

RETAIL THOUGHTS
Nizar Chouair

ANALYSIS
Top 15 retail cities

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MALL WATCH
Yas Mall

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The MEA beauty market is estimated to be worth \$30 billion and set to grow at a CAGR of 3% during the period 2016-21. Current spend per capita in the MEA is \$21 for beauty and personal care products. Globally ranked among top ten countries, the UAE's per capita spend is \$239, while Saudi Arabia ranked among the top 30 at \$164.



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Dear reader

Time to VAT

It's time to get ready for the 5% Value Added Tax (VAT) across the UAE from January 1, 2018, which will have long-term implications on the retail sector. Saudi Arabia too is expected to implement VAT beginning January 2018, while the remaining four GCC states Bahrain, Kuwait, Qatar and Oman may follow suit in stages to meet the 2019 deadline.

VAT is a consumption levy imposed on goods and services and is near universal across the world. The decision to introduce it in the GCC states comes from the need to diversify the regional economy and boost revenue generation and, in particular, to reduce dependence on oil revenues. The change has far-reaching implications both for businesses in the region and for the service providers and accounting and financial professionals.

"The tax procedures law is in the final phase, and will soon be issued and published. The technical legislative committee is debating the law in preparation for submitting it to the Cabinet for approval, while the selective draft tax law will soon come up for discussion by the committee," Shaikh Hamdan Bin Rashid Al Maktoum, deputy ruler of Dubai and minister of finance, announced last month.

On the surface, VAT appears to be a complex topic, and the finer details of the law are worked out as the countdown to January 2018 begins, but the framework is reasonably clear. The tax will apply to almost all goods and services, except basic food items, education and healthcare.

Freehold residential properties sale or lease during the first three years is also exempted. It is compulsory for all businesses with an annual income of AED375,000 to register with the VAT system. Deadline for registering with the VAT system will start in the third quarter of 2017 but will be compulsory in the fourth quarter. Businesses with an annual income of AED187,500 and above have the option to register with the system. Look out for our forthcoming issues for the latest updates on the subject.



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PO Box 502316, Dubai, UAE
Tel +971 4 4467555 Fax +971 4 4469707
Email: info@imagesretailme.com
www.imagesretailme.com



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Editor-in-Chief

Amitabh Taneja | amitabhtaneja@imagesgroup.in

EDITORIAL

Managing Editor

Lawrence Pinto | lawrence@imagesretailme.com

Editor

Rupkatha Bhowmick | rupkatha@imagesretailme.com

DESIGN & PRODUCTION

Creative Head

Johnson Machado | johnson@imagesretailme.com

ADVERTISING & MARKETING

Manager – Business Development

Nikhil Gupta | nikhil@imagesretailme.com

SUBSCRIPTIONS

Jehan Mandap | subscriptions@imagesretailme.com

DISTRIBUTORS



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You need passion to achieve your goal

Every person must have a passion, be it in retail or otherwise. If you're not passionate about a particular thing, you won't be driven enough to achieve your goal in most cases. Passion drives you to achieve even goals that seem difficult.

*When you see your dreams turn into reality, the feeling of accomplishment is indescribable. That's what I've seen in my life. It was an intense passion for two things – chocolate-making and trading – that drove me to start Patchi, a brand that's globally recognised today, shares Nizar Choucair – founder of Lebanese high-end luxury, gourmet chocolate concept Patchi, variously labelled the Rolls Royce of chocolate and 'jewellery' chocolate – with **RetailME***

No book can teach you what practical experience can

My uncle from my mother's side owned a shop that sold chocolates and candies in downtown Beirut way back in the 1940-50s before the war started in Lebanon. Back then, Lebanon was a hub for trade, transport and fashion in the Middle East.

I've had this strange attraction for trade and retail ever since I was four-five years old. Every day after school, I would go to my uncle's shop to watch the way customers walked into the store, looked for chocolates, how my uncle spoke to them

and sold chocolates. It was a great feeling to spend time there. I preferred going to the shop to assist my uncle in the sale of chocolates than playing with my friends. That's the kind of love I had for chocolates and the art of selling the product.

When I was 11 years old, I wanted to quit school to join my uncle in his store. But my father said no. He convinced me it was important to attend school to gain an elementary education. So we arrived at a pact: every day after school, I'd go to my uncle's store to help him. I did that diligently every day until the age of 18, learning the tricks of the trade, the art of chocolate making and the way to talk to customers and build a relationship with them.

Slowly, my business acumen grew. It wasn't something I was taught or learnt in a professional course. It's something I learnt on my own. I never got a formal degree in the art of chocolate making. I learnt by using my eyes and tongue. Even today, I taste and approve every piece of chocolate at Patchi. People are born with certain skills. For some, it's fashion designing or mechanics. For me it's chocolates. I'll never have enough of chocolates.

Pioneering the idea of chocolate gifting

From setting up a small kitchen in my house to make chocolates, I finally opened my first boutique shop in the upmarket Al Hamra Street in Beirut in 1974. From day one, I was convinced I didn't want to import chocolates like any other chocolatier. I used to go to Italy very often looking for ingredients and would also visit Napoli frequently



Lulu Group ventures out in Sri Lanka

UAE-based retailer Lulu Group has inaugurated a world-class sourcing, food processing and export unit in Sri Lanka. The move will further boost its sourcing operations and help bring quality products to its large chain of hypermarkets.

Sagala Ratanayaka, chief of staff to the prime minister & minister for law & order and Southern Development, inaugurated the group's project. YAS Lank Duminda Dissanayake, agriculture minister; Navin Dissanayake, minister of plantation industries; Eran Wickramaratne, state enterprise development minister; Yusufali MA, chairman of Lulu Group; and other officials attended the ceremony.

Ideally located in the Katanayake Export Processing Zone, near Colombo International Airport, the facility will primarily focus on sourcing, processing, storing, packaging and exporting of fruits, vegetables and commodities from Sri Lanka to various Lulu opera-



Sagala Ratanayaka, Yusufali MA, Salim MA and other officials

tions around the world.

"It is part of our ongoing strategy to set up own sourcing and food processing units around the world to ensure uninterrupted supply and maintain competitive pricing by eliminating third parties. Sri Lanka has a vast variety of fruits, vegetables and an extensive range of commodities. We are working closely with the

Ministry of Southern Development and the Government of Sri Lanka to boost the export of these products. We are already exporting about \$5 million worth of fruits, vegetables and commodities, which could increase to \$10 million by the end of the first year," says Yusufali.

The quantum of exports is set to rise from the current 3,500 tonnes to 7000 tonnes.

Currently, Lulu Group operates 134 hypermarkets in 10 countries in the GCC, Egypt, India and the Far East and employs over 40,000 people. Last year, the group recorded an annual turnover of \$6.9 billion and ranked as the number one retailer in the Middle East & North Africa region and one of the top 50 fastest growing retailers in the world, according to Deloitte.

Patchi to build new facility at Dubai Industrial Park

Luxury chocolate brand Patchi has announced the ground-breaking for its new chocolate manufacturing facility at Dubai Industrial Park.

The 122,000 sqft factory, designed to become the largest facility, will also host Patchi's headquarters to complement the company's ongoing growth and business in the region and across the world.

The ground-breaking ceremony drew the presence of Saud Abu Al Al-Shawareb, COO, Dubai Industrial Park; Abdulla Belhou, CEO, Dubai Wholesale City; and Oussama Choucair, CEO, Patchi UAE.

"Patchi's decision to build its new headquarters at Dubai Industrial Park is timely and will serve as its springboard for the Middle East market



Saud Abu Al Al-Shawareb, Abdulla Belhou, Oussama Choucair and others

and beyond. The brand's presence signals the status of Dubai Industrial Park as an ideal destination for manufacturers," says Al-Shawareb.

"We are so proud to have chosen Dubai and the UAE to build Patchi's largest and

most innovative factory in the world. The new manufacturing plant will be one-of-its-kind with so many exclusive offerings aligned with the UAE Vision 2021, which would be revealed at the opening that has been sched-

uled 18 months from now. On this occasion, I thank Hussein Koleilat, managing partner of Buildmark Contracting, for implementing innovative design concepts to ensure the functionality of the project," states Choucair.

Dubai and Doha are top five markets for new entrants

Commercial real estate services firm CBRE released the latest edition (2017) of its 'How global is the business of retail' report in May this year. The report reveals that cross border retailers were focusing more on tried and tested locations for expansion in 2016. The report examined 51 countries and 166 global cities to provide a comprehensive view of the markets that international retailers entered for the first time. **RetailME** brings highlights from the tenth edition of the report, beginning with a focus on Dubai and Doha

Dubai ranked third most attractive markets for new entrants, welcoming 59 new brands in 2016, according to the report. While, Doha jumped six places in the new entrants' ranking, with 58 new brands establishing themselves in 2016 compared with 29 in 2015.

Among Dubai's new entrants 32% were specialist retailers, many of which were athletic-leisure brands such as Under Armour, Jordan, New Balance and GapFit. These fashion-infused sportswear retailers are targeting the young working population of the emirate.

Doha has transformed its retail market in the past few years with the development of many large-scale malls offering more extensive retail and leisure facilities. It has led to widespread demand from retailers for these centres that provide a unique experience and embrace place-making principles.



Dubai once again emerges a preferred market

Dubai also retained the second position for international retailer representation for the sixth consecutive year, closely behind London, which retained the number one position. With high occupancy levels in the main retail hubs and many malls approaching full capacity,

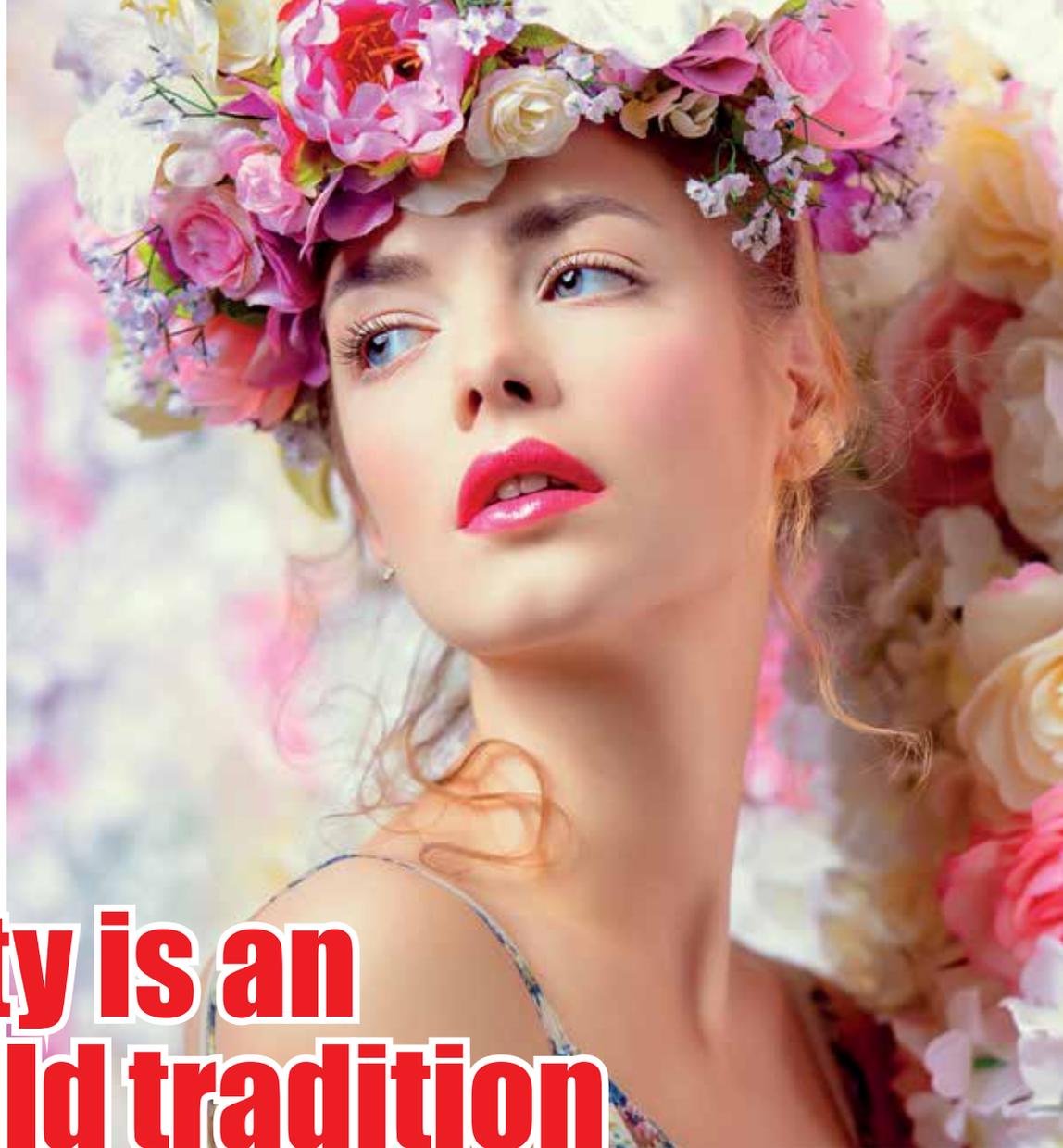
Dubai's overall retail sector remained resilient in 2016. "Dubai's global air connectivity and its stature as a hub for trade between the east and west has clearly given an added impetus to the retail sector. Dubai continues to remain the clear destination of choice for the majority of brands

looking to enter the region, frequently using the emirate as a stepping stone to wider regional expansion programmes," says Nick Maclean, managing director, CBRE Middle East.

"Despite regional economic challenges, Dubai remains a preferred market for leading international and regional retailers that can provide plenty of incentives and growth opportunities. Dubai's fast-growing

The Middle East has a strong culture of socialising – be it over meals, shopping, getting a haircut, beard trim or over a relaxed spa session. This social culture dates back to centuries from the time of the *hammams* or public baths. Today some of these age-old traditions are seeing revival. *Hammams* are now exclusive features in high-end hotels, so much so that today many international brands, like Rituals Cosmetics, take inspiration from this ancient tradition to develop one of its product lines.

The region also loves fragrances. Arabs are known for their preference of fragrances that leave a trail, quite like *oud* and *attar* from the olden days. No wonder, *oud* has been gaining more and more prominence in



Beauty is an age-old tradition

recent years as an essential ingredient in developing perfumes catering to the Middle Eastern taste. So much so that alongside the home-grown perfumers – like Abdul Samad Al Qurashi, Ajmal Perfumes or Arabian Oud – even international brands like Gucci and L'Occitane develop their *oud* range to meet regional consumer demand.

Further, there is a steady rise in the number of fragrance galleries – such as Plethora, Amouage and more recently Ghawali – offering a range of niche perfumes. Department stores like Sephora, Areej, Paris Gallery and Wojooh are doing brisk business offering the whole range of beauty, personal

care and fragrance lines.

The Levant region is reputed for its art of soap-making using natural ingredients like olive oil and other essential oils. Today several home-grown brands like The Camel Soap Factory as well as international names like LUSH Cosmetics and Le Soie are taking this tradition forward.

The regional beauty market is undoubtedly thriving and seems to be challenge-proof. What's more interesting is the kind of trends that the industry is throwing up, making the space more dynamic and exciting. One such trend is the rise in the number of home-grown brands that are successfully rubbing shoulders with

the international names. Bahrain-based Green Bar and Dubai-based Shiffa are some great examples.

These days' consumers are far more conscious about what they put into their stomach. They screen through ingredients, nutrient composition as well as the ethical standing of products they consume. This trend is now becoming increasingly visible in cosmetics and personal care too, giving rise to natural, ethical and free-from brands leading to the rise of brands like The Organic Pharmacy, The Body Shop and Nuxe to name a few.

Besides fragrances and skincare products, the region also sees strong demand for

colour cosmetics. Adding spunk through colours has always been cool in the Middle East. It has become even more sophisticated with companies like Pantone coming up with colour trends for every season. No wonder Polish brand Inglot has a huge fan following in the Middle East.

Along with the much-loved brands are the new entrants like Italian KIKO Milano causing a rage with its colour cosmetics and Rituals Cosmetics propagating the culture of slowing down and enjoying a little therapy daily. After all, one must enjoy a shower, a cup of tea or just staring out of the window to gaze at the beautiful sunrise or sunset.

New rules define the future of entertainment

Last year Dubai and the Middle East saw its first two theme parks in IMG Worlds of Adventure and Dubai Parks and Resorts, while destinations like Global Village, Ski Dubai and Dubai Dolphinarium continued evolving. These theme parks and other variants of amusement concepts aside, now Dubai is also home to the Dubai Opera.

The UAE capital has taken pride in Ferrari World Abu Dhabi, a highly attractive destination on Yas Island that continues to pull visitors, while many more concepts are scheduled to come – such as Warner Bros Abu Dhabi in 2018 followed by SeaWorld in 2022.

Qatar is home to the world's first Angry Birds World concept, Saudi Arabia is firmly focusing on its 2030 vision that aims to create leisure and entertainment facilities comparable to London and New York. In Oman work is underway to develop some unique retail-cum-leisure destinations. Bahrain and Kuwait are not far behind. As a whole, the region is growing. Considering the growth prospects of the Arabian leisure and entertainment market, the third edition of the Theme Parks & Entertainment Development Forum Middle East organised by IQPC – which took place from May 9-11 at Meydan Hotel – saw many discussions on what will drive growth of this already vibrant industry, **RetailME** reports

Content must be creative and original

Some of the recurring themes in the leisure and entertainment industry are: thinking out-of-the-box; being original; and being agile to adapt to changing market dynamics quickly, opines Gary Goddard, founder & CEO, The Goddard Group – a US-based themed entertainment integrator.

“The need of the hour is to create original concepts. The way for Dubai, or any other country/city in the Middle East, to succeed is not by recreating what Disney or Universal Studios have already done. The way forward is original thinking. The world's first Bollywood Parks comes up as a surprise hit within the Dubai Parks and Resorts. That's not surprising at all – its new, its different and its original,” he avers.

Indeed people are expecting different kinds of entertainment.



Gary Goddard

“You have to be on top of the game; originality is the key. Disney's most popular attractions are not based on movies. They are original content.”



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