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ACCESS TO THE WORLD'S BEST

EXCLUSIVE
Patrick Chalhoub

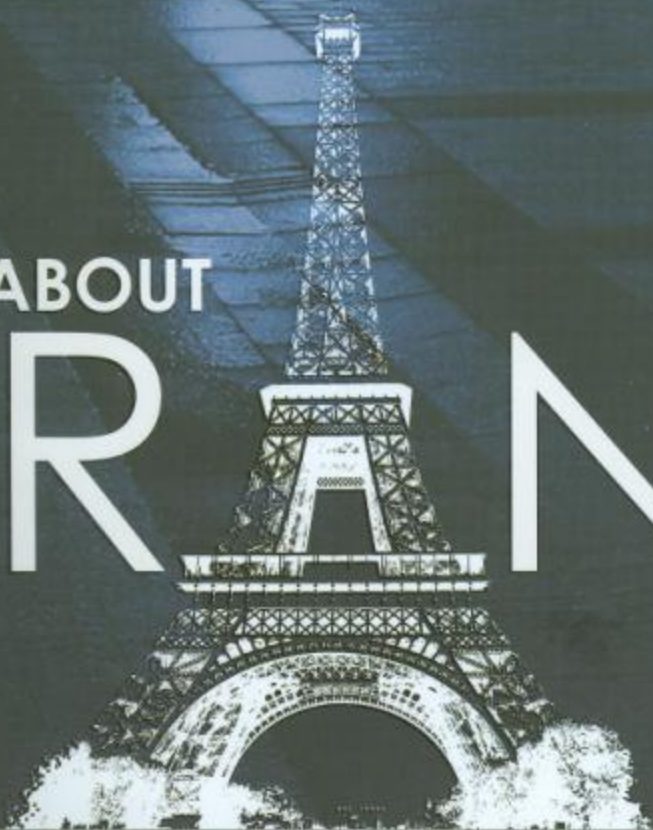
FRENCH ART
Abu Dhabi Louvre

PHOTSHOOT
A Day of Glamour &
Style with Dior

TRAVEL
Oh La La France

ALL ABOUT

FRANCE



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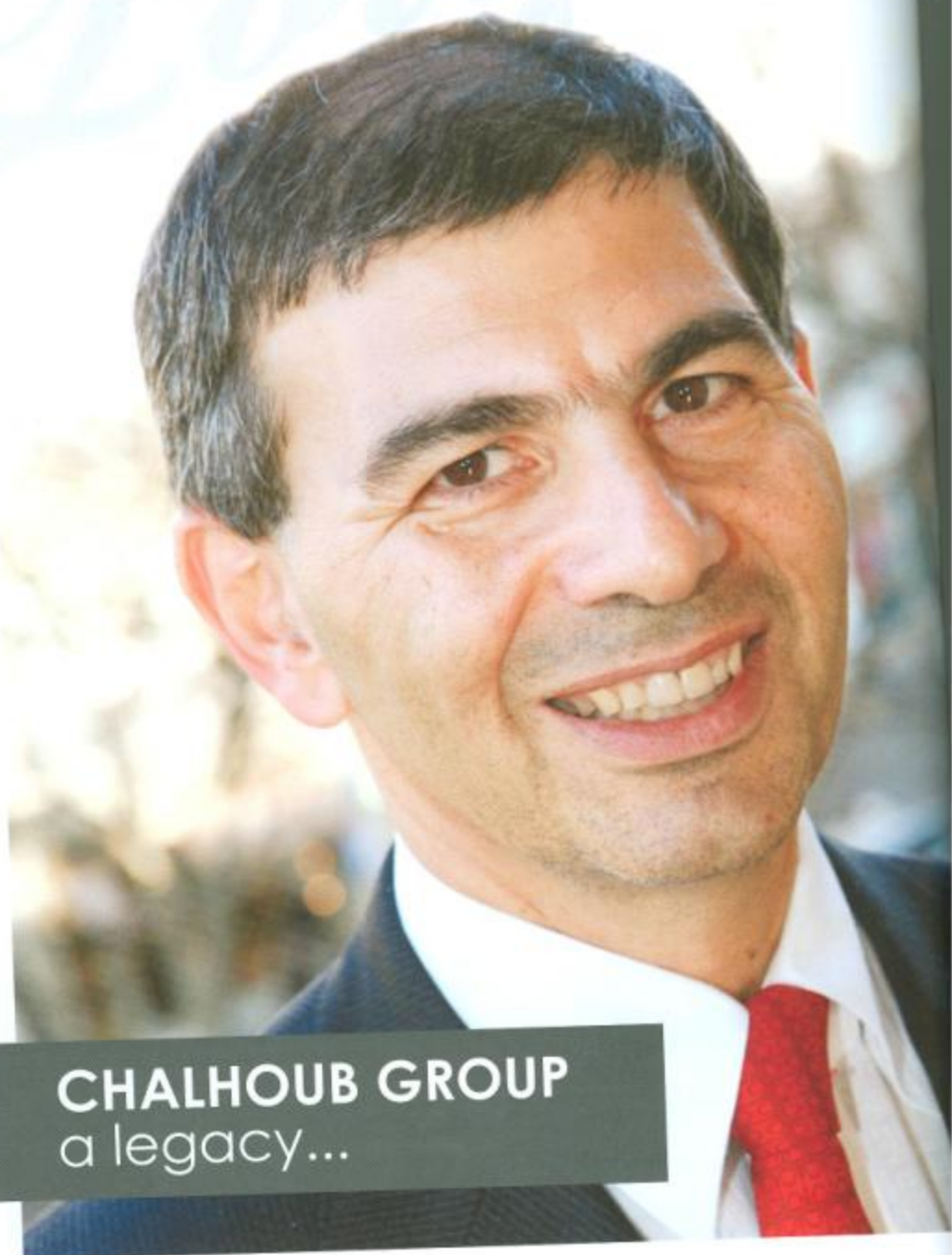
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CHALHOUB GROUP a legacy...

MR. PATRICK CHALHOUB, the Co-CEO of Chalhoub group, shared with Adam & Eve the group's story of success, building cultural bridges and consolidation plans.

Adam&Eve (A&E): Can you share with us the milestones that led to the formation of the Chalhoub group that we know today?

Mr. Patrick Chalhoub (PC): The adventure began in 1955 when my father Michel Chalhoub together with my mother Widad, opened their first Christoffe boutique in Damascus. My father quickly realized the importance of oil and the growing potential of the region. Having already formed a bond with France, the idea to create a luxury hub that would link the East with the West dawned on him. His travels across the Middle East region allowed him to understand the requirements and mentalities of these flourishing countries and were instrumental in preparing him to become a natural ambassador of the French luxury lifestyle. It was therefore instinctive for Christoffe, Jean Patou & Baccarat to grant him the rights to represent their products throughout the region, since 1962. The Chalhoub Group was born. From then on it would represent the finest luxury brands in the Middle East and become a group of major influence. In 1965, the group expands its business in Lebanon, sets up in Kuwait and the Gulf. In 1975, Anthony Chalhoub, my older brother, joined the group. 1980 witnesses the opening of the first "Tanagra", concept store devoted to major lifestyle brands, as well as perfume, jewelry and fashion accessories, in Kuwait. 14 more "Tanagra" will follow. A partnership with Louis Vuitton is signed in 1983. In 1991, the Chalhoub Group establishes offices in Dubai and forms a 12-year partnership with L'Oréal for the regional distribution of its products. "Faces", a concept for beauty brands, opens its doors in Bahrain in 1996 and becomes a regional chain with over 70 sales outlets. Over the coming 10 years, joint-ventures are created with Puig, Coty-Lancaster, Sephora, Parfums Christian Dior and an alliance with Saks Fifth Avenue. 2007 marks the opening of the "Chalhoub Retail Academy"



in Dubai and regional association with the Havas Group. 2008 sees the opening of 90 shops and the inauguration in Kuwait and Dubai of two brand new "Scarpe" store, the Chalhoub Group's latest retail concept for luxury footwear.

(A&E): how do you think that market changed since 1955? In terms of needs, habits and lifestyle?

(PC): In the 50's and 60's, luxury was more of an individual experience. The Middle East was a virgin market for luxury, where importer's showrooms and souks were targeting clients directly. Consumers were relatively unknowledgeable access to luxury was limited by what was available in the market and their shopping experience was basic.

From the 80's, distribution extended into retail and the region recorded new mall developments, first in Kuwait and then in Dubai. Brands found that they had greater opportunities in the Middle East and were able to enjoy a higher market penetration. Luxury became a symbol of social status

and entered a phase of bling-bling.

The 90's and 2000's saw the market growing and the entry of regional players from Qatar, Kuwait and Lebanon. We had been regional since the beginning in 1955. The retail environment improved greatly, also in parallel with the real estate boom. Brands started viewing the region more strategically, as a way to develop their brand value, than as an opportunity. With selection and brand awareness rising, consumers became more selective. Luxury is then defined as a personal pleasure.

Today (2009), there is an increased sophistication in the marketing, forcing an environment that is supportive of creativity. Brands are looking at the region not only as strategic but as critical to their strategy, we witness the entry of more and more brands. The consumer today is extremely well aware and educated, and luxury is a way of life. In Dubai, due to a fall in tourism levels, but also due to the change of consuming patterns, our customers changed. >





We also witness a lower entry basket for luxury spending. While very expensive items like jewelry are more affected, lower budget luxury items, including cosmetics, remain very strong. We also witness that 'fast fashion' items lose popularity at the advantage of 'classic' items by renowned brands. Our customers are still shopping, but looking to get more value out of their acquisitions. We adapt our offer to this by stocking the right items at the right shops. Instead of stocking very ostentatious items that used to please a tourist audience coming to Dubai for a shopping spree, we make sure to stock the 'classic' brand items that will please locals and GCC residents.

(A&E): what are the brands that have an emotional value in your memory?

(PC): As brand builders, we have a special relationship with ALL the brands we partnered with in the region in order to develop and raise their awareness. We introduced a lot of new brands in the Middle East, which, a few years down the line, have become a 'must have', like Tumi or L'Occitane to name only a few. Also, our family is still very close to the very first French brands we started distributing in the region in 1955, like Christoffe or Baccarat.

(A&E): Chalhoub group represents in more than 14 countries many of the world's leading French luxury brands, how hard was it to be able to manage the distribution of each brand and give it the proper share of attention equally among all other brands?

(PC): We have dedicated teams for each of our brands and specific companies and partners in each of our countries (Allied in the UAE). We share a knowledge of the market and support services across the group (IT, HR, Logistics, Advertising, Design). Such a structure breaks down each brand's strategy into projects and tasks that are much easier to manage. We also keep our investments high in our personnel training and education, as well as on

marketing initiatives. Remaining ahead of the consumer trends and at the cusp of an increasingly competitive environment is key for us. Recruiting, training, motivating and retaining the right people is at the heart of meeting this challenge.

(A&E): what do you think are the pillars to success in the retail business world?

(PC): The retail scene developed tremendously over the last ten years, not only due to the exponential real estate and mall development. Locals who used to shop abroad, in Europe mostly, now shop again in their home countries. In retail it is therefore critical to:

- make the right investment by choosing the perfect location and having the courage to adapt if the market requires it.

- We also need to continuously perfect the knowledge of local customers, their needs and attitudes, to better answer them, through our CRM activities and our Business Intelligence initiatives.

- create value for our customers. In this economic downturn, only the brands that have created true brand equity and forged a strong bond with the consumer will survive. Today more than ever, connecting with consumers and playing on their emotions while personalizing the brand to them is key. If the brand values resonate with them, and inspire them, they can justify spending on these brands.

- offer excellent customer service in all our shops. We guarantee this through our unique initiative in the region, the "Chalhoub Retail Academy". It aims to inspire "excellence in retail" by offering an internationally recognized customer service certification to our team of retail ambassadors. The program is recognized by an accredited English educational organization, Edexcel, and allows our personnel to discover all the aspects of the sales technique: customer service is a key part of the program, also containing Point of sale, inventory control, merchandising and health and safety chapters.

(A&E): can you tell us more about the relation between France and your group today?

(PC): Since the start of the group, my parents' dreams laid in bringing together the culture and tastes of the East and the West. In the 50's and 60's, they opened several bookstores and published French school books in Syria and Lebanon, especially with the hopes of reviving the French language in those countries. In 1966, they took part in the first French exhibition in Kuwait.

Today, our group enjoys close ties with Sciences Po Paris, a leading post-secondary educational institution, through their Menton site for students coming from the Middle East and North Africa.

We support numerous projects that promote French schools, language and cultural activities. For 4 years I was the President of the French Business Council in Dubai and contributed to its restructuring.

My brother Anthony took an active part in the "France in Kuwait" exhibitions of 1991, 1994, 1996 and 2004. On three occasions Anthony has successfully presented French submissions and was awarded the contract for the fixtures and fittings of palaces in the Emirates. Founder of the CFK (Kuwait's Francophone Circle) and a patron of heritage and culture, Anthony supports two French archeological missions in the region, cooperating with the French and Kuwaiti governments: the Jean-François Salles mission on Kuwait's Failak island and the Luc Bachelot dig in Northern Syria, whose finds - Aramaic tablets, lost and forgotten monasteries - have been a fitting reward.

(A&E): Chalhoub group sponsors today the laboratory of Sciences-Po Paris in Menton, please tell us more about the nature of this sponsorship? Any other programs?

(PC): The Chalhoub Group sponsors the French language laboratory at Menton and

welcomes students for internships' of up to 9 months at the company's offices across the Middle East. Through this agreement, almost 90% of our trainees come from France today, and are a great testimony to our objective of assuring the promotion and development of French language and culture in the Middle East by creating ties with educational institutions and universities in the region.

Through partnerships with renowned educational institutions such as Sciences Po in France, Polimoda in Italy, La Sorbonne in Abu Dhabi and the American University of Sharjah, the group support scholarships, language training, internships and educational programs both in the region and internationally. Last but not least, we also support the education of our employee's children.

(A&E): How do you see the current situation with respect to the crisis, any interpretation ?

(PC): The Middle East will no longer show unrivalled levels of growth, at least in the short term. We must concentrate less on development, and more on working in depth, add value to our consumers, customers, suppliers, brands, partners; and to our employees, optimize, consolidate, rationalize, and making sure we deliver excellence in everything we do.

In general, we witness a marginal growth on average across the UAE. If we consider all our shops including our new openings of 2008 and 2009 (for the most located at the Dubai mall) or an average of 10% decline on a like-to-like basis (considering only the shops that were opened prior to 2008), but again, this needs to be put in perspective:

It is a return to 'normal levels of consumption' compared to the exponential growth we recorded over the last few years. Results vary as well from country to country whereby shops in Abu Dhabi or KSA are still enjoying a double digit growth. These figures are encouraging compared to the stronger decline seen globally.

Last but not least, this decline varies depending on each mall. As Mall of the Emirates stays the premier shopping destination for Dubai, our shops in MOE still record growth, especially some of our labels that are popular with local and GCC residents, like Carolina Herrera for example. We also have encouraging results at our shops in Dubai mall. We also witness a general 'waiting' attitude, across all social

groups, as customers would rather wait for discounts than indulge on their slightest wants and needs. These customers have been attracted by some of the very high discounts (up to 80% off) offered by some of luxury retailers this year. This short term profit approach has never been ours as it damages the perception of luxury in the long run.

(A&E): they say for every recession there's a strong re-bounce, do you agree on that?

(PC): We remain more than confident for the future of the region and the luxury sector and committed to it.

We believe that it is how a group deals with the more difficult times, as well as the growth periods, which defines its long-term solidity. We know that, with mutual help and support, we can ensure that our brands, our group and our stakeholders will come out of this turbulent period reinforced and stronger than ever before.

(A&E): you were the president of the French Business council for 4 years, what did it add to you and what did you add to this council?

(PC): I actively contributed to its restructuring, which was a great challenge as well as achievement for me.

(A&E): how does it feel to have 5000 people in your team that you are counted responsible for?

(PC): It feels very exciting actually, and I enjoy spending a lot of time meeting and motivating our teams. Indeed, I am keen to preserve the family values that have inspired the constitution of the business. Our 3 key values are respect, entrepreneurial spirit and a commitment to excellence. I remain very enthusiastic about the motivation and the training of our teams as well as our responsibility to the community and society at large, through our Corporate Social Responsibility program, named Chalhoub IMPACT, and its focus on education, arts & culture and environmental sustainability.

(A&E): what do you think makes a successful leader?

(PC): I am not sure about being a successful leader in general, but I believe that following our 3 values has been key to our success until today. Always aiming for excellence, having a vision, being innovative and showing respect & perseverance with partners, suppliers, customers and our community in general led us to become today a major

regional Group for luxury brands in the Middle East.

(A&E): what is the Group's expansion plan for next year, any news you can share with us?

(PC): Our initiatives mainly focus on consolidating rather than expanding, by:
- Knowing our customers and their needs and attitudes even better to answer them through CRM activities and dedicate customer service. Customer service is more than ever the key to success, as the retail footprint across the region is lower than used to be. From a marketing point of view keeping our investments at the same level than prior to the slowdown. Having said this, we also aim to get the highest value out of each investment.

- Create value for our customers, offering them a true 'shopping experience'. We recently developed our new 'Faces' store concept emphasizing on offering a beautiful journey to our consumer rather than mere selling products. The best illustrations are the upgrade of the beauty room to offer the consumer the opportunity for a few minutes to escape and try products in a unique and relaxing spa-like environment, or the central make up stage, at the heart of our store in Dubai Mall, enabling customers to travel directly into the heart of the brand display and fully experience its world whether it themselves or with the assistance of a highly trained makeup artist.

(A&E): when we say Chalhoub group, we understand that it's all about France, are there any major affiliations with other international brands out of France?

(PC): Actually, we aim to build a bridge between Western brands and Oriental culture, so we not only distribute and retail French but also Spanish (through our Joli venture with Puig), Italian (we recently worked on the first DSquared2 boutique opening in the Middle East), American (Ralph Lauren) or even Japanese brands (Kose) today. We partner with international brands when we see a demand for these in the market and believe these will answer local customers' needs.

(A&E): this issue is themed as (It's all about France), what are major points you can share with us that you learned from the French culture or even the French business?

(PC): We share with our French partners taste of refinement, and a commitment to excellence. ☺

