



G C C B E A U T Y  
LOCAL BRANDS ON THE RISE?



CHALHOUB GROUP  
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## MEET THE GCC BEAUTY DISRUPTERS

After decades of institutional brands' dominance over the Gulf beauty landscape, local independent players are on the rise, rattling market dynamics and rules, appealing to the modern consumer and proudly standing for the region's values and culture. This major shift in a so far constant retail environment is not incidental. To the contrary, it simultaneously results from and contributes to a profound change in how the whole beauty sector defines itself and operates nowadays.

The emergence of homegrown beauty entrepreneurs is benefitting from a combination of factors. Firstly, trade of imported goods is hampered by challenging macroeconomic conditions (described in the Chalhoub Group's White Paper 2016 edition on the New Norm). Following the first half of 2017's trend, the Gulf brick-and-mortar prestige beauty market has decreased by approximately -5% for the full year 2017. The largest decline in 2017 was seen in the fragrance category, with a shrinkage of around -10% compared to the year before. The makeup category was also struggling in 2017, decreasing by approximately -3%, while it was still slightly positive during the first half 2017. The skincare category remained stable, still facing a slight decrease compared to 2016. As a result, the overall GCC prestige beauty market was estimated at approximately US\$1.8 billion for 2017, compared to US\$1.9 billion in 2016 <sup>1</sup>. Faced with this drop in sales, international brands have reduced their marketing investments in the Gulf Cooperation Council (GCC), where price discrepancies linked to currency fluctuations are also fuelling the distrust of consumers.

Secondly, a societal revolution is reshaping the region in consequential ways, as the Chalhoub Group 2017 White Paper describes. The massive surge in Internet usage (its penetration rate soared to an average 76% in the GCC vs 53% globally <sup>2</sup>), is intertwined with a "youth bulge": people under 30 form half of the Gulf's population <sup>3</sup>. These curious, digitally-connected and value-conscious youngsters adopt radically different purchasing behaviours from their elders. Well-travelled, assertive and proud of their origins, they are less subjugated to international brands and are rather influenced by social media, and digital celebrities in particular whose advice they follow assiduously. They are also feeding the accelerating growth of e-commerce. Initially slow to pick up, digital retail in the GCC is indeed poised to increase massively in the coming years, at an approximate rate of 31% year-on-year, to reach US\$24 billion by 2022 <sup>4</sup>. Educated and well-informed, this modern clientele also aspires to purpose and substance, attaching great importance to the way a label genuinely connects with its audience.

The Gulf brick-and-mortar prestige beauty market is slowly adapting to these challenging conditions while independent local beauty brands are seizing the opportunity. Beauty's fast-paced, constantly evolving and intrinsically experimental nature combines with the fact that its typical consumer is especially prone to embracing cutting-edge trends and technologies. Digitally-savvy, independent new entrants have blossomed all around the world, supported by specialised beauty retail chains that not only react quickly to the demand but also fuel it through a steady stream of inventive products and creative strategies. Together, these modern players are upending the global beauty retail environment and inventing a new playbook for the industry. It was only a matter of time before a similar phenomenon would occur in the hyper-connected and extremely beauty-

conscious GCC. An integral part of the Gulf's cultural and social construct, beauty is a crucial facet of how people in the region want to project themselves in a society where socialising is important – so much so that young beauty consumers are going beyond being well-informed to become actual connoisseurs, demanding sophisticated products and services developed specifically for their unique needs. Smart homegrown brands are following suit and have started tapping into this well of possibilities, building on a level of proximity with their audience that well-established, international companies struggle to achieve. Knowing from up close who their public is and what it desires – if not anticipating or even creating trends – these young creators aim to rub shoulders with international names (a few, like Huda Beauty, to world acclaim).

Drawing on over 60 years of expertise in the Middle East, proprietary research, interviews with professionals and third-party data analysis, the Chalhoub Group 2018 White Paper aims to shed light on the nascent generation of local beauty creators who know best how to cater to the Gulf modern consumers and their specific habits, and on the evolving market dynamics that ensue. The Chalhoub Group advocates for adjusting business mechanisms and structures to this underlying current that is reshuffling the GCC beauty industry. Our future relevance will hinge on our ability to understand and embrace this burgeoning market.



*“ Digital and e-commerce have profoundly disrupted the GCC beauty landscape. Its consumers are connected and very aware of trends, products' benefits and techniques. They used to listen to brands, but are now following social media influencers and getting advice from more than one source. As a result, they are more inclined to try and adopt new concepts and ideas, and are so well-informed that in stores, they use their devices to show sales teams the novelties that they are interested in. Especially in makeup, they are constantly looking for new products, colours and inventions. In that context where beauty brands have to keep up with and even anticipate what their customers want, new local beauty players are capturing the essence of GCC clients' needs and are challenging traditional firms. By shaking up the industry, forcing it to think*

*differently and be more consumer-centric, they have a major and very positive impact. The industry shouldn't be afraid of them, but to the contrary, be open-minded and support them further. The Chalhoub Group welcomes these homegrown beauty independents, some of whom we are proud to have helped expand internationally and become extremely successful. We need more of them. ”*

**ANTHONY CHALHOUB** - CO-CEO, CHALHOUB GROUP

## UNDERSTANDING THE MODERN GCC BEAUTY CONSUMER



For many years, beauty consumers in the Gulf contended with products launched internationally, even though these products did not necessarily meet their specific needs. The digital revolution upended this rapport between brands and clients: the Internet not only provided GCC users with unlimited knowledge beyond geographical boundaries as well as a space to develop and express their own opinions, but it also opened different purchasing channels allowing them to source goods regardless of physical limitations. In turn, this mature, exploration-hungry clientele now demands a more sophisticated and localised proposition. Enter new homegrown, independent labels fully in tune with the region's attributes and aspirations, and enjoying a crucial insider's understanding of who their clients are, what they desire and how they perceive beauty.

### A UNIQUE DEMAND ROOTED IN LOCAL CULTURE

The cultural importance of beauty and its rituals in the GCC cannot be overstated. Nowhere is that more visible than with Oriental fragrances, that carry a major cultural significance: a status symbol, they provide a sense of belonging, and buying them is traditionally an enjoyable social experience. For centuries, their emblematic ingredients (frankincense, oud, rose, musk, sandalwood and amber) have been ingrained in Gulf nationals' identity and daily practices. Oriental fragrances come in many shapes and forms: oils are pure essences, either used individually or mixed; "bokhour" usually comes in the form of wood chips soaked in oils; "mukhamariya" is a concentrated, thicker variation of oil; Arabic sprays are heavy, long-lasting scents made from traditional ingredients; toiletries are used to perfume the body and the hair; "faraash" are bed linen fresheners, also applied

on curtains and other textiles. Indeed, contrary to Western perfumes, in the Gulf, Oriental fragrances are applied by both men and women in all kinds of ways. They are not only used at home in bathrooms, living rooms, bedrooms and in cars, but also in the workplace and at social and/or religious events such as the "majlis" (a "place of sitting" in Arabic, meaning a formal legislative assembly or a place for social gathering), weddings or friends get-togethers, where they are passed around guests for use – which is why luxurious packaging and accessories are as important as the scent itself. Considered an art of layering and crafting a personalised scent, application also has a ritualistic dimension: on average, five to seven layers are applied, starting in the shower and followed by body lotion and/or deodorant, bokhour infusion in clothes, skin and hair, oil on the wrists, neck and nose, and a final layer or two of Western perfume(s). The importance of fragrance in Gulf nationals' way of life, explains the sustained strength of the category in a market supplied in large quantities by many well-established local manufacturers like Abdul Samad Al Qurashi, Ajmal Perfumes or Arabian Oud. In fact, many of these manufacturers successfully branched out into retail, building on their historical presence and premium image: for example, Ajmal Perfumes, established in 1951, opened its first outlet in Dubai in 1976 and now boasts more than 100 exclusive stores in the Middle East, while Arabian Oud, established in 1982, developed a retail chain of more than 800 stores worldwide. However, new native brands such as Ne'emah, Arcadia, Odict or Widian (formerly AJ Arabia), have understood the younger clients' thirst for experiences that are both contemporary and etched in traditions, as well as their desire for Oriental fragrances with a modern twist that they can call their own. Often, their founders, like Mohammed Ne'emah (Ne'emah Fragrances) or Amna AlHabtoor (Arcadia Fragrances), are themselves of this generation. Based on a first-hand knowledge of their customers' culture and unbound by the constraints of brick-and-mortar stores, they are creating classical, yet fresh Oriental products proposed in a luxurious packaging proudly reaffirming their origin. Taking this insight even further, Ghawali (created by the Chalhoub Group) invites clients to experience its perfume line and rituals in the innovative and glamorous setting of its concept stores. All these new players have brilliantly understood the importance of a ritualistic approach celebrating the region's heritage.

“The growing prevalence of oriental fragrances in recent years mirrors the evolution of the GCC clientele, who has been heavily investing in its own culture, as the thriving art, fashion and design scenes show. This is happening for oriental fragrances as well. Accordingly, Ne'emah has been fine-tuning its image in a more contemporary way. However, our DNA and brand identity have been preserved since we launched in 1997. I come from a GCC family of noses and have grown up in that universe with these values. To uphold our house prestigiously is in our family's DNA and part of our heritage. We do not create any fragrance unless we are sure it represents part of our history, memories, and personalities. We are serving our clients with our own reflections and experiences.”

**MOHAMMED NE'EMAH** - FOUNDER & CREATIVE DIRECTOR, NE'EMAH FRAGRANCES





Source: Chalhoub Group Beauty Management Business Development.

Similarly, makeup rituals constitute essential moments in the daily life of GCC women and have always been embedded in their culture. In a tradition where, because of the region's traditional dress, eyes and eyebrows were the only part of the body others could see, kohl (or kajal) always represented femininity and was widely used, even on new-born girls to show their gender. An extension of this custom, strong eye makeup is at the core of any look. Today, the trend shifts to more modern techniques, such as contouring or baking, that have acquired a similar ritualistic dimension and are now legitimate elements of these women's makeup routine. As a result, makeup tastes in the Gulf are strong and decisive, amplifying international trends. Dramatic eyes, defined eyebrows, false lashes, shapely lips, matte contoured lipsticks, full coverage with a matte finish, sharp contour and heavy concealer remain equally-important elements of a daily regime that aims to enhance features as much as possible. Incidentally, this makeup philosophy explains why skincare is only starting to gain popularity and has great room for growth, especially in products bridging skincare and makeup. While some items are successful thanks to social media hype (scrubs, serums, facial masks, cleansers, derma-rollers and cleansing tools), local female consumers tend to expect quick results, which makeup provides faster than skincare. Their skin type tends to be oily, so they use mattifying primers and foundations, set with powder and spray. They also rely on moisturising and/or smoothing primers, as well as colour correctors, to cover skin dryness and irritation caused by the GCC harsh desert climate. These weather



conditions have an impact on products themselves, accelerating oxidation, altering pigments colours and creating a strong demand for waterproof makeup. Moreover, Gulf women's medium/tanned, warm skin tones with a yellow/olive undertone differ from the fair skin tone with a pink undertone that international cosmetics firms usually pick as a reference, which creates a demand for better-suited colour ranges. New GCC cosmetics brands, keenly listening to the public, have a genuine understanding of these specific needs and therefore reflect the region's DNA at all stages in their products, from ingredients, formulations and shades to packaging, and even communication. A perfect case in point, Huda Beauty's success was originally built around its founder's acute observation of her home market: Huda Kattan started blogging in 2010 and joined Instagram in 2012 – where her number of followers now skyrockets at 25 million. In 2013, Huda took her first step into product creation with fake lashes, sold exclusively at Sephora in the Dubai Mall. With these lashes especially designed to meet Gulf women's tastes and specificities, she addressed a need that had been overlooked so far, and tapped into an underdeveloped market that she quickly captured. Now present in the US, Germany and Denmark through Sephora, and in the United Kingdom (UK) through Harrods, Huda Beauty keeps enriching its beauty range with new lines of products carefully crafted for the Gulf audience. For example, its "Desert Dusk" palette (the follow-up to its cult "Rose Gold" eyeshadow palette) features innovative textures, ideal formulation for the Middle Eastern skin, 18 trending shades in vivid colours, and names honouring the label's roots, such as Musk, Oud and Saffron. By the same token, Dubai-based makeup artist Natasha Zaki's Glossy Makeup launched in 2017 its Arabia Collection of false lashes with names such as Lashes in Abu Dhabi, Lashes in Qatar or Lashes in Kuwait. Made from luxurious mink hair, each of these products aims to answer the typical expectations of GCC women (full lash look, length, dramatic eyes, and big or small eyes) and can be re-used up to 12 times.

## GHAWALI CASE STUDY

Fragrance and body care line and concept store Ghawali was launched in September 2016. The Arabic term "ghawali" describes something precious, dear and expensive, and has a profound historical meaning in the Gulf (it refers to a story from the early stages of perfume-making in the region). Embracing this identity, the brand capitalises on the marketplace's need for a modern/luxury fragrance concept that remains rooted in heritage and culture, and recaptures the ritual dimension of Oriental perfume. Targeting affluent, contemporary clients aged 24-45 and looking for new fragrance experiences and items, Ghawali was developed around a core promise: to "re-awaken your fragrance rituals". This promise is an integral part of its consumer journey at every step: from signature scents and quality formulas to a harmonised product range meant to be layered by clients themselves, iconic packaging, highly-personalised in-store experience (including a Bokhour Room designed like a Majlis). Aiming to answer its clients' demand for a complete offering, Ghawali started its e-commerce operation in early 2018.





### GCC BEAUTY UNDER DIGITAL INFLUENCE

Evolving in a culture where sophisticated makeup is not only accepted but prized in everyday life, women in the Gulf allocate significant time and budget to their beauty routine. What's more, they take immense pride in perfecting their own skills and mastering the most difficult techniques, to the extent that their level of expertise sometimes outdoes that of professionals in the West, thanks to extensive travels, assiduous practice and, most importantly, exposure to online content and social media.

The Internet's prevalence as a primary source of beauty information has been steadily rising around the world; it was the least consulted source of makeup product information globally in 2012 but turned out to be the fastest-growing one in 2016, well above traditional media advertising <sup>5</sup>. Powered by increasingly dynamic social media platforms, the worldwide web has also become professionals' place to inform, connect and engage with beauty consumers. For example, in the US, Instagram is the most important social media for colour cosmetics labels, which account for over 95% of engagement on all beauty posts, while skincare brand content's total engagement on that platform more than doubled in 2017 <sup>6</sup>.

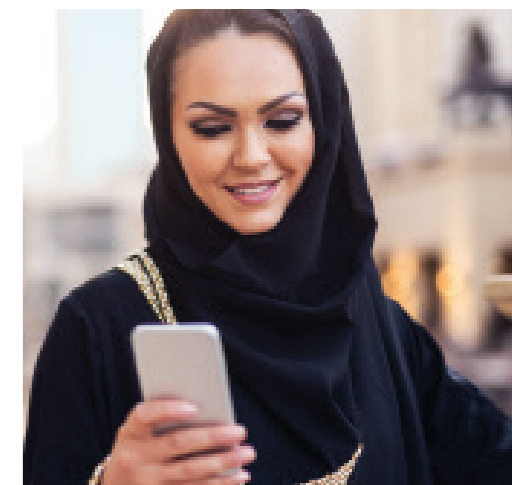
What is unique to the region is how beautystas in the Gulf now use digital channels to train themselves into actual experts, flocking to social media networks to get inspired by and learn from powerful influencers. Five short years ago, consumers predominantly took advice from the clan and the family on all aspects of their life; in 2013, 79% of GCC nationals needed their friends' opinion before a luxury purchase, and 70% were saying that these friends were the main influence over their style <sup>7</sup>. But today, 90% of luxury shoppers in Saudi Arabia research online before making a purchase <sup>8</sup>. Most importantly, smart social media influencers hold an unparalleled sway over fans, with 61% of GCC people aged 18-26 and 56% aged 27-34 following at least one influencer in 2016 <sup>9</sup>. These social media celebrities appeal to the Gulf audience in several ways: adopting friendly, entertaining styles and formats, they share tips, product reviews, inspiring ideas and, most importantly, video tutorials that beauty enthusiasts use extensively to practice and master trendy techniques, however complex they might be.

Beauty influencers have such a compelling clout in the Gulf that they can make or break trends, brands and products. The massive online hype they generated around novelties such as magnetic lashes, eyeliner stamps, mermaid brushes, ombré lipsticks or jelly highlighter, significantly contributed to their huge success in the GCC. They can even spur the creation of new entities, as was the case for makeup-enhancing skincare line Farsali, launched in 2014 by former brand consultant Sal Ali. Ali's wife and popular blogger Farah Dhukai's video tutorials inspired him to create a line of products bridging skincare and makeup, and to tick all the Instagram-friendly (or "Insta-worthy" in social media lingo) boxes to encourage online buzz: products photograph well, application processes are entertaining, and references to digital buzzes such as the Rose Gold and the Unicorn trends are omnipresent <sup>10</sup>.

Additionally, social media influencers' privileged and early access to novelties is greatly valued by beauty fans in the Gulf who take considerable pride in being the first to spot a product or a trend. These GCC consumers are collectors on a constant quest for unique products and experiences, distinctive goods, and a chance to set themselves apart.

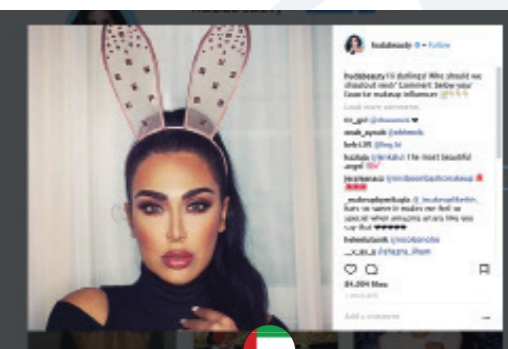
### DIGITAL GULF

Getting steadily younger (people under 30 form half of its population <sup>11</sup>), the GCC is more connected than ever: as of January 2018, its Internet penetration rates were soaring to 70% in Oman, 91% in Saudi Arabia, 98% in Kuwait and in Bahrain, and 99% in the UAE and in Qatar, compared to the 53% global average <sup>12</sup>. In 2016, 65% of media time in the UAE was spent online <sup>13</sup>. This high usage is fuelled by the Gulf's infatuation with social media, mainly Facebook, Instagram, Snapchat and YouTube: in January 2017, no less than 99% of Qatar's and the UAE's total Internet population were active on such platforms <sup>14</sup>. The Middle East and North Africa (MENA) region is home to an astounding 10% of Instagram's community worldwide <sup>15</sup>, 8% of Facebook's global audience <sup>16</sup>, and 6% of Snapchat's total users <sup>17</sup>. MENA is also one of YouTube's biggest markets in the world in terms of watch time, coming second to the US and before Brazil in 2016 <sup>18</sup> and growing year-on-year at the impressive rate of +60% <sup>19</sup>.



### GCC BEAUTY INFLUENCERS' UNSTOPPABLE MARCH TO POPULARITY

Source: Forbes Middle East, April 2017. Note: in number of Instagram followers. List is not exhaustive.



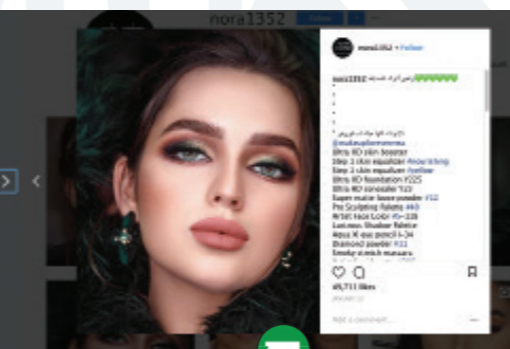
Huda Kattan  
25 million



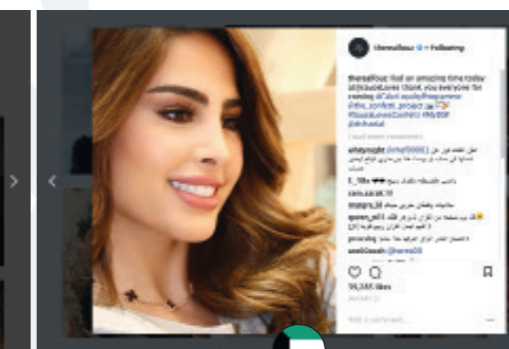
Joelle Mardinian  
7.2 million



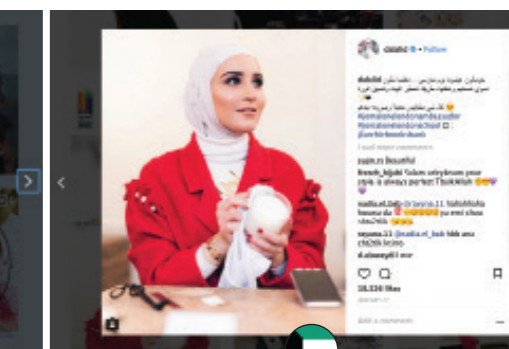
Sondos AlQattan  
2.3 million



Nora Bo Awadh  
2.3 million



Fouz AlFahad  
2.3 million



Dalal AlDoub  
2.2 million



## FROM THE REGION FOR THE REGION

The global beauty industry has come to a fundamental realisation: due to the massive influx of information available online, consumers' whole perception of beauty has been deeply transformed. Brands used to be in full control over what defined it, identifying their target audience according to age, gender, and skin/hair/body types. But today, people expect to be perceived as individuals, whose needs cannot be simplified or modelled and should rather be answered with a customisable offering. This new reality explains the roaring success of independent (indie) beauty players that smartly capture and reflect the modern mindset. In the Gulf as well, consumers have understood that they know themselves best and that they can demand to be treated as unique individuals. The young generation of GCC indie beauty firms is appealing to this newfound sense of individuality and relies on fresh approaches embracing inclusivity and personalisation.

### SPECIALISATION AS A WAY TO STAND OUT

Native indie brands offer the region's beauty clients everything that they were looking for but were not necessarily finding earlier: versatility, quality ingredients, rich ranges of products, sophisticated formulas, a sense of exclusivity and, most importantly, expertise. Although they are still small, it is only a matter of time before they grab a slice of the regional beauty pie, or carve a new one for themselves.

In the Gulf, the fragrance category is split between Western and Oriental perfumes (the latter representing 60% to 65% of the total market<sup>20</sup>), and traditional labels still have the upper hand on the brick-and-mortar market. However, names like Ghawali, Arcadia, Odict, Ne'emah or Widian are gaining ground in terms of awareness and recognition. Rather than aim for a broad appeal, they endeavour to position themselves as high-end, fashionable, expert labels that connect with GCC younger consumers' desire for individuality. It's not a coincidence that, for

example, Widian offers a Bespoke collection inviting clients to craft customised, luxurious fragrances from scratch, while the whole concept of Ghawali relies on providing a unique, personalised experience.

Similarly, young makeup firms in the GCC emphasise their high level of specialisation. Pinky Goat, Brg3 or Lash Dubai, among others, are firmly asserting their expertise in lashes. Kuwait-born K7L Cosmetics (which name actually reads "KHL" or "kohl" in Arabic, the number 7 being used colloquially for the sound "h" when writing with the Latin alphabet), focuses on "formulating a line of products that would stand up to the highest standards of professional makeup artists. We offer our end-consumers admission into the gates of A-list luxury"<sup>21</sup>. The stellar trajectory of Huda Beauty certainly is an inspiration: in 2017, Huda Beauty was ranked in the top 10 makeup brands in GCC stores (alongside MAC, Make Up For Ever and Benefit). These brands have strongly taken the lead, as no 3-axis player was even among the top 5 anymore<sup>22</sup>.

As for skincare new entrants, they are also developing strong expert profiles relevant to the region in very specific ways, which allows them to clearly differentiate themselves from foreign labels like Kiehl's, Clinique or La Prairie that currently dominate the offline market: for instance, Dubai-based Izil Beauty, launched by Moroccan Mouna Abbassy, offers Moroccan traditional recipes using ingredients such as argan oil, rhasoul clay, henna and roses. Repère Care is based out of Dubai and refers to Moroccan beauty traditions as well, but focuses on prickly pear seed oil, which use has been passed down from generation to generation. Launched in Kuwait by Sheikha Intisar AlSabah and Sheikha Fatima AlSabah, Prismologie uses mood-enhancing gems whose qualities are deeply rooted in the GCC lore: ruby is the stone of vigour, sapphire is the stone of stillness and so on. Also inspired by ancient Arabia, Dr. Lamees Hamdan established organic body care and wellbeing label Shiffa (which means "healing" in Arabic) in her native Dubai, carefully sourcing ingredients from their country of origin (such as Iranian rose, Indian amber, Egyptian jasmine, Lebanese orange blossom).

### WHAT IS AN INDIE BRAND?

The concept of "indie brand" has moved from describing any independently-owned company to a broader, more modern category of entrepreneurs who are not only characterised by their financial status, but also by a specific mindset. Specialised website indiebrandbuilder.com defines them as "a new breed of progressive, creative entrepreneurs not afraid to rewrite the rules of traditional business. Harnessing shifts in technology, manufacturing and human behaviour, they break through the barriers that small companies have traditionally faced. Purpose-driven, they are on a mission to serve the specific needs of a niche audience, and are often born out of their founder's passion for a specific issue. They are independently funded, which often forces them to explore innovative strategies. They also place a premium on design and manufacturing processes as a key differentiator and maintain the idea that their products have an artisanal quality. Because they employ these processes and materials, or simply by virtue of their limited resources, they produce in smaller quantities, giving their brand a more exclusive, coveted quality. Lastly, indie brands are able to upend the traditional marketing playbook by creating a unique and compelling brand story, making innovative use of emerging platforms, content marketing and social media to reach a niche audience"<sup>23</sup>.



Often, these indie beauty brands are ideally prepared to align themselves on the Middle Eastern unique beauty proposition which, in many instances, their founders have been tracking – if not shaping – for some time. In effect, many local players are makeup artists turned social media influencers. Entrepreneurs/digital celebrities like Joelle Mardirian (Joelle Paris), Areej Sultan AlEsa (K7L Cosmetics), Bassam Fattouh, Samer Khouzami or, of course, Huda Kattan (Huda Beauty), have been able to leverage their professional recognition and credibility along with their considerable online following, to build their own brands. Others have completely different backgrounds, but nonetheless can highlight their high level of expertise: Pinky Goat was created by two fashion and beauty veterans, Maha Morley-Kirk and Elle Hardy; Shiffa was established by dermatologist Dr. Lamees Hamdan; Oriental fragrance brand Ne'emah's founder Mohammad Ne'emah comes from a prestigious Kuwaiti family of noses and perfumers; makeup line Wow by Wojoooh was launched by regional beauty retail chain Wojoooh, part of the Chalhoub Group. In all cases, these new players have an authentic bond with their target audience, which is what many well-established foreign brands that have tried to penetrate the market failed to achieve. For example, strapping themselves onto the popularity of oud-based fragrances in the GCC without paying enough attention to the intricacies of the local taste or without building a genuine connection with the public, many international players released dedicated collections and specific perfumes around oud. However, these so-called Oriental scents were still perceived by local consumers as Western, or as mere adaptations developed for the Gulf. As a result, their sales chipped away at the Western fragrances market shares instead of the Oriental ones, while the local oud offer continued to be seen as better tailored to consumers in the region.



## ENGAGING AND INNOVATIVE STRATEGIES TO CONNECT FURTHER

Using social media platforms at an early stage to propel awareness, independent beauty labels in the region have been able to identify key strategies that trigger the interest of Gulf consumers.

In line with their expert positioning detailed above, high quality standards and sophistication are local brands' priority at every stage, from formula and texture (for example, K7L's lines are developed around "richly pigmented colours, smooth application, intensity and durability"<sup>24</sup>) to packaging, especially for fragrances. Indeed, as we have seen, the GCC clientele uses fragrances on a variety of social occasions, and considers perfume as prized pieces of art to be showcased. Therefore, all native indie fragrance labels pay extra attention to the way their products are packaged: for example, Widian's bottles and boxes are inspired by the architecture of the Sheikh Zayed Grand Mosque in Abu Dhabi<sup>25</sup> while Ghawali's bottle features traditional designs, such as its iconic round cap, enhanced by modern and trendy elements like twisted rose gold metal. In fact, to remain meticulously trend-driven and to capitalise on the social media hypes that GCC beautystas ardently track (such as ombré, rose gold, unicorn, hollow or glitter) is another component of a successfully-localised strategy in the Gulf. Brg3's Happy Collection comes in

## FENTY BEAUTY CASE STUDY

The launch in September 2017 of makeup brand Fenty Beauty (by singer-turned-entrepreneur Rihanna) took the cosmetics world by storm and was probably one of the GCC's most hyped industry events of the year. Its unique selling point: inclusivity. "The Fenty Face was created for women of all skin tones, of all personalities," said Rihanna in a statement at the time of the launch. "These steps are key to starting your makeup, no matter the look you're going for. This is where the fun begins." Having identified a gap in the global market, the new venture focused on a wide range of hard-to-match skin tones, formulas adapted to all skin types, and universal shades. The Fenty Beauty line consists of 91 products, including 40 different shades of "Pro Filt'r Soft Matte Longwear Foundation" and 30 "Match Stix Skinsticks" for contouring, correcting, concealing and highlighting; comparatively, Nyx Cosmetics, for example, offers only 12 shades of its "Highlight & Contour Pro Singles" while Nars' "Radian Cream Compact Foundation" comes in ten shades only. What sets the Fenty collection apart is also its attention to detail, from the video tutorials developed for each product to its graffiti-emblazoned packaging. Following the same logic of inclusive beauty, Fenty landed in 1,600 stores across 17 countries in one day. Soon enough, it was named amongst Time magazine's 25 best inventions of the year<sup>26</sup>.



pastel-coloured and ultra-fashionable gold- or silver-glittered packages. Lash Dubai plays on the popular Illuminati digital meme, with triangular packages featuring the symbolic Eye of Providence wearing long lashes. Beyond packaging, this approach is also valid for products themselves. For instance, one of Farsali's best-selling items is the Unicorn Essence which, on top of its obvious name reference, is a thick, sparkly pink liquid that can be applied on the cheeks, like unicorn tears. Wow by Wojooh's Brush Crush brush set features rose gold, quilted handles and ombré pink-to-white hair.

Having understood that international brand Fenty Beauty's stunning success around the world is linked to its inclusive beauty global strategy, homegrown labels acknowledge their audience's own desire for beauty for all. They identified a gap in the market for a similarly all-encompassing approach with a localised feel and are launching extensive ranges as well: Pinky Goat's 50 designs of lashes aim to suit all kinds of needs, while Huda Beauty's #FauxFilter foundation line comes in 30 different shades, nine of which sold out three days after it was launched on Sephora's e-commerce platform<sup>27</sup>.

Incidentally, playing on the possibility that a product could rapidly sell out or be unavailable is a great way to pique the interest of GCC beauty enthusiasts – many of whom are, at heart, collectors who do not want to miss out on anything. Scarcity-based tactics leverage this competitive mindset and build appetite. Farsali, for example, debuts original items only once or twice a year, but ensures that each launch gets hyped online; its audience reportedly grew by 1,200% to 1 million Instagram followers after its Rose Gold Elixir was released in 2016<sup>28</sup>. The same rationale applies to special collections, that also help brands bolster an expert reputation and

## WOW BY WOJOOH CASE STUDY



Middle Eastern beauty retailer Wojooh, part of the Chalhoub Group, launched its own private makeup line, Wow by Wojooh, in September 2014, aiming to fill the gap in regionally-adapted product attributes and shades for beautystas in the Gulf. Its +200 items (for eyes, face, lips, nails, tools and brushes) are made in Europe according to the highest quality standards but are specifically formulated to meet GCC consumers' needs. They range from humidity-proof high-coverage foundations to extreme-wear matte lip lacquers and breathable nail polishes. Each is developed based on in-depth consumer research along with international trends adapted to local specificities. Wow by Wojooh positions itself as a vibrant and creative insider and beauty expert. It celebrates its connection to the Middle East through regular partnerships with GCC influential designers as well as other initiatives on special occasions – such as Ramadan 2016 when the brand teamed up with Coty to create an integrated animation around the theme of giving back. Distributed exclusively in the retail chain's 100 stores across 12 countries and e-store, Wow by Wojooh quickly became the fastest-selling makeup label of the Wojooh network<sup>29</sup>, and plans to soon expand into the bath and body category.



*“From day one, our strategy was to build connections on all levels, starting with our consumers: they are our inspiration and we are an Arab brand very proud to merge the Western expertise with the Arabic culture. So, for example, we check online for the most popular Arabic names of the moment and brand new products after them. In addition, whenever customers have questions, we're always there to help them through our trilingual real live-chat team, available 24/7. We also sponsor workshops with makeup artists worldwide, have a true relationship with influencers, and work closely with our retailers; we make them feel special by creating exclusive special collections and events for them. Today, you have to make that genuine connection with all your stakeholders, and not only when you need something from them.”*

**MAHA MORLEY-KIRK** - CEO, PINKY GOAT

connect with the domestic market. For example, Wow by Wojooh released limited-edition collections exclusively for the Gulf in partnership with influential designers such as Mochi in 2016 (exclusive makeup pouches creation) and Fyunka in 2017 (exclusive packaging and illustrations for its popular Lipstuck lipstick line).

Lastly, impactful events are key to connect with GCC clients and draw attention. They can have a potent effect by either surprising consumers (for example, GCC fragrance label Voile, which caters to the travel retail market, organised a memorable launch event exclusively onboard Saudi Airlines in 2012), or by combining anticipation building with instant gratification. For example, events like meet and greets, where clients can see and (briefly) talk to their favourite beauty guru, are particularly popular in a region where socialising is important – so much so that, in May 2017, Huda Kattan had to cancel her appearance to such an event in Dubai due to overcrowding concerns. Scheduled to release her new highlighter make-up palette, she had promised Huda Beauty products worth more than US\$1,770 to the first 40 people in line, and huge, uncontrollable crowds had begun to gather five hours before her arrival<sup>30</sup>. Along the same lines, master classes, where famous makeup artists teach new techniques and share their knowledge with a select audience, are massively successful worldwide, and are especially apt to attract a GCC public keen on improving their skills and meeting their mentors at once. Several international beauty celebrities held such seminars in the region (most prominently makeup expert Mario Dedivanovic and social media star Kim Kardashian in Dubai in January 2017, when VIP admission tickets were priced at US\$1,667 and sold out) and an increasing number of GCC makeup experts are following in their tracks, such as Huda Kattan and Iraqi/British influencers sisters Sonia and Fyza Ali. These master classes benefit both the clientele (who learns new techniques, meets beauty experts and gets products and samples) and the brand (that gets exposure, enhanced loyalty and can recruit new clients).

*“As a woman, I know how women want their skin to look and feel. It is not vanity, it is simply a reality that women aspire to have a healthy clear skin and small pores. Natural ingredients are better absorbed and assimilated by the body, and better absorption means better and more powerful results. However, I was unable to find a luxury natural beauty product that was healing my skin and could give me the effective anti-aging result I was looking for. So, I created my own.”*

**DR LAMEES HAMDAN** - FOUNDER, SHIFFA

## REVAMPING THE GCC BEAUTY RETAIL ECOSYSTEM

New beauty brands in the Gulf are dedicated and ambitious, but they cannot operate on their own for long. In order to grow, they need to be part of the larger retail ecosystem. Online, this ecosystem almost acts like an incubator, with the various actors that form the e-commerce universe interacting with and nurturing indie labels to everybody's benefit. Offline, traditional retailers were initially reluctant to accept this new competition while having to simultaneously address an unforgiving modern client, the impact of digital on their own brick-and-mortar business, and the resulting upheaval in market dynamics. Today, however, they are starting to appreciate what GCC indie beauty players can bring to the regional conversation, finding common grounds and a mutual interest.

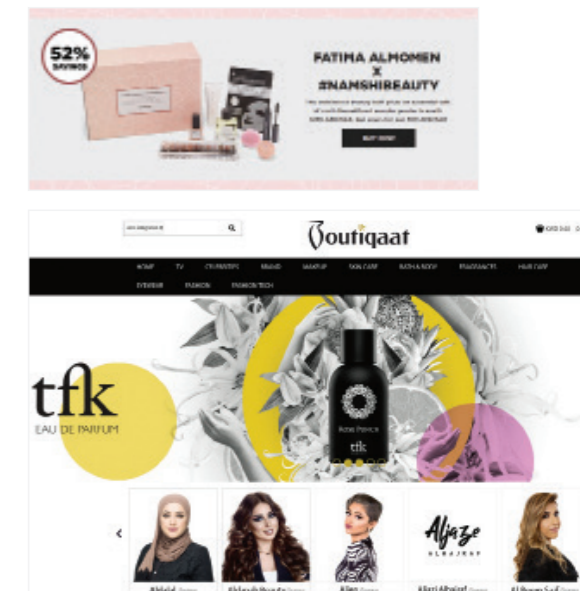


### THE E-COMMERCE LAUNCH PAD

Whether they were established by influencers or not, most independent beauty brands in the Gulf develop efficient e-stores and use social media for promotion. This pattern is in line with the global trend that shows how the growth of e-commerce spurs the emergence of indie beauty new entrants – who, in the US, accounted for no less than 85% of Amazon's best-selling products in 2017<sup>31</sup>.

## HOW BOUTIQAAT HARNESSES THE POWER OF INFLUENCERS

Kuwait-based digital pure player Boutiqaat was launched in 2015 around a unique concept: the site revolves entirely around influencers. Aiming to increase sales, awareness and consumer engagement, most local e-commerce platforms such as Namshi, Ounass or Sivvi sometimes use influencers in various ways (discount codes, influencer picks, competitions, giveaways, and reviews/tutorials). For example, Namshi released a Beauty Box with Kuwaiti digital celebrity Fatima AlMomen allowing customers to save 52% on the collection of products it includes. By contrast, Boutiqaat is fully designed around the +150 regional digital celebrities who present their personal product assortments, shoppable in their own boutiques hosted on the site (hence its name). Interestingly, while competitors usually have a large section dedicated to beauty across a wide range of prices, Boutiqaat's higher price tag is overlooked by a savvy clientele eager to obtain items recommended by a beloved beauty mogul. Boutiqaat is now going beyond selling other labels' goods, partnering up with its influencers to create its own fragrances, hair mists and bokhour.



All around the world, shoppers' constant quest for value for money fuels the rise of e-commerce, including in the GCC where 59% of UAE and 65% of Saudi consumers name lower costs as the first reason to buy online instead of going in a physical store<sup>32</sup>. While 66% of Internet users in the Gulf are digital buyers<sup>33</sup>, e-commerce development in the area is still relatively slow. As explained in the Chalhoub Group White Paper 2017 edition, it is hampered by various regional specificities, including cash-led economies, logistics challenges and limited online supplies. While it represents an average 10% to 20% of total retail in developed countries (the US,



the United Kingdom and China) and around 5% in emerging markets (India, Brazil and Russia), digital retail only represents 1.3% of total retail in Saudi Arabia and in the UAE<sup>34</sup>. Yet, GCC e-commerce is expected to increase massively in the coming years at an approximate rate of 31% year-on-year to reach US\$24 billion by 2022<sup>35</sup>. Beauty is projected to represent 13% of that total by then, with a compound annual growth rate (CAGR) of 35% – the third fastest after grocery and fashion<sup>36</sup>.

With this promising prospect in mind, a host of international and homegrown actors have entered the Gulf e-commerce fray, helping shape a digital environment that indie beauty brands can thrive in. Indeed, a whole new galaxy of digital retail channels offers these brands numerous opportunities to sell their goods and services: marketplaces (such as Amazon, Noon.com or Souq), pure players (Cult Beauty, Beautylish, Namshi or Sivvi among others) and retailers' platforms (for example, Tryano, Harvey Nichols, Bloomingdale's, Sephora or Wajoooh). More are on their digital way, such as pure player Nisnass from Al Tayer Insignia, already behind the luxury platform Ounass. All are making sure to avoid the pitfalls that plagued the regional development of e-commerce. They offer free delivery above a minimum spend amount, and many international sites delivering to the Gulf have free delivery and returns, along with express delivery services for an additional fee and taxes/duties built into the final price. They also allow cash-on-delivery (a major advantage in this cash-led environment) and are working hard

## WELCOME TO BEAUTY NATION



At a time when many new beauty brands that could potentially spur shoppers' interest could not be distributed for want of retail space, the opening of department store Tryano in Abu Dhabi provided the Chalhoub Group with the perfect opportunity to create a destination within a destination, dedicated to independent players. Following four years of preparation, Beauty Nation was born in April 2017. Acting like a lab where novelties can be tested before they are taken further into distribution, Beauty Nation accesses Tryano's discerning clientele, curious to discover new names like Mai Couture, Nugg or House of Lashes, across a wide range of prices. Constantly scouting around the world, Beauty Nation's team curates novel brands and their product assortment for relevance to the region. The incubator/retail zone focuses on makeup for now but will include skincare and fragrance at a later stage, aiming for a total selection of 35 hand-picked labels.

on key development enhancements. At the site level, they develop online chat functions and links to loyalty programmes at checkout. With regards to delivery, they offer a broad range of options for payment, same-day delivery in the home market, click-and-collect options as well as the ability to track orders. Add-ons such as authenticity guarantees, optional gift wrapping, free samples, personal shopping assistants and referral programmes, are a welcome final touch.

*“Local indie brands are very important for Wajoooh as, by essence, they match our unique selling proposition: understanding and addressing the needs and expectations of clients, wherever they are and wherever they are. Who better than a local brand can understand a client from the same region? But beyond being simply adapted to the skin tones and skin types of a regional client, these brands are likely to carry the same values that are deeply ingrained in Wajoooh DNA, i.e: caring, generosity, authenticity and proximity. In our quest to make Wajoooh a more global retailer, there's a great opportunity for symbiotic partnerships with these brands. They will benefit from some added exposure outside of their natural borders, whereas they will reinforce our customer relevance. Wajoooh did bring the best of beauty to this region; we now shall act as a reverse bridge and promote regional beauty and values outside of the Middle East. What local indie brands bring to the people of the Gulf, both in terms of value and service, shall positively resonate with consumers around the world, in their quest for more proximity, care and human touch.”*

**JOFFREY CHARTIER** - GENERAL MANAGER, WOJOOH



## EXPANDING TO THE OFFLINE WORLD

For most independent brands, the next natural development stage is to enter the offline market, not only to sell but also to get exposure and gain further public recognition.

Such a move used to be difficult and costly in the GCC markets where retail space is limited and cluttered. Trying to maximise this space and offset their own risks, retailers were imposing stark conditions on any agreement with independents – such as high margins, performance requirements, quick returns and/or exclusivity. For small, financially-tight entrants, trade costs could be prohibitive as well, retailers often expecting them to finance their own merchandising, promoters, marketing expenses and PR. These additional expenses could put an excessive strain on a fledgling business already concerned by its own production costs: for example, many GCC consumers view a product's origins as a necessary guarantee of its



Photo by Gustavo Spindula on Unsplash

quality (luxury Western fragrances are expected to be made in France, eyelashes in Indonesia, lash glue in South Korea and makeup in Italy), sometimes forcing local entrepreneurs to relocate their manufacturing abroad and bear the higher costs that this move entails.

In that context, the opportunity that specialised beauty retail chains offered to indie brands turned out to be providential. Both catalysts and beneficiaries of change, these chains have turned the beauty market on its head. They harness the power of digital and change the retail landscape by offering one-stop-shop beauty destinations, competing with department stores and standalones. In the United States (US), they also empowered and enabled independent expert brands by offering a particularly well-adapted retail space. In that country, 60% of Sephora customers browse by category<sup>37</sup> and sales of indie items increased by 43% in 2016, vs a 5% growth for the international beauty sector the same year<sup>38</sup>. Beauty retail chains are also extremely popular in the GCC, with three players dominating the prestige beauty retail landscape (Wojoo, Paris Gallery and Sephora, which alone claimed a third of the Gulf market share in S1 2017<sup>39</sup>). They offer many local labels: for example, Ne'emah, Odict, Huda Beauty, Shiffa at Sephora, and, even more so, Wow by Wojoo, Pinky Goat, Farsali, Glossy Makeup, Joelle Paris, Kajal, Lash Dubai and Voile at Wojoo (among others). The longest-established of all three, Paris Gallery, founded in the 1990s, always promoted local and regional players in its portfolio, considering niche and oriental brands as part of its DNA and selling them exclusively before they slowly expanded to other retailers. In 2015, these brands accounted for approximately 25% of the chain's total sales in the GCC, a figure expected to slightly drop to 20% today<sup>40</sup>.



Yet, in a significant shift throughout the past couple of years, a growing number of retailers have taken the strategic decision to really support the burgeoning regional beauty industry. The trend is especially visible in the fragrance offering of department stores all across the GCC. Harvey Nichols (in the UAE, Saudi Arabia and Kuwait), Saks Fifth Avenue (in Bahrain), Bloomingdale's (in the UAE and Kuwait), as well as Galeries Lafayette, BHV, Robinsons and Tryano (in the UAE) have all created specialised sections around niche fragrances. They leverage their offering by selecting qualitative fragrance brands, both international (such as Frederic Malle and Francis Kurkdjian) for 70% of the total, and local (such as Tola, The Fragrance Kitchen and Widian) for the remainder. The results are significant: fragrance is the beauty category growing the most in department stores, despite the fact that makeup is the strongest category across the whole beauty market<sup>41</sup>.

As for standalone stores, opening and maintaining one probably is the hardest challenge for any budding independent brand in the Gulf, considering the high operating costs (rent in particular) of the region. Several foreign companies that are already well known, such as Lush Cosmetics and Charlotte Tilbury, have taken this step with plans to expand further soon, while more are on their way: US-based cosmetics specialist Origins and South Korean ultra-modern makeup label Etude House both announced in 2017 they were planning to debut stores in Dubai. However, native players are understandably prudent when it comes to taking this risky leap, and only a few are testing the waters for now: for example, UAE-based natural skincare brand Herbal Essentials inaugurated its first store in 2016, offering skin analysis and derma consultations using state-of-the-art machinery. Fragrance label Ghawali came with a growing chain of concept stores across the region. Arcadia Fragrances opened a stall in Dubai City Walk in 2017. What remains to be seen is whether more Gulf indie beauty firms will follow in their tracks and, most importantly, how both the public and the rest of the industry will greet them.



## EMBRACING MODERN BEAUTY

The beauty landscape has changed in deep and meaningful ways in the GCC, just like it did in other parts of the world. Where there was a generic consumer, there is now a unique individual. Where brands dictated the rules and the essence of beauty itself, people now demand that their needs, characteristics and aspirations come first and foremost. Where international, well-established companies enjoyed a position of strength, small, agile and digital-savvy local players are injecting creativity and disruption.



Photo by Siddharth Siva/ArabianEye

Today's Gulf beauty clients are yearning for an offering consistent with who they are: young, connected, knowledgeable, hungry for experiences, attached to their roots and yet anchored in the 21<sup>st</sup> century. This is exactly what native indie brands strive to offer them, exploring the myriad of avenues that are opening up around their in-depth understanding of GCC shoppers' identity and history. These modern actors enjoy an authentic bond with their audience whose rituals, traditions and customs they also share. Because their clients know more than ever what they talk about, they position themselves as experts who will satisfy the public's craving for novelty and excellence. New local fragrance labels are not about simply producing beautiful perfumes, but propose to craft a scent reflecting its wearer's inner being, packaged in a piece of art that is a collector item itself. Upcoming homegrown makeup firms do not just develop cosmetics, but create lines that are specifically adapted to regional tastes and needs, be it in texture, durability or intensity. Young skincare entrepreneurs do not only launch innovative products, but invite customers to experience a lifestyle engrained in the Gulf's lore, culture and heritage.

These fledgling brands are established by digital-savvy entrepreneurs who, by smartly leveraging Internet and its networks, have identified the key triggers allowing them to buoy their clientele's attention and curiosity for evermore refined products and experiences. Having understood that the modern GCC beauty client has a collector's mindset, they are able to play on this distinctively competitive spirit to create anticipation and build appetite. They realised that this client also desires increasingly sophisticated ranges, designs, quality, packaging and purchasing experience, and will no longer contend with an offering built only around the brand's standing. Through a variety of impactful and rewarding events, they know how to reach out to a clientele that aspires to connect with and feel appreciated by the industry.

This wealth of insights into Gulf shopper's hearts and minds, along with a clever usage of digital channels, allows GCC independent beauty firms to make the best out of the region's online revolution and e-commerce opportunities. In synergy with specialised retail chains, they also enter the offline market where they can grow and prosper. However, they are looking to expand beyond these boundaries into the general retail environment, and need the support of established retail players who, in turn, can benefit considerably from embracing this budding generation of businesses.

Gulf indie beauty brands can indeed bring a level of skill, expertise and proximity with consumers that would only prove beneficial to institutional firms trying to digitally engage, inform, inspire and, increasingly, sell. As the omnichannel becomes par for the course to give clients the intuitive, seamless shopper experience that they crave across offline and online, they are an asset to stand out in the eye of the discerning collector that the GCC beauty consumer has become.



*“The GCC consumers have evolved. They are now assertive, curious, determined, and are mostly influenced by their circles of friends on social media and by bloggers. In terms of beauty, they are focusing on makeup, and are looking for fun and colour. This modern mindset has created a major opportunity for new, independent, niche beauty brands from all over the world, and particularly from the region. An increasing number of local entrepreneurs are filling the gap and venturing into initiatives interesting for and relevant to their own community. They are changing the GCC beauty scene and creating a new, vibrant dynamic. They are challenging the institutional players who have been slow to react, and are forcing them to rethink their strategy. The Chalhoub Group supports this market transformation and the local initiatives behind it that provide our customers with what they are looking for. We want to be an integral part of their journey and experience.”*

**PATRICK CHALHOUB** - CO-CEO, CHALHOUB GROUP

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