2010 and 4.5% in 2011 as per a World Bank report issue in January 2010, The Global Economic Prospects 2010 report² that said GDP is likely to grow.

¹ Established in 1975, Jordan Times is a daily newspaper distributed in Amman, especially in its major hotels. It is owned by Jordan Press Foundation that also owns the daily best selling Arabic magazine Al Rai.

² The World Bank's Annual Global Economic Prospects that includes three-year forecasts for the global economy with long-term future scenarios.

GDP will be driven by local demand with the help of fiscal and monetary incentive actions. Economists anticipate economic recovery during the second half of this year while the first six months would confront a 2% to 2.5% GDP growth. In 2009, the country's economy did not achieve real growth as it reached a 2.5% growth only, which is the minimum percentage required maintaining the average income per capita, in addition to a decrease in the cost of living. Jordan economists also explained that values of properties and shares and commodity prices will rise, speeding up recovery. Consequently, recovery will be linked to trade activities and to the recovery of economies of the Gulf countries. If the government works intensively on attracting foreign investments, then the World Bank growth forecast could be achieved in the second half of 2010, according to a Jordanian economist.

The expected GDP growth is to reach 4 to 5% or even higher because local banks will start alleviating conditions on credit facilities to real estate companies in particular, the economist Yusuf Mansour said. "Growth is also linked to an increase in international oil prices, which will reflect positively on the economies of Gulf countries and automatically on Jordan's economy," Mansour noted (Jordan Times, 2009).

All economists link the economic recovery in Jordan to that of the Gulf: seventy percent of Jordan's foreign currency income comes from the Gulf and recovery in these countries will normally impact positively on local exports and investments inflows; forecasting that the impact of the global economic crisis would fade gradually during the first half of this year. The World Bank report showed a steep decline in external demand –particularly from Europe- in 2009. This had negatively affected the merchandise exports in Jordan and other countries like Lebanon, Egypt, Morocco and Tunisia. That is mainly due to the fall in tourism volumes, lower worker remittances and the decline in foreign debt investment inflows especially from the Gulf countries, attributed to the fall in oil revenues according to the World Bank. The report also stated a revival in capital spending following the Gulf countries support to a revival in the Jordanian economy such as an improvement in business expectations (Embassy of the Hachemite Kingdom of Jordan, Washington D.C.).

b- Banking and Credit Facilities in Jordan

According to an article in The Jordan Times newspaper, 'Industry, trade still starve for liquidity despite rise in credit facilities, by Omar Obeidat, July 2009: despite the increase in credit facilities in the first 5 months of 2009, the Central Bank of Jordan reported that the industry and trade sector are suffering a credit shortage. Around 90% of the industrial sectors are encountering difficulties in borrowing due to stick bank lending policies. The Jordan Chamber of Industry Director General Zaki Ayoubi said to The Jordan Times "Many factories and companies are having difficulties funding their export operations and small and medium enterprises are still struggling to get loans".

According to the Central Bank of Jordan, credit facilities to the industrial sector dropped from JD 1.62 billion at the end of 2008 to JD 1.02 billion in the first five months of 2009. Although credit facilities extended to trade sector were up by JD 88 million to JD 2.99 billion in 2009 compared to JD 2.91 billion at the end of 2008; yet the economist Hani Khalili (member of the Jordan Chamber of Commerce) said that this increase in credit is only one third of 1 percent that is relatively small compared to the 4-5 % growth of the sector.

Banks imposed conservative lending measures that have negatively affected industrial and trade sectors as well as the economy as a whole (Jordantimes.com, 2010)

4.2.4 Social / Demographic

Jordanians are Arabs (98%), with few exceptions of a small Circassians that hardly represents 1% of the population and another 1% of Armenians and Chechens, who have already adapted to the Arab culture. The official Jordanian language is Arabic, yet in commerce and business, the English language is widely used. The whole population is estimated to 6,407,085 (July 2010 est., CIA, the World Factbook) of which approximately 1.7 millions are mainly Palestinians refugees. Jordan's main city containing 2.5 million citizens is the capital Amman. Other cities are Irbid and Az-zarqa. Jordanians are 92% Muslim Sunni, 6% Christians, mostly Greek Orthodox and others 2%. According to the Jordan's Department of Statistics, the Jordanians literacy rate is of 92.1% (2007) (U.S. Department of State), that contradicts with our findings.

The average increase in the Jordanian population growth rate is 2.159% (2010 est. CIA, The World Factbook).

The below table 9 gives a glance on the repartition of the Jordanian population with regards to female and male. It is interesting to mention that females and males between the ages 20 to 49 represent mainly our target market with 41.78% of the total population, and according to Credit Agricole, 2009, research showed that the purchase power in Jordan is young.

*Sex Ratio	Total		Female		Male		Age Group
	%	No.	%	No.	%	No.	
105.5	12.75	745860	12.81	362970	12.70	382890	0-4
105.1	12.61	737690	12.67	359610	12.54	378080	5-9
106.0	11.96	699660	12.00	339670	11.94	359990	10-14
105.9	10.98	642330	10.99	311890	10.96	330440	15-19
107.6	10.59	619520	10.58	298420	10.65	321100	20-24
111.1	8.95	523570	8.76	248000	9.14	275570	25-29
108.3	7.83	458060	7.76	219870	7.90	238190	30-34
108.4	6.34	370890	6.29	177930	6.40	192960	35-39
105.9	4.73	276710	4.74	134400	4.72	142310	40-44
105.0	3.34	195390	3.37	95290	3.32	100100	45-49
102.1	2.51	146830	2.57	72660	2.46	74170	50-54
96.1	2.23	130460	2.34	66540	2.12	63920	55-59
111.0	1.94	113490	1.89	53790	1.98	59700	60-64
101.7	3.24	189540	3.29	93960	3.17	95580	65+
106.3	100.00	5850000	100.00	2835000	100.00	3015000	Total

Table 8: Sex and Age Group Estimated Population-2008

* Sex Ratio: Number of males per 100 females

(Source: Department of Statistics-The Hashemite Kindgom of Jordan, 2003)

Do these 41.78% have the required purchase power? What is the salary range? Where do they live?

a- Jordanians target market

Entering a market without knowing whom to target leads to a total failure. The most important factor in any business plan is to know and understand the target markets. Who will buy our products? Will they accept our products? Will they find it affordable? Will we satisfy their expectations? Do they have the money to buy? In

whose hands is the purchase power? Who decides what to place in the shopping basket? Is this target market conservative? How can they be reached? Where can we find this target? Is it easy to satisfy? Is it culturally close to me? Will this target like to deal with a foreign product or a local one? All these questions are essential; thus, it is crucial to research this target so to better understand it. It is significant to mention that most of these questions, and even more, are best found and answered through conducting a field market research for more tangible data collection.

Jordanians are generally conservative and hospitable. About 70% of Jordanians live in urban areas, most of them in Amman. Jordanians have life expectancy of sixty-seven for men and seventy-one for women and Jordan is among the top ten countries of the world in reducing infant mortality (Department of Statistics-The Hashemite Kingdom of Jordan, 2003).

The government stress a lot on education, as it is required from grades one through ten. Literacy training are free to all Jordanian residents. Women are very much encouraged to attend school and even finish higher education. The country's main export is skilled labor and professionals to Arab countries. The skilled Jordanians workers find themselves obliged to leave their home country looking for work, due to the difficulty in finding employment in Jordan. The majority go to Kuwait, KSA and UAE. By working abroad, Jordanians help the country's economy through their remittances. Women represent 13% of the labor force, though they are guaranteed equal rights and are as educated as men. This is due primarily to the country's tradition in which a woman's job is to marry and have many children.

After the Gulf War (1990-1991), unemployment became a serious problem since about 300,000 workers returned from Kuwait in 1991.

1- Jordanians consumers' behavior:

The Jordanian consumer is price sensitive. Young people, representing more than 60% of the total population, are very interested in technological innovation, and especially in the sectors of IT and telecommunications. A real and effective after-sales service is very important to Jordanian buyers. In the field of clothing, brand names are much sought after (Crédit Agricole, 2009). Jordanians prefer foreign brands than locals.

2- Consumers purchasing power

The commercial activity of Jordanians is concentrated around Amman and in the provincial cities such as Aqaba, Zarqa and Irbid. Consumer behavior differs greatly in Jordan. The residents of Amman have very westernized consumer habits, while the people of the rest of the country have more traditional lifestyles and more conservative consumer habits. According to Credit Agricole, young Jordanian citizens represent the high purchase power (Crédit Agricole, 2009).

b- Comparison of salaries across the region

How Jordanians' salaries are rated compared to the Arab world?

Conducted surveys by Bayt.com in 2008-2009 show that very few Jordanian workers are happy with their salaries reflecting a trend of low income satisfaction and economic pessimism among workers throughout the country. Only 4% of Jordanian workers are highly satisfied with their salaries, while nearly two in five are dissatisfied. The survey showed that pessimism is not only in the Kingdom but also around the whole region, where only 6% of employees are highly satisfied with their salary. An annual Middle East Salary Survey conducted by Bayt.com and the regional research specialist YouGov shows the levels of wages and benefits in the region and measures employees' opinion and satisfaction levels with their salaries in relation to the cost of living. The survey showed that **60% of Jordan's employees earn less than \$1,000 per month**, with nearly half of that figure earning less than \$500 per month. This data was collected online in December 2008 and January 2009 with 13,881 respondents across the UAE, Saudi Arabia, Qatar, Oman, Kuwait, Bahrain, Syria, Jordan, Lebanon, Egypt, Morocco, Tunisia and Algeria. Males and females of all nationalities aged over 20 years were included in the survey.

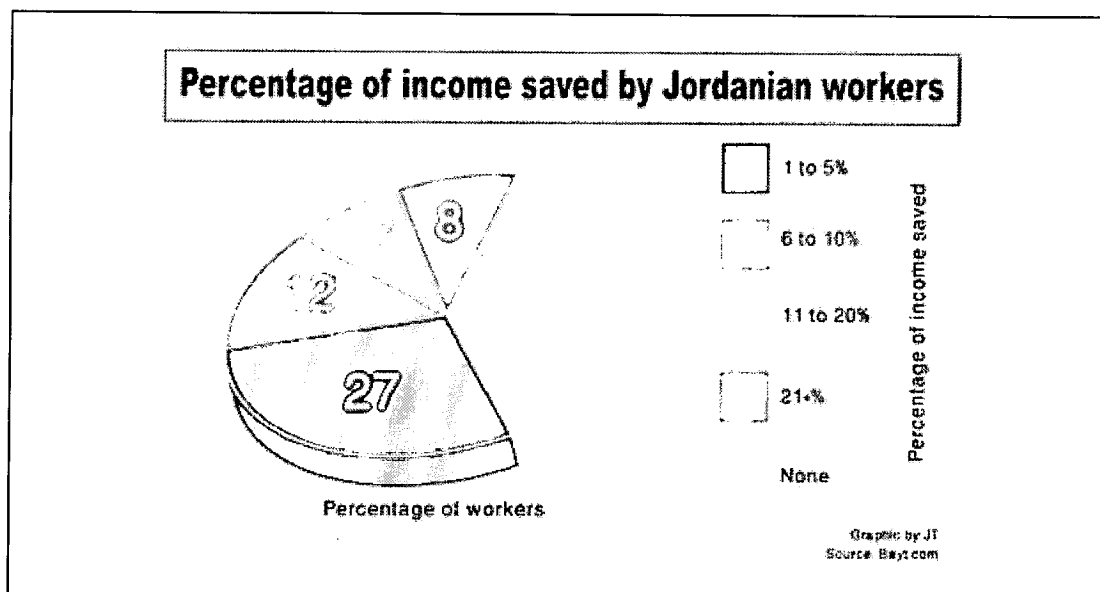


Figure 17: Percentage of Income Saved by Jordanians
(Source: The Jordan Times, 2009)

Research showed that despite the fall of oil prices over the past year, the salaries of workers in the oil, gas and petrochemical sectors have been unaffected and the most highly satisfied. Across the region, the average salary increase did not reflect the rise in the cost of living; unlike Jordan, where salary increases went 24% lower than the increases in cost of living. Jordan also reported the lowest saving rate. Nearly one-half of Jordanians save nothing from their salaries compared to a regional average of about a quarter. The research portrayed that Bahrain and Oman were the best savers countries where 83% of residents saved from their salary.

With regards to the global economic crisis, the study revealed that 77% across the Middle East feel that they have been really hit, compared to 37% in Oman where almost one in five mentioned that they felt no effects. When asked about the labor market, more than a quarter of Jordanians showed their pessimism about job availability and future growth, and 20% believed that companies will continue to hire yet with a decline in salaries (The Jordan Times, 2009).

c- Middle East Salaries v/s Global Crisis

Following the 2009 global financial crisis, some companies went bankrupt, some faced huge losses and a high number of companies fired a great number of employees. The economic situation can be mirrored through Bayt.com survey conducted in

February 2009 on the Middle East salaries and cost of living. Interesting findings illustrate the following:

- Only 7% of GCC professionals are highly satisfied with their salaries compared to 5% in the Levant and 6% in North Africa. On the other hand, 30% of GCC professionals are dissatisfied with their salaries compared to 38% in the Levant and 34% in North Africa.
- 60% of GCC residents get housing allowance while the percentages of Levant and North African' residents receiving housing allowance are respectively 4% and 5%.
- 26% of GCC professionals did not receive any raise in salaries while 21% in both the Levant and North Africa did.
- The average increase in the cost of living in the MENA region averaged to 34%
- Across the region, rent increased by 26%, the cost of food have increased by 33% and entertainment by 27%.
- The highest saving rates in the MENA region is 15% in the GCC compared to 8% in the Levant and 11% in North Africa.
- 32% of GCC professionals indicated that as a reaction to the current economic situation, their companies restructured jobs profiles. 34% said that their companies halted all hiring and 37% are cutting down unnecessary expenses (Bayt.com, 2009 Middle East Salary Survey).

A recent 2010 salary survey showed that 54% of professionals across the Middle East have mentioned they received a raise in the last 12 months, and are also expecting a raise for the next 12 months higher than last year, reaching an average of 10.5%. The cost of living in the MENA region risen by 23.5% in the last year, yet expectations are that they will slow down to 18% this year.

The interesting finding of the survey is that in Jordan like in Lebanon, Algeria and Morocco, professionals indicate there is an excess supply of talent, while KSA, Kuwait, Qatar, Oman and Bahrain face shortages in skilled workers.

Facing this study, we can conclude that Jordan has a surplus in skilled workers that need to be exploited, meaning that the country lacks work opportunities (Bayt.com, Salaries in the Middle East 2009-2010).

4.2.5 Investment laws and taxes

Doing business in any market whether exporting to it or establishing a company there requires a full understanding and research of its legal issues and possible barriers - required level of knowledge and training in exporting procedures- and limitations to trade, such as high tariff, quotas. In order to boost confidence in Jordan and help attract foreign investors and capital, the Jordanian government presented an investment law that opens the financial market to all investors and provides equal treatment to all investors of all nationalities.

Exclusion from income and social service taxes for a ten-year period starting from the date of production is granted in ranging amounts according to the level of development of particular companies. The new law also allows direct entry into the Jordan stock market in order to help attract foreign capital. Furthermore, it makes it possible for a foreign investor to buy shares directly, provided that the total foreign ownership in the publicly traded company does not exceed 50% at the end of the close of trade on the official market. Exemptions from income tax and customs duties for projects are provided under the Encouragement of Investment Law. All fixed assets for the project are exempt from customs duties and taxes. Fixed assets include the equipment, machinery apparatus and tools needed for the project. In order to encourage export-oriented industry, Jordan has set up a number of Free Zones. The first Free Zone was established at the Aqaba port along the Red Sea. Other free trade zones are located at Zarqa, the Sahab industrial estate and Irbid. According to Jordan Times newspaper of December 2009, the Jordanian government decided to exempt Arab and foreign investors making profits in Jordan from the 15% tax on profits transferred abroad as stipulated in the income tax law. This 15% tax “has been blamed for making investors think twice about continuing to invest in Jordan” (Menafn.com, 2009).

a- Non-Tariff barriers

The trade system in Jordan is fully liberalized. An import license is not necessary; while an exchange permit suffices. Import of certain manufactured goods has quantitative limitations while some products are prohibited to import such as fresh milk, tomatoes, table salt and mineral water. Some products are reserved to the government such as wheat, sugar, flour, powdered milk, olive oil, rice and frozen

chicken and cannot be imported by any company. The import of fruits, vegetables, medicines and telecommunications equipment requires a license.

b- Custom duties and import taxes

The Jordanian Customs laws try to achieve a number of goals to enhance the country's economy and develop investment and business activities:

- 1- Promote investment and allow industries to be competitive to improve the competency of national economy.
- 2- Facilitate trade exchange between Jordan and other countries
- 3- Collect revenues for the treasury
- 4- Control passengers, goods and transportations movements crossing the Kingdom's borders
- 5- Combat smuggling
- 6- Protect the local environment and society from hazardous materials
- 7- Try to control the commercial activities to forbid illegal businesses under the current regulations in place (Jordan Customs, 2010).

Imports of raw material and machinery as well as foodstuffs are exempted from Customs tax. On the other hand, alcohol and tobacco are taxed on a scale of 50% to 180%. The most common goods are scaled 0%, 5%, 10%, 20% or 30% according to the product category. Sales taxes are at 16% and a 15% tax is excised on profit.

c- Import Procedures

Documents required for importing any product into Jordan are:

- A bill of lading for imports coming through the Aqaba port
- An airway bill for products imported by air or a transporter's certificate for goods transited by land
- An invoice with quantity, type, number, weight and value of the goods along with the names of the buyer and seller
- A certificate of origin
- A declaration of value of goods over 2000JD
- An exit permit for the goods that are warehoused in free zones

(Jordan Customs, 2010).

4.3 Doing business in Jordan

a- Ease of Doing Business in Jordan

Decisions on entering a new market are based on uncomplicated investment laws, political and economic indicators, culture, etc. The World Bank has conducted a study ranking countries of the world according to the ease of doing business, Jordan was ranked the 100th country out of the 183 economies. It is ranked 125th for starting a business, 127th country for getting credit and 26 for paying taxes. Comparing it to Lebanon, Lebanon is ranked 108 for starting a business, 87th for getting credits, and 34th in paying taxes. Jordan makes easy:

- Opening and closing a business
- Dealing with licenses
- Employing workers
- Registering property
- Getting credit
- Protecting investors
- Business friendly taxes
- Trading across borders
- Enforcing contracts

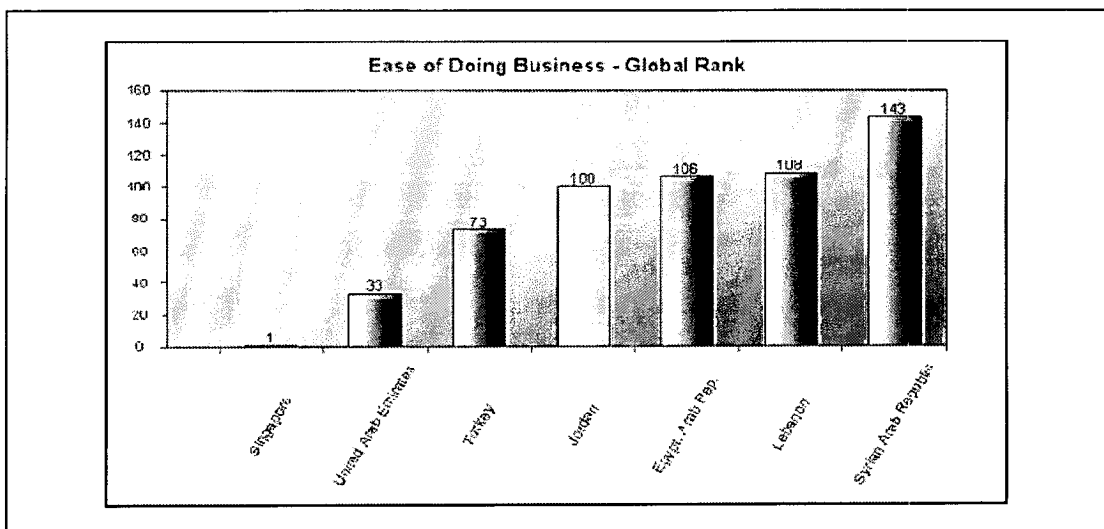


Figure 18: Jordan-Compared to Global Practice and Selected Countries

(Source: Doing Business 2010-Jordan (The International Bank for Reconstruction and Development /The World Bank)).

With regards to starting a business, Jordan is ranked the 125th country compared to global practice and selected economies with only 8 procedures requiring 13 days to complete.

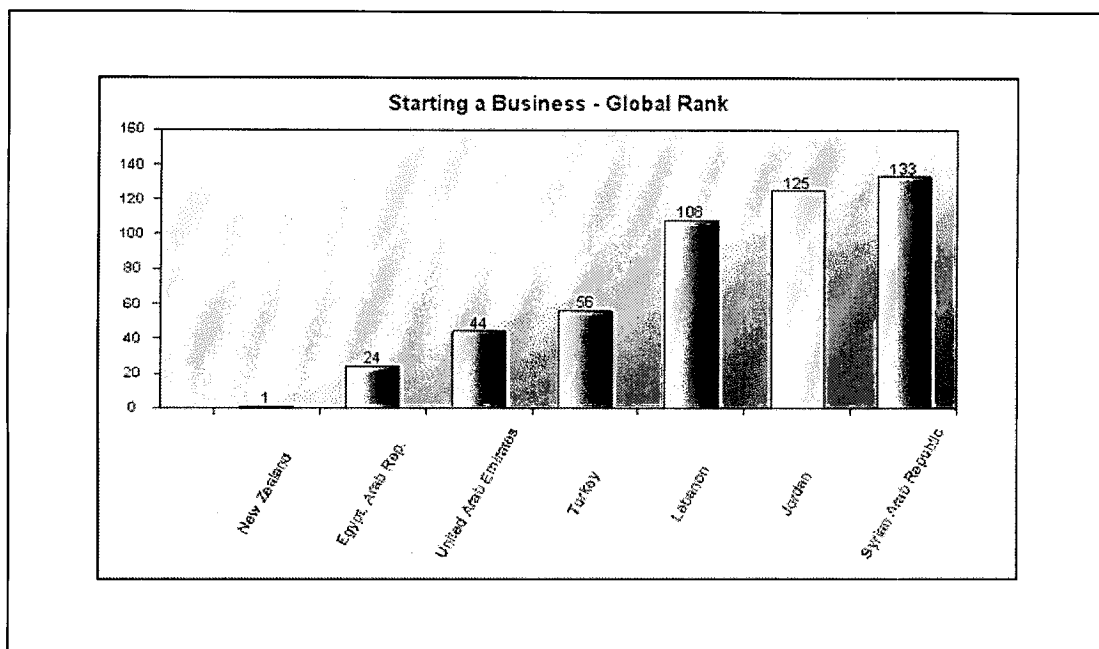


Figure 19: Jordan Ranking for Starting a Business

(Source: Doing Business 2010-Jordan (The International Bank for Reconstruction and Development / The World Bank).

To summarize, the government is trying to alleviate the task on investors in order to boost the economy making investment less problematic.

According to a 2008 report for Cost of Doing Business in Jordan from the Department of Statistics in Jordan Investment Board, Jordan's cost of doing business is relatively lower than the region.

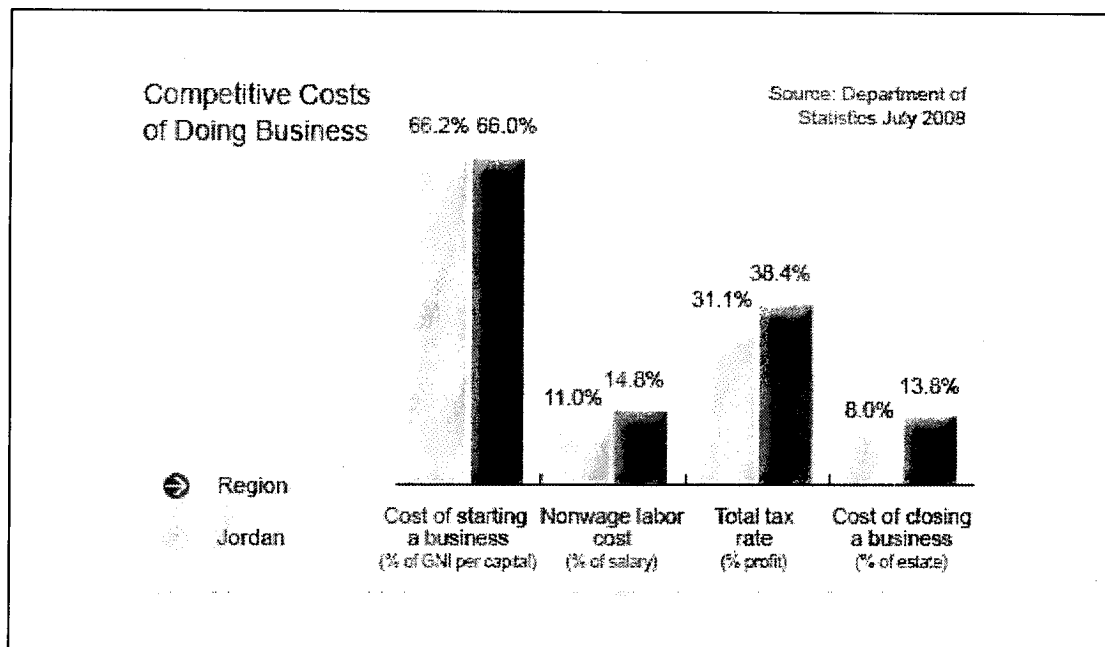


Figure 20: Cost of Doing Business in Jordan Compared to the Region
(Source: Jordan Investment Board, 2008)

4.4 Home appliances market analysis

Data collection on this particular and important section of the thesis was difficult to gather with regards to the industry's sales volume as a whole and the competition's market share. We have located the key players in the market and assembled information about their businesses. The existing market might change our findings, correct it or simply add some insights to it.

4.4.1 Competition

According to Khoury Home senior management, the concept of providing a variety of reputed household appliances' brands in a good location with excellent displays in one store is inexistent in Jordan. Household appliances can be either found in small outlets that sell one or two brands or in malls. KHA believes that competition will not be fierce and the entry should be easy. However, the research we conducted resulted to three main players on the Jordanian market: SmartBuy, Carrefour (in the household appliances section) the big French chain and the giant producer in household appliances Middle East Complex (MEC). We will present more details on each competitor for better analysis.

a- Middle East Complex - MEC

A merger of three companies in 1994 -Middle East Company for Electric Industries, Middle East Company for Engineering & Electronic Industries and Middle East Company for Manufacturing & Trading Vehicles- gave birth to Middle East Complex, Jordan's largest producer, trader, distributor and exporter of home appliances. It manufactures, assembles and markets electronic products under its own brands. "Home grown" brands include: First, Denka, General Star, National Star, MEC and Acma. MEC is in collaboration with one of the big names in the home appliances industry, LG Electronics, and its products include famous international brands such as Daewoo and Haier. With over 75% market share, MEC is the leader in the electronics and electric appliances market in Jordan. The company has an integrated distribution channel of 45 outlets in Jordan out of which 30 are in Amman. MEC's products range includes televisions, DVDs, audio systems, LCDs, refrigerators, washing machines, air- conditioning units, microwave ovens, vacuum cleaners, and other small appliances. In 2005, MEC entered into a joint venture agreement with "Emirates International Investment Company" (EIIC Group) in the UAE, to implement a new project in Abu Dhabi with a project estimated at about JD 142mn (US\$ 200 million). MEC is expected to contribute with 40% of the new company's equity, named National Industrial Complex (NIC) and retain the management control of the new venture. This investment will serve to expand its penetration into the target markets of Iran, India, and Pakistan. The plant began its operation in 2008.

MEC's mission is to provide value added products and services by manufacturing competitive products that not only satisfy consumers' needs, but exceeds consumers' expectations as well. The company aims at bringing up skilled and competent employees and achieving excellence and an exceptional image locally and globally.

Its strategy is to expand its manufacturing capabilities to increase the local content. By doing so, imports, transportation and inventory costs will be cut and profits margins will improve, allowing for more competitive pricing, a stronger position in export markets and higher ability to penetrate new markets (Middle East Complex).

In 2007, MEC went into partnership with Kuwaits National Industries Group Holding that has taken 20% stake in the company. JD40 million -\$56.45 million were aimed to help MEC expand its operations regionally. The chairman of MEC's board and the general manager Osama Khalili said that the new partnership provides a dynamic and healthy exchange of experiences and expertise. MEC's other strategic partners are

Money Capital, and UAE International Investment, each owning 10% of the company's shares (Gulf Base, "NIG takes 20pc stake in Jordan's MEC").

In 2008, the International Islamic Trade Finance Corporation (ITFC) also signed a revolving trade financing agreement with MEC of \$40 million. ITFC provides funds for productive development that leads to job creation and capacity building through skills transfers and technical assistance.

By redistributing the wealth of rich countries through trade financing, ITFC plays a key role in improving the infrastructures and economies of underdeveloped countries. The ITFC is an autonomous entity within the Islamic Development Bank Group formed to consolidate financing business. The consolidation of the bank's trade finance activities increases the efficiency of service delivery by enabling rapid response to customer needs in a market-driven business environment. This trade agreement will enable MEC to strategically support its operations and be ready for new expansion program to meet demand across the board.

MEC has established one of its kind in the region' project for manufacturing refrigerators, air conditioners and washing machines with an initial investment of \$200 million and projected annual sales of \$300 million and a 27% return on investment. The facility's total land area will be of around 200,000 m² (The Saudi Gazette, 2008, Zawya).

How can MEC's market share and growth be translated on profitability and at what cost? We were able to get confidential, but unable to reveal evidence from a trustworthy source stating that Middle East Complex is facing problems due to mismanaged and default on credit facilities and credit collection that is highly affecting the business not only in Jordan but in other countries of the Middle East. Having said that, Middle East Complex would not create threat anymore to Khoury Home; yet the banking sector with regards to credits' facilities and loans is also vital to be heeded.

b- SmartBuy



SmartBuy has been on the Jordanian market for 3 years now. It officially opened as the first one-stop-shop electronics megastore on October 4th, 2007. Located at Cozmo center, SmartBuy opened as a fully equipped

store bringing a revolutionary way of shopping for electronics with its open concept and feel and try experiences. SmartBuy introduced the concept of Electronic Hypermarket with 4,000 sqm. SmartBuy's vast product range includes I.T, office automation, audio visual, home appliances, office furniture, telecommunications, and home fitness equipment. SmartBuy has everything under one roof it offers a wide variety of electronic products in one store.



SmartBuy provides free consultancy services, fixed price guarantee for contract period, higher priority on delivery service, quick response time, products training and on-site engineers. The company is a subsidiary of a highly reputable and professional Jordanian Saudi Company for Electronics trading, enjoying a strong financial structure. SmartBuy has more than 100 well trained staff believing that training is the key to a good customers' service. SmartBuy offers:

- A large product mix – all under one roof
- High quality products with value-added services
- Outstanding after sales service
- High interactivity (Handsets, Laptops – fully connected to test)
- Experienced and dedicated Sales Staff

The store is designed to be efficient and user-friendly, with an open concept and designated departments for ease of access.

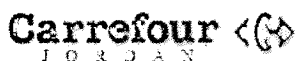
SmartBuy provides free delivery and installation after sales service, warranty fulfillment from its partners, best price guarantee with flexible return policy and a class A service in which a qualified and expert staff help the customers to make the best purchase.



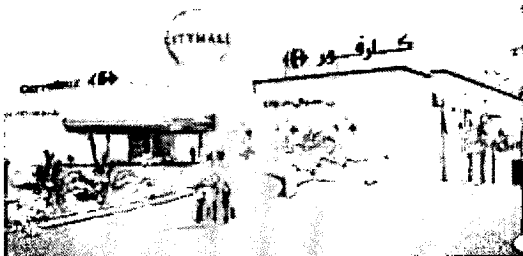
SmartBuy corporate accounts are LG, Samsung, Haier, Sharp, Sanyo and Panasonic. Smart Buy products are: Personal care, freezers and refrigerators, washers and dryers and small home appliances. On the 10th of October 2007, SmartBuy and LG Electronics went into partnership. The partnership led to LG's displaying its products range and allows consumers to try the products before the purchase. SmartBuy has consistent promotions that engage consumers in buying from the store and be rewarded with grand prizes.

Mr. Ghazi Farouq, the Assistant General Manager at MEC said: "SmartBuy presents itself as the optimal shopping outlet for individuals seeking to buy electronics for any of their needs." It is worth mentioning that SmartBuy -Jordan's first and largest electronics megastore- distinguishes itself by the diversified product range it offers along with its competitive pricing policy, great after sales services, and unique retail atmosphere. SmartBuy's inviting atmosphere offers a fun shopping experience further enhanced by the presence of a dedicated and experienced retail team that is always available and willing to help customers. It is clear that SmartBuy has succeeded in bringing a new way of shopping for electronics to Jordan (24-7 Press Release.com).

c- Carrefour



In December 2007, Carrefour opened its first store in Jordan in Amman. It was a joint venture between Carrefour France and its Middle East partner Majid Al Futtaim. Located in Amman, the 11,000 sqm Carrefour Jordan opened in Jordan's largest shopping center, City Mall that offers all consumers needs under one roof and at the lowest prices (Carrefour Jordan). Carrefour provides more than 40,000 products from Jordan and all over the world. Employing 450 well trained employees among which 95% are Jordanians.



Besides the Heavy & Light Household sections offering a wide range of products and brands, Carrefour offers different sections as consumer goods with a convenient presentation of products. Established in 1963 in France, Carrefour International is considered to be the first

retailer in Europe, and is rated the second largest chain worldwide with more than

12,000 Hypermarkets and Supermarkets over more than 30 countries and a large number of employees exceeding 436,000. Majid Al Futtaim Group was established in 1992 and has successfully brought the concepts of regional shopping malls and hypermarkets to the Middle East. The group consists of many companies of which comes the MAF Hypermarkets - Carrefour with branches in UAE, Qatar, Oman, Egypt, KSA, Jordan and other countries in the Middle East” (AMEinfo.com). According to Khoury Home management, Carrefour does not create threat to their entry and establishment in Jordan.

To conclude this section of Chapter 4, and following the study that we were able to gather pertaining competitive market in the household appliances industry in Jordan, we believe that the market is quite competitive to the contrary of what Khoury Home management believes. Khoury Home will not be offering a new concept to Jordanians and will be follower to SmartBuy. SmartBuy already introduced the concept with a good reputation and a good partner. It is considered to be the first to introduce the concept of “everything under one roof” in the household appliances industry in Jordan. The strong partnership of MEC with LG and ITFC, in addition to being a giant producer and marketer of its own products, affects Khoury Home entry. MEC is big, and Khoury Home should heed its significant presence despite the financial problems that MEC is facing. Khoury Home is counting on the partnership with Singer who will provide only the location, however, Singer is somehow inexistent on the market and we will experience this at the end of this chapter.

4.5 Market Entry

Choosing the best market entry method should be well studied and planned for, and each market or product follows a different strategy. Companies can choose a forceful aggressive market entry where significant marketing, sales and resources are used or a focused and narrow market entry. In both cases, the targeted market, that can be either rewarding or unreceptive helps deciding on the appropriate market entry. It is difficult to judge the market size and growth for a new market and the traditional market research can be limited in what it reveals. We believe that the personal contact with the customers on the market place is the most instructive.

4.5.1 Market Strategy

A market entry strategy can be set following a thoughtful analysis on the current and potential competitors and customers. Deciding on the strategy to follow that best fulfill our objective is not easy to reach.

Some factors that we need to heed when entering a new market and that help us define our entry strategy are:

- 1- Product or service: does it have a unique selling proposition or a direct competitive advantage? Will the market be receptive to it and demand it for a long period of time?
- 2- Resources: How many resources can the company dedicate to the launching in the new market?
- 3- Competition: Is it aggressive? Who are the suppliers? How will the company position itself in the market to stand out from competitors?
- 4- Public Policy: Does the government offer subsidies or take taxes? Are there any governmental incentives for exporters?
- 5- Methods for international market entry: There are several methods of international market entry: joint venture, franchise, licensing, exporting...etc. In our case: partnership or foreign direct investment?
- 6- Pricing: What kind of pricing strategy will the company adopt especially that it needs to take into account the production, packaging, transportation and promotion costs.

Partnership or a joint venture with a locally established company may be the most effective way to enter a new market. The partner already knows the market, has the distribution framework in place and the business investment capital will be less or at least divided on both companies in partnership.

4.5.2 Entry Modes

Any company's decision on how to enter a foreign market can have significant impact on the results. Expanding into foreign markets can be achieved through several mechanisms: Direct investment, licensing, partnership, joint ventures, alliances and many others. Since Khoury Home is seriously considering Jordan's entry through

partnering with Singer, then we will study two possibilities: partnership with Singer or direct investment.

a- Foreign Direct Investment or Wholly Owned Operation

Foreign Direct Investment means a direct ownership of the business in the foreign market. Resources like capital, technology and personnel are transferred to the new country. FDI takes place either through acquisition of an existing entity or the establishment of a new enterprise. The main advantage behind a wholly own operation is the high degree of control in the operation and the ability to know the consumers and the competitive environment. The disadvantage on the other hand is the high level of resources to allocate and a high degree of commitment. FDI may entail high expenses like travel and communications. Depending on the host country whether close in culture or not, the differences in languages and culture between the two countries could often pose problems.

Mode	Conditions Favoring this Mode	Advantages	Disadvantages
Direct Investment	Import barriers Small cultural distance Assets cannot be fairly priced High sales potential Low political risk	Greater knowledge of local market Can better apply specialized skills Minimizes knowledge spillover Can be viewed as an insider	Higher risk than other modes Requires more resources and commitment May be difficult to manage the local resources.

Table 9: Advantages & Disadvantages of Direct Investment

Khoury Home, known by its aggressiveness on the domestic market, can consider a direct investment especially that the company believes in its business, has the high commitment and is convinced that the new business will shake the Jordanian household market. However the main disadvantage would be the high cost that the company will be incurring (see chapter 5). Other disadvantage is the company's low market knowledge that necessitates a full market research on the ground to better understand consumers' likes and dislikes, laws and regulations, dealing with local employees with different mentality and possibly an unexpected different culture, and dealing with suppliers, imports, customs...etc.

b- Partnership

Partnership is a signed agreement or a legal contract that bounds two entities to be in charge of the business which implies mutual cooperation and responsibility. Each party allocates a part of the capital and labor for the business enterprise, where each shares as well the proportion of profits and losses. Both parties are jointly responsible in the operations, management and decision-making of the company. The formally signed contract agreement clearly states the responsibilities, tasks, liability share and profit share of each partner. Some companies might have limited partnership in which liability is limited with regards to the amount of capital investment they made in the company. Their profit/loss share is decided from their share of investment.

The advantages of partnership are:

- A relatively easy process. Concerned people agree to share the decisions within a business, or start working together as joint owners of a business. If this happens, they are automatically considered to be partners and they both share responsibilities and profits.
- More owners mean more money to set up the business.
- Partnership brings new skills and experience to the business, i.e. more profit.
- Responsibilities are shared among the partners.
- In case of financial difficulties, the costs are shared this in turn reduces the risk of losing money.
- Easier expansion of the business as new partners can be introduced, putting money into the business (buying new machinery...etc).
- Some details can remain private from others as no one has to publish their accounts.

Disadvantages of partnership:

- Shared profits
- Less control over the business as the decision making is shared.
- Possible disagreements between the partners causing a major difficulty as partners are bound to any commitment made by one partner.
- Partner's unlimited accountability i.e. in case of bankruptcy, they could lose all of their personal possessions. Not applicable in case of sleeping partner, with limited liability.

4.5.3 Singer

Deciding whether to partner with Singer or not needs researching this latter's positioning in the market and knowing the company's business. Who is Singer? Is it a good decision to go into partnership with this company in order to engage in the new Jordanian market?

Since 1851 Singer brand has been tightly associated with sewing. From the beginning, the company has been characterized by its practical design and creative innovation, and it continues today through new products development for every level of sewing. They introduced the first zig-zag stitching machine, the first electronic machines and they have now produced the world's most advanced home sewing and embroidery machine (Singer.com, 2004). However Singer does have a shy presence in the household appliances line of business. Singer has a strong reputation for quality and innovation in the sewing business; nevertheless we remain doubtful of its worthwhile contribution as a partner to the needs of Khoury Home in Jordan. According to the reasons that pushed Khoury Home to consider going into partnership with Singer are the following:

1- The available local agent in Jordan:

According to Khoury Home, partnering with Singer provides familiarity with the Jordanian market. Generally, partnering with a successful local agent facilitates the business set up and management. An actively well introduced local partner can provide important market insights with regards to consumers' behavior, taste, and preferences, purchase power as well as the ways to communicate with those consumers. Although a market research can and should be conducted prior to entering the market, the availability of a local agent facilitates several important decision-making with regards to location, customers, pricing and cultural issues. Reviewing the Uppsala Model, market knowledge and market specific knowledge, is very important when entering a foreign market, the greater the knowledge about a specific market the greater the allocated resources. The commitment to the market increases with the increase of allocated resources devoted to that market. According to the Uppsala model, learning about that specific market can be gained either through hiring local personnel, acquiring a business with experience or getting advice from local

consultants, Khoury Home seems to be counting on the agent to provide the above needs.

2- Store location:

In case of partnership with Singer, this latter provides the store location in Amman that facilitates the charge for Khoury Home eliminating the locale hassle search.

3- Business Agreement

Khoury Home's given data is partnering with Singer provides the location. All operational, marketing, financial and legal issues have not been finalized an agreed upon yet. Management and division of tasks are still not discussed.

Are these reasons convincing enough for Khoury Home to venture into Jordan and with Singer?

4.6 Focus Groups Findings

The predictable findings of the conducted focus groups would answer all questions. We will elaborate the results we collected from the three companies that have already ventured into Jordan.

a- Company A: International Water Company

This company (name to remain confidential) started in Lebanon and looked for expansion into the Middle East. In 2004, it ventured into Jordan due to Jordan's shortage in water capacity. It entered by acquiring a local bottled water company before launching its proper brand. The main issue the company discovered was the lack of "water culture" among Jordanians, and the lack of knowledge on the importance of water to the human body. They ignored the importance of drinking "natural mineral water" instead of simply "mineral water". They consider bottled water regardless of its constituents is good water; consequently, any foreign brand of bottled water is also good drinkable water. Despite its leadership position on the Jordanian market, the company has not been able to change consumers' perception yet, neither on the positive consequence of water to the body, nor on the importance of having the right constituents in the bottled water. The Jordanian market remains a juice market rather than a water market.

Company A rented a building in a cheap area of Amman and started the business by promoting and selling the acquired local brand to the Jordanian mass. It launched its proper brand selling it to the high end consumers representing A+ and B+ social classes, represented by minorities of Jordanians, a majority of Iraqis who have the high purchase power. The company's proper brand remains selective while the locally acquired remains for the mass population. Having it selective and since Jordanians care less about the "natural" part in the bottled water they drink; competition in this industry became fierce. New local brands have been introduced as "mineral water" and not "natural", i.e. they deliver treated water and not natural.

Company A's management is a mix of Lebanese and Jordanians. However, the company started having several personality conflicts between Lebanese and Jordanian managers due to cultural differences and different leadership styles. The Lebanese managers attending the focus groups described working with Jordanian managers to be difficult; they mentioned that Jordanians like Lebanon as a country but resent Lebanese people.

Jordanians are still considered as conservative people; however, the new generation is becoming similar to the Lebanese in terms of lifestyle, clubbing and night-life. Jordanians fully furnish their future home before getting married. Wedding lists concept is not yet used in Jordan which we believe could be heeded as an opportunity for Khoury Home.

Paid taxes are as follows:

- 8% to 30% on imported raw material and other products
- 16% on sales
- 15% on profit
- 16% on media

Customs are dependent on the goods entering to the market and no entry barriers, regulations and difficulty are considered.

The questioned managers judge the cost of living in Jordan to be somehow similar to the cost of living in Lebanon, i.e. somehow expensive.

When asked about SmartBuy in Jordan, the answers revealed the concept of having all household appliances under one roof to be great; yet, it is perceived as expensive premium shop targeting the A and A+ category of people being a premium shop. Middle East Complex is not well known as SmartBuy and most importantly Singer brand awareness is low in Jordan.

Communication in Jordan is limited to print and radio. Newspapers, magazines and back-lits (mupis size) are considered the main used media with the support of radio. TV usage is inexistent due to the fact that Jordan has only one TV, Jordan TV that lacks viewership. Jordanians feedback to communication is very positive, the call for action usually succeed.

To summarize, Company A believes that the Jordanian business is unprofitable, due to the strong competition, the lack of water culture, tax on water expected to rise by 30% according to the Finance Minister Mohammed Abu-Hammour to the Associated Press on June 17, 2010 (Canadian Business.com, 2010). Another important conclusion arises during the focus group is that Jordanians are not as professionally qualified as previously expected. The company faced some issues regarding hiring qualified Jordanians filling high positions and meeting the company's requirements.

Company B: Paul De Vartens

Paul De Vartens is a Swiss cosmetics premium expensive brand whose products are sold door-to-door. Revenue is based on direct sales through telemarketing and word of mouth sales, where no communication is allowed. After 14 years in Lebanon, the Lebanese general manager, Mrs. Hala Kallas decided to enter Jordan in 2009 through partnership with Jordanian company. She considered Jordanian market to be an unexplored cosmetics market, lacking the new door-to-door concept to Jordanian women in general and working women in specific. Mrs. Kallas reported that Jordanian women are similar to Lebanese with regards to taking good care of their looks and beauty. Another reason for entering Jordan was that in 2009 the market was believed to be booming. She later admitted that the entry timing was wrong as it coincided with the world financial crisis, which seems to have affected the Jordanian economy substantially.

During the focus group, the majority of the participants came to the same conclusion having Jordanian like Lebanon as a country; yet resent the Lebanese people. Mrs. Kallas and her marketing manager faced personality clashes with both the Jordanian active partner and the silent partner. Another matching results to Company A's insight is that Jordanians are not as qualified professionally as the Lebanese, and that the young new generation' lifestyle is starting to look similar to the Lebanese.

Paul De Vartens entered Jordan by leasing offices, which is cheaper than buying. Believing that Amman is expensive, the social classes repartition does show that the B class is merely existent, with an extreme high A class, and extreme low C and D classes.

The company's investment cost was of \$250,000 and the business generated good sales that covered the investment in a year; however, mismanagement, clashes between the managers, the difficult laws pertaining to cosmetics and the complicated import process, resulted in closing the business a year later. They all agreed on the need for a strong open-minded, professional and well connected partner in Jordan as a pre-requisite for a successful business partnership.

Company C: A Lebanese Department Store

Company C is a major department store in Lebanon (name to remain confidential) that decided to enter Jordan being a booming market in 2007.

A rental of a 5000 m2 building in West of Amman –where rich people reside- took place following a foreign direct investment entry. Company C's Jordan store implemented a different, display than of the Lebanese store. Products were premium products selling only expensive imported brands.

The results collected from this focus group was similar to Companies A and B in terms of personality conflicts between Jordanian and Lebanese managers and partners. Amman cost of living is expensive, social classes are extreme A and extreme C, while B class is modestly inexistent. Young Jordanian becoming more and more similar with regards to their lifestyle to the Lebanese youth. Jordanian women like to take good care of their beauty and those with high purchase power, pamper themselves with expensive clothing and make up. The high investment –did not reveal

the number-, the weak purchase power, and the high taxes led to a non-profitable business and closing the business is very likely to happen soon.

It is important to mention that Company C information was limited.

All participants agreed on the following cultural differences and similarities:

Jordan has a large power distance:

1. Both the more and less educated persons show almost equally authoritarian values
2. Subordinates expect to be told what to do
3. The boss is an autocrat or a good father, i.e. paternalistic leadership style
4. Wide salary range between top and bottom of an organization
5. Centralization is popular
6. The middle social class is small with limited economic impact
7. The powerful have privileges, and the less powerful are dependent on the more powerful.
8. Powerful people try to look as impressive as possible

Jordan is still a masculine society where:

1. Men are supposed to be assertive, ambitious, and tough
2. Live in order to work
3. Women are supposed to be tender and take care of relationships
4. In the family, fathers deal with facts and mothers with feelings
5. Managers are expected to be decisive and assertive
6. A relatively small number of women in elected political positions

Lebanon follows a masculine culture that could be changing due to the following differences:

1. Women's liberation means that men and women should take equal shares both at home and at work
2. Work in order to live
3. Both men and women are allowed to be tender and to be concerned with relationships
4. In the family, both fathers and mothers deal with facts and feelings
5. Boys and girls study same subjects

Mainly most Arab countries have high uncertainty avoidance:

1. High stress; subjective feeling of anxiety
2. Aggression and emotions may at proper times and places be ventilated
3. Acceptance of familiar risks; fear of ambiguous situations and of unfamiliar risks
4. Tight rules for children on what is dirty and taboo
5. What is different, is dangerous
6. Time is money
7. Many and precise laws and rules
8. If rules cannot be respected, we are sinners and should repent
9. Citizen protest should be repressed
10. Conservatism, extremism, law and order
11. Precision and punctuality come naturally

Lebanon follows the Arab countries in uncertainty avoidance with some differences:

1. Few and general laws and rules
2. If rules cannot be respected, they should be changed
3. Precision and punctuality have to be learned
4. Motivation by achievement and esteem or belongingness

With regards to leadership styles, there are some differences between the Jordanian and the Lebanese leadership. Our focus group portrayed clashes to happen due to the difference in the Lebanese participative and delegative styles versus the authoritarian style of Jordanians that they have dealt with.

Some Jordanian managers were authoritarian with regarding to telling not only employees but also the marketing manager what they want them to do and how they want the work to be accomplished without getting the advice of their subordinates or the marketing manager himself/herself. The Lebanese leaders used the participative style for the business to grow. They used to involve the Jordanians in the decision making as much as the Lebanese staff and managers in order to take their feedback on the best way to increase sales and reach the Jordanian customer. This is a way to allow the employees become part of the team. Respecting the fact that the company is entering a new market and Jordanian staff knows best some specific areas.

As discussed above, Lebanese tend to follow the western cultural values while Jordanians are rather still following the Middle-Eastern cultural values:

<i>Western Cultural Values</i>	<i>Non-Western Cultural Values</i>
Individualism	Collectivism/Group
Achievement	Modesty
Equality/Egalitarianism	Hierarchy
Winning	Collaboration/Harmony
Guilt (internal self-control)	Shame (external control)
Pride	Saving face
Respect for results	Respect for status/Ascription
Respect for competence	Respect for elders
Time is money	Time is life
Action/Doing	Being/Acceptance
Systematic/Mechanic	Humanistic
Tasks	Relationship/Loyalty
Informal	Formal
Directness/Assertiveness	Indirectness
Future/Change	Past/Tradition
Control	Fate
Specific/Linear	Holistic
Verbal	Non-verbal

Figure 21: Value Difference between Western and Non-Western Cultures

Source: Hofstede, 2000

Focus group B' observed that Jordanian managers follow the authoritarian management style and sometimes they do not take other managers' opinion into consideration. According to the participants, Jordanians were found to be less professionally qualified than expected. They do like Lebanon as a country but are offended by Lebanese which led several times to important conflict in personalities and decision making. Jordanians youth are getting more and more close to the Lebanese youth in terms of lifestyle and clubbing. The Jordanian women, especially those belonging to the A social class, pamper themselves as Lebanese women do.

4.7 Khoury Home Appliances SWOT analysis

The research pinpointed some important elements that help us decide whether or not to go into Jordan and if yes, under which entry mode. Conducting a SWOT analysis on Khoury Home will press forward our research and clarify our decision:

Strengths

- Leader by far in home appliances in the domestic market
- Expertise and excellent know-how in the home appliances business
- Representatives of several brands reinforcing and reassuring the customers' after-sales service
- Partnership with recognized brands of other business industries (furniture)
- Aggressive and bold activity in the domestic market
- Achievement of the ISO 9001:2000 certification
- Excellent customer and after sales service (including free delivery)
- Wide variety of good quality products
- Competitive prices
- Heavy and consistent communication and promotions
- Rapid and successful national expansion
- Prime outlets' locations is an essential element for the company
- Appealing showrooms & displays
- Well-trained and competent staff
- Keen on training programs
- Number one brand in unaided awareness domestically
- Good and strong management

Weaknesses

- Already existing concept: KHA will be a follower v/s MEC and SmartBuy
- Weak partner: Singer is synonymous to sewing and may lack knowledge in the household appliances business, having limited market penetration
- Low market knowledge
- Jordanians low purchasing power
- Entering a low-middle income country
- Entering as a wholly owned company without any local support
- Conservative banks lending measures

Opportunities

- National expansion

- International expansion starting by Jordan
- Entering Jordan through promotions, credit facilities
- Cheaper than SmartBuy
- Middle East Complex's financial problems
- Introduction of the wedding list concept to Jordan
- Heavy communication in Jordan, since the market is receptive to advertising
- Well balanced staff taking into account the personalities conflict.

Threats

- Global financial crisis that has weakened the Jordanian market
- Political issues
- Difference in management leadership style
- New big entrants to the Lebanese home appliances market affecting the business in general
- Cultural conflict between Jordanian and Lebanese
- High investment budget needed
- SmartBuy reaction to KHA entry: changing price strategy, implementing credit facility strategy and many follow by launching wedding list concept.

4.8 Implementation

Researching the market with regards to consumers and competition is crucial; hence the implementation is as crucial and decisive. The company should know how to opt for good location, well-trained staff, partner with the right advertising agency, and recognize the value of possible logistics with regards to technicians, vehicles, cleaning staff, etc. The possibility of hiring a local Jordanian consultant with market know-how would definitely help.

4.8.1 Resources

Setting up a company in a new market requires a full and detailed planning. There are steps that need to be well calculated in terms of logistics, human resources and cost. Finding the right location at the best price, furnish and decorate it, recruiting compatible employees and managers -local and expats- with precise job descriptions

and correct salaries, products installation and after sales service with regards to technicians and vehicles and goods import are steps that Khoury Home should heed and plan for prior to the entry. Again the availability of a good accountable partner alleviates the task; however we do not consider Singer as a partner anymore.

The staff to hire needs to be a mix of Lebanese and Jordanians. Believing that both countries are neighbors and should lack management and cultural differences; our focus groups object the latter statement. The Lebanese marketing manager of the International Water Company had a personality clash with the Jordanian general manager in Amman office. The Lebanese general manager of Paul de Vartens stated having had a conflict with the Jordanian partner. They mentioned having a clash between Jordanian and Lebanese due to organizational and management issues. Lebanese managers would provide their know-how of the business, while Jordanians with their knowledge of local consumers' beliefs and behaviors should help grow the business with respect to minimizing any cultural gaps. Our secondary research contradicted with our focus groups inputs with respect to their Jordanians being widely educated people and some overqualified, which is a plus to the business. The focus groups feedback however, was that Jordanians are not as qualified as they seem. For a soft work-flow especially in starting the project, Beirut office would act as headquarter and coordinator office, and Jordan office would be managed by a Lebanese Managing Director who is familiar with the company's vision, objectives, strategy and the inside-out business issues. In order to facilitate the communication between employees, suppliers and consumers and to reduce conflicts, a Jordanian Operations Manager would best fit. The Lebanese Human Resources manager would facilitate the forming of a multicultural team taking into account all human resources management issues with regards to personnel selection, socialization, training, performance appraisal, compensations and career development. Internationally, Khoury Home should apply the same tactics used domestically with regards to training staff for better quality service and providing a good quality working environment.

4.8.2 Marketing and Communication

In partnership, marketing, communication, and costs can be shared. The local partner's advantage lies in providing the required market insights especially about consumers' likes/dislikes; purchase behavior, purchase decision power, traditions, beliefs and values and how company should address Jordanians in its advertising. Are there any limitations with regards to advertising: should advertising be conservative? Can competitive advertising be used? Which types of promotions are preferred by Jordanians: instant win? Coupons? Are consumers open to new kinds of promotion? A local partner can provide insights on the best local advertising agency to work with and how to get best media deals.

Considered a follower to SmartBuy' concept and facing MEC giant presence, Khoury Home needs to impose itself in Jordan and start bold. Press, billboard and a supportive radio campaign should announce Khoury Home's opening in Amman. A consistent corporate communication in newspapers, magazines and billboard create awareness while the promotional radio campaign activities would create the push and pull. Additionally, a loyalty program would welcome new Jordanian customers with free gifts and discounted coupons. Incentives like running instant wins can pull customers to the store and hook them with the beautiful displays and the appealing showroom. A wedding list would invite newly-wed Jordanians to invest in Khoury Home since the concept is inexistent in the country.

It remains worth remembering that Jordan has only one TV, Jordan TV that is merely watched by the Jordanians, therefore not worth considering.

To conclude, an aggressive entry requires brave decisions and actions; and that is Khoury Home's field domestically. Khoury Home is known for its boldness in starting one-of-a-kind marketing activities in its home country. Being the leader in the Lebanese industry, KHA gets big support from its local banks and suppliers. For instance, in 2010, Khoury Home launched an aggressive promotional campaign allowing the purchase of any product (TV, air-conditioner...) at 0% interest rate for 3 years credit facilities allowing C and D social classes to buy high-end products. Khoury Home could launch this promotion in Jordan with Audi Bank – Jordan branch - since it is one of the bank's significant client.

4.9 Summary

Chapter four has shed light on the main part of the research paper. Khoury Home, the leader on the Lebanese market with affordable prices targeting all social classes, is looking into entering Jordan –a low-middle income country-. Any partnership for a new market venture requires a mix of know-how, expertise and market knowledge and this chapter showed that Singer is not the right partner to Khoury Home as it is more specialized in sewing and lacks household appliances experience. The weak economy, the low income, the existing “everything under one roof” concept and premium positioning of SmartBuy, the financial issues of Middle East Complex, the conservative banks lending measures, are all major issues that do not promise a successful entry to Jordan. However, unlike Lebanon, the Jordanian household market is still not fully saturated.

Is partnering with Singer the adequate strategic action to take? Is the Uppsala model the right one for implementation in this entry? To this point, we conclude that Uppsala model will not be implemented in all its aspects and Singer is not the right partner for Khoury Home in this market venture. In Chapter five, we will deploy the cost of the endeavor and in Chapter six we will give our final recommendations.

Chapter V: Business Implementation

In chapter four, we analyzed PEST factors, established competition, mean of market entry and KHA SWOT analysis. Consequently, chapter four has set the ground for market entry by studying existing competitors, consumers' behavior, purchase power, cost of living, partnership with Singer as well as required resources and marketing mix.

This chapter will identify the cost of the business through a feasibility study in order to assess financial requirements.

5.1 Resources

As mentioned in Chapter Four, we recommended a mix of Jordanian-Lebanese staff. A Lebanese Managing Director, based in Jordan for better management, provides his know-how and expertise in the business through direct supervision of the business. We believe that the Jordanian Operations Manager would create a better environment with regards to better internal communication and a better approach with regards to the staff. The Jordanian-Lebanese staff would create a mix of technical and psychological security to consumers with respect to expertise.

The first year, KHA should invest in almost 50 employees (see table 11). Salaries and cost of investment will show in year one investment cost, table 12.

Employees	Year 1	Year 2	Year 3
MD	1	1	1
Operations manager	1	1	1
Showroom manager	1	1	1
Product Manager	3	4	4
Sales Team	20	25	30
Marketing Manager	1	1	1
Customer Service	1	1	1
HR manager	1	1	1
Maintenance supervisor	1	1	1
Technicians	4	5	6
Drivers	3	3	4
Accountant	1	1	1
Secretary	2	2	2
Administrator	1	1	2
Operator	2	2	2
Unskilled labor	4	4	4
Office help	4	4	4
Total	49	58	67

Table 10: Required Number of Employees in a 3-Year Investment

5.2 Year One Investment Cost

Moving into a new market requires high commitment and investment, the higher the commitment the higher the investment. Khoury Home entrance into Jordan should not be shy. Facing big competitors and targeting new consumers, the company should position itself from the beginning as the real expert in home appliances products offering the widest variety of products at competitive prices with an excellent customer service and consultancy.

The conducted feasibility study for year one amounted to almost \$17 million investment. For records accessibility, we relied on the “Economic and Commerce Bureau” - Embassy of Jordan in Washington DC, 2005 figures and the “Jordan Investment Board, 2006 study. Our analysis was carried out according to the highest

labor wages taking into account any increase in wage salaries and any capital and operational costs' increase in the following years.

According to the achieved research, we suggest to invest in West Amman. Although West Amman is less densely populated than the East part of the capital; however, it is the prosperous part of Amman. Much of the city's economic activity is centered in the West of the capital. In addition, towering apartments, parks, office buildings and most of the city's 5-star and 4-star hotels are located in West of Amman. A large contrast exists between the wealthy districts of West Amman and the middle and working class districts of East Amman. Consumers with higher purchase power reside in the West region of the capital while the mass people with low purchasing power inhabit the East part.

	Description	USD /m2	Grand Total
Establishment Costs			
Registration Fees			\$7,000
Legal Fees		\$8,000	\$8,000
Work Permit+residency fees	Non-Jordanians/Arab workers	\$300	\$5,000
Total Establishment Costs			\$20,000
Capital Costs			
Land - Rental (for Parking)	Commercial Land/1500m2/Amman/Prime Location	\$800	1,200,000
Building - Rental	Commercial Building/4000m2/Amman/Prime Location	\$100	\$400,000
Office Furniture	Furniture	\$150	\$450,000
	Fixing and Decorations	\$150	\$300,000
Motor Vehicles	Delivery Vans	\$30,000	\$120,000
	Car mid-size	\$25,000	\$100,000
Office Equipment	Computer	\$500	\$16,500
	Scanner	\$400	\$3,200
	Printer	\$500	\$7,500
	Copier	\$1,000	\$5,000
	Air-conditioner	\$1,000	\$20,000
	Others	\$2,000	\$2,000
	Software	\$100,000	\$100,000
Office Supplies	Refrigerator	\$3,000	\$6,000
	Kitchenware	\$3,000	\$3,000
	Small household appliances	\$2,000	\$2,000
Total Capital Costs			\$2,735,200
Operational Costs			
Utilities	Water		\$10,000
	Electricity		\$40,000

		Gasoline						\$30,000
Visas		No Visa fees for Lebanese					\$0	\$0
Airlines		Business					\$650	\$31,200
		Economy					\$250	\$12,500
Hotel Accommodations		3-4 stars hotel-considering 4 months stay					\$200	\$86,400
Appartments		per year					\$7,000	\$70,000
Transportations		Public Transportation (average)					\$2	\$60,000
Consumer Goods		Merchandise to sell						\$7,000,000
Telecommunications		Connection Fees					\$150	\$600
		Rental Fees/month					\$15	\$180
		Local - National Calls/min					\$0.58	\$17,400
		International Calls/min					\$0.97	\$5,820
		Mobile Subscription/year (\$252) + Calls					\$0.20	\$1,452
		Mobiles foe Management					\$1,200.00	\$9,600
Internet		Connection Fees for ADSL 1024					\$200	\$200
		Monthly Subscription for ADSL					\$100	\$1,200
Insurance		Fire					\$500	\$500
		Car					\$1,500	\$4,500
		Medical/Employee					\$400	\$19,200
Marketing & Advertising		TV: Jordan TV is the only TV that has no viewership						\$0
		Billboards/unipole packages						\$150,000
		Radio:30 second spot/Prime Time/4mths				\$80/1 spot	\$80	\$1,440,000
		Newspapers:Best Media in Jordan(100 insertions/y					\$1,500	\$150,000
Labor Costs		Managing Director					\$7,000	\$84,000
		Operations Manager					\$3,000	\$36,000
		Accountant					\$2,000	\$24,000
		Showroom Manager					\$3,000	\$36,000
		Human Resources Manager					\$3,000	\$36,000
		Marketing Manager					\$4,000	\$48,000
		Product Manager					\$2,500	\$90,000
		Sales Team					\$800	\$192,000
		Administrator					\$850	\$10,200
		Technicians					\$800	\$38,400
		Secretary					\$500	\$12,000
		Driver					\$300	\$10,800
		Unskilled Labor					\$250	\$12,000
		Office Helper					\$250	\$12,000
		Operator					\$350	\$8,400
Severence Pay		One month salary/employee/year					\$54,000	\$54,000
Total Labor costs								
Social Security		Company contribution/employee				11%		\$77,418
Food & cantine							\$10	\$180,000
Freight & Goods Transport		3 containers /month					2000/container	\$72,000
Sales Tax		General tax imposed on import of goods				16%	\$10,000,000	\$1,600,000

Custom Tariff	Custom duty for imported manufactured				15%	\$10,000,000	\$1,500,000
	Goods						
Total Operational Costs							\$13,273,970
GRAND TOTAL							\$16,021,170

Table 11: Year One' Feasibility Cost

5.3 Forecast Sales Figures

According to Khoury Home Operations Manager, the forecast sales figures should not be \$10M in the first year. He based his statement considering a new market entry and upon the Lebanese market yearly sales; therefore we will start with the given data from Khoury Home.

For the second year, we forecast \$13M sales considering a 30 percent sales growth rate, that is a starting growth rate compared to the Lebanese sales growth. We will consider the 30% sales growth throughout 5 years of business. We assume that the overall average profit of Khoury Home is 30% on sales. Meaning that the initial \$10M to be sold, Khoury Home will have to purchase merchandise at \$7M for the first year of investment.

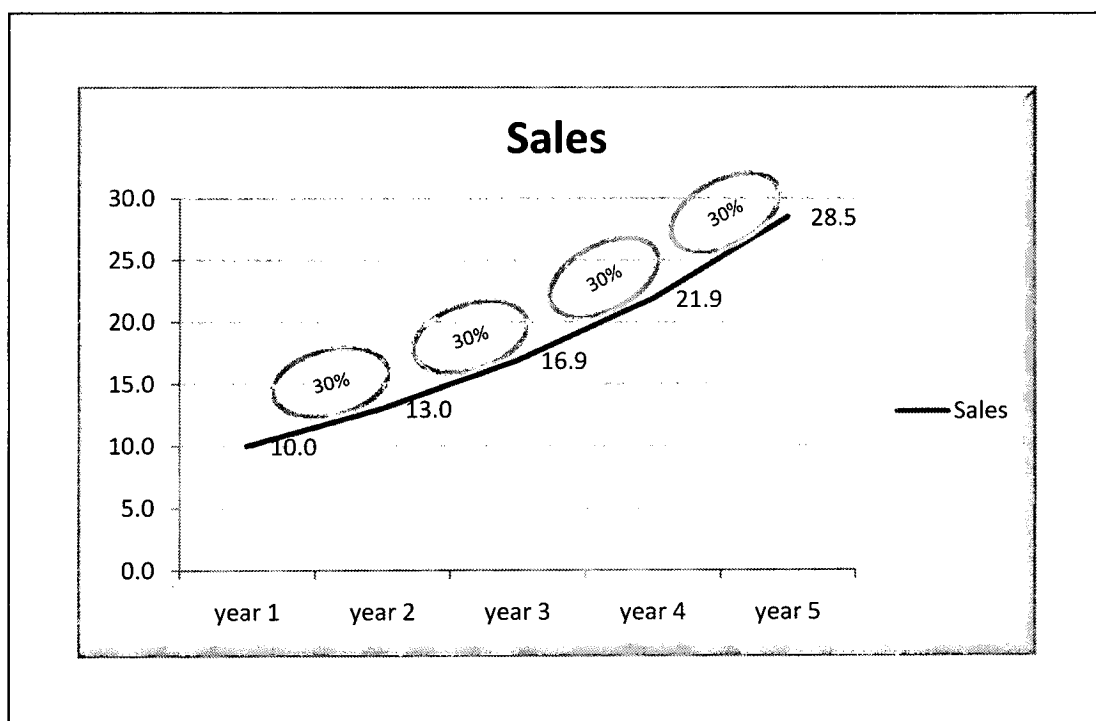


Figure 22: Expected Sales Revenues-Jordan Business

5.4 Profit and Loss Projections and Balance Sheet

Investment capital is the highest during the first year of business due to the establishment cost and capital cost incurring big expenses like land, building, vehicles, furniture and decoration, equipments, registration and work permits. These costs will not be considered in the following years; however we forecast a 20% depreciation cost on building, capital, vehicles, and software, an increase on the operational costs incurring new employment thus new salaries and insurance, salaries, and any increase in the utilities cost. In the first year of investment, the \$10M are considered as the unit selling price and \$7M as variable costs (costs of goods). During the first 2 years no profit is made. During the 3rd year, profit is made.

Consequently, if we look at the retained earnings at the balance sheet (table 12), we realize that the investment cost is not profitable before year 5 because these figures cover the inventory and initial investment costs taking into consideration the assets.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$10,000,000	\$13,000,000	\$16,900,000	\$21,970,000	\$28,561,000
Expenses	\$15,072,520	\$15,770,747	\$17,304,780	\$19,851,504	\$23,769,903
P&L	(\$5,072,520)	(\$2,770,747)	(\$404,780)	\$2,118,496	\$4,791,097

5.5 Cash Flow:

In order to maintain a positive cash flow throughout the 5 years, we increased the initial investment to \$6 million to cover cash requirements particularly during the first 3 years. We recommend that these \$6 millions be financed mainly by shareholders, with 66% and 33% through a 5 year banking loan at 8% interest rate (see table 13).

5-Year Financial Plan—Khoury Home Appliances - Jordan

Profit and loss projections

Year-by-year profit and loss assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
Annual cumulative price (revenue) increase	-	30.00%	30.00%	30.00%	30.00%
Annual cumulative inflation (expense) increase	-	5.00%	10.00%	15.00%	20.00%
Interest rate on ending cash balance	1.00%	1.00%	1.00%	1.00%	1.00%

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Gross revenue	\$10,000,000	\$13,000,000	\$16,900,000	\$21,970,000	\$28,561,000
Cost of goods sold	7,000,000	7,350,000	8,085,000	9,297,750	11,157,300
Gross margin	\$3,000,000	\$5,650,000	\$8,815,000	\$12,672,250	\$17,403,700
Other revenue [source]	\$0	\$0	\$0	\$0	\$0
Interest income	\$0	\$0	\$0	\$0	\$0
Total revenue	\$3,000,000	\$5,650,000	\$8,815,000	\$12,672,250	\$17,403,700
Operating expenses					
Building Rental	\$400,000	\$420,000	\$462,000	\$531,300	\$637,560
Land Rental	\$1,200,000	\$1,260,000	\$1,386,000	\$1,593,900	\$1,912,680
Marketing and Advertising	\$1,740,000	\$1,827,000	\$2,009,700	\$2,311,155	\$2,773,386
Payroll and payroll taxes	780,000	\$819,000	\$900,900	\$1,036,035	\$1,243,242
Food and Cantine	180,000	\$189,000	\$207,900	\$239,085	\$286,902
Travel and Accomodation	260,000	\$273,000	\$300,300	\$345,345	\$414,414
Depreciation	227,000	227,000	227,000	227,000	227,000
Insurance	24,000	\$25,200	\$27,720	\$31,878	\$38,254
Maintenance, repair, and overhaul	37,500	39,375	41,250	43,125	45,000
Utilities	80,000	\$84,000	\$92,400	\$106,260	\$127,512
Telecommunication and Internet	36,500	\$38,325	\$42,158	\$48,481	\$58,177
Goods Transportation	72,000	\$75,600	\$83,160	\$95,634	\$114,761
Sales Taxes	1,600,000	\$1,680,000	\$1,848,000	\$2,125,200	\$2,550,240
Import and Customs Taxes	1,500,000	\$1,575,000	\$1,732,500	\$1,992,375	\$2,390,850
Establishment Fees	20,000	\$0	\$0	\$0	\$0
Total operating expenses	\$8,157,000	\$8,532,500	\$9,360,988	\$10,726,773	\$12,819,978
Operating income	(\$5,157,000)	(\$2,882,500)	(\$545,988)	\$1,945,477	\$4,583,722
Interest expense on long-term debt	142,520	115,247	85,792	53,981	19,625
Operating income before other items	(\$5,299,520)	(\$2,997,747)	(\$631,780)	\$1,891,496	\$4,564,097
Loss (gain) on sale of assets	0	0	1,000	0	0
Other unusual expenses (income)	0	0	0	0	0
Earnings before taxes	(\$5,299,520)	(\$2,997,747)	(\$630,780)	\$1,891,496	\$4,564,097
Taxes on income	15%	0	0	283,724	684,615
Net income (loss)	(\$5,299,520)	(\$2,997,747)	(\$630,780)	\$1,607,771	\$3,879,483

Table 12: Profit & Loss

**5-Year Financial Plan—Khoury Home
Appliances - Jordan
Balance sheet projections**

Assets	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Cash and short-term investments	\$6,000,000	\$586,567	(\$2,649,367)	(\$3,451,787)	(\$2,047,968)	\$1,594,706
Accounts receivable	0	0	0	0	0	0
Total inventory	500,000	500,000	500,000	500,000	500,000	500,000
Prepaid expenses	0	0	0	0	0	0
Deferred income tax	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0
Total current assets	\$6,500,000	\$1,086,567	(\$2,149,367)	(\$2,951,787)	(\$1,547,968)	\$2,094,706
Capital improvements	0	0	0	0	0	0
Furniture and Decorations	750,000	750,000	750,000	750,000	750,000	750,000
Software and Office Equipment	165,000	165,000	165,000	165,000	165,000	165,000
Vehicles and Vans	220,000	220,000	220,000	220,000	220,000	220,000
Less: Accumulated depreciation expense	0	227,000	454,000	681,000	908,000	1,135,000
Net property/equipment	\$1,135,000	\$908,000	\$681,000	\$454,000	\$227,000	\$0
Goodwill	\$0	\$0	\$0	\$0	\$0	\$0
Deferred income tax	0	0	0	0	0	0
Long-term investments	0	0	0	0	0	0
Deposits	0	0	0	0	0	0
Other long-term assets	0	0	0	0	0	0
Total assets	\$7,635,000	\$1,994,567	(\$1,468,367)	(\$2,497,787)	(\$1,320,968)	\$2,094,706
Liabilities	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Accounts payable	\$100,000	\$100,000	\$3,000	\$3,000	\$1,500	\$1,500
Accrued expenses	0	0	0	0	0	0
Notes payable/short-term debt	0	0	0	0	0	0
Capital leases	0	0	0	0	0	0
Other current liabilities	100	100	100	100	100	100
Total current liabilities	\$100,100	\$100,100	\$3,100	\$3,100	\$1,600	\$1,600
Long-term debt from loan payment calculator	\$2,000,000	\$1,659,087	\$1,290,901	\$893,260	\$463,808	\$0
Other long-term debt	\$0	\$0	\$0	\$0	\$0	\$0
Total debt	\$2,100,100	\$1,759,187	\$1,294,001	\$896,360	\$465,408	\$1,600
Other liabilities	0	0	0	0	0	0
Total liabilities	\$2,100,100	\$1,759,187	\$1,294,001	\$896,360	\$465,408	\$1,600
Equity	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Owner's equity (common)	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Paid-in capital	0	0	0	0	0	0
Preferred equity	0	0	0	0	0	0
Retained earnings	0	(5,299,520)	(8,297,268)	(8,928,048)	(7,320,276)	(3,440,794)
Total equity	\$4,000,000	(\$1,299,520)	(\$4,297,268)	(\$4,928,048)	(\$3,320,276)	\$559,206

Total liabilities and equity	\$6,100,100	\$459,667	(\$3,003,267)	(\$4,031,687)	(\$2,854,868)	\$560,806
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Table 13: Balance Sheet 5-years Projection

**5-Year Financial Plan—Khoury Hom
Appliances- Jordan
Cash flow**

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Operating activities						
Net income	(\$5,299,520)	(\$2,997,747)	(\$630,780)	\$1,607,771	\$3,879,483	(\$3,440,794)
Depreciation	227,000	227,000	227,000	227,000	227,000	1,135,000
Accounts receivable	0	0	0	0	0	0
Inventories	0	0	0	0	0	0
Accounts payable	0	(97,000)	0	(1,500)	0	(98,500)
Amortization	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0
Other operating cash flow items	0	0	0	0	0	0
Total operating activities	(\$5,072,520)	(\$2,867,747)	(\$403,780)	\$1,833,271	\$4,106,483	(\$2,404,294)
Investing activities						
Capital expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Acquisition of business	0	0	0	0	0	0
Sale of fixed assets	\$0	\$0	(\$1,000)	\$0	\$0	(1,000)
Other investing cash flow items	0	0	0	0	0	0
Total investing activities	\$0	\$0	(\$1,000)	\$0	\$0	(\$1,000)
Financing activities						
Long-term debt/financing	(\$340,913)	(\$368,186)	(\$397,641)	(\$429,452)	(\$463,808)	(\$2,000,000)
Preferred stock	0	0	0	0	0	0
Total cash dividends paid	0	0	0	0	0	0
Common stock	0	0	0	0	0	0
Other financing cash flow items	0	0	0	0	0	0
Total financing activities	(\$340,913)	(\$368,186)	(\$397,641)	(\$429,452)	(\$463,808)	(\$2,000,000)
Cumulative cash flow	(\$5,413,433)	(\$3,235,933)	(\$802,421)	\$1,403,819	\$3,642,674	(\$4,405,294)
Beginning cash balance	\$6,000,000	\$586,567	(\$2,649,367)	(\$3,451,787)	(\$2,047,968)	\$1,594,706
Ending cash balance	\$586,567	(\$2,649,367)	(\$3,451,787)	(\$2,047,968)	\$1,594,706	(\$2,810,588)

Table 14: Cash Flow**5.6 Break-Even Point and Pay-Back Period**

A company break-even when its total sales or revenues equal its total expenses. At the breakeven point, no profits are made, nor have losses been incurred. This calculation

is critical for any business owner, because the breakeven point is the lower limit of profit when determining margins.

It is the point where business makes neither profit nor loss. The below formula is used to know when the company starts to gain profit:

$$\text{Break-even} = \frac{\text{Fixed Costs}}{(\text{Unit selling price} - \text{Variable costs})}$$

$$\text{Break Even} = \frac{8,299,520}{(10,000,000) - (7,000,000)} = 2.77 = 2 \text{ years and 10 months}$$

Break-even analysis is fixed costs – costs that are not related to business volume divided by the variable costs – costs changing with the change of business, deducted from the sales. This formula gives us the exact timing for business profit making.

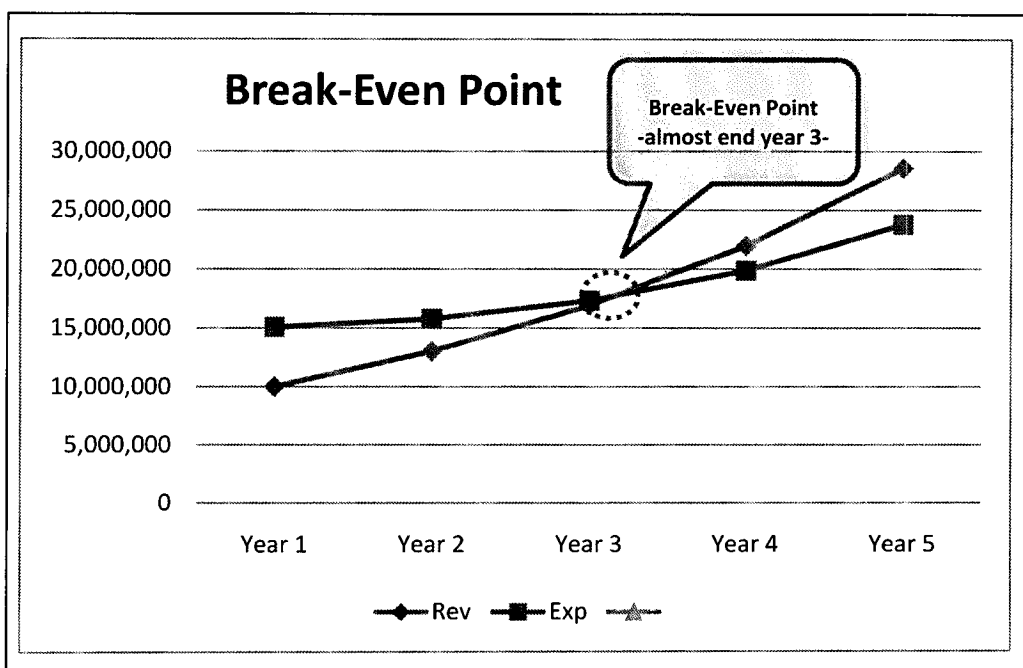


Figure 23: Break-Even Point

A good investment is the one with shorter pay-back period. Pay-back shows us the investment profitability level with regards to the time. During the first 3 years, KHA will face loss, and will start recovery after the 3rd year which is a long period.

5.7 Summary

The investment cost that Khoury Home will incur during its first year is high compared to its projected sales; especially that Khoury Home will have to increase the initial investment by \$6M in order to cover year one loss with cash financed through shareholders and bank loan. The profit and losses figures and the pay-back period demonstrate that KHA would need 3 years to recuperate the high investment cost spent on the first year of venture. With or without a partner, the investment is not promising. We believe the expenses are high with regards to the country's buying potential. Is Jordan really worth that high investment in a fully-owned investment mode? We started this memoir considering an international entry into Jordan, a considered to be booming country as Khoury Home stated, an available local partner and forecast sales of \$10M for the first year, yet, the findings showed the opposite, Jordan's economic situation is not promising, the partner is not strong and the investment is high and unrewarding.

Chapter VI: Conclusion & Recommendations

The previous chapters described the Uppsala model, researched Jordan from all its PEST aspects, shed the light on the Jordanian household market, stated the modes of market entry and conducted the feasibility study. This chapter concludes this memoir, summarizing the described literature, findings and data through our recommendations and conclusion.

6.1 Conclusion

6.1.1 The Uppsala Model

To summarize our findings, the Uppsala state aspects and change aspects - market knowledge, commitment decisions, market commitment and current activities - are linked and dependent to each other as stated in Chapter two. And since the greater the market knowledge, the greater the willingness to allocate resources; Khoury Home knowledge of the Jordanian market cannot be measured as high. The company was counting on partnering with Singer, yet this latter would not provide the required experience leading to market commitment. KHA can get experienced personnel from its domestic country and can get external advice from the Jordanian operations manager. Khoury Home in its existing market took high commitments and maximum risk due to high market knowledge, yet in Jordan, its market knowledge is low leading to high market uncertainty and risks.

Low psychic distance is valued due to the fact that Jordan is a neighboring country. Subsequently, with the right implementation of the Uppsala model, and the right locally experienced partner, KHA can fulfill its future objectives of entering other neighboring countries with healthier economies.

The case of Haier is an interesting case that shows us that it is not necessarily to fully follow a successfully and empirically studied business model for a company to succeed. However, the right choice of markets and the aggressiveness in defying risks will help in the internationalization process. Despite the fact that Khoury Home is a retailer and Haier is a manufacturer; we found the aggressiveness and risk taking methods that both companies have, as similarities in their business' approach.

6.1.2 Obstacles facing the Jordan investment

According to the United Nations Conference on Trade and Development (UNCTAD, 2006), Jordan is classified among the top 20 countries in the world for attracting investment. But several reports along with our focus groups results reflect that Jordan is suffering from complicated procedures regarding investment projects: the amount of procedures required to start a business, projects licensing and taxation. The UNCTAD reported Foreign Direct Investment values exceeding \$3 Million in 2006 while foreign investment in KSA reached \$18 billion, \$10 billion in Egypt and \$8.4 billion in UAE.

1- Economic

Jordan is suffering mainly from the economic instability resulting from the lack of trade balance, the increase in inflation, the lack of budget and the high foreign debt.

According to the Middle East and North Africa-Global Economic Prospects 2009, the 2010 year is not a promising one and GDP growth for the whole region is expected to slow to 3.9% in 2009 and a quick resolution on the financial crisis in high income countries could produce a pick-up of 5.2% in GDP in year 2010 (The World Bank, Global Economic Prospects 2009: Middle East and North Africa Regional Outlook). To conclude, Jordan has among the lowest GDP (purchase power parity) the lowest GNP/capita in the Middle East, it has insufficient supplies of water and oil. It is suffering from economic challenges, high rates of poverty with one third living below the poverty level, unemployment, inflation, and a large deficit that is regarded as the biggest in its history. Gasoline prices are picking up to \$4.35 per gallon. Only 4% of Jordanians are highly satisfied with their salary and very few are happy with their income.

2- Infrastructure barriers:

The lack of infrastructure level, water, power, transportation, the high cost for importing raw oil and petroleum affect investment attraction.

3- Taxation and legal framework

Taxation in Jordan is not putting investors at ease. Rules regarding taxes and customs tariffs are still unclear. Rules and regulations regarding competition control is still

weak. Jordan raised taxes on several commodities to curb growing budget deficit from 9 to 6% of the GDP

4- Cultural Differences

The conducted study reported that cultural differences exist between Jordanians and Lebanese as much as the cultural similarities being two Arab countries. The management styles differ since Jordanians tend to lean toward an authoritarian style rather than a delegative and participative style.

5- Partnership

The conducted research showed that initially Khoury Home did not finalize the agreement decisions with Singer and did not really investigate this company in terms of brand awareness, market existence, business strengths and weaknesses. It has not really explored Singer's potential and assistance possibility to Khoury Home in the new venture. We believe that Khoury Home should have examined more thoroughly this partnership. Singer, directly connected to sewing, with low brand awareness, merely inexistent on the Jordanian market is definitely not the right partner for Khoury Home.

6- Competition

The new concept –regarded as a great concept by Jordanians -from our focus group results- that Khoury Home is claiming to be the muscle with which it will enter the Jordanian market with, already exists. SmartBuy is regarded as a premium household appliances shop. It has everything under one roof. Yet it is considered as expensive. Middle East Complex, the giant manufacturer, producer and marketer of household appliances that we thought might create a big threat to Khoury Home, was found to have financial issues due to credit defaults. This could be due to the strict lending measures and policies that banks are enforcing.

7- Investment Costs

The cost of the business investment is higher than year one projected sales. It will take Khoury Home at least 4 years to start gaining from this investment and we believe it is a very slow process. Looking at the real figures of the balance sheet, retained

earnings up to year 5 are not yet completed, which is very negative to the investment showing an eventually non-profitable business.

6.2 Limitations

Limitations exist in any research. This memoir's content was not easily collected. To reach an accurate data whether numerical or methodical, a validated research is best recommended through a market research conducted on the Jordanian market where a real contact with citizens and competitors, and a real observation can be made. We faced difficulties in finding real case studies for retailers in the same industry as Khoury Home that have entered Jordan that would give us enough data and validate our research. Nevertheless, the focus group we conducted was very helpful and enlightening.

Other limitations were the lack of adequate and sufficient data from Khoury Home, and the prevention of other companies mentioning their brand names &/or companies' name, as well as other useful financial data like Jordan's business investment costs, profitability figures, losses and expenses.

6.3 Recommendation

Partnering with a local agent provides market knowledge needed for Khoury Home, nevertheless, Singer will not bring added value to Khoury Home since it does not have the required experience of household appliances. In case of direct investment, the market knowledge will be transferred from Lebanon and market specific knowledge will be received through experiencing the Jordanian market and hiring local Jordanians. Khoury Home should hire experienced personnel for the top management positions.

The partner, the country's economy, the competition, the investment costs and the expected return on investment do not push this venture forward. The Uppsala as a mode of entry can be applied to Khoury Home, however, we need a healthier ground to invest in. We need higher purchase power in a less expensive country, we need a strong partner and we need a profitable investment. At the end of this memoir, we recommend that Khoury Home postpones the expansion till the region overcomes the global crisis outcome, considers another neighboring country with lower

unemployment rate, higher GDP and higher GNI and decides on a more powerful and accountable partner that could provide financial support.

We covered the eventual investment costs (variable and fixed), an analysis about the competition and a market study from all its facets that the company would encounter in its new venture and reached the following conclusion: the country's economic factors do not encourage the investment, the market purchase power is weak, the unique selling proposition shown in the new concept to be introduced is no longer an alibi, the partner is weak and the investment is high. Despite the relatively inaccurate cost of goods and profit margins that could not be communicated to us by Khoury Home for confidentiality reasons, the company would not detect any real profit before the third year of investment which is a long process. Knowing Khoury Home's boldness and risk taking approach in its domestic country, we are confident that the company cannot admit the incurrence of 3-year losses in a middle-low country.

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APPENDICES

- A- Focus Group A Questions
- B- Focus Groups B Questions
- C- Year one investment
- D- Jordan Investment Board
- E- Cost of Doing Business in Jordan

Appendix A

APPENDIX A: FOCUS GROUP A – QUESTIONS AND ANSWERS

QUESTION 1:

WHAT IS THE PURPOSE OF KHOURY HOME'S EXPANSION?

- The Lebanese market situation in terms of economic situation and market saturation.
- Jordan is considered the first market to be followed by Syria and Egypt.
- Introducing a new concept to the Jordanian consumers.

QUESTION 2:

HAVE YOU CONDUCTED ANY MARKET RESEARCH ON JORDAN PRIOR TO YOUR VENTURE?

- We know that SmartBuy exists for 2 years now.
- Carrefour is small and do not compete with us.

QUESTION 3:

WHAT IS YOUR ENTRY STRATEGY TO THE JORDANIAN MARKET?

- An agent for Singer has contacted us for partnership in Jordan supplying us with the location.
- We will offer a new concept to the Jordanians
- Affordable prices
- Provide a variety of products

QUESTION 4:

WHAT ARE THE SALES REVENUES THAT YOU ARE ESTIMATING FOR YEAR ONE OF INVESTMENT?

- 10 million USD as per the Jordanian market and our Lebanese experience

QUESTION 5:

WILL YOUR STAFF BE A MIX OF JORDANIAN AND LEBANESE? WHY?

- Yes. Because I need the Lebanese for their expertise and know-how and the Jordanians for their market knowledge

QUESTION 6:

HOW WOULD YOU POSITION YOURSELF IN JORDAN?

- Middle to high end products under one roof

QUESTION 7:

AS KHOURY HOME'S CONSULTING FIRM, HOW DO EXPLAIN THE COMPANY'S SUCCESS?

- Khoury Home management is a very dedicated one. It respects its employees and its customers. It strives for excellence and makes sure that all the ISO international standards are applied. Customer satisfaction comes first and the management. It is a very aggressive company, bold in its strategic decisions and is working well. We believe it is time for its internationalization and will succeed in its venture.

Appendix B

APPENDIX B: FOCUS GROUP B (THREE COMPANIES)- QUESTIONS

QUESTION 1:

WHY DID YOU CONSIDER ENTERING JORDAN?

QUESTION 2:

DO YOU CONSIDER YOUR BUSINESS IN JORDAN TO BE PROFITABLE OR NOT?

QUESTION 3:

WHAT STRATEGY DID YOU ADOPT FOR THIS MARKET ENTRY?

QUESTION 4:

ARE THERE ANY CULTURAL DIFFERENCES BETWEEN JORDAN AND LEBANON?

QUESTION 5:

HOW IS THE PURCHASE POWER IN JORDAN?

QUESTION 6:

WHAT KIND OF CONSUMERS AND MARKET INSIGHTS CAN YOU PROVIDE?

QUESTION 7:

TELL US ABOUT THE JORDANIAN CONSUMERS. LIKES, DISLIKES, LIFESTYLE, PURCHASE POWER, HABITS...ETC?

Appendix C

Establishment Costs												
Registration Fees												\$7,000
Legal Fees												\$8,000
Work Permit+residency fees												\$5,000
Total Establishment Costs \$20,000												
Capital Costs												
Land - Rental (for Parking)												\$1,200,000
Building - Rental												\$400,000
Office Furniture												\$450,000
												\$300,000
Motor Vehicles												\$120,000
												\$100,000
Office Equipment												\$16,500
												\$3,200
												\$7,500
												\$5,000
												\$20,000
												\$2,000
												\$100,000
Office Supplies												\$6,000
												\$3,000
												\$2,000
Total Capital Costs \$2,735,200												
Operational Costs												
Utilities												\$10,000
												\$40,000
												\$30,000
Visas												\$0
Airfares												\$31,200
												\$12,500
Hotel Accomodations												\$86,400
Appartments												\$70,000
Transportations												\$60,000
Consumer Goods												\$7,000,000
Telecommunications												\$600
												\$180
												\$17,400

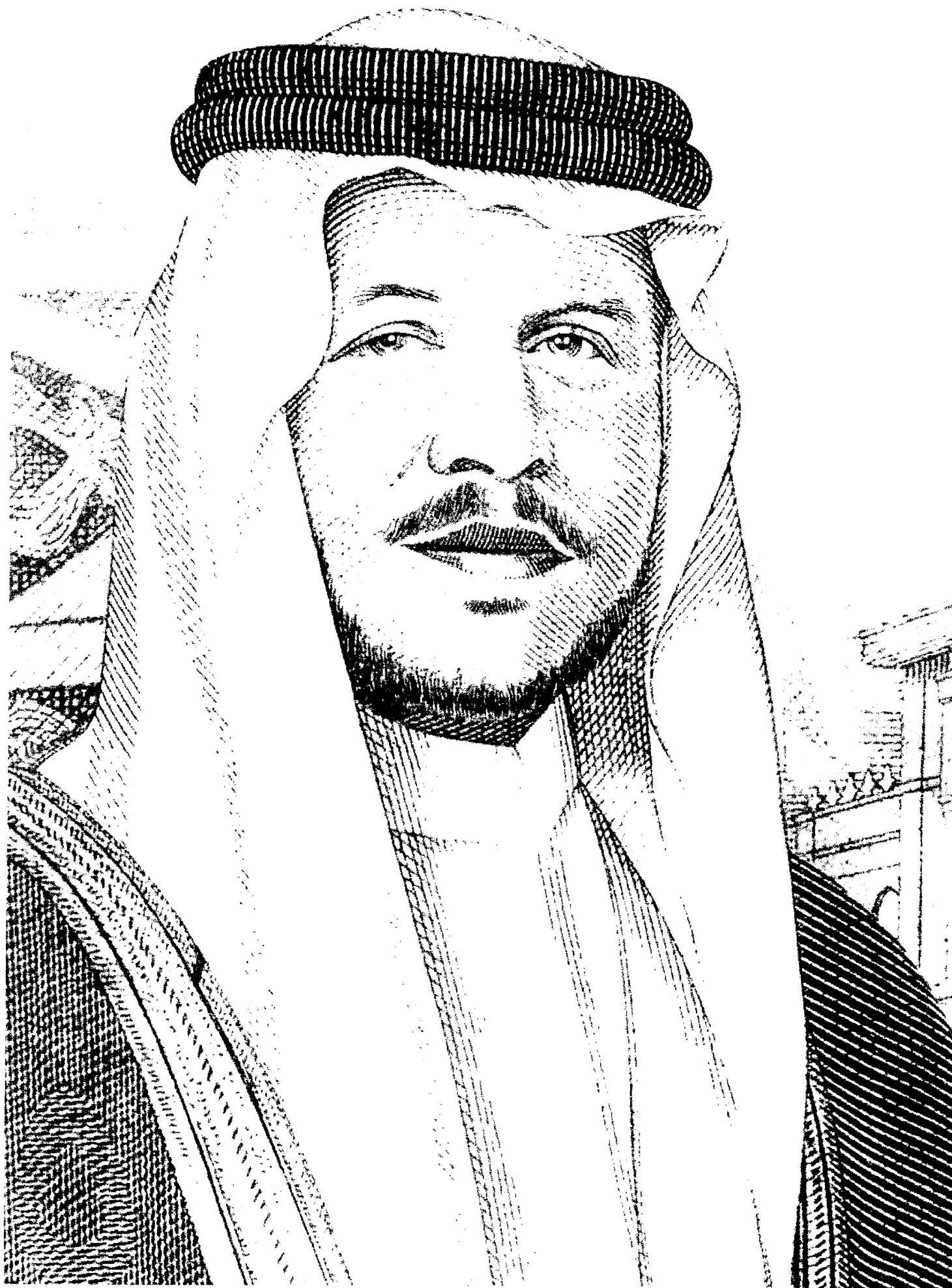
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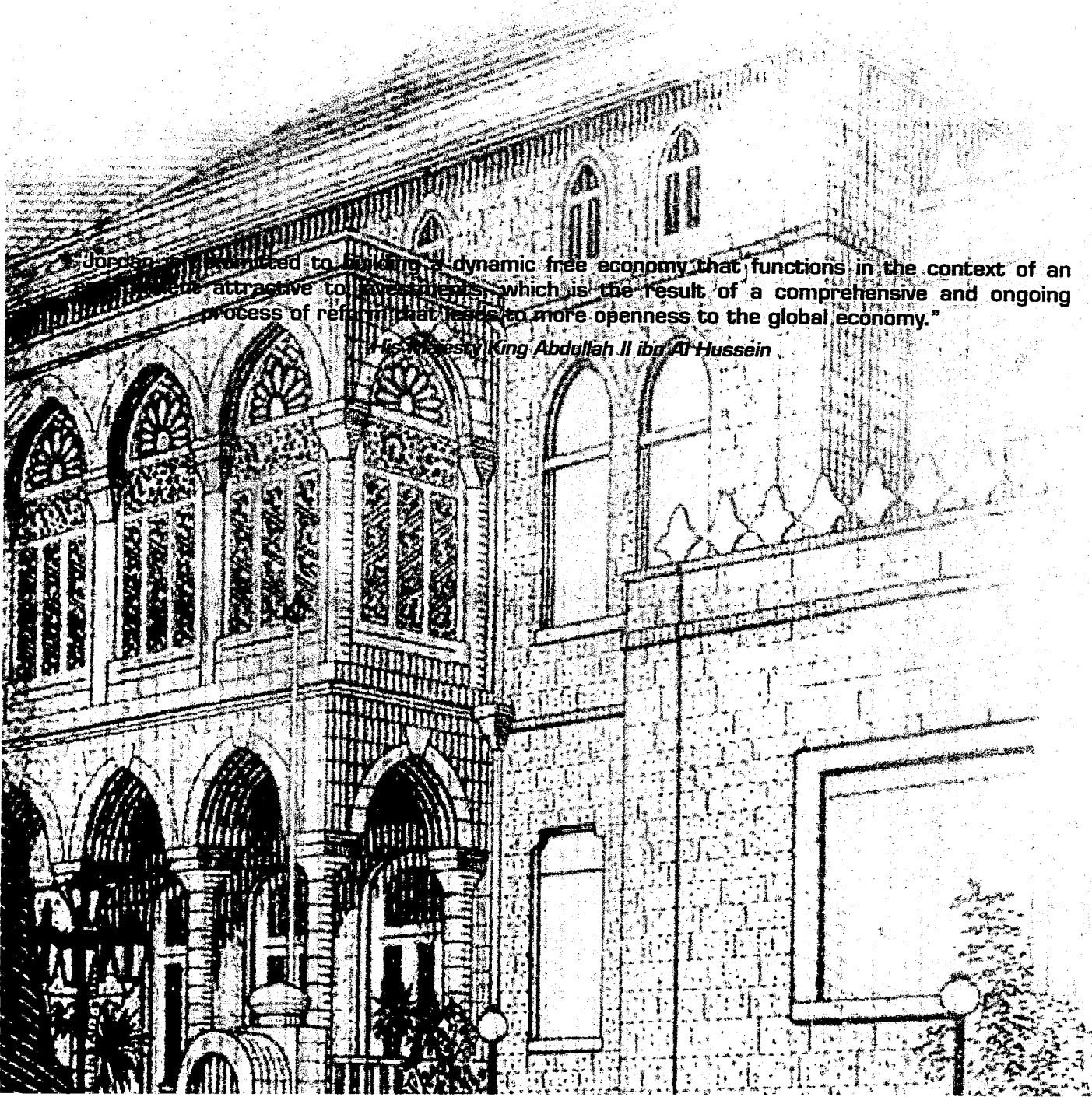
Appendix D

Cost of Doing Business in Jordan



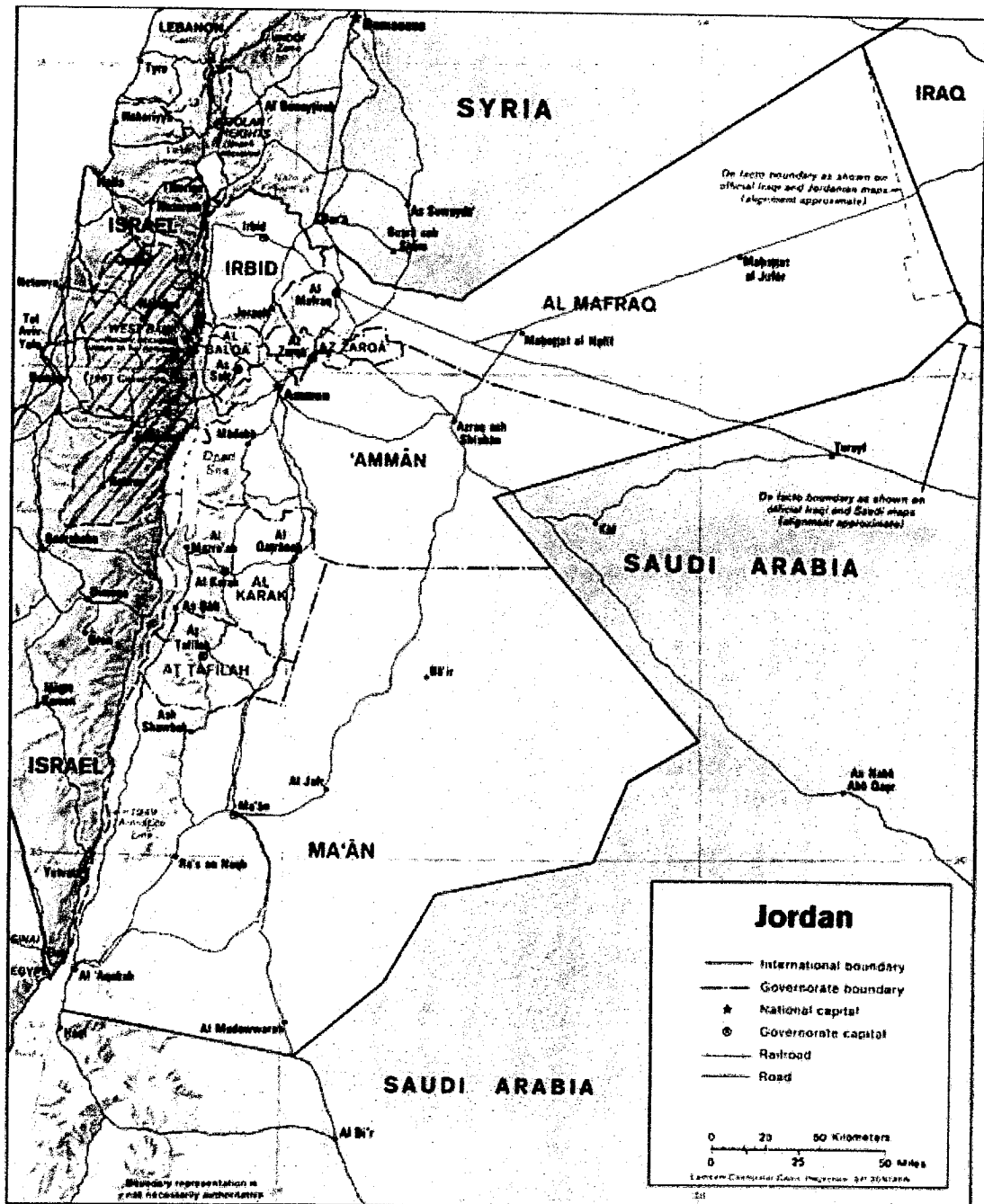
JORDAN
INVESTMENT BOARD





Jordan is committed to building a dynamic free economy that functions in the context of an environment attractive to investments, which is the result of a comprehensive and ongoing process of reform that leads to more openness to the global economy."

His Majesty King Abdullah II ibn Al Hussein



Basic Data

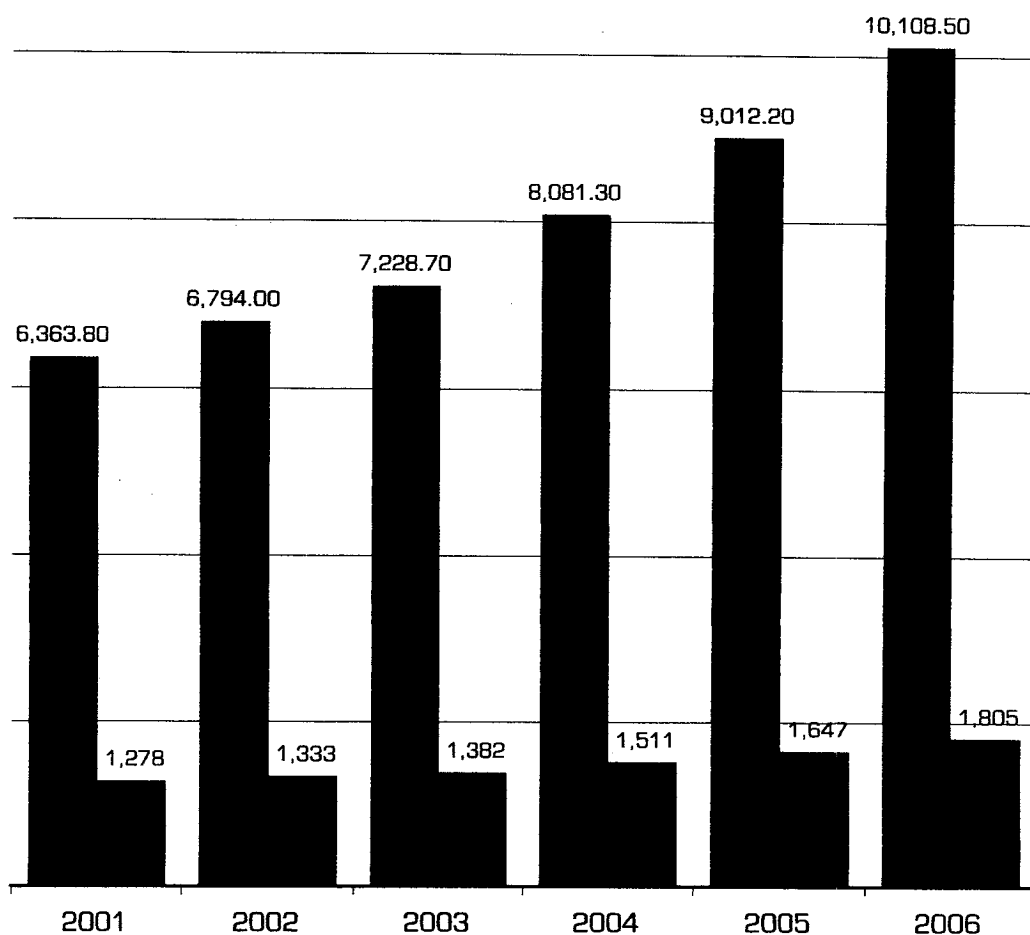
Official Name	Hashemite Kingdom of Jordan
Political System	Constitutional Monarchy
Head of State	HM King Abdullah II <i>ibn</i> Al Hussein
Parliament	Bicameral: Senate & Chamber of Deputies
Official Language	Arabic
Other Languages	English is widely spoken
Currency	Jordanian Dinar (JD) = 1.41 USD = 1.035 Euro
Capital	Amman
Administrative Divisions	12 Governorates
Time Zone	GMT +2 hours (winter) GMT +3 hours (summer)
Total Area	89,342 sq. km.
Total Land	88,802 sq. km.
Total Water	540 sq. km.
Altitudes	
<i>Highest Point</i>	1,854 m (Umm Dami Mountain)
<i>Lowest Point</i>	416 m below sea level (the Dead Sea)
Borders	
<i>Total length</i>	1,635 km (land)
<i>With Iraq</i>	181 km
<i>With Israel</i>	238 km
<i>With K.S.A.</i>	744 km
<i>With Syria</i>	375 km
<i>With West Bank</i>	97 km
Coastline	26 Km

Key Economic Figures 2006

http://www.dos.gov.jo/dos_home/dos_home_e/GDP.2006.pdf

	2001	2002	2003	2004	2005	2006
Nominal GDP at Market Prices (JD Million)	6,363.80	6,794.00	7,228.70	8,081.30	9,012.20	10,108.50
Population (In Millions)	4.978	5.098	5.23	5.35	5.473	5.6
Per Capita GDP at Current Market Prices (JD)	1,278	1,333	1,382	1,511	1,647	1,805

http://www.cbj.gov.jo/pages.php?menu_id=11



● Nominal GDP at Market Prices (JD Million)

● Per Capita GDP at Current Market Prices (JD)

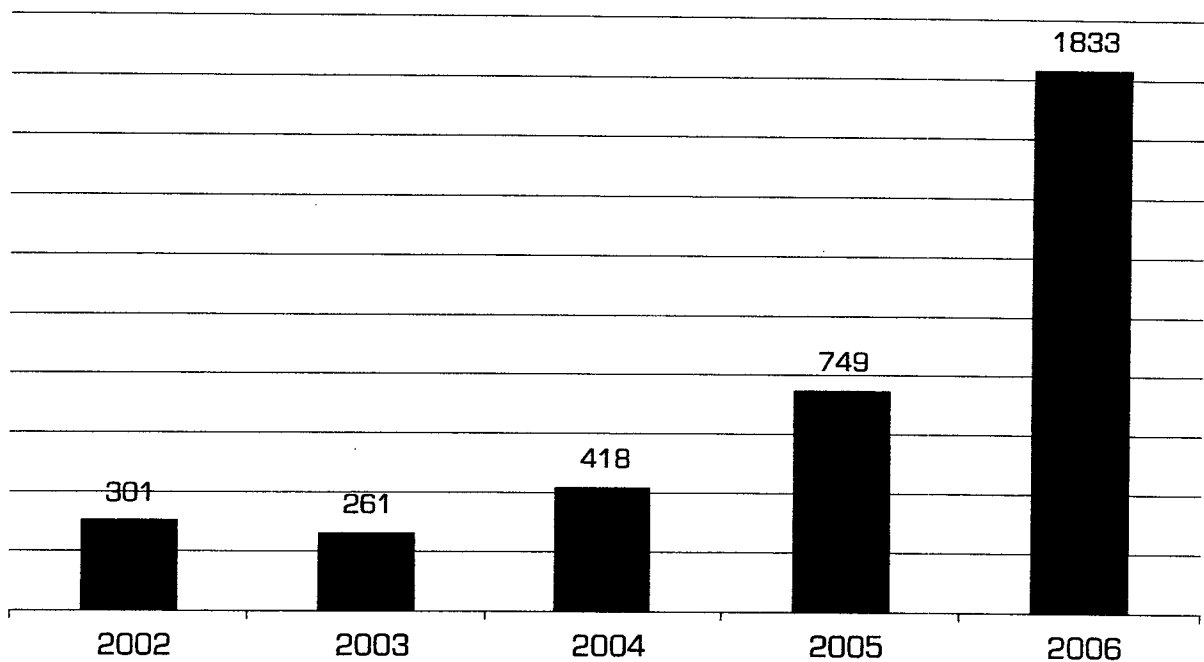
Economic Indicator	2000	2001	2002	2003	2004	2005	2006
Growth rate	4.2	5.3	5.8	4.2	8.4	7.2	6.4
Inflation	0.7	1.8	1.8	1.6	3.4	3.5	6.3
Unemployment	13.7	14.7	15.3	14.5	12.5	14.8	14
Percentage of National Exports to GDP	18	21.3	22.9	22.8	28.5	28.5	28.9
Percentage of imports to GDP	54.3	54.3	53	56.3	71.8	82.6	80.7
Percentage of trade deficit to GDP	31.9	28.7	24.1	26.8	37.7	48.7	44.3
Percentage of budget deficit to GDP	3.4	3.5	3.2	2.7	2.8	5.3	4.4
Percentage of domestic and foreign debt to GDP	104.7	100.1	103.1	99.7	92	83.5	72.7

http://www.dos.gov.jo/dos_home/dos_home_e/GDP.2006.pdf

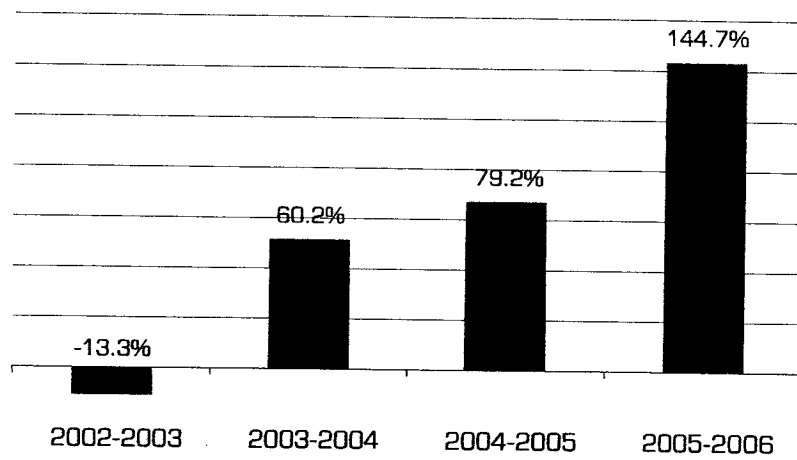
	2005	2006	Growth %
Total Exports (JD x 1000)	2,570,221.80	2,902,713.40	12.94%
Total Imports (JD x 1000)	7,442,863.70	8,115,843.20	9.04%

Investment Figures

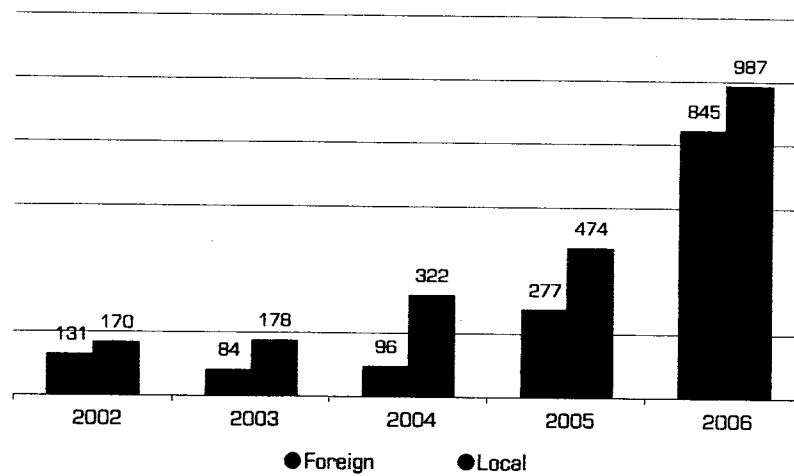
Investments that benefited from the Investment Law 2002 - 2006 (JD million)



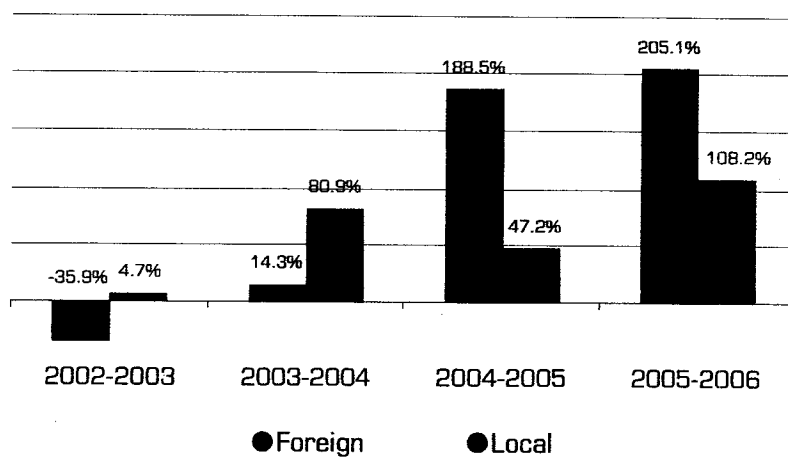
Growth (%) of Investments that benefited from the Investment Law



Investments that benefited from the Investment Law by nationality (JD million)



Annual percentage growth of investments benefited from the Investment Law by nationality



Start-up Cost

		JD	US \$
Registration Fees	General Partnership	10	14
	Limited partnership	10	14
	Limited liability Company < 10 million JD (141.1 million USD)	0.002*	
	Limited Partnership in Share > 10 million JD (14.1 million USD)	0.002* + 0.0002*	
	Public Shareholding Company < 10 million JD (14.1 million USD)	0.003*	
	Public Shareholding Company 10-50 million JD (14.1-70.5 million USD)	0.003* + 0.0002*	
	Public Shareholding Company > 50 million JD (70.5 million USD)	0.003*	
Legal Fees	Legal fees for following up on general official registration matters (depending on volume and subject-matter.)	100 - 5,000	141-7,050
	Local Consultancy Per Man-day	150	212
Business Consultations	Local Consultancy per Project (on average)	10%-50% less than the fees for international consultancy per project.	
Work Permit	Non-Jordanian/Non-Arab workers	300	423
	Arab Workers	180	254
	Non-Jordanian/Non-Arab (in agriculture)	120	169
	Arab workers (in Agriculture)	60	85
	Non-Jordanian/ Non-Arab workers working in QIZs:		
	- For the first three years of the establishment of a project	150/year	212/year
	- For the fourth year	175/year	247/year

* of capital, paid upon registration (at Ministry of Industry and Trade).

N.B. Insurance and duties may be added to the figures above. Residency permits cost an additional JD 15 (USD 21) per person.

Capital Cost

			JD/m ²	USD/m ²
Land	Residential	Amman, Prime	195-510	275-720
		Amman, General	20-200	28-282
		Outside Amman	18-384	26-541
	Agricultural	Amman, Prime	-	-
		Amman, General	50-100	71-141
		Outside Amman	0.4-50	0.56-71
	Commercial	Amman, Prime	460-1,200	649-1,694
		Amman, General	5-600	7-847
		Outside Amman	0.2-21	0.28-30
	Industrial	Amman, Prime	-	-
		Amman, General	22-72	31-101
		Outside Amman	0.5-20	0.7-28
		Industrial zones	20 - 32	28 - 45
House	Amman, Prime	80-140	113-198	
	Amman, General	30-60	42-85	
	Outside Amman	27-45	38-64	
Buildings	Apartments	Amman, Prime	65-130	92-184
		Amman, General	26-52	37-73
		Outside Amman	19-40	27-57
	Commercial	Amman, Prime	460-1,500	649-2,117
		Amman, General	8-620	11-875
		Outside Amman	3.5-25	May-35
	Industrial	Amman, Prime	-	-
		Amman, General	22-90	31-127
		Outside Amman	0.5-620	0.7-875
		Industrial zones	48 – 260	68 – 368
Office Furniture	Furniture	13-68	18-96	
	Fixtures & Decorations	38-100	54-141	
			JD	USD
Motor Vehicles	Basic small-size cars		6,000	8,500
	Mid-size sedans		15,000 - 50,000	21,200 - 70,600
	Pick-up/Van		10,000-50,000	14,100-70,600
	4-wheel-drive		20,000-150,000	28,200-221,800
Office Equipment	Desk-top computer (excluding software)		350-600	495-850
	Printer		85-800	120-1,130
	Scanner		25-650	35-920
	Copier		500-10,000	700-14,100
	Air-conditioner		500-1000	700-1400

Operational Costs

		JD	USD		
Utilities	Water	Residential (for the first 20m³. Additional m³ are charged independently at different rates.)	5.122	7.232	
		Commercial	1.560/ m³	2.203/ m³	
		Insurance - Residential and commercial built-environments with surface areas under 200m². Insurance charges for built-environments in excess of 200 m² are individually evaluated.	5	7	
		Postage - Residential and commercial built-environments with surface areas under 200m². Postage charges for built-environments in excess of 200m² are individually evaluated	15	21	
		Electricity	Residential	0.031-0.080/kwh	0.044-0.110/kwh
	Industrial	0.038-0.048/kwh	0.054-0.068/kwh		
	Commercial	0.062/kwh	0.088/kwh		
	Agricultural	0.026/kwh	0.037/kwh		
	Fuel oil		225/ton	318/ton	
	Heating fuel oil		0.315/l	0.445/l	
	Kerosene		0.315/l	0.445/l	
	Gasoline				
	Regular		0.430/l	0.607/l	
	Super		0.605/l	0.854/l	
	Unleaded		0.640/l	0.904/l	
	LPG	/cylinder (12.5kg)	4.25	6	
	Auto-Diesel		0.315/l	0.445/l	
	Telecom	Telephone	Installation Fees	71.76	102.5
			Rental Fee	10.0/ month	14.1/ month
			Local	0.14/ minute	0.20/ minute
			National	0.27/ minute	0.36/ minute
			International		
			Arab Countries	0.28/ minute	0.4/ minute
			Direct Routes Countries	0.34/ minute	0.48/ minute
			Other	0.69/ minute	0.98/ minute
Mobile			Calls	0.01-0.15/ min.	0.014-0.212/min.
			Subscription	7-20/month	10-28.5/month
		Connection Fee	60	85	
Internet		Monthly Subscription FOR ADSL			
		128 KB/S	24	34	
		512 KB/S	55	78.5	
		1024 KB/S	85	121.4	

Operational Costs (continued)

			JD	USD
Insurance	Cars	Comprehensive coverage (% of car value)	2.0% - 3.5%	
		Third- party according to the class of car, e.g. sedan	64.2/yr	90.6/yr
	Home Industrial Medical	% of value	0.50-0.15%	
		% of value	0.007 – 0.200%	
		Principal	300-500	423-705
Publicity		Dependent	100-200	141-282
		Employee	150-250	212-353
		Web Page Design	150-6,500	212-9,177
		Monthly Magazine (inside-page)	750	1,060
		TV (per second)	13-30	18-42
Labor		Radio (per minute)	70-100	100-141
		General Manager (per month)	1,500-4,500	2,115-6,345
		Manager (per month)	800-2,500	1,128-3,525
		Senior Engineer (per month)	600-2,000	846-2,820
		Financial Manager (per month)	800-2,000	1,128-2,820
		Accountant (per month)	350-1,100	494-1,551
		Engineer (per month)	250-800	353-1,128
		Sales/Marketing (per month)	200-1,000	282-1,410
		Administrator (per month)	200-550	282-776
		Technician (per month)	180-500	254-705
		Secretary (per month)	150-400	212-564
		Skilled Labor (per month)	150-300	212-423
		Unskilled Labor (per month)	110-150	155-212
		Driver (per month)	110-180	155-254
		Operator (per month)	120-200	169-282
		Office Help (per month)	110-150	155-212

Key Contacts in Jordan

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Ministry of Industry and Trade

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Tel: +962 (6) 5629060

Contact Center: +962 (6) 5506055

Ministry of Foreign Affairs

www.mfa.gov.jo

Tel: +962 (6) 5733150

Tel: +962 (6) 5733159

Ministry of Interior

www.moi.gov.jo

Tel: +962 (6) 5691141

Ministry of Labor

www.mol.gov.jo

Tel: +962 (6) 5802666

Jordan Customs Department

www.customs.gov.jo

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Tel: +962 (6) 4623188

Tel: +962 (6) 4637641

Tel: +962 (6) 4637642

Jordan Chamber of Industry

www.aci.org.jo

Tel: +962 (6) 4643001

Jordan Chamber of Commerce

www.ammanchamber.org

Tel: +962 (6) 5666151-4

Jordan Enterprise Development Corporation

www.jedco.gov.jo

Tel: +962 (6) 5603507

Jordan Industrial Estates Corporation

www.jiec.com

Tel: +962 (6) 4022101

Jordan Income & Sales Tax Department

www.incometax.gov.jo

Tel: +962 (6) 4604444

P.O. Box 893 Amman 11821 Jordan www.jordaninvestment.com

Why Jordan
Key Sectors
Success Stories
Aqaba Special Economic
Zone
Qualified Industrial Zones
Investment Opportunities
Cost of Doing Business

Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

1.8 Work Permit

	USD
Non-Jordanian / Non-Arab workers	423
Non - Jordanian/ Arab workers	254
Non-Jordanian / Non-Arab workers in agriculture	169
Non-Jordanian / Non-Arab workers in QIZ for the first 3 years of the establishment of a project	212/year
Non-Jordanian / Non-Arab workers in QIZ for the 4th year	247/year

Please note that insurance and duties may be added to the figures above. Residency permits cost an additional \$21 per person.

For information about labor laws in Jordan please click [here](#)

To view Jordanian Labor Law click [here](#).

Appendix E



Why Jordan
Key Sectors
Success Stories
Aqaba Special Economic
Zone
Qualified Industrial Zones
Investment Opportunities
Cost of Doing Business

Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

2.1 Office Furniture

USD/M²

Furniture	18 - 96
Fixtures and Decorations	54 - 141

For a listing of Furniture Manufacturer, click [here](#).



Why Jordan
Key Sectors
Success Stories
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Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

2.2 Office Equipment

	USD
Computer (Desktop)	495 - 850
Printer (Office)	120-1130
Scanner	35 - 920
Copier	1270 - 14120
Air Condition	1410 - 5640

For a listing of computer hardware distributors,
click [here](#).



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Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

2.3 Telecommunications and Internet

TELEPHONE

USD

Connection Fees	88.9 Business 43.6 Residential
Rental Fees	14.1/month Business 6.2/month Residential
Local	0.20/minute Business 0.13/minute Residential
National	0.38/minute Business 0.25/minute Residential
International	0.21 – 0.35 / minute Business 0.18 – 0.40 / minute Residential
Group 1	0.21 – 0.42 / minute Business 0.34 – 0.48 / minute Residential
Group 2	0.86 / minute Business 0.68 – 0.97 / minute Residential
Group 3	

MOBILE

USD

Calls	0.014 – 0.212 / minute
Subscriptions per month	10 – 21

For listing of cell phone companies in Jordan, click [here](#).

INTERNET

USD

Connection Fee	85 11 – 13 for ADSL @ 128
Monthly Subscription	14 – 16 for ADSL @ 512 16 – 17 for ADSL @ 1024

For listing of Internet service providers in Jordan, click [here](#).



Why Jordan
Key Sectors
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Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

3.3 Labor Costs

USD

General Manager	2115 – 6345
Manager	1128 – 3525
Senior Engineer	846 – 2820
Financial Manager	1128 – 2820
Accountant	494 – 1551
Engineer	353 – 1128
Sales/Marketing	282 – 1410
Administrator	282 – 776
Technician	254 – 705
Secretary	212 – 564
Skilled Labor	212 – 423
Laborer	134 – 423
Driver	141 – 254
Operator	169 – 282
Office Helper	134 – 212

For further information about labor laws please
check the Ministry of Labor
click [here](#).

:: Cost of Doing Business

4.3 Gardener/Driver

USD

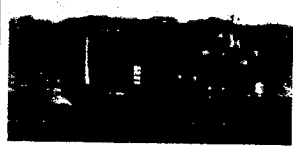
Per month 113 - 212



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Sponsorship space
available

Sponsorship space
available



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Sponsorship space available

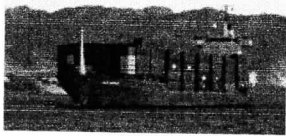
Sponsorship space available

:: Cost of Doing Business

2.5 Insurance

Cars	Comprehensive coverage ranges between 2.0 – 3.5% of the car value with an average monetary value of \$338/year. 3rd party car insurance is fixed according to the class of car (of which there are 17). The Saloon class costs \$90.6 / year.
Home	(0.50 – 0.15)%
Industrial	(0.007 – 0.200)%
MEDICAL	USD
Parent	423 – 705
Dependent	141 – 282
Employee	212 – 353

For a listing of insurance companies in Jordan, click [here](#).



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Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

2.4 Land and Buildings

RESIDENTIAL LAND	USD/M ²
Amman, Prime	275 - 720
Amman, General	28 - 282
Outside Amman	7 - 71
AGRICULTURE LAND	USD/M ²
Amman, Prime	NA
Amman, General	71 - 141
Outside Amman	0.56 - 71
INDUSTRIAL LAND	USD/M ²
Amman, Prime	NA
Amman, General	31 - 101
Outside Amman	0.7 - 28
COMMERCIAL LAND	USD/M ²
Amman, Prime	649 - 1694
Amman, General	7 - 847
Outside Amman	0.28 - 30
RESIDENTIAL BUILDINGS	USD/M ²
Amman, Prime	92 - 184
Amman, General	37 - 73
Outside Amman	27 - 57
HOUSE BUILDINGS	USD/M ²
Amman, Prime	113 - 198
Amman, General	42 - 85
Outside Amman	38 - 64
INDUSTRIAL BUILDINGS	USD/M ²
Amman, Prime	NA
Amman, General	31 - 127
Outside Amman	0.7 - 875
COMMERCIAL BUILDINGS	USD/M ²
Amman, Prime	649 - 2117
Amman, General	11 - 875
Outside Amman	5 - 35

The given figures are intended to project a rough estimate of the Real Estate market-values in and around Amman.

Industrial land within several industrial zones designated by government and given certain incentives is also available for purchase as follows:

	USD/M ²
Land	28.24 - 44.47
Buildings	67.77 - 367.94

For a listing of Real Estate agents in Jordan, click [here](#).



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[Investment Opportunities](#)
[Cost of Doing Business](#)

Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

3.8 Rent

	USD/year
Apartment	3530 - 14100
Villa	21179 - 141190
Office	56 - 117 / m ²
Land	2.1 - 3.5 / m ²
Building	16.9 - 84.7 / m ²
Agricultural Land	0.07 - 0.2 / m ²

The above prices for industrial lands were gathered from existing industrial estates.

For a listing of Real Estate companies in Jordan, click [here](#).

**:: Cost of Doing Business****4.10 Shopping****USD**

Food/per day	Starting at an average of \$7 per meal
Clothing	Starting at \$120/suit and \$170/outfit

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available

Sponsorship space
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Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

4.9 Dry Cleaning

USD

Shirt	1.06 - 2.10
Suit	3.50 - 7.10



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[Investment Opportunities](#)
[Cost of Doing Business](#)

Sponsorship space
available

Sponsorship space
available

:: Cost of Doing Business

4.8 Medical & Hospitals

USD

In-Patient (per night)	42 – 92
Doctor Fees	10 – 35
Dentist Fees	7 – 28
Tonsillectomy	Starting at 75
Balloon Insertion	Starting at 50
Heart	Starting at 70
Cauterization	Starting at 70
Normal Delivery	Starting at 70
Caesarian	Starting at 155

Private hospitals charge considerably more than the national average, for example the national average for a normal delivery is \$70 where as if one were to opt for performing a natural delivery in a private hospital with high international standards, the cost would be closer to \$2120.

For a listing of healthcare facilities in Jordan please click [here](#)

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4.6 Entertainment

USD

Cinema	4 - 9
Performances	7 - 70



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4.5 Restaurants

USD

Fast food	4 - 11
Sit - down	4 - 28
Fancy	28 - 113

For a listing of restaurants in Jordan please click [here](#)



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4.2 Club Membership

USD

Per family/per year	495 - 6350
Gym per person/year	495 - 990

:: Cost of Doing Business**3.2 Marketing and Advertising****NEWSPAPER****USD**

Monthly Magazine (English) 1060 / inside – page

TV USD

TV - Primetime 18 – 42 / second

TV - Non-Primetime 5.5 – 14 / second

RADIO USD

Radio - Primetime 100 – 141 / minute

Radio - Non-Primetime 100 / minute

WEB USD

Web Page Design 212 – 9177

For a listing of marketing and advertising firms in Jordan, click [here](#).

For a listing of web development firms in Jordan, click [here](#).

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4.1 School Fees

USD

Per Student/per year 1130 - 14100

Schools that provide international education diplomas are generally more expensive. Some of the available international schooling diplomas are the American High-School diploma, the British A-Level / O-Level and General Certificate of Education (GCE) diplomas, and the International Baccalaureate (IB) diploma.

For a listing of universities & colleges in Jordan please click [here](#)

For a listing of schools in Jordan please click [here](#).



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1.7 Business Consultations

USD

Local consultancy per
man/per day

212

Local consultancy per
project

On average 10-50%
less than the fees for
international
consultancy per project

For a listing of consulting firms in Jordan click [here](#)

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1.5 Company Registration Fees

	USD
General Partnership	14
Limited Partnership	14
Limited Liability Company < 14.1 million USD	0.002*
Limited Partnership in Share > 14/1 million USD	0.002* + 0.0002*
Public Shareholding Company < 14.1 million USD	0.003*
Public Shareholding Company 14.1 – 70.5 million USD	0.003* + 0.0002*
Public Shareholding Company > 70.5 million USD	0.003*

* of capital, paid during registration at the Ministry of Industry and Trade.

For guidelines how to register an Operating Company in Jordan click [here](#)

For guidelines how to register a Non-Operating Company in Jordan click [here](#)

For a list of legal service providers click [here](#)



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3.9 Annual Membership Fee for Industrial Estates

Chamber of Industry

	USD		
For Industrial Organizations			
Registered Capital	Registration Fees	Membership Fees	Community Service Donations
> 10 million JD	1059	2118	424
5 - 10 million JD	706	1412	424
2 - 5 million JD	565	1130	424
1 - 2 million JD	353	706	282
0.5 - 1 million JD	212	424	212
< 0.1 million JD	71	141	71

	USD		
For Artisan Organizations			
Registered Capital	Registration Fees	Membership Fees	Community Service Donations
> 100,000 JD	49	99	99
50,000 - 100,000 JD	28	56	28
10,000 - 50,000 JD	21	42	28
1,000 - 10,000 JD	14	28	24

Chamber of Commerce

Registered Capital	1st Time - USD	Renewal - USD
> 50,000 JD	460	291
25,000 - 50,000 JD	230	147
15,000 - 25,000 JD	133	90
5,000 - 15,000 JD	69	48
1,000 - 5,000 JD	38	25



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3.1 Utilities

WATER

USD

Residential	7.232 for the first 20m ³ prices / additional m ³ are charged independently at different rates.
Commercial	2.203 / m ³
Insurance	Residential and commercial built – environments with surface areas under 200m ² are charged \$7. Insurance charges for build – environments in excess of 200m ² are individually evaluated.
Postage	Residential and commercial built – environments with surface areas under 200m ² are individually evaluated.

ELECTRICITY USD

Residential	0.044 – 0.110 / kwh
Industrial	0.054 – 0.068 / kwh
Commercial	0.088 / kwh
Agricultural	0.037 / kwh

FUEL OIL 255/MT

Heating Fuel Oil	
Oil (known as Sular)	0.311/liter
Kerosene (known as Kaaz)	0.311/liter

GASOLINE USD

Regular	0.600 / liter
Super	0.770 / liter
Unleaded	0.83 / liter
LPG	5.290 / Barrel (12.5kg)
Auto-Diesel	0.311 / liter

For a listing of insurance companies in Jordan, click [here](#).



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3.10 Freight and Goods Transport

Air Freight

OUTBOUND	USD/Kg
New York	8.47
London	7.06
Dubai	6.35
Singapore	8.47
INBOUND	USD/Kg
New York	4.01
London	2.33
Dubai	1.84
Singapore	4.01

For Outbound the following additional fees apply:

- USD 4.2 – 7.8 airway bills fees
- USD 49.4 Export formalities
- USD 21.2 Due Agent expenses per shipment

For Inbound the following additional fees apply:

- USD 21.2 – 49.4 airway bill fees
- Export formalities plus Due Agent expenses per shipment are charged on an individual basis according to the different countries

Sea Freight

OUTBOUND	USD/Kg
Ex New York/Amman	
20'	2150
40'	2850
Ex Antwerpen/Amman	
20'	701
40'	901
Ex Singapore/Amman	
20'	400.4
40'	700.8
Ex Jebel Ali/Amman	
20'	300.3
40'	NA
OUTBOUND	USD/Kg
Aqaba/New York	
20'	2100
40'	3100
Aqaba/Antwerpen	
20'	800
40'	1550
Aqaba/Singapore	
20'	375

40'	690
Aqaba/Jebel Ali	
20'	550
40'	950
lcl (w/m) Inbound & Outbound	Priced case by case

Above rates are applicable for dry, non-hazard and unclassified shipment. Above rates include inland transport to Aqaba port, custom clearance, port duties, and stuffing fees of Less Container Load (lcl) shipment into container. These rates are applicable to ocean freight f.o.b. port of lading.

Sea Freight Custom Clearance

USD

Per Shipment	35.3
Per each additional container over the first one	21.2

Road Freight

USD/Ton

Iraq	1700
Syria	450
Lebanon	525
Gulf Countries	450 - 900
Refrigerated	Priced case by case

Local Transport

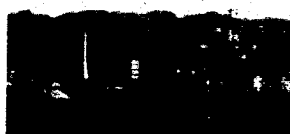
Within Amman transporting pick-up truck loads cost around USD 25.4/trip. Amman also has an advanced and reliable courier service.

Air Couriers

USD/Ton

America & Europe	42 - 56 / 0.5kg + 14 / each additional 0.5/kg
Syria	49 - 64 / 0.5kg + 14 / each additional 0.5/kg
Lebanon	49 - 64 / 0.5kg + 14 / each additional 0.5/kg

For a listing of freight forwarding companies as well as courier companies in Jordan please click [here](#).



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3.11 Interest Rates

	USD	EUR	GBP	CHF
1 Month Maturity	4.05	2.25	4.46	0.82
3 Month Maturity	4.17	2.32	4.50	0.89
6 Month Maturity	4.37	2.46	4.49	1.08
12 Month Maturity	4.57	2.64	4.51	1.37

The above table shows the interest rates for deposits placed with the Central Bank of Jordan by local banks on the first of December 2005 in different foreign currencies.

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3.12 Taxes and Duties

Exemptions

- The Investment Promotion Law offers exemptions to: Industry, the agricultural sector, hotels, hospitals, convention and exhibition centers, leisure and recreation compounds, maritime transport and railways, pipeline transportation and distribution services, amongst others.
- The law defines three development areas for which projects falling within receive income tax and custom exemptions for up to 10 years as follows:
 - 25% exemption for zone (A)
 - 50% exemption for zone (B)
 - 75% exemption for zone (C)
- Industrial projects established within the Industrial Estates are granted two years of the start of production from both income and social affairs taxes.
- The projects established within Free Zones Corporation are granted exemptions from both income and social affairs taxes.
- Additional tax exemptions may be granted to projects for expansion, modernization, or development purposes, provided that the outcome of such measures results in increasing projects capacity by at least 25% this is for a four year period since operation of project.
- Capital goods are exempted from duties and taxes if delivered within three years of project approval.

Imported spare parts, related to specific projects, are exempted from duties and taxes, provided that their value does not exceed 15% of the fixed assets requiring spare parts.

Income Tax (Personal)

Exemptions:

- An amount of \$1410 per year per person as a personal exemption.
- An amount of \$1410 for the taxpayer's spouse and \$705 for each one of their dependent children, as well as an amount of \$282 for each other legal dependent provided they are residents in the Kingdom.
- 50% of the first \$16920 and 25% of the remaining income from salaries (under certain conditions in the law).
- An amount of \$2820 per year as rent allowance for residents
- An amount of \$2820 for educational purposes, for personal use or dependents
- An amount of \$14100 in Jordan or \$21150

outside Jordan for medical expenses (under certain conditions in the law).

- Amounts paid as non-refundable payments for life and health insurance.

Rates:

Rates deducted should be as follows from the taxable income:

- 5% for the first \$2820
- 10% for the following \$5640
- 20% for the following \$11280
- 25% for the remaining amount

Income Tax (Corporate)

Exemptions (amongst others):

- Two years exemption from income and social services tax for companies operation in the industrial estates
- The income of the non-profit companies registered in the Kingdom
- Profits of re-insurance companies derived from contracts signed with operation insurance companies
- 25% from profits gained from dealing with stocks and bonds
- Profits of the non-operating foreign companies in the Kingdom
- The income earned from patents of copyrights or rewards
- Income derived from concessions or government contracts
- Income accrued from land invested in agriculture, gardening, or afforestation

Rates:

Rates deducted from taxable income are as follows:

- 15% for Metallurgy, industry, hotels, hospitals, transportation, constructional contracting
- 35% for banks, and financial companies
- 25% for insurance companies, exchange and inter-mediation companies, telecommunications as well as services and trade companies and any other legal entity

Jordan has signed double taxation agreements with the following countries: Egypt, Yemen, Tunisia, Kuwait, Bahrain, Algeria, Syria, France, Romania, Turkey, Poland, India, Indonesia, Malaysia, Canada, and the United Kingdom.

Jordan has signed, but not yet ratified double taxation agreements with the following countries: Pakistan, Italy, the Netherlands, Czech Republic, South Korea, Lebanon, Qatar, Iran, Bulgaria, Sudan, Malta, and Serbia and Montenegro.

Sales Tax:

Sales tax is divided into two types:

1. A general tax of 16% imposed on the supply or import of taxable goods and services.
2. A special tax chargeable to select goods and services at advalorem or specific rates (tobacco, alcohol & cars).

Customs Duties:

There is only one rate in the custom tariff, which is

the duty. Commodities imported to Jordan are classified as:

- Raw materials
- Semi-manufactured Products
- Manufactured Products

These commodities are subject to five rates: (zero, 5, 10, 20, 30%) with the exceptions of tobacco, manufactured tobacco and alcohol beverages which are subject to duty rates in the range (50% - 180%). All industrial inputs are exempted from custom duties.

Aqaba Special Economic Zone (ASEZ)

- 5% flat tax on Net Business Income, except banking, insurance, and land transport services which are subject to prevailing Jordanian Income Tax
- Exemption from Sales Tax on the final consumption of all goods and services except for:
 - A 7% sales tax limited to the final consumption of selected goods
 - A 7% sales tax on hotel and restaurant services
 - A special tax on alcohol and tobacco
 - No social services tax
 - No annual land and building taxes on utilized property

Duty Free Imports:

- Exemption from custom duties and sales tax / VAT on all imports to the ASEZ (except for cars).



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3.5 Social Security

Required for all companies employing more than five persons. These companies must register with the Social Security Corporation and collect 5.5% of the employee's base-salary and submit it for social security along with the company's contribution of 11%.

For further information about the Social Security Corporation please click [here](#)



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4.11 Appliances

USD

TV	282 – 4940
Refrigerator	353 – 1270
Kitchenware/Kitchen	494 – 1200

For a listing of appliance manufacturers please
click [here](#)



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3.4 Severance Pay

Severance pay is one month salary for each year of employment.

Minimum wage in Jordan is \$134 / month.

For further information about labor laws please check the Ministry of Labor by clicking [here](#).



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3.6 Overtime

Labor Law specifies:

During a regular working day 1.25/hour for each
overtime hour

During holiday and weekend 1.50/day for each
overtime day

For further information about labor laws please
check the Ministry of Labor by clicking [here](#)