

Chabros international group: a world of wood

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The Chabros International Group started with fairly low-key beginnings in the late sixties, but has gradually become a respected name in a wealth of different timber markets. In particular, it has become a well-known wood and veneer supplier due to the relentless and often pioneering efforts of its president Antoine Chami, who has carefully built up a reputation for high quality products and exceptional service. The company employs more than 600 staff with an annual turnover of \$100 million USD.

Chabros is a leading producer and supplier of wood and veneer and a distributor of a wide range of interior and exterior products that have been specified and used in major high-end projects throughout the Middle East for over 40 years. With an aim to cater to the innovative needs of woodworking professionals, architects & interior designers as well as contractors, Chabros has established overseas production units and distribution points throughout the Middle East Region, targeting businesses that are in search for quality products and exceptional service.

In addition to its strong presence of Lebanon, Chabros has always been devoted to expand its range of products to provide original and fresh design solutions to its customers. Chabros has also added a line of services to its current product offerings including veneer stitching & pressing, sanding, veneer finger jointing, parquet and exterior decking installation as well as teak yacht decking. Chabros is positioned as one of the market leading suppliers of Wood & Veneer with a large stock of wide range of products, exceptional service and unique expertise.

The company's success is driven by its loyal customers, their team and their unrelenting focus on delivering results by executing with excellence. In <https://assignbuster.com/chabros-international-group-a-world-of-wood/>

Lebanon, Chabros was one of the first to produce veneer products instead of solid wood because of its ecological and economical benefits. The company's vision has always been to expand the business further in order to meet the industry's demands and replenish the shortages that exist. However, due to the wars and political unrest in Lebanon, the company's desire to expand was stifled somewhat until 1998 when it ventured into the GCC and could establish a branch in Dubai.

In the midst of a growing global market, Chabros has established overseas production units and distribution points throughout the Middle East Region, targeting businesses that are in search for quality products and exceptional service. The company's regional distribution centers are headquartered in Dubai covering a vast geographical area of supply. The Chabros International Group case studies how Chabros confronts a drastic drop in its largest subsidiary's sales after 2008's global economic crisis.

Chami, the company's owner and president, was reviewing his company's 2009 end-of-year financial statements and, in particular, a 30 per cent drop in sales in Dubai. In 2007, a year before the global economic crisis, Chami had invested more than \$11 million to acquire and expand a sawmill in Serbia to meet Chabros's growing lumber sales demand. With a much higher capacity to produce lumber and a much lower probability to sell it, Chami had to decide what to do to overcome this challenge. Shocked, Chami went into crisis mode and consulted all of his top management to address these issues.

Questions that were raised: Should he close parts of his Serbian sawmill? Should he try to boost his company's sales to use all of his sawmill's

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available capacity? If so, should Chabros try to increase sales within the United Arab Emirates, Saudi Arabia, Qatar, Oman, and Egypt or should it expand into a new country such as Algeria, Bahrain, Iran, Iraq, Jordan, Kuwait, Libya, Syria, Tunisia? Would Morocco, among other countries, be the best country to expand into? Was it the right time to embark on such an expansion?

The management also had explored different alternatives such as closing parts of the Serbian sawmill and different strategies that they could follow if they decided to try grow the company's sales. The future seemed so uncertain and the team did not know what to expect. It was clear that closing the Serbian sawmill was out of the question, mainly because the company had invested over \$11 just less than two years ago. Closing that plant would put the company in a difficult financial situation as it invested for the long run.

The company's best alternative would be to continue operations in the Serbian sawmill and try to expand into other markets where such materials were in high demand. Prior to this, expansion, an extensive research would have to be conducted, particularly due to the crisis affecting many parts of the world. If Chabros was able to find an expanding market, they could continue operations in all of their sawmills. Another option would be to sell off either part of the operations or the entire sawmill.

Both of these options would put them at a loss, however, it would be a better option than shutting the entire mill. Some of the strengths and competitive advantages, which Chabros International Group consisted of, were being simultaneously a manufacturer and a wholesaler, which gave them strategic

flexibility. They understood and adapted to its Western suppliers and the Middle East and North Africa suppliers. Lebanese people are very adaptable due to their culture, which brought the main sawmill to a much greater advantage.

Another strength which Chabros had, was providing its customers with more varied and customized wood products than most other competitors, which built distinctive relationships with its key suppliers. With strengths and advantages come disadvantages, which Chabros had as well. Being a lumber manufacturer put Chabros in the reverse situation and sometimes gave it a disadvantage compared to lumber wholesalers.

This happened during the financial crisis, where euro reached an all time high of \$1.55 and Chabros's Russian supplier was able to sell at a lower price. A weak point where Chabros stands, is not working on their brand name. Although Chabros was operating in seven MENA countries, their name was not very well known, not to mention in its parent country, Lebanon. Through its affiliates all over the world, the company has established strategic alliances with mills in Africa, North and South America and Europe, which are responsible for sourcing, cooking, cutting, drying, grading and supplying the various wood products.

In recent years, it has broadened its product lines to include new products such as mother-of-pearl laminates and Duroxill UF powder glue. The growth of the company means it has also extended its services, which have developed to include the production of lay-ons, veneered boards and parquet designs through the use of various splicing, cutting and laser machines in its different locations.