

« Luxury in the Middle East »

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Speakers:

Ms. Laurence Louër — Research Fellow at Sciences-Po - Specialist of the Middle East
Mr. Rémy Oudghiri —Trends and Prospective Department Director - Ipsos
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I / "Saudi Arabia and the Gulf countries: a diversity of situations"

Ms. Laurence Louër – Research fellow at Sciences-Po - Specialist of the Middle East

First, Laurence Louër recalled that Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates, Qatar and Oman have been together in the Gulf Cooperation Council (GCC) since 1981. In the beginning, it was a security pact established in the context of the war between Iran and Irak, now seeking to become a monetary and free-trade union, after the European Union model. She then organized her presentation around the points of similarity and points of divergence between these countries:

A/ Common points

1 – Dependence on hydrocarbons

Generally speaking, all these political regimes are very dependent on hydrocarbons, oil and gas, which explains why they are seen as "rentier states".

They are rentiers on two counts which it is important to distinguish. They are fully so in an economic sense because in most cases, the hydrocarbon sector is a major contributor to the structure of their GDP. There are some exceptions, such as Bahrain, whose economy is the most diversified: according to official figures (to be used with caution) the hydrocarbon sector accounts for only 13% of the GDP.

The second meaning of "rentier state" is that, even if the economy is relatively diversified, the state's resources come almost exclusively from the oil and gas rent: in the case of Bahrain, around 85% of the state's budget is covered by income from the oil rent.

2- Dynastic monarchies

The second common point is that these are dynastic monarchies. In the jargon of political scientists, dynastic monarchy differs from absolute monarchy. This is counter-intuitive as the general impression is that of very authoritarian states in which power is very concentrated in the hands of the rulers, in fact, this is not the case at all, to the exception of Oman. Oman is the only absolute monarchy where power is concentrated in the hands of the sultan, Qabus Ibn Saïd. Elsewhere, we talk about dynastic monarchies, i.e. power is distributed rather widely among the ruling families, as a consequence, the king –or the emir-, must consult the family's important princes and take their advice all the time. Thus, the adelphic succession system prevails: this means that power is not automatically handed down from the father to the eldest son. This mode of succession has been set up in Bahrain only and for a few years now, also in Qatar, and this helps stabilize the succession process, but elsewhere, the "strong man" seizes power. When a sovereign comes to power, he appoints a crown prince within the next few days. Competition is thus extremely fierce during the reign to control the position of crown prince. This accounts for the existence of a very strong intra-dynastic factionalism which can stymie the decision-making process.

Two countries indeed aptly illustrate this difficulty today: Saudi Arabia and Kuwait, with, in both cases, an obvious gerontocratic drift. In Saudi Arabia, succession today is limited to Abdelaziz, the son of the king who founded the kingdom in 1932. Power transfer to the generation of grandsons might further complicate the situation as pretenders to the throne will be more numerous among them.

3- Distributor States

The third major common characteristic of these States is that they are distributor States. In political science, the concept of a distributor State is different from the concept of a redistributing State. Redistributing States are classical Welfare States such as they are known in the West: they extract taxes from society to redistribute them afterward. Distributing States are States which distribute wealth they have not first extracted from society. Thus, in these countries, income from the oil and gas rent flow directly into the coffers of the State which then distributes it to the citizens. There is no such thing as income tax, and corporate taxes are either non-existent or very low. The institutions responsible for collecting taxes which are so important in our societies withered away in the Gulf monarchies from the seventies onward, a key period for the region, i.e. during the oil crisis, which corresponds to the period locally referred to as the oil boom. The notion of distributing State is very important: it implies that there is a social pact between the State and society, a distribution pact which is the base of legitimacy. This social legitimacy is much more important than religious legitimacy. This is true, including in Saudi Arabia, where the population is more interested in the possibility of obtaining housing, public employment, social security, free education and health than in whether the regime truly abides by the principles of Islam which it proclaims to be the champion of.

Before WWII and then up to the fifties, there were protest movements within the oil industry's working class. Protesters were namely asking for wage increases, better working conditions as well as preference to the citizens for recruitments in the oil industry where expatriates are always very numerous. Thus, one of the basic principles for the distribution of the windfalls of the oil manna was control of the protest, with a key element: public employment. The massive development of public employment fostered the emergence of a very large middle class, very eager to consume, and this is of direct interest to luxury companies.

Gulf monarchies can indeed be seen as consumption societies in the same way as Western societies, which is absolutely not the case for other societies in the Middle East. The shopping malls which started in the nineties and are now multiplying are essential places for socializing in these countries, both for the expatriates and for the nationals, especially for women. In the framework of the distribution pact, women had access to public jobs and, today, more and more, to private employment. In this regard, many national employers are developing a message to support the notion that women are better than national men at work, that they have better work ethics, demonstrate more loyalty, more seriousness. Thus, women are encouraged to work, and this is true, including in Saudi Arabia. This is one of the ways women can achieve empowerment and it also reinforces this consumption society to the extent that the rule, the established interpretation of Islam in these countries, clearly states that women do not have to give the money they earn to their husband, nor use it for domestic expenses. The husband bears the burden of family responsibility and the money women make is for them to freely spend as they wish, a positive factor for luxury. Moreover, there are policies today for giving jobs to nationals, that is to say, there is an attempt to try and replace expatriates with nationals, namely in the private sector. A third aspect of distribution is the pact drawn between the merchant elites and the ruling dynasties. In each of these countries, there is a class of merchants who used to live essentially on commerce and import-export trades before the oil rent. These classes were and sometimes, to a certain extent, remain a milieu from which major figures of political protest have emerged. It was therefore important for these ruling dynasties to include them in the distribution pact. There are close ties today between the merchant oligarchy in control of the private sector and the ruling dynasties. The great merchant families have been included in the distribution pact by means of major contracts. The building sector has largely been the driving factor for growth, namely since the 3rd oil boom or oil crisis of the years 2000.

4- Segmentation between nationals and expatriates

The fourth common characteristic of these countries is the segmentation between nationals and expatriates, a segmentation at all levels. The three countries with a very large proportion of foreign population are the three countries with the highest per capita wealth: Qatar, the Emirates, Kuwait. The influx of foreign workforce occurred with the discovery of oil which required a qualified workforce not locally available. Segmentation of the work market was initially a mechanism put in place in the seventies during the oil boom, to protect the nationals against competition from expatriates on the job market, while expatriates, and this is still largely the case today, had better training, namely in the oil industry. This segmentation is thus a way of separating nationals and foreigners so that they would not have to compete for the same jobs. Little by little, the lines rigidified, entailing many perverse effects. In 2008, in the United Arab Emirates, there were 81% expatriates. Today, some evoke the figure of 85% or even 95% of foreigners in the Dubai emirate whose economy is very diversified. These figures are scary, because they raise the question of how a country where a vast majority of the population is made up of aliens, without for that matter, having an integration process in place, can remain stable. Indeed, the perspective of becoming a citizen is extremely limited in these countries, because of that essential nature of a distributor State typical of the Gulf monarchies. There is a very strong opposition on the part of national populations against the perspective of turning part of the foreigners into citizens for fear of seeing their privileges cropped away by the access of new populations to the same rights. For example, there is a still relatively important Palestinian diaspora, even though its numbers dropped drastically after the 1st Gulf war. They have been established in the region for a long time and the question of their naturalization is an open issue.

5 – The absence of a regional military power

Another common point between these countries is that even though they have very high military expenses, namely since 2011 and the Arab Springs, they are not military powers themselves. In fact, their external security is largely delegated to some Western powers, namely the United States, even if they have been trying for several years to diversify their security partnerships. The main threat for these countries today is Iran. It used to be Irak. Threats thus come from the regional military powers, but for some countries, the threats are also internal to the GCC: Qatar fears Saudi Arabia more than Iran, which explains why Qatari diplomacy is rather original as it almost always systematically takes the opposite stance from Saudi policy. This is a way of differentiating itself from the Saudi big brother. The example of Qatar is rather typical.

6- Uniformity of national costumes

Uniformity is also visible in the national costumes: all men in white, all women in black. It's the same in all countries, with slight variations. Men in Oman have a somewhat peculiar headdress, Emirati men wear a white robe with a sort of distinctive sign, Saudi men tend to wear robes with shirt collars... but generally speaking, beyond these variations, there is still a desire to stress the cultural uniformity of this region because these costumes are relatively recent.

B/ Differences

Under a relatively uniform appearance, quite important differences do exist between these countries.

1 – Religious diversity

Sunni Islam is the religious mainstream, but there are strong Chiite minorities which are sometimes majorities, such as in Bahrain for instance, where 60% of the population today is Chiite, even though the ruling dynasty is Sunni and this fosters quite a lot of political tensions. Wahabism is the official ideology of Saudi Arabia: it is an ultra-orthodox current of Sunni Islam, particularly conservative and which insists on the idea of a unique God. There are also relatively liberal societies with regard to moral standards and social behaviors such as Bahrain and Oman for instance. Oman is mostly Ibadite: Ibadism is another branch of Islam, a very small minority.

2- Political organization

In some monarchies which could be seen as participatory minorities, such as Kuwait or Bahrain, there are parliaments whose

members are elected by universal suffrage, with men and women voters (since 2002 in Bahrain and 2005 in Kuwait). There are different political parties. Parliament has the power to pass laws just as the ruler does. Kuwait and Bahrain thus have very active political fields.

3- The existence of a political opposition

There can be very well organized political opposition groups: this is the case in Saudi Arabia where there is no Parliament, no legal political party, and no unions. Nevertheless, very well organized political movements do exist, sometimes in exile, but which contribute to keeping a debate alive on major political, economic and social orientations in these countries. Who are these opponents? Historically, they used to be Arab nationalists, today, that movement as such has been discredited and the opposition is ruled by Sunni or Shiite political movements (this is the case in Bahrain). For historical reasons, the Muslim Brotherhood is a well-represented political movement. In the era of the Cold War, Iraq, Syria, Nasser's Egypt were part of the Soviet camp while other countries such as Saudi Arabia and the Gulf countries sided with the West. Back then, being opposed to Egypt, Saudi Arabia welcomed the Muslim Brotherhood, Nasser's notorious opponents. The Muslim Brothers set up the country's bureaucratic, religious and educational infrastructure. They are very well settled in the education sector. Clearly a mutation has led the Muslim Brothers into a movement called Sahwa, meaning Islamic awakening. It is a kind of mix between the Muslim Brothers' very activist and modernist ideology and the very conservative Wahabism. This explains some orientations of the foreign policy of these States, even though the Muslims Brothers have been considered a potential threat since 2011: if they become too powerful outside, it could backlash, thus the Muslim Brothers now face relatively tough repression in Saudi Arabia and in the United Arab Emirates. This is not the case in Bahrain where they are seen as allies to the monarchy against Shiite Islamists. Political situations are therefore diverse, complex and moving.

4 – Mass unemployment

The last point of distinction is between the countries who have a very high per capita income and those whose per capita wealth is a little bit lower: this has a direct impact on the distributor social model. Starting in the nineties, the countries with the lesser per capita income (Saudi Arabia, Bahrain, Oman) had to face very high unemployment rates.

In Bahrain, the unemployment rate was 18.5% of the work force in 2004 and it is said to have dropped to 4.7% today, but nobody really believes this official figure. Even the Emirates are impacted with a 15% unemployment rate according to the estimated figures supplied to Laurence Louër by the Ministry of Labor in the spring of 2014.

Thus, the problem is that of mass unemployment, due to several factors. First a baby boom which now results in more numerous generations storming the job market, with an already excessive bureaucracy unable to absorb all the newcomers (not to mention the fact that public jobs are just a form of masked unemployment), and societal transformations such as women's access to the labor market. As a consequence, the conservative family model on which the employment policy and the social pact were generally based is less and less valid. It must be noted that the majority of unemployed workers are women.

All this explains why unemployment today has become the main issue for public policies in the Gulf monarchies, an issue which has become all the more urgent to address since 2011. It is sometimes said that the Gulf monarchies have not been affected by protests. This is not true: there was an uprising in Bahrain in 2011, demonstrations unheard of in the country's history in Oman, and, the same year, there was the assault on the Parliament in Kuwait. The driving forces behind these protest movements were the unemployed and the nationals working in the private sector for very low wages. Thus, there were reforms of the employment policies, for instance with the creation of an unemployment insurance system in Saudi Arabia in 2011. These protests also had an impact on migration policies, which are more restrictive today. Conditions for domestic and foreign companies' recruitments of expatriates are much more stringent than ever before. Nationalizing jobs is the motto, especially in the private sector as the public sector is already largely nationalised. Actually, among the most affected countries, Bahrain has demonstrated a certain sense of innovation through the launch of a slew of reforms. Saudi Arabia has also launched a few reforms, but much less innovative. Qatar was the last country to start reflecting on this.

Laurence Louër concluded by highlighting that in her opinion, the main challenge that these countries must stand up to in order to avoid political instability is not so much the challenge of the regional situation beyond their borders than the preservation of the social pact as it was set up in the seventies and which has been shaken for a few years now by the rise of mass unemployment.

II / Is there an Arab vision of Luxury?

Mr. **Rémy Oudghiri** – Trends and Prospective Department Director - Ipsos

Rémy Oudghiri's presentation aims to describe the perception of luxury in this region of the world. It uses data from the World Luxury Tracking, an international observatory which has been covering research on luxury customers in 15 countries since 2007. This data will help understand if there is an Arab vision of luxury by comparing results from the Middle Eastern wave to those of other cultures in Asia, Latin America, in Europe and in North America. The wave devoted to the Middle East covered two countries: Saudi Arabia and the United Arab Emirates.

About the WLT

Objectives: to monitor luxury indicators over time

This observatory describes in depth the expectations and the ways people perceive luxury, how they define it, what they are expecting from luxury brands, what they see as luxury, where they purchase luxury goods, what influences their choices, what their sources of information are, etc. Specific sections propose analyses focused on the different luxury segments represented by beauty, jewelry, timepieces, fashion, accessories, etc...

A reminder on the methodology

Target: with regard to Saudi Arabia, the data was collected from the 10% wealthiest populations, i.e. middle and upper classes. The panel is a bit wider in the Emirates which are richer: respondents came from the 20% wealthiest. As opposed to most countries where the questionnaires are administered on-line, the research in the Middle East was performed through one-to-one interviews. Most respondents were recruited in major shopping malls, places widely frequented by the population studied by the observatory.

With women, an appointment was made in the shopping malls prior to conducting 30 to 45-minute interviews in their homes. The research focused on Arab populations (including nationals and Arab expatriates). The research studied 800 people in Saudi Arabia and 1000 people in the Emirates, on a population younger than in mature countries. Respondents were aged between 21 and 55.

1- Middle Eastern customers are luxury fans

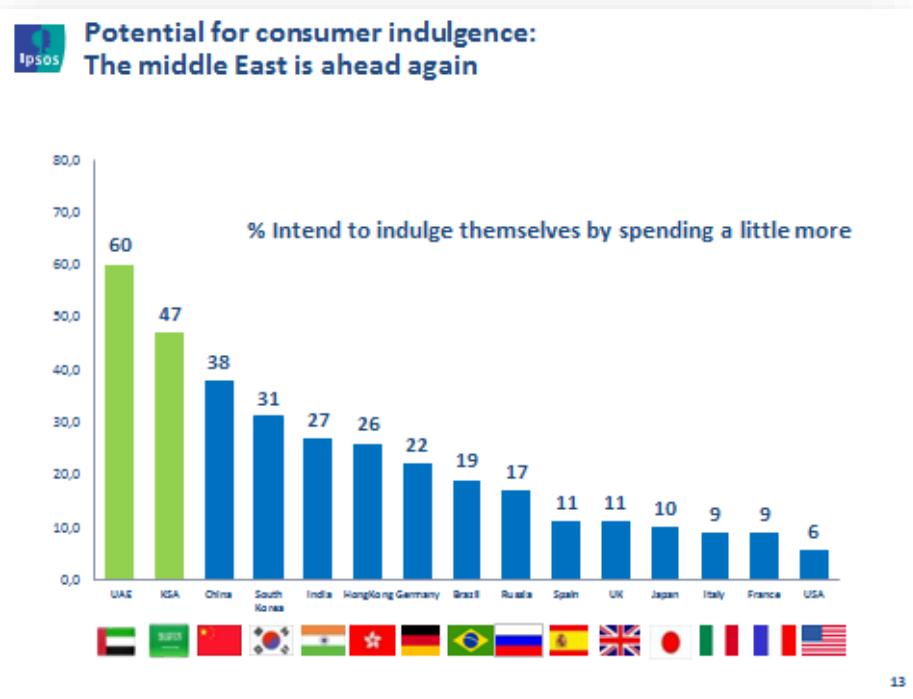
Appreciation of luxury: the Middle East ahead

The first striking element about these consumers is that they truly are luxury fans. All the WLT waves carried out in all countries ask consumers about their appreciation of luxury: they are asked to rate luxury on a scale of 1 to 10, 10 meaning that they like luxury a lot and 1 meaning that they like luxury very little. The ratings given by the Arabs clearly place them ahead of all other nationalities. This primarily implies that the relationship to luxury is unburdened with complexes, and this is confirmed by the analyses of the profiles of these consumers: there is no guilt feeling. Luxury is part of their lives, a transversal value. Women and young people are especially fond of luxury, but even the least enthusiastic respondents among the samples do give higher rates than those obtained in other countries. We see that the rating of luxury is at the level given in China, we therefore have countries that are now the major countries of luxury consumption and these are also the countries where people's relationship to luxury is very free and where they would easily say "it is a lifestyle my family appreciates". Thus, there is a family dimension as well as an

individual dimension to luxury. In countries such as Japan, Italy and France, populations are much more moderate in their enthusiasm, even though they are actually more expert and more demanding. This is an indicator that there does exist in these countries an extremely strong attraction, desire, expectation.

Hedonism: the Middle East is ahead again

Another important point: hedonism is rather striking in a region which, from a distance is perceived as an unstable region, but also a region which can bear the hallmark of a certain religious rigorism. When asked what they plan to do over the next few months, 47% of Arabs in Saudi Arabia and 60% in the United Arab Emirates answer that they intend to indulge and enjoy themselves, to spend more. There is a frantic desire for consumption in these countries which can be observed when walking down the local malls, and the quest for enjoyment is essentially satisfied by consumption. The appetite for consumption is all the stronger as they feel their financial situation to be improving.



The same appetite can be perceived in regions such as Asia where saving is not a main concern, whereas the population in Europe tends more to hold fast or to save as the future looks uncertain.

2- Luxury, a future, more than a tradition

Confidence in the future of the economy

Architecture, according to Rémy Oudghiri, is one of the expressions of the extremely futuristic dimension of this country: for many consumers, luxury means the future, it is paving the road to the future and his presentation aims to demonstrate this through several examples.

Even if growth rates today are lower than they were in 2010-2011 (7 to 8%), they remain relatively high, around 4% for Saudi Arabia and the Emirates, so, the dynamics of growth is generating optimism. In Europe, generally speaking, the population seeks

meaning in luxury and tries to create a bond with its own history or with the history of a civilization or a culture. In these countries, luxury is more of a positive projection into the future. This relationship between luxury and the future is primarily illustrated by the fact that 95% of Arabs say they are optimistic about the health of their economy, compared to only 20% of the French; it is not the same world, the same universe of reference, the same imaginary landscape. Yet, this obviously has an impact on the intent to consume: they want to consume because of this optimism.

Innovation and reward

The World Luxury Tracking seeks to understand what luxury represents for its clients all over the world by proposing a series of items to qualify it. Two things are striking with regard to the Arabs. First, the importance of innovation: this criterion ranks 4th in Saudi Arabia and 3rd in the United Arab Emirates, whereas innovation is ranked much lower in the hierarchy for the other markets researched. They are expecting something that breaks away from tradition and this represents a kind of opening; it does not imply that tradition is not important per se, but in comparative terms, it is less important.

The second point is the importance of a certain individual and personal hedonism, i.e. luxury is something that makes a person feel good, individually. These items have to be viewed against the cultural backdrop of these societies where the weight of the group is extremely important, or often even very limiting with little room for manoeuvre within the great families. Consumption, and more specifically luxury consumption, is a way of accessing a certain form of individualism, of hedonism.

To fully understand the specificities of these two countries, they must be compared with two other countries that are discussed when evoking luxury: China and Japan. The Emirates tend to demonstrate a futuristic, innovative and rather hedonistic vision, which distinguishes them from the Japanese who worship expertise, and from China, where people today still relate in a classical way to the expression of their social status. This is not to say that for the Arabs, luxury does not play a role in regard to status, but this is not what they are primarily looking for.



Going further and focusing on the definition of luxury as being the most advanced thing in terms of innovation, this criterion ranks 4th or 3rd in Saudi Arabia and in the Emirates, whereas it is shoved back to 23rd place in Japan; in France and Italy, it ranks 25th and 22nd respectively; the United States stand somewhere in between, and this makes sense as they have always, as a country, been more forward-looking toward the future than been drawn to the past and tradition.

Specific expectation in Middle-Eastern stores

This point therefore represents a real specificity with implications in terms of distribution: the important thing for an Arab consumer, who values the notion of innovation, of exclusiveness so much, is that the product be the newest, the very last model, the last creation, that it belong to the last collection... Thus, from the point of view of distribution, the primary expectation is not so much on expert advice as on the discovery of everything that is new. The customer first and foremost expects the sales person to propose exclusively what is new. This dimension raises questions: what can one do today to satisfy this demand for novelty

which is extremely important? The other consequence is as follows: the demand for personalized products or services is very strong since they are channels of exclusiveness and novelty. These dimensions are singularly emphasized in this region compared to all consumers researched worldwide.

Technology associated to luxury in the Middle East

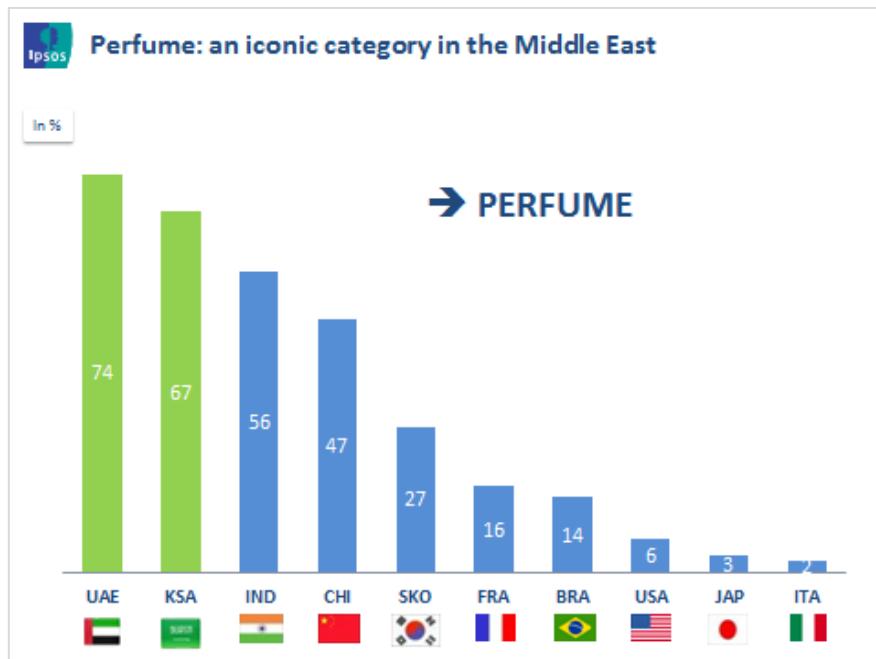
Another specificity of these markets is that technology is more associated to luxury than is the case in most other countries around the world. In most other countries around the world, not many people make this association. Technology is something relatively commonplace, related to notions of functionality, of control. This highlights the importance of this dimension of innovation, of future, because, what is technology today if not the fastest moving sector, the one that opens the greatest number of doors? Technology is also an accessory: smartphones, the internet, all of that can be customized and this is a typical Arab specificity: in "traditional" luxury countries, technology is not among the symbols of luxury.

3- The cult of beauty

The notion of beauty is another important topic. In this region, the aesthetic dimension is extremely important. It takes different forms: first the notion of being surrounded by beautiful objects, the notion of aesthetical object is extremely strong and relates to the hedonism mentioned earlier.

Another slightly counter-intuitive form (Western paradigms feed on clichés relating to traditional garbs and femininity hidden by clothes) is that of seduction. Consumers expect a product, a luxury accessory, a distinctive feature which will make them attractive or at least give a positive image of themselves compared to others, all the more so as the scope of action is particularly limited by their sartorial constraints. Hence, another important point: the need for it to be recognizable and visible. Luxury is a way of making a statement on one's social standing and of distinguishing oneself.

Perfume: an iconic category in the Middle East



On all markets, the WLT tries to understand what makes up the symbol of luxury par excellence. In the West, depending on the market, it would be a private jet, a yacht or a car. In Asia, accessories are particularly valued. In the Middle East, perfumes play a fundamental role. Whereas perfume is not a symbol of luxury in most Western countries, the tradition of perfumes in these countries accounts for that, moreover, it is a way of expressing one's personality. Some people say that the status of a person can be revealed by their fragrance. Thus, there is a whole hierarchy of perfumes, between local brands for traditional uses and French and Italian brands with their real prestige.

4- The importance of family and peers

Thus, there is the individual, then the individual as belonging to networks and here too, the family is an important point. Many people in this region bear witness to the fact that luxury is not just a way of expressing their position, it is also a style of life ingrained in their family, i.e. a person is also defined through his/her family. The family and peers play a very important role: looking at the Saudi Arabian example, we see that kins and closed ones play an extremely important role in choices relating to luxury. Television also plays a part. Often, international TV which gives access to communication on international brands, a communication which they also access on the internet and on social networks. They are very connected and make an extensive use of technology and social networks which today play a much more important role than in developed countries, where the point of sale is comparatively much more important when it comes to choice. Here too, the difference is real, a form of luxury where technology and social networks are key elements to promote brand image.

5- The shopping mall culture

It also seems important to evoke the shopping mall culture. Beyond a place for shopping, it is a place of social life and conviviality. Even if technology, tablets, social networks and information from the internet are widely used, stores remain the privileged network for making purchases.



This should also be highlighted: even though they are extremely technophile, at the same time, Arab luxury clients are also looking for contact and physical experience. In fact, these are complementary experiences; internet gives people the opportunity to be in touch with the brand, to gather information on the products before going to the store. The prevalence of the physical network is enormous because shopping is perceived as leisure, a form of entertainment, it is a social activity. This is the reason why online purchases are still really low for the moment.

Luxury's keys to success in the Middle East

By way of a conclusion, Rémy Oudghiri, highlighted the points which he sees as the keys to success in this region: First, these are young countries, both from the standpoint of their demographics, but also in terms of their development and economic history, where the concept of consumer society still prevails, therefore, the notion of innovation is very important. One of the consequences of this eagerness for innovation is the opening to things that may appear as totally incongruous, or even "bad taste"; this is a region where boldness is valued and where markets are expecting products that have not been seen

elsewhere yet, with no stigma of *déjà-vu*. ‘Never-seen’ is also conveyed by customization. To succeed, brands must be attentive to this expectation and probably rely on the client’s technophilia to propose on-line services likely to meet these expectations, while keeping in mind that physical distribution remains the channel of choice. The expectation for customization mirrors a very important point: for Arab clients, it is of paramount importance to belong to a circle of the privileged few and to be treated as such. And naturally, this leads to a third recommendation on the importance of services offered by brands. Whether proposed on the internet or in the stores, the level of service must be of very high standard: information, home delivery, namely for women, etc. This dimension is just a must.

Last point, beyond the circle of individual respondents from the middle class, there is a real thirst for luxury in these countries, especially among young people. Even if there are economic tensions, there is an important expectation on the part of the younger generations. This means that even if it is important on the one hand to preserve the notion of exclusiveness, there is also a market that one can term ‘opportunities’: outlets, designer operations with mass market brands... possibilities that should all be carefully considered.

III/ Evolution and dynamism of retail in the Middle East

Ms. Marie-Hélène Straus – General Manager Strategy and Innovation – Chalhoub Group

The Chalhoub Group has been around for 59 years and has 11000 employees. It represents a large number of luxury and cosmetics brands in 14 countries and manages more than 600 points of sale. In her introduction, Marie Hélène Straus stated that her presentation would focus exclusively on the countries making up the Gulf Cooperation Council: Kuwait, Saudi Arabia, Bahrain, the United Arab Emirates and Oman. The reason why the conference is limited to that group is that even though they represent only 16% of the population of the Middle East (48 million out of the region's 300 million inhabitants), these states control 60% of the region's wealth (2700 billion \$, i.e. approximately the GDP of France.)

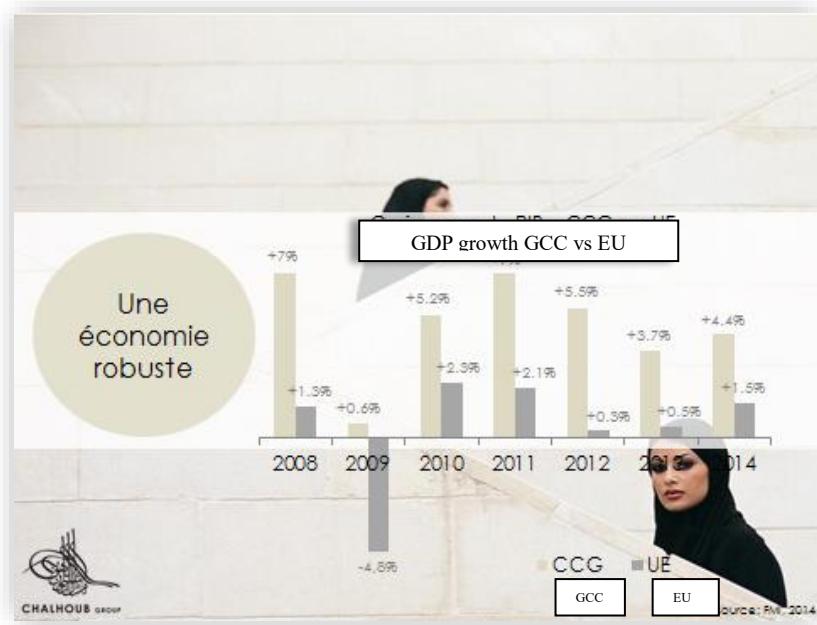
1 – The socio-economic bases of the GCC's prosperity

- Demographic dynamism

Between the 30 million inhabitants recorded in 2000 in the region and the 54 million estimated for 2020, the growth rate for the population is +80% in 20 years. In itself, this represents an element of explanation for the growth of consumption. This population growth is related to the oil boom of the seventies. Prosperity generated by that boom allowed for the development of a quality health system which in turn accounts for the population increase, both thanks to lengthened life expectancy but also to higher birth rates, resulting in a young population: today 55% of the region's population is less than 30 years old (Saudi Arabia 55%, Kuwait 53%, Emirates 50%, compared to 37% in France).

- A robust economy

The region has been affected by the 2008 crisis and its aftermath, but has not experienced recession, even though its growth in 2009 was below 1%.



In 2014, growth is expected to reach 4,4%.

2 – Ambitious projects

Regarding this question, Marie-Hélène Straus proposed a panorama of the major cities of the region.

- Dubai

Today, Dubai is a destination famous for shopping. The Dubai mall welcomes 75 million visitors per year, (in comparison, Les Quatre-Temps, the largest shopping mall in France welcomes 46 million visitors) and there are 50 malls in Dubai. Dubai is an airport and tourist hub, 66 million passengers will fly through Dubai in 2014 (against 57 million in 2012). The population of Dubai counts a majority of expatriates and tourists (88%) compared to the local population's 12%. Dubai offers 87000 hotel rooms for 2 million inhabitants (Paris 77000) and 10000 additional rooms are planned in the next two years (300 for Paris).

- Abu Dhabi

Up to now, Abu Dhabi was a city whose income was generated by oil at 52%. It now seeks to become a cultural destination comparable to Dubai. In 2007, the construction of one of the world's biggest and most beautiful mosques was completed, all in white marble, like the Taj Mahal. Ultimately, the city will boast five major international museums, the first of which is the Louvre which should open its doors in 2015 (a project by Jean Nouvel). It will be followed as early as 2017 by the Guggenheim, then in 2020 by other museums, one of which will be the only museum devoted to Islamic arts in the world. Abu Dhabi is launching the project of a zero carbon city: it will not be fully zero carbon, but this city called Mazdar aims to be the laboratory of green technology. It already exists since it has 4000 inhabitants today and will be completed in 2025. Lastly, Abu Dhabi is in full bloom with regard to education and universities: the Sorbonne, the Insead, New York University, New York Institute of Technology are present in Abu Dhabi today.

- Saudi Arabia

Out the Gulf's 48 million inhabitants, 30 million live in Saudi Arabia; it is a very big country. The population is growing, it needs jobs (unemployment rate for the under 25 in Saudi Arabia is 16%). The State thus develops infrastructure projects aimed at economic development which actually also serve as a means to develop employment for the youth. There are projects for an airport in Mecca, a subway in Riyadh and Jeddah, but also a major railway project, because the network is very limited today in Saudi Arabia whereas the country is big. Six integrated economic cities are under construction today. The first one is King Abdullah Economic City, a \$

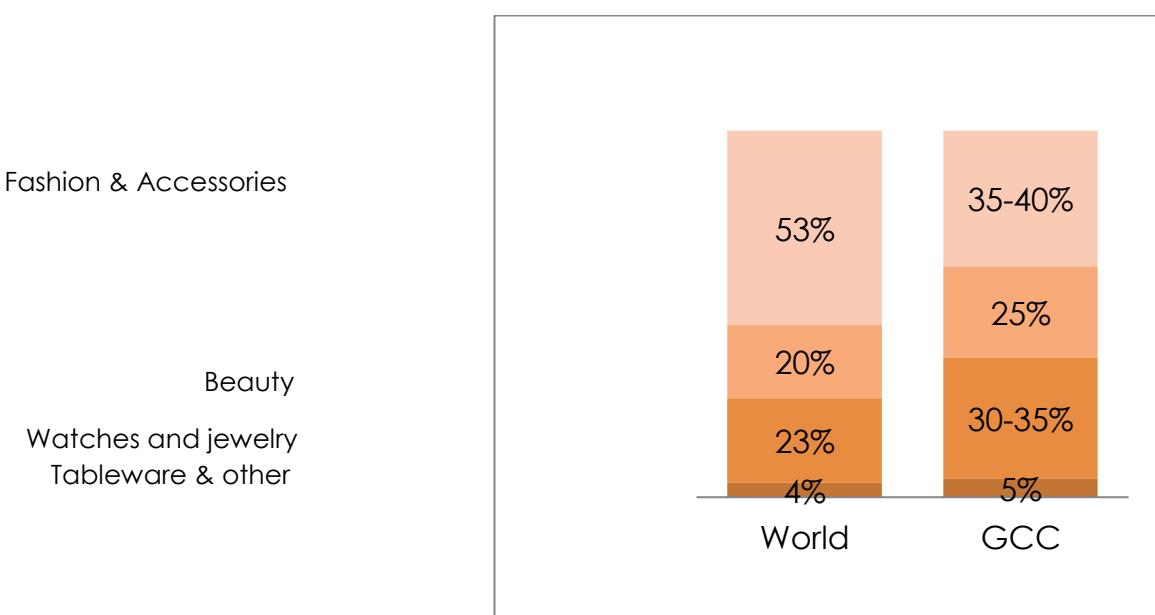
100 000 billion investment intended to become a hub for logistics, industrial agriculture and know-how. Thanks to Mecca and its pilgrimage, Saudi Arabia attracts 13 million tourists per year. This religious tourism is on the rise and keeps developing: these pilgrims are also consumers.

- [Qatar](#)

A highly-publicized event, the 2022 Soccer World Cup has contributed to the launch of major projects, namely with the construction of 12 stadiums. There are extremely powerful educational projects in Qatar: HEC is already present, as are North Western University, Georgetown University, and ultimately, the State will host no less than 8 international universities. These countries are extremely aware that for them the future depends on education. Lastly, following the example of Abu Dhabi, Qatar is also entering the green revolution: with the hub of renewable energies, it has made the commitment that by 2024, 20% of its energy consumption will be based on solar.

3 – A specific luxury market

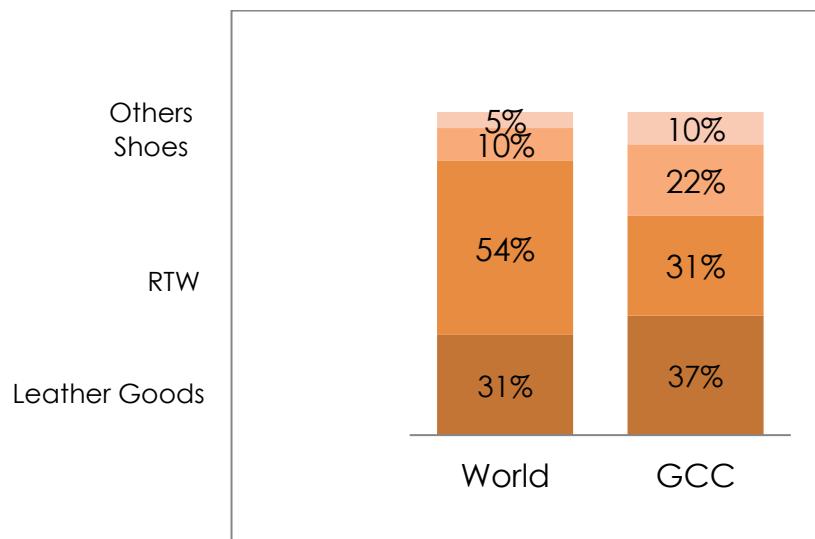
This market keeps expanding, much faster and much stronger than in the rest of the world. Today, the global market of luxury represents 298 billion dollars achieving a growth of 2% between 2012 and 2013. In the Gulf area, growth reaches 15%, even if the region only represents 2 to 3% of the world market. It is a quite specific market in the sense that segments have developed quite differently from other regions. The Watches and Jewelry segment is more developed than elsewhere, mainly to the detriment of fashion and accessories whose share is largely lower than the world average and yet still offers beautiful opportunities.



Luxury market - source: Chalhoub Group, Bain & Co., 2014

The beauty segment holds a much larger share than in the rest of the world and this is mostly due to perfume. Indeed, perfume has a special place in the Arab culture. Marie-Hélène Straus focused on the market of beauty, which is especially dynamic, with 9% growth in 2013 (vs 5.5% worldwide). It represents US\$ 1.8 billion (i.e. 3% of the world market), 63% of which is owed to perfume (not counting oriental perfumes including the Oud).

It must be noted that Arab culture has a perfume ritual related to religious rituals (5 daily prayers at the mosque and just as many opportunities for ablutions and perfume rituals) and the Arabs use a minimum of 5 perfuming products for the body when grooming themselves, and this does not include what we call perfume and which they call the ‘French’. Then, the second market of beauty is make-up, which represents 30% of the market and, lastly, skin care, only 7%. Thus, there is a fundamental difference between Asian markets where skin care makes up the bulk of the market (66% in China). The market is dominated by Saudi Arabia, which represents 42%, followed by the emirates at 36%, and, according to Marie-Hélène Straus, Saudi Arabia still offers a very nice development potential. With regard to the fashion market, it has grown worldwide by 5.5%, whereas the market in the Gulf countries has increased by 20% in 2012. According to Marie-Hélène Straus, this market will keep expanding in an extremely strong way.



Market distribution fashion & accessories - source: Chalhoub Group, Bain & Co., 2014

Two categories stand out from these statistics: leathergoods and shoes. We need to look at the cultural habits of the region. Most women wear the black Abaya: the possibilities of expressing their personalities are very limited, make-up, handbag and shoes. Men wear the white dishdash. Leathergoods and shoes are also differentiating elements for them. The Chalhoub Group has launched Level Shoe District, the largest shoe store in the world with 9000 square meters. It is very successful as consumers in this region really need to express their personality. Offering a huge choice of shoes fully addresses that need.

The fashion market is dominated by Dubai which holds 60% of this consumption, and out of these 60%, 50% of purchases are made in Dubai Mall only. Dubai Mall is 350 000 square meters. Kuwait recently took a relatively important part of the market (13%) compared to the country's size. The reason for this success lies in the launch in 2013 of a huge mall called ‘Avenues’, which totals 300 000 square meters of shopping surface. This means that there remains a phenomenal growth possibility in the other markets of the region.

4- A retail sector in transformation

The story of retail in the Middle East goes back to the sixties. In 1960, it was all about the connoisseur’s secret, that is to say, it was a type of market made of souks and a few brands with showrooms, but one had to be in the know about them: thus, royal and princely families were the ones with access to luxury brands.

This was the era of the birth of the Chalhoub Group.

In the eighties, brand becomes a proof of one’s social status. In the nineties, the first boutiques and brand franchise stores opened. All international franchises came to the Middle East and Arabs discovered democratized choice. In the years 2000, major department stores reached the stage (Harvey Nichols, Galeries Lafayette, etc...). This period is characterized by the fact that shopping becomes a standard, a lifestyle.

What is the situation today?

Shopping is more and more targeted because it is aimed at a consumer who is more and more of a connoisseur who travels and, in most cases, travels with the family (Harrod's main clients in London are the Saudis). When they go to Dubai, they also seek places where to find exclusive items, and this is paving the way for concept stores such as Sauce, which, like Colette in Paris, propose exclusive items.

There is also talk about concepts such as regional department stores. So, shopping is in full bloom and Marie Hélène Straus concluded this part by insisting on the growing importance of the internet which influences consumers' choices: they gather information, are no longer loyal to their point of sale, they are on the lookout for experience, and brands will need to adjust and incorporate the internet better in their customer experience.

She continued by highlighting the importance of the internet which goes beyond the framework of shopping. Its role in the Arab Springs is well known, but beyond that, in countries where women stand in the background, internet gives them a voice. Internet is a great forum of expression. Saudi Arabia has become the first internet consumer per day worldwide. The penetration of social networks in the region is just incredible.

- Youtube: 59% of Saudi people go on Youtube every day, and 34% of Emiratis (vs 17% in England and in France).
- Twitter: the Saudis rank first worldwide in numbers of daily tweets with 33% of the population using Twitter (n°2 = Indonesia, n°3 = Spain).

Thus, these countries are real consumers of the internet and ultimately of e-commerce. To date, e-commerce is not yet very developed because of economic and technical obstacles. There is no private postal address, which is a problem for home delivery. Addresses are boxes in companies. Opting for delivery at work is a solution, albeit not an optimal one. Moreover, the culture of payment in cash remains widespread and people still mistrust the electronic safety systems of credit cards. It is therefore up to the brands, the sellers and the banking system to foster consumers' trust in online payments. In the opinion of Marie-Hélène Straus, it is only a matter of a few months, and players in the region are really expecting a boom in online shopping, including for luxury brands.

For the moment, the growth of shopping surface continues: from 4 million square meters of retail in 2005, the surface has jumped to 10 million in 2010, which implies a 145% growth accounted for by projects such as:

- in 2005, the Mall of the Emirates for a surface of 225 000 square meters (with the famous ski slope) in Dubai,
- in 2008, the Red Sea Mall of 110 000 square meters in Jeddah,
- in 2008 the famous Dubai Mall with 350.00 square meters in Dubai.

Construction projects have accelerated in the Middle East, in parallel with the increase of tourism. Cities such as Dubai, Jeddah, Qatar are always under construction. Anticipated growth up to 2015 is 'only' 36% and this nonetheless represents 4 million square meters, which will result in a total of 10 million square meters of additional shopping surface between 2005 and 2015. Growth thus carries on and Marie-Hélène Straus thinks that there is still space for many projects. Some are blossoming, namely in Abu Dhabi, where The Galleria's 33 000 square meters were completed in 2013. In Kuwait, Avenues will receive an extension of 82 000 square meters. Next November 1st, a new shopping mall will be inaugurated in Abu Dhabi, the Yas Mall, with a surface of 150 000 square meters. So, there is an abundance of projects and mega malls remain one of the trends in retail, with namely the Mall of the World project which will be bigger than the Dubai Mall and should open in Dubai in 2018.

But in parallel to that, a new style of malls has begun to emerge, called the proximity malls. The mega mall has become a life hub for people in the Gulf, a place where families can go spend the day. There, they can get entertainment, culture, go shopping, etc. But there is also a desire to offer neighbourhood life to the inhabitants of a megalopolis.

The population is young and needs to meet, to exchange, hence the development of proximity centres. The first one

was created across the Dubai Mall, it is City Walk in Dubai, first open-air shopping mall. Another one just opened at the end of the Marina and is called The Beach, in Dubai. It is also an open-air shopping mall where people who go to the beach can also find cafés, restaurants, shops, etc.

Marie-Hélène Straus ended her presentation on the evolution of retail by highlighting the rank now held by Dubai in terms of penetration of the world retail brands (all segments). Dubai is the second city in the world, number 1 being London, number 3, New York – thus Dubai is ahead of New York, Paris being number 6. When considering luxury brands exclusively, Dubai remains number 2, number 1 being Hong Kong.

This situation is mostly due to tourism. Dubai now welcomes 11 million tourists per year for a population of 2.2 million inhabitants, and Abu Dhabi welcomes as many as its own inhabitants, i.e. 2.5 million people. With the opening of five museums planned in the years to come, the influx of tourists is estimated to be tenfold in Abu Dhabi. In comparison, Paris welcomes 18 million tourists per year. Dubai is at the level of New York with 11 million tourists.

5. Luxury's virtuous circle

In the last part, Marie-Hélène Straus reviewed the factors underpinning this impressive development of retail and the key elements contributing to the success of brands in the region.

A/ Factors favorable to the development of luxury

- Structural and economic reasons

Today in the Middle East, most nationals are not charged for utilities (water, electricity,...). When they get married, the government grants them a piece of land to build their houses. They do not pay taxes. They make money and feel no need to save it, so they spend. Spending is a way of life today in the Middle East.

- Social reason

As for spending on luxury, it is driven by a social reason. Luxury defines the status of the individual in society. Everything visible matters: the way you dress, the car you drive, the house you live in. This region has experienced an extremely fast evolution: people have moved from the time of a very private life in which women would not leave the house and would live within the family to the creation of malls. Within twenty years, malls have become the equivalent of the village square in Western countries. It has become the place where people go to be seen.

It is not just about bling-bling, it is a way of existing socially. As a matter of fact, in the Arab culture, social status is much more important than in the European culture and even in the French culture. You must state which clan you belong to. The quality of what you wear is a way of demonstrating where you belong: clans do not mix in the Arab culture.

- Political reason

In the Middle East, society is very controlled, with an extremely regulated social life. Censorship does exist. Clothes therefore enable people to belong to the community -and their sense of community is extremely strong- to identify with their peers, but luxury is a way of freely expressing oneself, of stating one's difference: through bags, shoes, make-up, cars, each person finds a way to feel unique.

- Generational reason

The Emirates are 43 years old. It is a very young country. Members of generation X were born in the desert, in tents. They have witnessed the arrival of luxury brands; today's opulence is relatively recent for them. Generation Y was born in this opulence: they have known only luxury brands and they have had access to them from the earliest age. The issue for luxury then is how to inspire dreams in consumers who have always had everything?

In all areas, consumers are over-equipped: with regard to new technologies for instance, today, the highest penetration rate in the world for smartphones is in the Gulf (60% in Saudi Arabia against 30% in France).

In this region of the world, people have three smartphones on average. The penetration rate of tablets in Saudi Arabia is 16%, 24% in the Emirates (ranked 1st worldwide. Compare with 7% in France and 11% in England).

B/ The key elements of success

The rising generations were thus born in luxury and the question they raise is truly that of the sustainability of the relationship with customers that a brand needs to keep surprising and enchanting.

- Surprise and entertainment

Indeed, as they often visit shopping malls and buy what they are proposed anyway, consumers are looking to be surprised, to be entertained, since going to the mall is a form of leisure. They expect the points of sale to offer novelty. They want to be inspired by visuals, products, brands, styles... They do not buy out of necessity, the role of luxury is to entertain them.

- Comfortable and handy

Many people do not need to work and they need to fill their days. Going to the mall is one of the ways to do that. So, they are in no rush. When they go to a store, they want to be able to sit, stay there, talk; they appreciate being served tea, they enjoy it when local rituals of hospitality are known and respected. They also want to be free.

It is a population used to being attended to: they have valets, chauffeurs, housemaids. So, they want the same thing when they go shopping: someone must take care of their car, carry their bags, deliver them to their homes and take care of anything that could be a burden, including the children.

Children might prevent them from shopping quietly, so they will need to be taken care of. Vuitton was the first brand to open a childcare facility at the Mall of Emirates. It works.

- Targeted offers

There is a complex in the Gulf which must not be overlooked: consumers believe that for a long time they were seen as gullible customers to whom anything could be sold that did not sell anywhere else. Today, they find information on the internet. They know the last collections, they are invited to all the fashion shows. They know everything that is happening around brands and they want the same thing as everybody else. They may even want it before everybody else. They need to be certain that the brand is not trying to sell them something that did not work in Europe or the USA. They want to be treated better than everybody. They do not want a relationship with the salesperson that would be just a commercial relationship. When they enter a shop, in most cases, it is to make a purchase. So the question is not about selling them something, but about entertaining them, providing a service, welcoming them, speaking their language.

Today, too many salespeople in luxury boutiques do not speak Arabic. Customers want to be really welcomed, to be served, to be able to sit, to be shown models, to be helped make their choice on an I-pad, to be given advice. But it is important not to 'corner' them into a purchase; that would stir suspicion and rekindle the fear that there is an attempt to sell them something that nobody wants.

To conclude, Marie-Hélène Straus recalled both the historic trends of luxury consumption in the Middle East (overconsumption, need to distinguish oneself, to make oneself visible), current trends, (an expectation for comfort, ease, the expertise of a very informed consumer increased by the use of digital media and, lastly, nomadism which creates opportunities for local brands to get implanted in capital cities), to finally conclude with the trends of tomorrow, the quest for an exceptional experience that no one else has lived, of things that one can later recount (visit of a watch or glass manufacturer's workshop, etc.) Another fast-growing axis, the desire to see the region recognized as a player on the world scene (whether in politics, business or culture). Actually, all the projects launched in the Emirates, in Qatar or in Saudi Arabia are aimed at enabling these countries and their capitals to enter the circle of major world capitals, the trend drivers... 2020 the universal exhibit in Dubai, 2022, the soccer World Cup in Qatar... the region wants to position itself as the place to be!

IV/ Developing brand awareness

A/ A specific regional context

Today, the Gulf is a world apart. Often, people have a distorted image of the Arab world and of the Gulf from international media. Starting from this observation, Julien Hawari tries to give the audience a few keys to understand how to better approach their brand's communication strategies in this area. For him, there are three words/expressions that one should remember: abundance, growth, quest for a meaning. He first showed an image of Dubai from twenty years ago, that is at the beginning of the nineties.



and today...



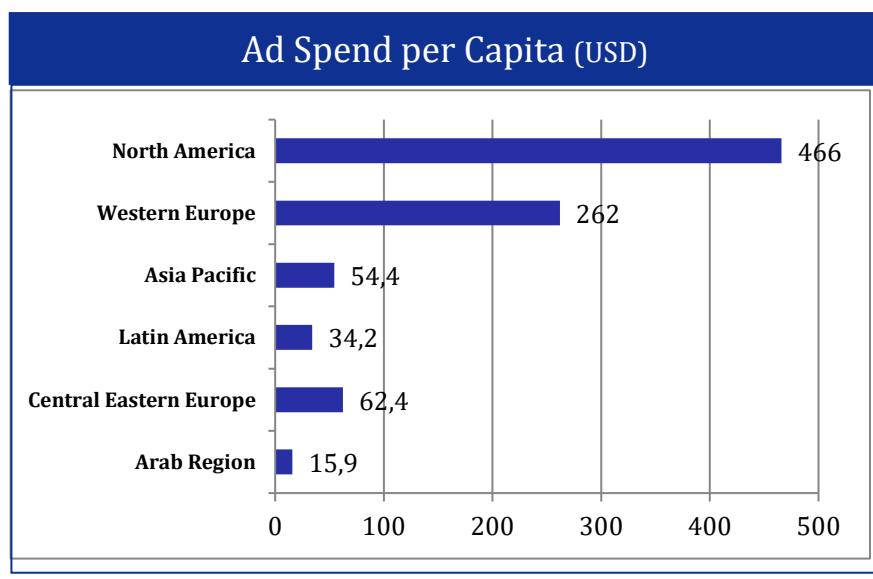
And here, the word '**abundance**' takes it full meaning. The contrast is striking, within 20 years, the region has moved from a quasi-desert to profusion. People tend to forget the fast pace of the development that has enabled Dubai to welcome the greatest luxury labels. 80% of luxury brands and distribution networks are present in the Middle East. It is an extraordinary **abundance** comparable to little else around the world.

From the media standpoint, the region has also evolved a lot. The starting point of this evolution was the creation of Media City in 1999. Up to that date, it was very difficult to launch a magazine, to develop in the media: a government authorization was required and a connection with a sufficiently powerful family was necessary to obtain that authorization... In 1999, the deal changed completely with the creation of a free zone. Instead of rallying a local group that would take up to 51% of the JV, anybody could now create a media business in this area and hold 100% of the capital.

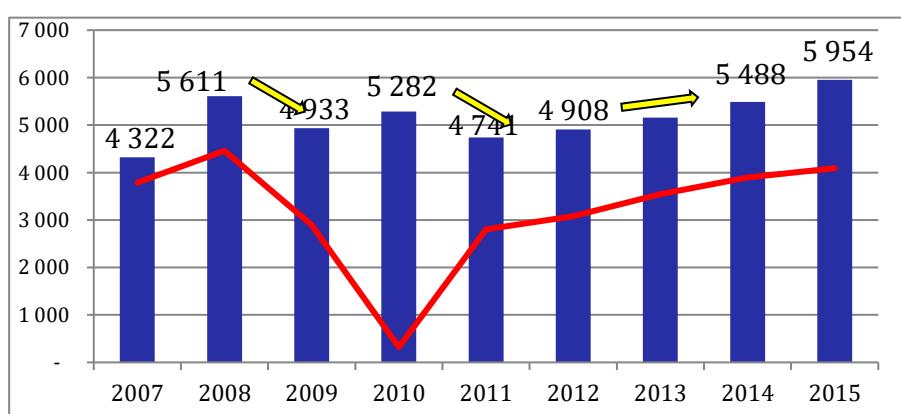
In less than 10 years, the situation has shifted from a restricted media offer to an abundance of media: more than 600 free TV channels, more than 258 magazines in the Emirates, more than 1000 for the whole region, including the Levant. The number of

daily papers is also incredible compared to the population, Lebanon has 16 dailies, Saudi Arabia has 15 and the Emirates 14. The second word needed to understand this region is 'growth'. Population growth, from 1990 to 2010, is very important, as is that of the GDP. Except in 2009, the GDP has not stopped increasing and its growth should reach 4.4% for 2014. Concerning the luxury market, Julien Hawari's figures are slightly different from those presented earlier, because his figures include jewelry. But like Marie-Hélène Straus, he pointed out the sustained growth, fed by the population increase and the GDP growth. Between 2011 and 2013, growth of the luxury market is almost 50%, which is rather impressive, and this region is one of the areas where consumption keeps increasing.

How does this impact the media? Today, the situation in this region is that of sub-investment in the media. When measuring per capita advertising expenses for the region, the figure is around 16 dollars per inhabitant in the Arab world. In mature markets such as Europe or the US, the figure is between 250-450 dollars.



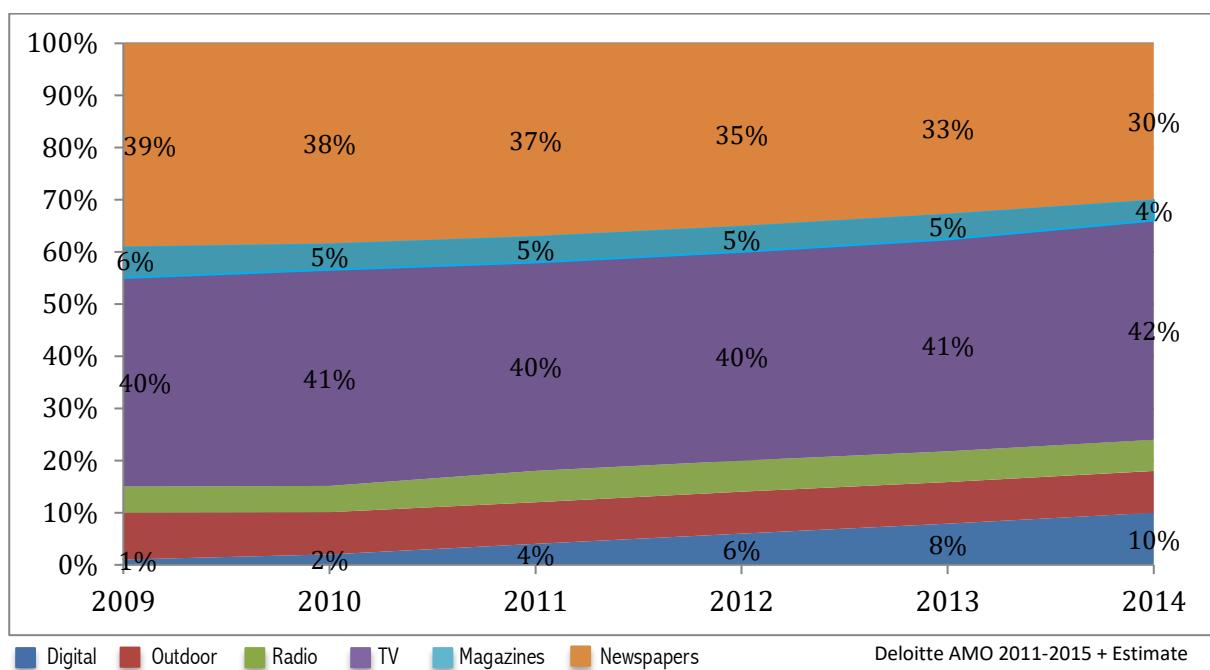
So, the margin for progression is relatively important. More and more brands, whatever their areas of business are reflecting on increasing their investment in this area. The consequence would be a development of the media in this area. Advertising expenses, in spite of the two slumps of 2009 and 2011, subsequent to the Arab Spring, are on the rise again.



How is advertising investment distributed for brands?

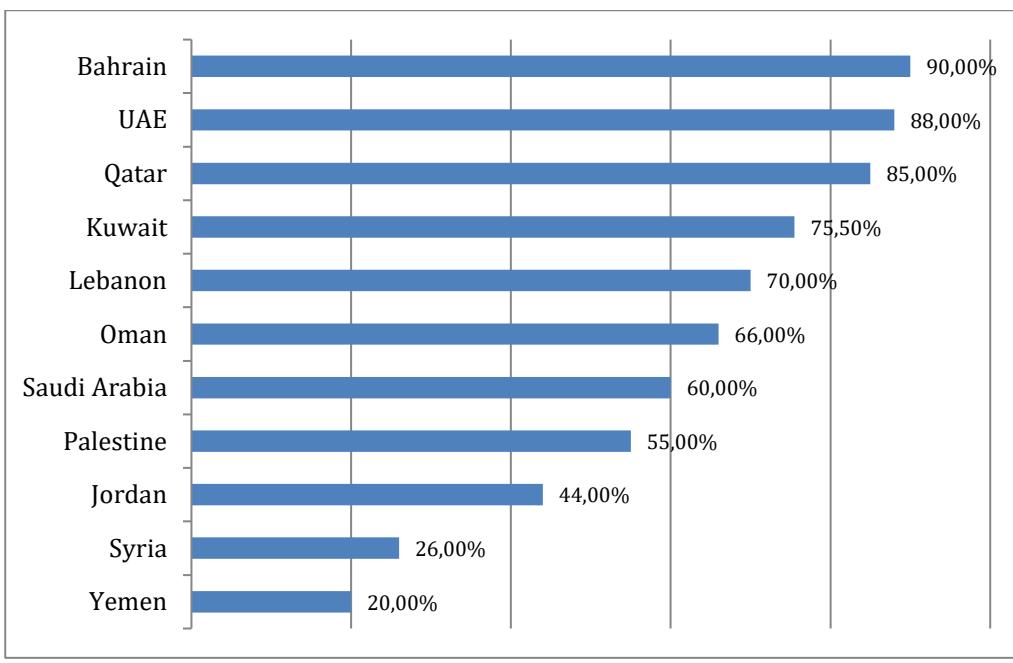
The first important thing to note is the collapse of daily papers: they were the primary channel used in this region of the world, because, up to a certain period, distributors wanted a very quick return on investment, few of them had the notion of a long term investment in the brand, its history, its heritage and therefore, of developing the brand's image or desirability.

The Chalhoub group, from the start, was among those who had such a long term vision. Now, many more brands have developed and are starting to change their approach to this area. So, daily papers are collapsing, press magazines has remained almost stable, TV is holding fast and has garnered a few additional points, but the important phenomenon is the internet. Digital media which were almost non-existent in the area in 2010, should now mobilize for this year the equivalent of 10% of advertising expenses, which is relatively important over a very short time.



The problem is that offer did not necessarily follow demand. Two years ago, Google estimated that only 1% of the sites were in Arabic while they should have been close to 5% to represent the weight of population present in the Arab world. In 2013, the offer for sites in Arabic doubled but there is still an important growth margin.

Internet connections also developed rather rapidly: people are connected. There are statistics aggregating low bit and high speed connexion rate :



Generally speaking, internet penetration is rather high in the GCC countries. Bahrain is at 90% penetration, Saudi Arabia at 60%. For four years now DLS offers have been launched in the region and experiencing relatively significant growth. Today, the average is 1.8 lines per inhabitant. With regard to social networks, there too, Facebook's penetration rates are rather important. It varies from 20% in some Gulf countries such as Saudi Arabia, to near 40% for Lebanon or the Emirates.

In a region where metamorphoses have been really fast-paced: GDP growth, population growth, abundance, a question is now raised: where lies the meaning for the consumer?

Up to a recent date, to mirror the consumer's appetite for novelty, when brands, some of which nevertheless had a very strong heritage, launched a product in this area, it seemed mandatory to write the word 'New' on the ad: novelty justified the act of purchase whose consequence was genuine disloyalty with regard to brands.

Today, what are the reasons why a customer would be attracted to a brand more than to another? It is the heritage, the storytelling, the brand's values... that s/he does not necessarily understand, namely because of the abundance that appeared within a very short span of time.

The situation went from a landscape of very few brands and products being distributed in these countries to a plethoric offer (80% of the brands are present). Toward the end of the nineties, there were 3, 4, 5, 6 TV channels, today, there are more than 600. There used to be only a few magazines, today more than 1000 are available in the area.

Thus, beyond the choice of media, brands need to understand what consumers are looking for. To illustrate this point, Julien Hawari quoted the example of a speaker at the 'Arab Luxury World' conference. It was someone who had started a business of vintage watches in 2010 in Dubai's financial district. In the beginning, people would enter the shop but really had a hard time coming to terms with the idea of second-hand. For them, buying a second-hand watch was out of the question. Now, the shop has developed a base of loyal customers who have acquired a real knowledge of fine watchmaking. They are, in many instances, at least as knowledgeable as his own salespeople.

In Julien Hawari's opinion, this points to a real change of behavior, novelty is no longer their only motivation, interest in the object, its history, its technique, are taking over. To sum up, customers try to endow their purchases with a meaning. This is an emerging behavior in the area.

The group MediaquestCorp was able to observe this mutation through one of their magazines, Haya, a women's weekly. Reflecting

on the evolution of the media a few years ago, the group realized that the area's feminine population does not simply divide into rather conservative or rather liberal women, but that 65% of the population is navigating between both positions. In fact, these 65%, some of whom have substantial means, are in a quest for a meaning: they want to understand. This led the group to introduce a section in Haya aiming to explain the history of a brand, a product, a designer, a trend.

The last point on the quest for a meaning is important: in June 2014, the group launched the 'Arab Luxury World', an important conference gathering most actors of luxury, brands, mall operators, retailers, agents, distributors... The same conference would have been impossible 3 or 4 years ago.

Today, it can exist for a simple reason: this region of the world is poised to reach a tipping point. The transformation that has occurred so far is probably very little in comparison to what is bound to happen in the years to come.

An area called D3 (Dubai Design District), is being created in Dubai, whose aim is to position Dubai as the capital city, the center of everything that will impact luxury and fashion worldwide. As a matter of fact, there is an important demand, the emergence of young creative talents in the Middle East whose future is to move outside their own area and, for some of these brands, to export much further beyond their place of origin.

B/ Media and Luxury

In this first part of the presentation of the region's evolution, Julien Hawari described a rapidly evolving environment that has become very competitive and will be even more so in the years to come. Given the context, what communication strategy for luxury brands?

1 – Press

Weekly magazines

Historically, the communication of luxury brands has primarily used the channel of weekly magazines, with 4 weekly women's magazines for the women's segment, in alphabetical order: Haya, Laha, Sayidati, Zahrat el Khaleej.

- Haya has a fashion and beauty positioning, mixing modernity and tradition
- Laha's positioning is rather similar to Haya's, thus reaching a population between tradition and modernity.
- Sayidati is the leading weekly magazine on the women's press segment. It is also the oldest, it has been around for 35 years. Its positioning is different because fashion and beauty are one of its aspects. It is a women's magazine which also targets the family. The entry point is the woman, but the content should aim at stirring the man's interest or sometimes even the child's. We should not forget about where it was to begin with: 35 years ago, there were very few media channels, therefore those born 35 years ago should be an entry point into the whole family.
- Zahrat el Khaleej has the same positioning, more oriented toward the whole family, with fashion and beauty but also a lot of other items of interest to women or to the rest of the family.

Monthly magazines

There are two kinds of monthly magazines in English primarily targeting the Emirates and in the Emirates, a focus on Dubai with a zoom on the expatriates. There are very good ones, such as Emirates Women or Harper's Bazaar which are more specialized and reach a more restricted fringe of the population. On the other hand, there are monthly magazines in the Arabic language. In Julien Hawari's opinion, those standing apart are Marie-Claire Moje, Hia.

2 – Displays

For luxury brands wishing to take advantage of the impact of displays, the region offers possibilities for spectacular campaigns targeting extraordinary formats.



In this regard, not all cities in the region offer the same opportunities: the rather exceptional outdoor formats were first implanted in Dubai. They are developing in other cities: Riyad, Abu Dhabi... and these cities are the places where many brands will find growth and profitability.

3- Mobiles

Julien Hawari has a lot of faith in the growth of this medium since, as Marie-Hélène Straus indicated, the equipment ownership rate is very high in this region. Today, advertising is still really under-developed with \$7 million planned in 2014, an increase which is nonetheless significant compared to 2013 (\$ 4.5/5 million).

C/ Trends and Opportunities

The main trends that emerge from the feminine press, weekly and monthly magazines alike are as follows:

- Paid photo shoots. More and more brands, whatever their segment, buy photo shoots. After discussions between the medium and the brand, the latter will cover the costs of shootings. This greatly changes the editorial aspects of magazines, with more and more sections being devoted to a single brand and these sections are generally sponsored sections, but most of the time, readers are not informed that the section has been paid by the brand.
- The second trend is that of 'special operations'. The idea is to be creative, in order to induce differentiation and communicate with the consumer in an original way. Another common way of introducing advertorials which again is not identified as such with the readers.

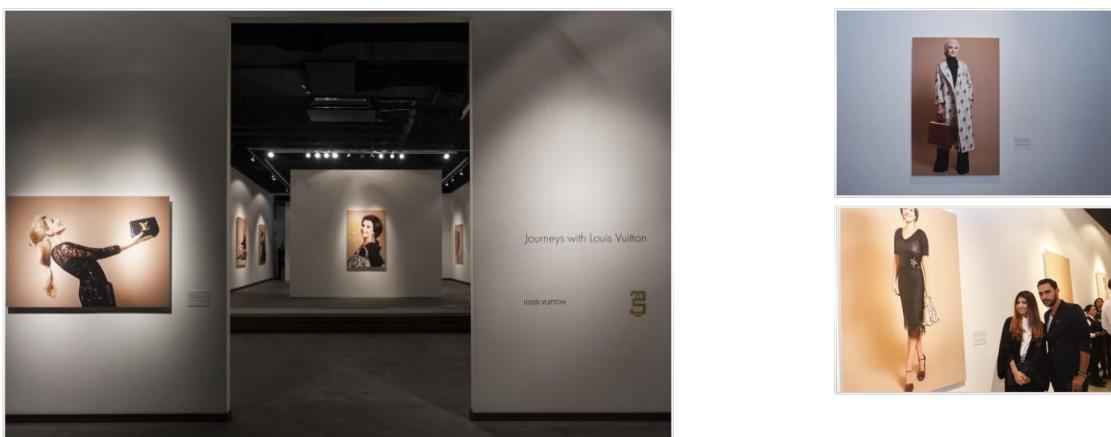
In a nutshell, it is essential for brands to work at creating genuine relations with the local media in order to create original operations which will enable them to stand out and foster some proximity with their clients.

In this regard, Julien Hawari showed a few interesting examples of 360° operations, mixing print, digital or mobile media. These operations were based on launches and/or events (anniversaries for the 5th, 10th, 20th year of the brand's presence, specific collections,...). In cities such as Dubai, there are several operations of this type per week. This relates to the culture: these are hot countries, people go out a lot. Among the examples presented, are :

- Chanel's cruise collection, one of the major events of the Spring 2014 (May 14-15). Chanel had done something totally exceptional. The brand selected an island 300 meters across the beaches of Dubai. There was only sand, they erected an extraordinary building on the sand and the show took place inside the building. So did the cocktail, the party etc. No one knows the price of such an operation. It mirrors the excesses of the region. It clearly was exceptional and generated important media coverage.



- Louis Vuitton recently realized an original operation in partnership with Hia to celebrate the brand's thirty-year presence in the region. They had selected about twenty people from the area, personalities with a strong notoriety and a local image and they were staged with the Louis Vuitton products, photographs were taken by a famous photographer. Then, the brand organized an exhibit of these photographs with, of course, a social event during the inauguration of the exhibit. It was a truly beautiful operation with a huge impact.



- Advertising operations mixing print and digital media. Julien Hawari quickly showed a few operations carried out by magazines, both in their paper and web versions (Chanel in Marie-Claire, Dior with Haya, Nina Ricci with Haya). He also noted the rise of video in the region. As a matter of fact, brand videos are more and more sought after and viewed by consumers.
- Rather than use the muses of the region (as could be the case in China), brands created the concept of 'friends' of the brand. In fact, there are no major regional stars due to the lack of local cinema production. But there are media celebrities, either because they host popular shows or because they come from programs such as 'Star Academy', thus, brands would use them more as spokespeople rather than ambassadors.
- Two Emirati stars created an interesting concept, the 'Dinner Club': the idea is to organize dinners with a dozen or more very hype people to create an atmosphere and then publish the best moments on social networks, Facebook or Instagram. The concept works well and brands are trying to secure partnerships with the two young women.
- Lastly, public relations. The days are not totally over when journalists would relay all releases, even the most fancy ones (e.g. 'the ice that never melts'). So one needs to be creative to stir journalists' desire to pass on the story.

The Middle-East is a region where relationships really do matter. So there is no automatic relationship between the agreed advertising investment and the editorial obtained. It is essential to forge sustained relationships with the press, to prefer the creation of unique contents with the media. One thing is certain, the word 'new' has disappeared from advertisings. We have moved into a new era!