

The inside view on the international beauty industry

# BW

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## Regional overview

# Going for growth

More brands are paying closer attention to the Middle East, given the region's youth population, high purchasing power and retail development

by Alex Wynne

With its young population, high levels of disposable income and impressive growth rates, the Middle East is still seen as one of the most promising regions for the beauty industry. Beauty sales grew by double-digit rates throughout the region with the exception of the UAE in 2013, according to data from Euromonitor International. According to industry sources, prestige beauty sales increased 9% across the Cooperation Council for the Arab States of the Gulf (GCC) last year, driven mainly by make-up at +11.9%.

According to a recent white paper by distributor and retailer Chalhoub Group, high earners in the region spend an average of \$700 per month on oriental fragrances and essential oils and spend \$500 on Western fragrances, make-up and skincare.

While high levels of purchasing power are often cited as one of the key drivers for beauty in the region, according to Make

Up For Ever regional marketing manager Tamara Al Zaq, changing consumer tastes and an increased appetite for the category have fuelled sales over the past few years. "When we started, it was a very traditional market," she explains. "People were very much focused on the big designer brands. Three years ago, you started seeing this shift, with people becoming more open to trying new brands," she continues. Clarins Group Middle East president Osama Rinno agrees: "Consumers are becoming more sophisticated in what they want, the type of fragrance they want and the type of ingredients."

Social media has especially been a game changer for the Middle East, particularly in conservative markets like Saudi Arabia. It has allowed consumers more access to Western and regional trend information, online tutorials and information about brands in a society that traditionally did not. "The

young generation is becoming very active with blogging and social media," says Rinno. "You would be surprised to see the level of interaction we get from consumers and the involvement they have."

### Fragrance still on top

Fragrance still represents the lion's share of business—19% of total sales in the Middle East and Africa region in 2013, according to Euromonitor International. In the prestige segment, fragrance accounts for 63% of business across the GCC, according to industry sources; this was down from 67% just three years ago.

However, this share shows little sign of shrinking further as consumers' appetite for fragrance and diverse tastes, ranging from traditional oud-based scents to international luxury brands and increasingly, niche fragrances, still offers plenty of room for growth.

International brands continue to introduce scents, including oud-based creations, targeting mainly Middle Eastern consumers, with varying levels of success, according to industry observers. Fragrance suppliers are also investing more in the region. IFF opened a dedicated facility for the region in 2011, while UK-based CPL Aromas announced plans for a facility outside Dubai earlier this year.

"In the past, having a decent product and a strong push in sales through beauty advisors or a powerful media campaign seemed to be enough to guarantee a strong launch," says Clarins' Rinno. "Today, the consumer is becoming more discerning and demanding. A high price needs to be justified through superior quality of the product and added benefits. Launching an oud-smelling fragrance is not enough; consumers can recognise a good juice, they ask whether the ingredients come from real essential oils or chemical molecules, they want to know if the fragrance contains real oud."

"It's a fascinating market for fragrance because consumers are experts and big buyers of perfume; however, I would say Western perfumes are still a very small part [of business] compared with local, Arabic perfumes," Sisley regional director for the Middle East and Africa Sébastien Gautier comments.

"Perfume is anchored in the culture. People use it a lot, and there is a big tradition for gifting fragrance," Maison Francis Kurkdjian ceo Marc Chaya explains. "It is very normal to see a Middle Eastern customer go for several scents or buy several units of the same scent."

The brand, which had until now only been available in a couple of doors in the region, is currently expanding with counters in Saudi Arabia and plans to open two boutiques, in the UAE and Qatar, in the near future. By Kilian also announced plans for a Dubai store earlier this year, and many other smaller brands are in negotiations with distributors in the region, suggesting that the incursion of new entrants looks unlikely to slow for some time to come.

### Make-up fuels growth

Make-up, which accounts for 27% of beauty sales in prestige, according to industry sources—up from 23% in 2011—has

boomed in recent years, and is benefiting from the arrival of an array of youth-oriented brands, as well as the increasing incursion of Sephora in the region, where it is operated by **Chalhoub Group**.

With consumers' growing knowledge about make-up, growth is coming from new categories. "Before, the focus was centralized on the complexion and the eyes; now there is a lot more variety," explains Al Zaq.

From coverage, consumers have moved towards products for a flawless complexion



**Kuwait is a very interesting market and a good example of moving from a traditional to a more modern market**



*Make Up For Ever regional marketing manager Tamara Al Zaq*

and sculpting, and for eyes—one of the biggest categories in the region because many women are veiled—from traditional kohl to products including eyebrow kits and false lashes. In foundation, consumers are reportedly adopting darker, more natural shades. These changes for the most part mean incremental business for brands.

"This is challenging for the brands, because you have to be active and very innovative on what you are introducing to the market, but also you have to be very active in communication, and shout that you are there and you have this product," says Al Zaq.

Make Up For Ever is currently focusing on rolling out more boutiques in the region, which will allow it to enhance its professional positioning and offer a broader range of products, as well as target the growing number of make-up artists operating in the Middle East.

### Skincare still challenging

Skincare, meanwhile, which represents 13% of sales, remains the most challenging category, as education levels in the region still lag behind those of mature markets and such products are not traditionally part of

the Middle Eastern beauty routine.

Markets where skincare is performing better than average include the UAE, largely because of the number of tourists, especially from Asia and Russia, as well as the large expatriate population. Kuwait is another market where consumers have embraced the luxury skincare category.

"Even though [consumers] have the spending power, they don't have the reflex to buy skincare because they're not educated about it, and even if they have the money and will buy a super-expensive anti-aging cream, they will buy their remover in the supermarket," says Sisley's Gautier.

This means brands have to get creative to encourage consumers to adopt skincare routines. Clarins, for example, has begun installing testing bars in its Sephora doors in the region, where consumers can get targeted advice and take home samples with no obligation to purchase. Initial results from pilot stores in UAE and Qatar are promising, Rinno reveals.

The brand also hosts education sessions in hotels and women's clubs in the region, where women can gather to receive advice from its specialists with no sales involved.

Other segments set for growth in coming years, according to market players, are suncare, men's grooming and haircare. "Suncare is already a very important segment, but people who buy suncare do not necessarily go into the A-class ■■■

### Middle East beauty and personal care sales\* by main country 2013

Country	2013 sales* \$bn	% change 2013/2012
Saudi Arabia	4.13	+12.0
Iran	3.56	+39.3
Israel	1.48	+6.5
UAE	1.32	+7.3
Egypt	0.87	+10.6
Kuwait	0.37	+10.6
Yemen (modelled)	0.24	+12.0
Qatar (modelled)	0.19	+5.9
Iraq (modelled)	0.11	+12.6
Bahrain (modelled)	0.11	+10.4

Source: Euromonitor International  
\*retail sales price



▲ Mall development is seeing more standalone boutiques in the market, such as Jo Malone

■■■ department stores, most of them buy from different places,” says Clarins’ Rinno. The company is currently investigating new distribution possibilities in the region for its skincare, including five-star hotels and pharmacies close to beaches.

### Geographical growth

Saudi Arabia remains the largest market, with sales of \$4.13bn last year, according to Euromonitor, while the UAE was the leader when it came to per capita spending on beauty, at \$156, higher than levels in the US and Europe.

The growth of retail in markets like Qatar and Kuwait, where consumers are already big beauty spenders, means that industry players are increasingly looking to expand in these less saturated markets, although they are largely dependent on retail development to do so.

“In Qatar, per door we are doing very well, there is good spending. Sometimes we do better per door even than in Dubai, but it’s much smaller in terms of business,” says Sisley’s Gautier. Business and retail in Qatar are expected to accelerate in coming years, notably thanks to the country’s successful bid to host the 2022 Fifa World Cup.

Kuwait, meanwhile, is seeing booming

business, particularly in the make-up segment, which represents 42% of sales there, according to sources. “Kuwait is a very interesting market, a good example of moving from a traditional to a more modern market,” says Make Up For Ever’s Al Zaq. The country has gone from being dominated by government-controlled Co-op stores, and, to a lesser extent perfumery chain Beidoun, to seeing a wave of mall-building in recent

### Brands in the region have to get creative to encourage consumers to adopt skincare routines

years, opening up the market for retailers like Harvey Nichols to enter.

Iran remains the second-largest market in the region, but despite its size, impressive growth and high consumption levels, the market is still proving challenging for Western beauty players due to regulations on product registration, as well as a lack of modern distribution. Nevertheless, most brands are now present, and ease of trade is expected to continue to improve. “Global political and commercial relations [...] are

getting better, so embargos are less strict, [and] people are starting to invest,” Sisley’s Gautier explains.

In Iraq, despite problems having escalated in recent months, many in the industry are confident in its long-term potential—more specifically in the northern region of Iraqi Kurdistan, where luxury hotels have recently opened and a mall is under development. Previous plans for retail development in Baghdad and other cities have been halted, however. **Chalhoub-owned Faces recently opened a store in Erbil**, and Turkish retailer Beymen operates a fashion boutique there. “The potential is there, the Kurdish people are very willing to buy beauty,” says Sisley’s Gautier, who plans to enter Erbil through Faces this year.

### New retail formats

After the lull that followed the boom of the “noughties”, the past few years have seen retail go into renewed expansion mode, with a wealth of new developments across the region and the expansion of existing malls like the Dubai Mall, a hub for beauty sales in the region.

Western department stores like Bloomingdale’s, Harvey Nichols, Galeries Lafayette and House of Fraser have entered

or grown their presence with local partners, giving the traditional leaders a run for their money. Sephora's assisted self-service model, meanwhile, has become increasingly popular, especially with younger consumers, and has spearheaded the concept of retail-tainment, as well as a focus on services, forcing other players to follow suit or lose out. Both department stores and Sephora have been instrumental in introducing new brands to the region and boosting their growth.

"It was a very monopolistic market, we didn't have a lot of space to grow," says Make Up For Ever's Al Zaq. "Now you have a lot of retailers, so you have the chance to grow in a lot of different places."

Chalhoub-owned Faces is one of the few home-grown retailers not to have lost market share in this context, according to industry observers. The retailer recently rebranded, changing its name to Wojooh (Faces in Arabic), focusing on its local positioning and introducing private-label products tailored to local tastes.

"Wojooh has been the leading Middle East beauty retailer for over 18 years now. We know our consumers and their distinctive tastes," Antoine Joujou, general manager of Chalhoub Group Retail (Faces), explains.

"I think it is a very smart move," says Al Zaq. "They are not trying to compete with other retailers; they are trying to focus on their market, the local market, and the type of products locals love."

If there is one major challenge for brands in the region, it is perhaps choosing the right distribution partner. Indeed, the majority of retail groups like Chalhoub, Alshaya and Al Tayer are also distributors, and according to sources, they still tend to prioritize the brands they represent. "If you are not distributed by one of these groups, it can be difficult," one brand executive admits.

But with double-digit growth predicted to continue in most markets in the region for several years to come, combined with aggressive retail expansion and plenty of relatively untapped countries, the Middle East's unique situation as a region of both emerging and developed markets makes it promising for continued growth. ■

#### Middle East's main retail groups

Name	Name of stores/chains	N° of stores
<b>Chalhoub</b>	Faces/Wojooh	72
	Sephora	31
	House of Fraser (beauty concession)	1
	Saks Fifth Avenue (concession)	2
<b>Al Tayer</b>	Areej	13
	Bloomingdale's	1
	Harvey Nichols (UAE only)	1
	Illamasqua	2
	Diptyque	1
<b>M H Alshaya Co</b>	Bath & Body Works	50
	Jo Malone	6
	MAC	72
	The Body Shop	68
	Va Va Voom	27
	Victoria's Secret Beauty & Accesories	28
	Debenhams	28
	Harvey Nichols (Kuwait only)	1
<b>Paris Gallery Group</b>	Paris Gallery	52
<b>Hussein Gazzaz &amp; Co.</b>	Gazzaz	around 30

Source: industry sources



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## Full steam ahead

The fast pace of retail development continues in Dubai, offering its own set of opportunities and challenges by Alex Wynne

The UAE—or more accurately Dubai—is home to some of the most sophisticated malls in the Middle East, if not the world. The retail environment there continues to move fast, boosted by government initiatives to back retail and tourism development. Sephora's store in the Dubai Mall is reportedly its second biggest-selling outlet worldwide, after its Champs-Élysées flagship in Paris, and the city's main malls are constantly undergoing revamps and being expanded.

"There is always a new story," says Make Up

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The size and traffic of Dubai Mall, Mall of the Emirates and Dubai International Airport are commanding a dedicated strategy to these three hubs, as if they were treated as three different countries

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Clarins Group Middle East president  
Osama Rinno

For Ever regional marketing manager Tamara Al Zaq. "If there is a mall opening, you have to go there. It may not always have a positive impact on business and it's a bit more risky, because investment is higher [and] the rent is higher if you operate your own boutique."

Dubai Mall, notably, represents a large chunk of business for most beauty brands operating in the market. "Most of the business is happening in Dubai today, and most of it is in Dubai Mall," says Al Zaq.

Indeed, according to Emaar Properties, the



▲ Despite new retail players, Paris Gallery is still seen as providing brands with a platform for luxury expression

mall's developer, the destination accounted for some 50% of luxury product sales in Dubai last year. Some 75 million people visited the mall in 2013, up 15% year-on-year, making it the most visited shopping center in the world. The mall is currently undergoing expansion.

"The size and traffic of Dubai Mall, Mall of the Emirates and Dubai International Airport are commanding a dedicated strategy to these three hubs, as if they were treated as three different countries," says Clarins Group Middle East president Osama Rinno. "They are almost considered as a media investment, not just retail outlets."

### Changing times

From a few years ago, when local players dominated, the market has been transformed by new concepts, notably high-end department stores like Bloomingdale's and Harvey Nichols,

both operated by Al Tayer group in the UAE, Saks Fifth Avenue, operated by Style Avenue Middle East, in which Chalhoub is a partner, and Galeries Lafayette. "The trend is toward extremely luxurious environments with a wide range of exclusive and unique brands, high levels of service and luscious interior design," says Clarins' Rinno.

Several players highlight Bloomingdale's as one of the most successful department stores in Dubai. "Bloomingdale's is a very nice concept, and has a very nice offer," says Sisley regional director for the Middle East and Africa Sébastien Gautier. "They are very dynamic, renovating and bringing in new brands often." Harvey Nichols, Galeries Lafayette and Debenhams are also cited as strong players.

In a different segment, Sephora's growing strength in the market has brought more of a focus on retail-tainment to Dubai and is ■■■

## UAE prestige retailing

■ ■ ■ attractive to a broader cross-section of shoppers, especially younger consumers. “Sephora Dubai Mall offers in a very limited space a vast range of experiences that go beyond product display to sampling bars, competitions, loyalty programs, music and merchandising reminiscent of giant record store chains like Virgin in the nineties,” says Rinno.

With these changes however, there has been certain polarization in retailers’ positioning and more traditional players risk being squeezed out. “Retailers who find themselves in the middle are being forced to change and reposition themselves towards one of the two ends of the spectrum,” Rinno comments.

One such player is traditional market leader Paris Gallery, with its vast luxury showrooms for beauty and accessories. While some players suggest the retailer has suffered from the arrival of newer entrants and has lost market share, others still cite it among the top environments for luxury brand expression.

“The rising number of malls and increasing number of retailers is in some ways cannibalizing the business,” Paris Gallery group commercial manager and board member Ismail Al Fahim admits, nevertheless adding: “The retail market in Dubai will continue to grow in light of the increased focus on the retail sector and the steps the emirate is taking to drive additional footfall each year.”

Paris Gallery has been focusing on adding new brands including SK-II, in a bid to attract more Asian consumers, according to sources. It is also building its loyalty program, and has recently renovated its Dubai Mall store.

“Retail space in Dubai is gradually becoming more congested due to the fast-pace of real estate development and mega mall openings that the Emirate has witnessed over the years,” Alpen Capital wrote in a recent report. “Shopping space per capita in Dubai is close to

modern city, is nothing compared with what they have in mind to create.”

Among upcoming developments is Mall of the World, which is billed to be the world’s biggest mall. Work is expected to begin on the 8 million square foot center next spring, with the first stage lasting three years. The mall, to be developed by Dubai Holding, will be part of a giant complex including hotels, an amusement park and medical tourism facilities.

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**The retail market in Dubai will continue to grow in light of the increased focus on the retail sector and the steps the Emirate is taking to drive additional footfall each year**

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Paris Gallery group commercial manager and board member Ismail Al Fahim

1.4 square miles, exceeding 1.0 square miles in the US and 0.2 square miles in Europe. While footfall at new malls like The Dubai Mall and Mall of the Emirates have been strong, this has largely come at the expense of a fall in the number of visitors at older establishments.”

While retail in Dubai is manifesting signs of saturation, it is showing no signs of slowing down, however. “I saw some plans of what Dubai will be in the next 10 years,” says Gautier. “What we can see today, which is an incredible,

### Developing Abu Dhabi

Elsewhere, notably in Abu Dhabi, development is also ongoing, albeit at a slower pace. House of Fraser inaugurated its first store in Abu Dhabi’s World Trade Center in October 2013, in partnership with Retail Arabia International and with its beauty concession operated by Chalhoub. It is to open a second store in Yas Mall, scheduled for inauguration this November and set to be the second-largest shopping center in the UAE, after Dubai Mall. The mall will also house a Debenhams outlet operated by Alshaya.

“We’ve been watching the development of Abu Dhabi,” says Al Zaq. “It’s not as fast as we expected, but there is huge development that is going to happen. The Yas Mall is interesting because they have a lot of brands that were never listed. We are optimistic, but we know it will take a couple of years to develop this area and shift tourism to Abu Dhabi.”

But despite the ever-frenetic development of retail, especially in Dubai, it remains to be seen whether retail expansion will mean additional business for beauty players, or just cannibalize existing stores. ■



▲ Chalhoub operates nine Wojoooh stores in the UAE

### UAE’s main prestige retail players

Retailer	Number of stores
Paris Gallery	33
Sephora	14
Areej (Al Tayer)	12
Faces/Wojooh	9
Debenhams	8
Harvey Nichols (Al Tayer)	1
Bloomingdale’s (Al Tayer)	1
VaVaVoom (Alshaya)	1
House of Fraser	1
Saks Fifth Avenue	1
Galleries Lafayette	1*

Source: industry sources  
\* second store opening in November



credit: istock

## Saudi Arabia country analysis

# Changes afoot

Brands are finding that it is not all that easy to tap into the growth potential of Saudi's beauty market *by Alex Wynne*

Saudi Arabia is the largest beauty market in the Middle East by a long stretch, and is expected to continue to see growth for years to come thanks to rising income levels, a young population, retail expansion in new regions and a government push to grow tourism.

The share of the prestige segment is particularly high in Saudi Arabia, at around 40% of total beauty and personal-care sales, according to Euromonitor International. With rising purchasing power and changes in consumer tastes, the share of high-end products is likely to grow as consumers trade up and gain more access to prestige retail.

In prestige, fragrance accounts for 72% of business, while make-up represents 23% and skincare just 5%, according to industry sources. This imbalance is explained not only by the traditional importance of fragrance in Saudi culture, but also by a lack of education about

the benefits of skincare and the fact that until 2012, all beauty advisors in the market were men, hampering interaction and advice in both skincare and make-up.

While the situation has changed, and women have entered the workforce as beauty advisors, the transition period has been complex. Difficulties in recruiting and retaining female beauty advisors have dominated prestige players' concerns over the past two years. As a result, industry sources say that in the prestige sector, make-up was the only category that saw growth last year, with fragrance flat and skincare sales down. Euromonitor however, says that for the total market, fragrance sales were up 14%, while the skincare category registered growth of 10%.

"Last year was a perfect year for us," says Make Up For Ever regional marketing manager Tamara Al Zaq, confirming the strength of

the make-up segment. "We discovered that with the arrival of women [in the workforce], business improved without any other changes. People, especially women, are becoming more comfortable coming to the counter. It has had a very positive impact on sales."

But for brands in other segments, however, the change has been anything but positive in the short term (see article p.91). "Three-axe brands, especially skincare, are very affected because we have a lot of [staff] turnover and we have suffered from that," Sisley regional director for the Middle East and Africa Sébastien Gautier reveals. "In the long term, I think it's a good decision, but we are all suffering from the situation in terms of business in Saudi."

"Our main mission in this market is to educate the consumer," Gautier says. Education initiatives that brands have been



pushing for several years have been held up by the situation with the beauty advisors; however, this is still where most brands intend to focus their attention.

Market-research firm YouGov recently undertook a survey about beauty brands' popularity in the Middle East, and its results for the make-up and skincare segments are telling. While in make-up, the most cited brands in Saudi Arabia were Max Factor, MAC and Chanel, in skincare, the leading brands were all from the mass segment—L'Oréal, Olay and Nivea. This means that prestige skincare brands still have work to do in educating consumers.

### Continued investment

Given the growth potential, several beauty groups are increasing their investment in Saudi Arabia rather than servicing the market from their hubs in Dubai. L'Oréal, for example, opened a Saudi subsidiary in 2012 in partnership with its previous distributor Al Naghi Group to improve its market share there. The company cited strong growth of its Saudi Arabian business in its financial report for the first six months of 2014. Spanish group Puig also announced plans for a Saudi subsidiary last year.

In fragrance, while local company Arabian Oud remains the market leader, accounting for around a third of the market, international brands are making inroads thanks to a 2012 Fatwa permitting Muslims to use alcohol-based fragrances. According to YouGov, Saudi Arabia's three most popular fragrance brands are Chanel, Gucci and Arabian Oud.

Growth in tourism, particularly religious tourism, which is being promoted by the government, is expected to be a boon to the fragrance industry, as gifting fragrance, especially during religious festivals, is a strong trend.

### Social media and changing tastes

Saudi Arabia remains a relatively traditional market when it comes to beauty tastes compared to countries like the UAE, for example, with consumers still preferring to whiten their skin and choosing lighter shades of foundation. Nevertheless, this is changing. With 47% of the population aged under 25, according to the CIA World Factbook, younger consumers are driving demand for new brands and concepts, especially when it comes to make-up.

Social media has had a particularly strong impact on changing consumer tastes. "In countries like Saudi, in magazines or on TV, you couldn't see a lot, and there is no cinema in Saudi," Make Up For Ever's Al Zaq explains. "Social media opened doors, you could learn more about trends in Europe and the US, [and] follow social icons and celebrities."

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Access to the digital world is strongly affecting the opinion and awareness of the young generation. [In the region] 57% of women spend at least four hours a day online, while 31% are happy to purchase online

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Chalhoub Group Retail (Faces) general manager Antoine Joujou

In a country where the majority of women do not work (only around 6% of female Saudi nationals are in employment, according to some estimates), and often have a lot of free time, this has been a real game changer.

"Access to the digital world is strongly affecting the opinion and awareness of the young generation," says Chalhoub Group Retail (Faces) general manager Antoine Joujou of the region as a whole. "Some 57% of women for instance spend at least four hours a day online, 31% are happy to purchase online and 51% review and research products and brands."

Comparative to the high levels of time spent online, purchasing levels on the web are low, testament to the fact that Saudi consumers enjoy shopping, and spending time in malls—a leisure activity that allows them levels of freedom not available elsewhere, sources say.

The free time available to women is also good news for the professional segment, and Saudi Arabia is said to be the largest hair and beauty salon market in the region. Tapping into this could be key to future development of the skincare segment.

Clarins, for example, is taking its training

sessions into the country's residential compounds. "There are a lot of compounds in Saudi Arabia where women have nothing to do," says Clarins Group Middle East president Osama Rinno. "We are invited by one of the women to her house. She invites a list of her neighbors, and we do skincare and make-up schools for them," he continues, specifying that there are no sales involved in such sessions.

Nevertheless, communicating to Saudi consumers remains challenging for beauty brands, according to Al Zaq. "We still need to improve communication in Saudi, it's still a challenge; how to communicate, how to teach people."

Despite the difficulties felt by the industry over the past two years, with consumers' appetites for beauty products so strong, a boom in make-up showing no signs of abating and plenty of room for skincare growth, the Saudi Arabian cosmetics market looks set for more years of positive growth. "It's still definitely a very promising market," Sisley's Gautier sums up. ■

### Leading players in Saudi Arabia's beauty market 2013

Rank	Company
1	Procter & Gamble
2	Unilever
3	Arabian Oud Co
4	L'Oréal
5	Abdul Saied Al Qurashi Co

Source: Euromonitor International

### Saudi Arabia beauty & personal care sales by category\* 2013

Category	2013 sales \$bn	% change 2013/2012
Fragrance	1.29	+14.1
Haircare	0.56	+12.0
Skincare	0.54	+10.1
Color cosmetics	0.42	+11.7
Men's grooming	0.19	+14.5
Suncare	0.12	+10.5
<b>Mass</b>	<b>2.04</b>	<b>+11.2</b>
<b>Premium</b>	<b>1.67</b>	<b>+13.4</b>
<b>Total market**</b>	<b>4.13</b>	<b>+12.0</b>

Source: Euromonitor International;

\* retail sales price

\*\*total includes additional categories not listed

## Trading places

Retail is facing its fair share of challenges in the kingdom, but there is much room for development by Alex Wynne

It has been a challenging few years for beauty retailers in Saudi Arabia, especially since a 2012 change in the law stipulated that make-up and skincare must be sold by women. While in the long-term all agree that this is positive, as it will bring women into the workforce and give them additional purchasing power, the realities of the implementation of such measures have been far from simple.

The initial challenge for beauty retailers was to recruit and train female staff. It has also been difficult to retain them, with monthly turnover rates as high as 50% in the early stages, according to some brands. This has made competition for the best staff fierce.

But beyond this, Saudi Arabia's religious police have begun forcing retailers to implement separate areas in stores for men and women—with three-axe brands, make-up and skincare in walled departments only accessible to women and men accompanying their wives, and fragrance being sold by men in separate areas.

"It's a nightmare for the shops and it's a nightmare for the customers," Clarins Group Middle East president Osama Rinno comments. "The shops had to redesign, and reshuffle the decoration. If a male is going to buy cosmetics for himself or for his wife, he's not allowed to. If a woman is going to buy cosmetics and she wants to buy a fragrance, she cannot and she will have to ask somebody to go and get it for her."

This situation even applies to staff in store, with male store managers and executives having to speak to staff in the female area by telephone, as face-to-face contact is forbidden, even leading to arrests in some cases.

As such, the main retail players have been more focused on managing the day-to-day aspects of such changes rather than focusing on developing new concepts or offers.

Alshaya, which operates 21 VaVaVoom perfumeries in the country, as well as boutiques for MAC, Jo Malone, Victoria's Secret Beauty &

Accessories and Bath & Body Works, is playing a key role in training women to join the workforce. The company announced plans in April to open

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With the opening of new malls, you don't necessarily grow your market share; it's eating from the share of the other malls

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Make Up For Ever regional marketing manager Tamara Al Zag

two retail academies in Saudi Arabia, in Jeddah later this year and in Dammam in 2015.

"From a zero base in 2012, Alshaya has made

great progress in creating roles for women and now employs over 1,600 women across its business in Saudi Arabia," the company said in a statement. Its Riyadh academy opened in 2012, and has now trained more than 400 women for retail roles. Women are guaranteed employment in one of the retailer's operations after the 13-week program, and the company has committed to training 8,000 young people over a five-year period. Dubai-based distribution and retail group Chalhoub also operates retail academies in the country.

### New developments

Despite such challenges, beauty retail is developing in Saudi Arabia, albeit at a slower pace than it has in the past. In its most recent Retail Development Index, AT Kearney described the kingdom as being "largely untapped by modern formats."

Chalhoub-owned beauty chain ■■■



▲ Alshaya, which operates 21 VaVaVoom perfumeries in Saudi Arabia, says it is helping to train women to join the workforce

## Saudi Arabia prestige retailing



▲ Standalone stores, such as MAC with 23 boutiques, are a growing channel in the country

■■■ Faces, the market leader, has 38 doors and plans to open a handful of further outlets before the end of the year. As well as deploying the new Faces identity, which has seen the chain change its name to Wajooh, the retailer has introduced a private-label make-up offer targeted to local tastes, is pushing digital and has launched its own loyalty program. "[Consumers] are now seeking engaging store experiences beyond just shopping and relevant services and expertise beyond just the offer," says Chalhoub Group Retail (Faces) general manager Antoine Joujou, who highlights untapped regions of the country as key to future development.

Sephora, also operated by Chalhoub, has been expanding, and has reportedly been particularly successful with younger consumers keen to discover the new brands it offers and experiment with products during their mall visits. The LVMH-owned retailer's entry and expansion, alongside the arrival of some of the major department-

### Saudi Arabia's main prestige retail players

Retailer	Number of stores
Faces-Wajooh (Chalhoub)	38
Hussein Gazzaz & Co.	30
VaVaVoom (Alshaya)	21
Paris Gallery	14
Sephora	12
Debenhams	11
Harvey Nichols	1

Source: industry sources

store chains, has changed the structure of the market, which was until recent years dominated by local chains and traditional perfumeries.

With the exception of Faces, local players such as Hussein Gazzaz & Co. have seen their market share gradually shrink over the past few years. Recent initiatives from Gazzaz, which has around 30 doors, include the opening of a new outlet in Madina Haram in May and an online boutique operated in partnership with Souq.com offering significant discounts to members. With the exception of a couple of its stores popular notably with religious tourists, however, Gazzaz is no longer viewed as a major player on the country's prestige retail scene. Al Tayer-owned Areej, meanwhile, has exited the market.

### Mall expansion

The development of new malls continues, with most situated in Riyadh and Jeddah, however. Nevertheless, according to a report from Alpen Capital, the kingdom has one of the lowest levels of retail space per capita in the region, suggesting there is plenty of room for growth.

Despite this, Make Up For Ever regional marketing manager Tamara Al Zaq warns: "With the opening of new malls, you don't necessarily grow your market share; most of the time, it's eating from the market share of the other malls."

This suggests that while there may still be plenty of room for new distribution, careful selection and a focus on offering a concept adapted to local populations is important. Indeed, Sephora's success proves that despite

the market's conservative reputation, it is ripe for innovative shopping concepts.

"Saudi Arabia is one of the Middle East's most conservative markets, so retailers and developers must go the extra mile to deliver creative formats and entertainment," said AT Kearney's report.

There are a handful of department stores in Saudi Arabia. Harvey Nichols has operated in Riyadh since 2000, although Saks Fifth Avenue shuttered its store in Riyadh's Kingdom Mall in 2012 after mitigated success. Local retailer Rubaiyat opened its first department store, with a beauty department stocking a wide range of niche fragrance brands, in Jeddah's Stars Avenue mall in July this year. UK retailers Debenhams and Marks & Spencer both operate through franchise agreements. Marks & Spencer, via its local franchise partner Alhokair, opened its first

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**Saudi Arabia is one of the Middle East's most conservative markets, so retailers and developers must go the extra mile to deliver creative formats and entertainment**

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AT Kearney report

beauty and lingerie-only stores in the world in Saudi Arabia earlier this year and plans to introduce a total of 10 before its fiscal year-end.

There are also plenty of standalones. MAC, for example, has 23 boutiques operated by partner Alshaya in 12 cities. Make Up For Ever is also expanding its standalone network in the country to attract the increasing number of make-up artists with its professional range. "We have six boutiques, but we are trying to select the places to be where we are missing market share," Al Zaq says. The brand is looking to potentially double its store count over the next two to three years. "Boutiques are a nice opportunity to expand where retail is not yet developed," she says, as well as allowing the brand to express its full identity.

With plenty of scope for further development, retailers with the right concept still have room to grow ■