

In Conversation With Patrick Chalhoub, Co-CEO, Chalhoub Group

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Widely regarded as luxury royalty in the Middle East – with over 650 retail outlets across the region – the Chalhoub Group and two brothers at its helm are each privy to priceless information about what makes the market tick. Here, Patrick Chalhoub shares some of his insights exclusively with Luxury Society.

As any in the inner Chalhoub circle will surely tell you – six decades as top dog in any market will teach you a thing or two about its consumers, its competitors, and its pros and cons.

With a growing workforce of more than 12,000 people, implemented in 14 countries, and a network of over 650 retail stores – the group has flourished from humble beginnings in 1955, when it launched the first Christofle boutique in Damascus, Syria.

“ For 60 years our vision has been to build successful luxury brands in the Middle East ”

The Chalhoub Group is now an internationally renowned luxury force to be reckoned with – comprised of over 125 companies, affiliates and joint ventures, including solid relationships with icons such as: Louis Vuitton, Dior Couture, Sephora, Fendi, Louboutin and Berlutti, to name a few.

However, for the sibling duo directing the gargantuan operation – Patrick and Anthony Chalhoub – looking back it seems, has never been their forte. Turning their eyes to the future, however, is where they excel, and their vision for what lies ahead is based around a few key principles – and people.

Speaking exclusively to Luxury Society, Co-CEO Patrick Chalhoub says that team values, staff development and human resources, are invaluable to upholding the group’s luxury edge – proving that, no matter how mighty, it pays to constantly tighten the nuts and bolts of a machine, rather than just sit back and admire it in all its glory.

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That's not how these giants get ahead – on the contrary, there's a constant search for self-improvement, says Chalhoub.

“One of the challenges in this business is to know the customer and his behaviour and attitude well, and to be able to cater to his aspirations.

“But other challenges also include Human Resources and finding the right, talented people, and subsequently training and developing them...



“We want to continue investing in our people giving them the right tools and motivation to grow, and maintaining it,” he shares.

In this vein, the Chalhoub Retail Academy was established in 2007 in Dubai and in 2009 in Saudi Arabia. The Chalhoub group has also developed a professorship in luxury brand management with the American University of Sharjah (AUS).

But these achievements are already notches on the Chalhoub Group belt, and the real test of wits will come in the next few years, concedes Patrick Chalhoub.

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“This obviously puts a lot of pressure for regional Groups, but also presents opportunities for those brands who will be the most innovative and fully understand the needs and expectations of local consumers,” he says.

Here, Patrick Chalhoub goes into more detail – and gives us a closer look into Chalhoub Group’s arsenal of business acumen, which it no doubt will put to good use to emerge victorious once again.

“ The creation of our own concept stores is a reflection of the Group’s know-how and expertise ”

The Chalhoub Group is a true powerhouse in luxury retail in the Middle East – what are the keys to the continued success of the company in a region which is still very much a mystery to other luxury players?

For 60 years our vision has been to build successful luxury brands in the Middle East, giving them the tools and means to grow and develop. Since the beginning, one of our biggest achievements is to offer service

excellence to all our partners and a unique experience to all our guests making our Group the leading partner of luxury in the Middle East.

We are extremely proud of the accomplishment of our 12,000 dedicated team members who are engaged and working with passion, excellence, intimate knowledge of the region and its consumers and living our values of respect, excellence and entrepreneurial spirit.

The creation of our own concept stores is, therefore, a reflection of the Group's know-how and expertise.

“ The customer is becoming increasingly knowledgeable, demanding and volatile thus, must have a real experience ”

Your company recently received the FFANY annual Retailer of the Year Award, so clearly you excel in the retail aspect – an area where many brands struggle –what are the pillars of a true luxury retail concept?

A true luxury retail concept is a concept where customers can navigate, feel inspired in their purchases and feel at ease.

The customer is becoming increasingly knowledgeable, demanding and volatile thus, must have a real experience, real expertise and real storytelling. The customer is also less loyal due to having many options of interacting, traveling and variety of choices in the market.

The store is expected to become an extension of the home with large spaces including private areas, comfortable seating and the legendary Arabic hospitality. It needs to be digitally enhanced, enabling easy screening of the whole boutique, pre-booking, e-commerce and virtual trials simultaneously shared online. Customers want to be recognised when stepping into the boutique and to have their tastes and needs anticipated.



Chalhoub Group's Level Shoe District, Dubai Mall

Omni-channel will be a must with seamless integration of the in-store experience with the online experience and social media platforms. Products will have to be launched in the Gulf at the same time as

in the West – to the minute including special lines for Gulf customers in terms of sizes, cuts, shades and scents and these will be launched exclusively in the Gulf or ahead of the global market.

What part does digital and e-commerce play in your strategy and how do you balance online with offline effectively so that they complement each other?

The customer is at the heart of our strategy and the customer is both online and offline. We need to be in touch with our customer anywhere and everywhere to make sure he can browse digitally and buy in-store, or discover in the store and buy digitally, thus offering him a seamless experience in terms of ecommerce.

We have now launched our beauty own concept (Wojoo) site and our Level Shoes site and will gradually build a platform to hold all our sites.

“ Through a study on the GCC luxury consumers, we were able to identify three distinct consumer profiles ”

How do ME customers define and consume luxury, as opposed to other markets?

We conducted a study two years ago on the Gulf Cooperation Council (GCC) luxury consumers and we were able to identify three distinct consumer profiles: the gazelle, the horse and the falcon.

The consumer segmentation was conducted last year along with Bain & Co through 2,000 face to face interviews across the region allowed us to quantify these different consumer types as follows:

66% of Horses with three different expressions:

The Omnivore Horse: Most represented by the markets of Abu Dhabi, Dubai and Jeddah and also more skewed towards females. These consumers have a very strong relationship with fashion as they follow trends, regularly update with new pieces, are on trend through blogs and magazines and display strong celebrity influence. They associate luxury with: personal luxury, spas, gourmet food, furniture, travel, cars and will substantially spend in all these categories. In terms of expectations in store they will need it all, from the latest products, to store staff expert in the brand and aware of trends, to being recognised as a loyal customer, including invitation to previews and access to personal stylist. They will display the highest brand awareness and a high conversion to a wide array of brands.



The Opinionated Horse: Mostly found in Doha and mostly male-oriented. For them, being granted special

prices comes first, followed by latest offer, service and of course recognition. For the Opinionated, it is also about the right appearance but because it will showcase success.

The Conservative Horse: iMostly seen in Riyadh. For them, fashion is about reassurance. Critical influences will include social media first and foremost. They will additionally need a good dose of reassurance through all types of advertising. They will still be fueled by the need for reassurance, needing sales staff expert in the brand and aware of trends as well as recognising them as loyal customers.

29% of Gazelles, particularly represented by the markets of Dubai and Jeddah and biased towards females. Gazelles view fashion as an expression of effortless style and are quite influenced by celebrities. In terms of expectations in store Gazelles will need it all: from the latest products, to store staff expert in the brand and aware of trends, to being recognised as a loyal customer, including invitation to previews and being sent collections at home.

“ *‘Falcons’ are somewhat distancing themselves from the materialistic world & rather, appreciate luxury for the experiences ”*

And 5% of falcons, an archetype still very much in its infancy, the ‘falcons’ are somewhat distancing themselves from the materialistic world and are beginning to appreciate luxury for the experiences and the enjoyment it can bring. They typically have a passion they like to share and bond is their key driver.

In the relationship they seek in–store, knowledge of the brand’s history and heritage as well as deep understanding of how the product is made are paramount. The sales staff need to become storytellers, helping them immerse themselves in the very essence of the brand. In terms of products, the falcons will be attracted to bespoke and ‘made to measure’ items. In terms of events, intimate is the right word.

We believe that by understanding our consumers and their behaviours we will be able to cater to their needs and aspirations and offer them the best in service and a unique experience.

“ *Beyond technological innovation, innovation in luxury products is also becoming fundamental in the region ”*

Are ME consumers increasingly buying locally or abroad – are there any emerging trends you have observed in this vein?

The GCC customer is becoming increasingly assertive. He travels a lot, buys luxury products locally and abroad, he is shopping for pleasure, he knows about the latest trends and products.

Technological innovation is becoming critical in the luxury sectors. Consumers are connecting with and amongst each other, advising each other, and engaging with the brands thanks to the evolution of the digital, wherever they are, whenever they want.

Beyond technological innovation, innovation in luxury products is also becoming fundamental in the region. Consumers and millennial in particular, are starting to look at luxury brands beyond the logo, for the product itself, that needs to be adapted for their needs.



What are the key challenges in marketing luxury to ME consumers?

With regards to the communication strategies applied by any international brand, it is very important to respect traditions and local sensitivity while keeping the brand's DNA and image. This requires some smart adaptation where communication is too aggressive or listing local rules.

What does your marketing mix look like today and how has it changed with the rise of social media channels?

We believe that both the online and offline are equally important. The consumer is extremely knowledgeable and spends a lot of time online to get all the information needed on the product before going to the store to buy it. He goes online to get all the information related to the brand and its products.

The brands should be able to offer a seamless experience through all their channels. The customer will also share his/her experience on social media and get advice and recommendation online which is increasingly becoming a vehicle for him.

“ The invasion of Kuwait triggered the move of the Group's activities to Dubai... These moves & changes helped us to be visionary ”

The group has also paved the way for Dubai-based distribution – what are the advantages and the challenges of this? I read somewhere that the company was forced to undertake several relocations due to regional unrest and a civil war?

The Chalhoub Group journey started in 1955 with the opening of the first Christofle boutique in Damascus, Syria. 1965 marks the move of the Chalhoub family and activities to Beirut because of the economic uncertainty. Then in 1975, due to the civil war in Lebanon the Group had to move its activities to Kuwait.

The invasion of Kuwait triggered the move of the Group's activities to Dubai in 1990 although it had already been scheduled but then accelerated due to conditions. These moves and changes helped us to be visionary, always anticipate, and to be more agile and flexible.

A while ago there was a lot of buzz around Dubai and the UAE, with these regions pegged as hotspots for luxury growth – however, that has since died down. Do you still see abundant growth opportunities in the region and where particularly?

It is quite clear that the region has now entered a new phase for luxury development. Increasingly maturing

retail sector, global and regional macro-economic factors combined with consumers increasingly assertive are translating into a market that is growing much slower than before.

“ This obviously puts a lot of pressure on regional Groups, but also presents opportunities for innovative brands ”

The personal goods luxury market has enjoyed 8-10% annual growth over the last decade, but this will probably slow down to around 3-5% in the next few years.

This obviously puts a lot of pressure on regional Groups (though the market is still growing), but also presents opportunities for those brands who will be the most innovative and fully understand the needs and expectations of local consumers.

Dubai is a retail hub for the Gulf but also for the greater region including Iran, India and increasingly Africa and in spite of a slow growth we are one of the 10 most important worldwide retail destinations.



Rendering of Dubai's Design District

Having operated in this market for so many years – have you seen a rise in the emergence of local luxury brands, or is it mostly international labels which are moving in and prospering?

The local brands and designers are growing in the region especially with the support of the government, some big Groups and the creation of platforms to showcase their designs.

The Chalhoub Group signed an agreement with D3 (Dubai Design District) earlier this year which consists in moving some of our activities there. I am also part of the Dubai Fashion and Design Council with a mission to position Dubai amongst the 10 global cities in fashion and design.

This partnership represents a major commitment from our Group because we share the vision of D3, which aims to create an innovative and sustainable environment for the fashion and design industry in the region. As part of the community of D3, the Chalhoub Group will bring 60 years of experience in retail and luxury. On the other hand, we have a partnership with Khalifa Fund, an independent body of the Abu Dhabi Government which caters to local entrepreneurs.

“As a market leader with extensive regional expertise, we look forward to supporting emerging regional talent ”

As a market leader with extensive regional expertise in luxury and retail across the Middle East, we look forward to supporting emerging regional talent so they can shine on an international scale. We are excited about playing a role in driving the Emirate’s ambition to be a global centre for design and innovation.

The presence of international brands inspires the emerging local brands and offers a wider choice for the customers; each complements and completes the other for a broader offering.

What is your vision for the company and its brands, and how do you measure success?

We have always set objectives for ourselves and team members mainly based on market leadership and market share gain as well as quantifiable achievements in terms of excellency in execution, while keeping in mind our values of respect, excellence and entrepreneurial spirit.

“ We aim to continue building brands in the region with passion & excellence; to be their preferred partners in the ME ”

On one hand, we aim to continue building brands in the region with passion and excellence; to be their preferred partners in the ME.

On the other hand, we want to continue investing in our people giving them the right tools and motivation to grow, and maintaining it. We aim to offer our guests a unique and exceptional experience that they will never forget. We also aim to be engaged and continue giving back to the region and its people who have offered us so much in the past 60 years.

What is the biggest challenge you see facing the Chalhoub Group in the coming years?

From one hand, the challenge is to know closely the customer and his behaviour and attitude and to be able to cater to his aspirations.



Chalhoub Group’s home-base of Dubai

Other challenges include Human Resources and finding the right, talented people, and subsequently training and developing them, particularly in our drive of Gulfanisation of our resources where the Group has taken a leading role to recruit and develop GCC Nationals

On the other hand, the market in the first 10 months of 2015 has been very challenging, and the Group, like others, had to adapt to this new “norm” characterised by slower growth (due to overall macro-economic factors, affecting both local/resident consumers and tourists notably Chinese and Russians), pricing challenges due to the weak euro and increasingly assertive and demanding consumers and a very competitive environment.

For more in our series of conversations with Luxury Leaders, please see our most recent editions as follows: