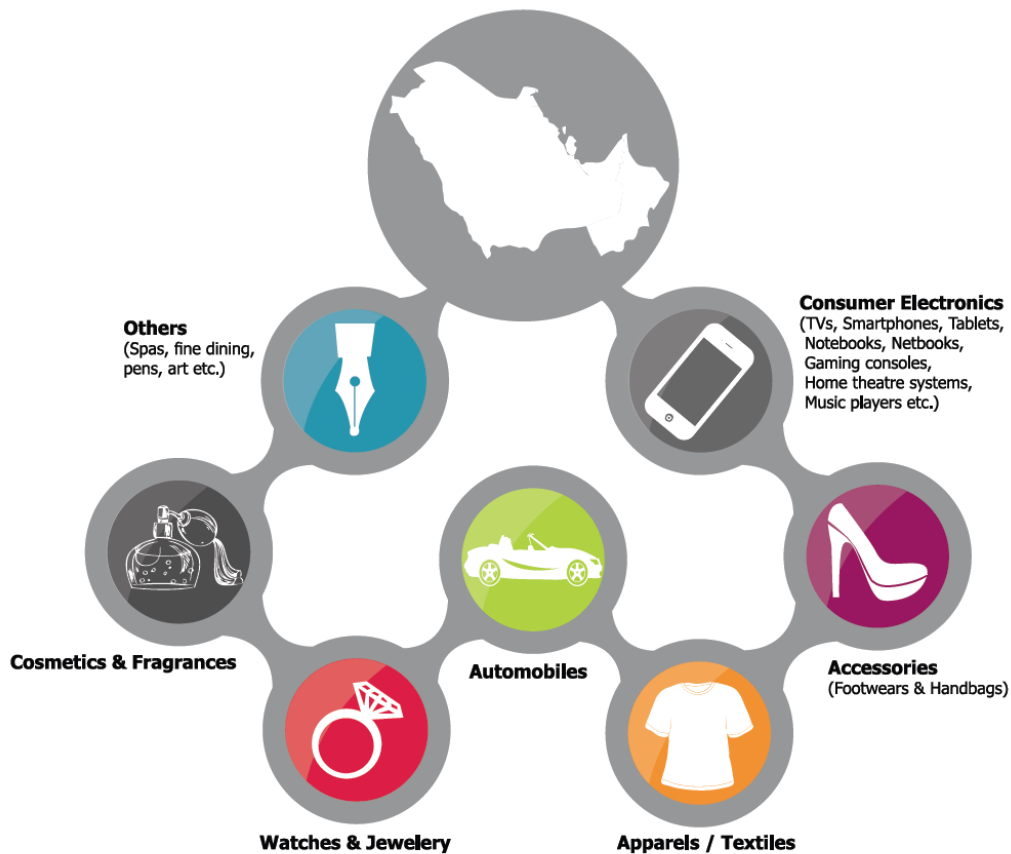


Marmore Industry Reports 2015

Kuwait Luxury Retail

In the lap of luxury



Research Highlight:

Analyzing the major segments of luxury retail in Kuwait, their different formats and retail infrastructure. The report also highlights the fundamental growth drivers and challenges for luxury retail in the region.

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1. Executive Summary

Higher average incomes and various subsidies make it easier for consumers to choose top brands.

Kuwait is the eighth richest country in the world, in terms of average per capita income. The growing GDP, increasing population and high per capita income makes Kuwait a popular destination for the luxury retailers. Kuwait was ranked 10th globally in the 2015 Big Spenders Index, and was ranked 4th in the 2013 Global Retail Apparel Index, with a very high market attractiveness score.

The major segments of luxury retail in the Kuwait are Consumer Electronics, Automobiles, Apparels, Watches & Jewellery, Footwear & Handbags and Cosmetics. Luxury brands like Chanel, Gucci, Dior and Louis Vuitton operate in multiple segments such as Apparels, Footwear, Handbags, Cosmetics and Fragrances and have their presence here. Higher average incomes and various subsidies make it easier for consumers to choose top brands and large sports utility vehicles, compared to Europe and many Asian markets. In Kuwait luxury segment, high-end fashion and accessories enjoy a bigger share of the overall market.

Demand for retail space is increasing and occupancy rates in prime malls reached to over 90 per cent.

Luxury retail operates through malls, hypermarkets and online shopping. Malls offer a unique proposition of entertainment plus shopping, and continue to be the choice destination for shoppers as it offers a wholesome experience. Demand for retail space is increasing and occupancy rates in prime malls reached to over 90 per cent. Kuwait currently has about 712,000 sq. m retail space, and is expected to have an additional 174,680 sq. m retail space by 2017.

Growth in the online retail segment is supported by a high penetration of Internet among the population, with around 75 per cent of the population using internet. The ecommerce market size in Kuwait was estimated to be about USD 0.56 billion in 2014, and is expected to go up to USD 1.07 billion by 2020.

Table 1.1: Prominent malls in Kuwait

Project	Retail Space (in Sq m)
Avenue Mall	250,000
360 Kuwait	82,000
Gate Mall	37,000
Marina Mall	35,379
Al Hamra Luxury Centre	24,000

Source: Company Websites, Marmore Research

Falling oil prices, rental costs, and counterfeiting are few of the challenges facing the sector.

Affluent population, higher disposable income, grand malls, growing population of locals and expatriates and rising number of tourists act as growth drivers for luxury retail. However falling oil prices, counterfeiting, rental costs, increasing competition and imbalances in the business environment are few challenges the sector is facing.

2. Overview of Luxury retail in Kuwait

The personal luxury goods segment in the Middle East is valued at USD 7.59 billion in 2014.

Kuwait is the eighth richest country in the world in terms of average per capita income, over the last decade¹. The growing GDP, increasing population and high per capita income makes Kuwait a popular destination for the luxury retailers. The personal luxury goods segment in the Middle East is valued at USD 7.59 billion in 2014². Kuwait contributes significantly to this amount despite its smaller size. The Middle Eastern tourists have been said to have the world's highest per capita luxury spending. They tend to spend 260 per cent more than other travelers on airfare alone, and 558 per cent more on dining while on vacation³. This and the presence of large number of local high-end consumers explain the presence of such wide-ranging international luxury market in Kuwait. International retailers are trying to expand and capitalize on these promising markets, rather than their comparatively less favorable and fast-saturating domestic markets.

International retailers are trying to expand and capitalize on promising emerging markets.

Kuwait ranked 10th in The Big Spenders Index 2015, compiled exclusively for The Wealth Report by Knight Frank, and aims at identifying the countries that are likely to see strong growth in the luxury segment spending by their own ultra-wealthy populations and visiting UHNWIs. The various parameters on which the countries are measured are Luxury Store footprint, Premium travel and spending, Big-ticket luxury goods spending, Wealth growth, spending on luxury imported items and UHNWI population.

Table 2.1: The Big Spenders Index, 2015

Rank	Country	Luxury Store footprint	Wealth growth	Premium travel & spending	Spending on luxury imported item	Big-ticket luxury good spending	UHNWI population
1	UK	9	5	8	7	5	5
3	Qatar	7	10	9	10	2	2
6	Saudi Arabia	8	5	9	10	4	3
10	Kuwait	6	7	8	10	2	2

Source: The Wealth Report 2015 by Knight Frank; Note – Maximum Score in each category – 10

¹ World Bank data

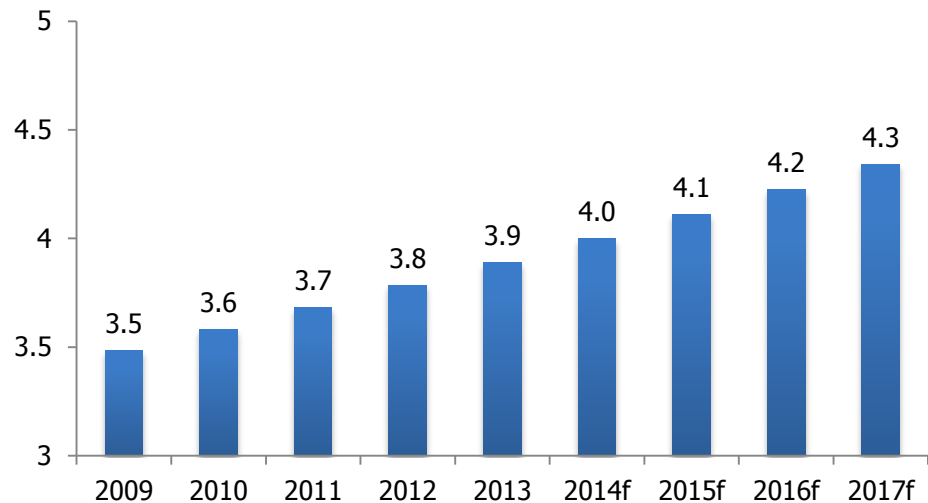
² Bain & Company

³ Bain & Company

Kuwait scores low in the UHNWI population when compared to the other countries.

Kuwait scores the maximum in spending on luxury imported items indicating a population that prefers high-end western brands. The luxury store footprint is moderate at a score of 6, signifying growth opportunity for retailers to open up luxury brands stores. Kuwait scores low in the UHNWI population as when compared to the other countries, the number of UHNWI is lesser, mainly due to its small population.

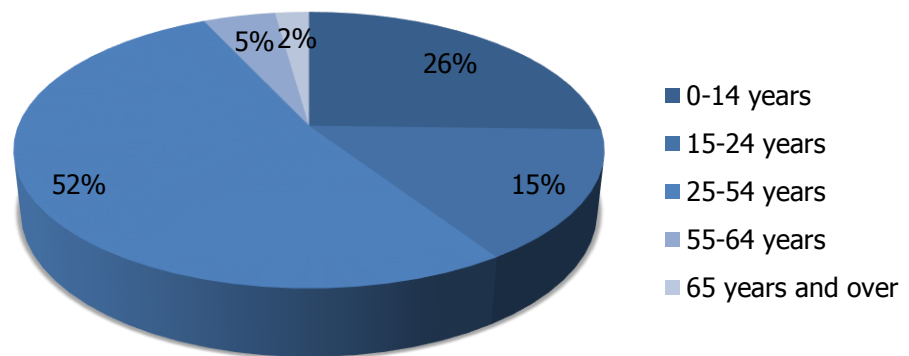
Figure 2.1: Population of Kuwait (in millions)



Source: IMF database

Favorable demography and high disposable income has made Kuwait GCC's second most favored luxury retail destination.

Figure 2.2: Age-wise population in Kuwait, 2014



Source: US census estimates

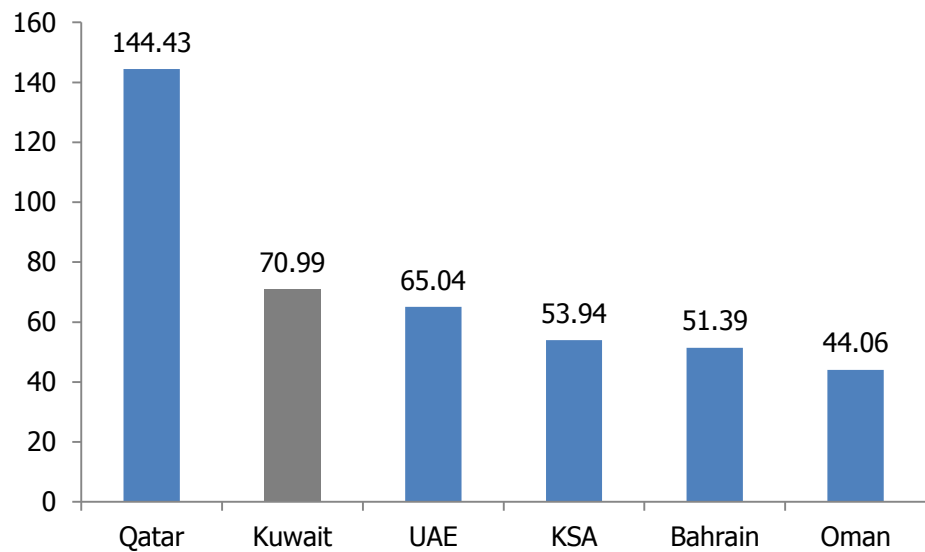
Favorable demography, high disposable income, urbanized population profile has made Kuwait the second most favored luxury retail destination in the GCC, after the UAE⁴. Additionally, a young, affluent, and multi-ethnic population is an ideal target market for global brands, which enter the

⁴ A.T.Kearney

Western attire is increasingly getting accepted as casual wear for both men and women.

country by collaborating with local companies. Kuwait is the eighth richest country in the world, based on GDP per capita⁵, and Kuwait nationals have both the ability and inclination to spend on luxury brands. Although a large section of the people continue to wear traditional clothing, western attire is increasingly getting accepted as casual wear for both men and women. High-end beauty and perfume products are also popular among the local and expatriate population in Kuwait.

Figure 2.3: GDP per capita of GCC countries on a PPP basis, 2014 (in 000's)



An increasing number of young and affluent local consumers prefer spending on premium clothing and fashion accessories

Source: IMF, EconomyWatch

The local population in Kuwait splurges on luxury items as a result of very high disposable income and brand-conscious population, which is the most important driver for the fashion sales. An increasing number of young and affluent local consumers prefer to spend on premium clothing and fashion accessories, have high brand awareness and aspire to match western lifestyles.

In the luxury segment, generally high-end fashion and accessories segment occupy the largest composition in the overall market. It is followed by the hard luxury products segment and beauty products (mainly fragrances).

⁵ IMF

3. Segments in Luxury retail

Consumer Electronics

High disposable incomes has increased the propensity to spend more on consumer electronics.

Consumer electronics market is driven by products such as LCD/LED television sets, smart phones, feature-rich notebooks, handheld tablets, digital audio players, high end gaming consoles, Blu-ray DVD players and home theatre systems. Bulk of the market demand is met through imports.

High disposable incomes has increased the propensity to spend on luxury items in the consumer electronics market. Products that are fashionable and prestigious are preferred in the region. Apple products, such as iPhone, iPad, Mac etc., are doing exceptionally well. FIFA World Cup 2014 seems to have boosted the demand for Audio-visual segment of the consumer electronics market in 2014⁶. Consumer PC sales rose from USD 476 million in 2013 to USD 499 million in 2014, registering an increase of about 5 per cent. This growth has been driven by the premium tablets segment. The future growth is expected to be driven by the hybrid notebooks as tablets sales reach a fast-saturating point⁷.

Table 3.1: Major Consumer Electronics brands in Kuwait

Luxury Brand	Product/Service	Location
Vertu	Mobiles	Salhia Complex
Porsche Design	Mobiles	Al Hamra Mall

Source: Marmore Research

Cars constitute the maximum of the total imports of the country with an import value of USD 3.44 billion.

Automobiles

High average incomes and subsidized fuel prices make it easier for consumers in Kuwait to choose top brands and large sports utility vehicles, compared to Europe and many Asian markets. Most of this demand is met through imports. Cars constitute the maximum of the total imports of the country with an import value of USD 3.44 billion and a share of 20 per cent⁸.

Rolls-Royce Motor Cars leads the luxury automotive segment in Kuwait, as their sole authorized dealers, Ali Alghanim & Sons Automotive, announced that it had seen a 42 per cent growth in its sales in 2014. Ali Alghanim &

⁶ BMI

⁷ Consumer Electronics Report – Market Research

⁸ The Observatory of Economic Complexity - MIT

Middle-East is Rolls-Royce Motor Cars' 2nd largest market globally.

Sons Automotive is also the official importer of the cars of BMW and MINI in Kuwait. This significant growth also contributed to the success of Rolls-Royce in the region, as the Middle-East is Rolls-Royce Motor Cars' 2nd largest market globally. The sales in the region accounted for around one-fifth of the company's total global sales throughout 2014⁹.

Table 3.2 : Major Automobile brands in Kuwait

Luxury Brand	Product/Service
BMW	Motor Cars
Rolls Royce	Motor Cars
Maserati	Sports car
Ferrari	Sports car
Land Rover	Motor Cars
Jaguar	Motor Cars
Ducati	Motorcycle
BMW Motorad	Motorcycle

Source: Marmore Research

Apparels / Textiles

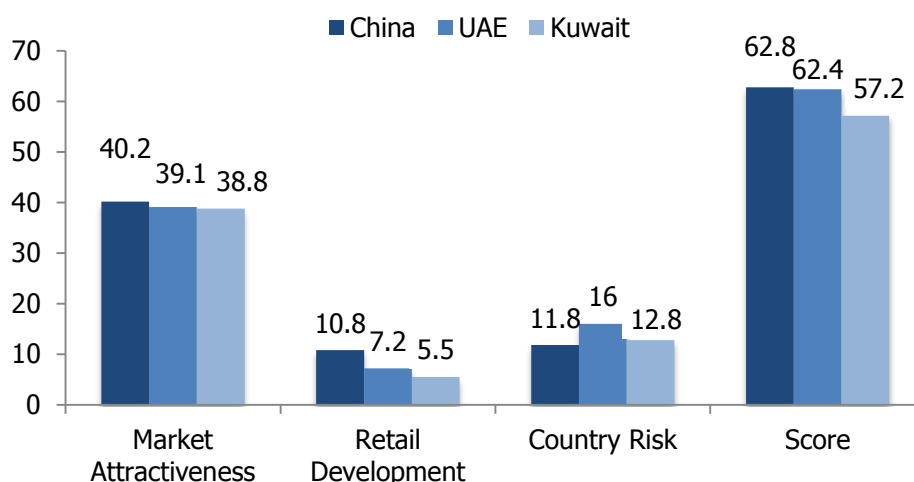
Kuwait was ranked 4th in the 2013 Global Retail Apparel Index.

The most posh international apparel brands like Burberry, Prada, Gucci, Armani, etc. have made substantial inroads riding on the youthful population base in Kuwait who are extremely fashion and brand conscious. They have the willingness to buy and ability to pay the premium for better quality branded clothes. Kuwait was ranked 4th in the 2013 Global Retail Apparel Index with a great market attractiveness score of 38.8 on 60. The evaluation of market attractiveness includes clothing sales, clothing sales growth, youth and urban populations and level of international presence¹⁰.

⁹ KuwaitTimes

¹⁰ AT Kearney

Figure 3.1- 2013 Retail Apparel Index



People in Kuwait are big fans of exclusive hard luxury products as a sign to show their status.

Source: AT Kearney

Table 3.3: Major Apparel brands in Kuwait

Luxury Brand	Product/Service
Chanel	Apparels/Perfumes/ Skincare
Armani	Apparels/Shoes
Ralph Lauren	Apparels
Hugo Boss	Apparels/Shoes
Lavin	Apparels/Perfumes
Coach	Apparels/Leather goods
Burberry	Apparels/Shoes/Perfumes/Watches

Source: Marmore Research

Watches & Jewellery – (Hard luxury products)

Kuwait ranks second among the GCC nations in highest female workforce participation.

Watches and jewellery segment is one of the largest and fastest growing segments within the luxury retail space. Stellar jewellery and ultra-exclusive timepiece are causing this segment to be seen as investment for a longer term than seasonal accessories. People in Kuwait are big fans of exclusive hard luxury products as a sign to show their status. They tend to like larger models, higher complications and audacious designs. In mid-2014, International Watch Company Schaffhausen opened its flagship boutique stores in several regions across the GCC including Kuwait, Abu Dhabi and Dubai. Jewellery industry is one of the most well-developed in the country, where premium pieces are sought after by men and women alike. Kuwait ranks second among the GCC nations in highest female workforce participation¹¹, which allows women more independence to

¹¹ International Labor Organization estimates

make their purchases. Apart from well-known international brands, family-run businesses like Al Fares Jewellery and Ali Al Arbash & Sons Jewellery have been thriving in the country from a very long time.

Table 3.4 : Major Consumer Watches/Jewelry brands in Kuwait

Luxury Brand	Product/Service
Rolex	Watches
Tiffany and Co.	Jewellery and watches
Patek Philippe	Watches
Breguet	Watches
Panerai	Watches
Cartier	Watches
Jaeger-LeCoultre	Watches
Hublot	Watches
Audemars Piquet	Watches
Blancpain	Watches
Tag Heuer	Watches
Rado	Watches
Omega	Watches
Porsche Design	Watches
Bell & Ross	Watches
Forevermark	Jewellery
Parmigiani	Watches

Source: Marmore Research

Fashion accessories represent more than personal decoration, symbolizing social and economic status.

Accessories (Footwear & Handbags)

Fashion accessories are very important in Kuwait, especially among women. They represent more than personal decoration, symbolizing social and economic status. Accessories are one of the few items that men and women use to show their own identity and style. Increase in the e-commerce websites in Kuwait like Beidoun and Souk are also a cause for increase in demand for accessories, as the touch and feel aspect for such products is lesser compared to apparels.

Table 3.5 : Major Accessory brands in Kuwait

Luxury Brand	Product/Service
Jimmy Choo	Footwear
Maui Jim	Sunglasses
Dior	Leather goods/ Footwear
Louis Vuitton	Handbags/Footwear/ Sunglasses
Ted Baker	Handbags
Gucci	Leather goods/ Footwear /Watches
Barbara Bui	Handbags/ Footwear / Sunglasses

Source: Marmore Research

Several designer apparel and luxury accessories brands have recently branched out into color cosmetics and fragrances.

Cosmetics & Fragrance

The luxury brands all over the world are expanding into non-core product categories, such as cosmetics and fragrances. Kuwait is no exception. Luxury brands that were able to leverage their reputation and apply them to new product categories have recently seen considerable success in the Kuwait. Several designer apparel and luxury accessories brands have recently branched out into color cosmetics and fragrances, resulting in launches such as Lancôme cosmetics and Burberry fragrances. These have become very popular with the country's young, affluent, and cosmopolitan population. Such categories also require more personal attention than others and hence the shopping experience is what matters most. The colossal boutiques that these brands maintain create the ultimate experience for their loyal customers.

Cosmetics and fragrance is a growing market in Kuwait, and this creates both challenges and opportunities.

Cosmetics and fragrance is a growing market in Kuwait, and this creates both challenges and opportunities. It is quite difficult to stand out in such an environment. While some brands focus on volume like Christian Dior and Marc Jacobs in the fragrance industry, some focus on penetration in luxury-status publications (by advertisement rate), such as Givenchy. While some focus on a great volume of advertorials, others have a few yet powerful celebrity endorsements and product placements.

Porsche Design launched a premium-smoking accessory named as Shisha 2.0 priced at USD 2,250.

Table 3.6: Major Cosmetic & Fragrance brands in Kuwait

Luxury Brand	Product/Service
Chanel	Beauty
Givenchy	Beauty
Burberry	Beauty
Dior	Beauty
Lancôme	Beauty
Sisley	Beauty
Marc Jacobs	Beauty
Shiseido	Beauty
MAC	Beauty

Source: Marmore Research

Others

Higher disposable income and greater brand consciousness, especially young adults in the Kuwait, has increased demand for global brands and goods and services like spa, fine dining, writing instruments, smoking accessories, handicrafts etc.

One of the favorite traditional pastimes in the Middle East has been smoking shisha. With people's desire to possess branded quality products and their high ability to pay in Kuwait, Porsche Design launched a premium-smoking accessory named as Shisha 2.0 priced at USD 2,250.

Though swipe of a touch screen is quickly replacing other modes of communication, not all of the past has been erased. Pen enthusiasts are alive and well – the new iPad doesn't seem to have smudged their passion. In fact, some people actively buy, sell and trade expensive pens of any kind.

Table 3.7 : Other major brands and their presence

Luxury Brand	Product/Service
Porsche Design	Shisha
Talise Spa	Spa
Second cup	Café chain
Caffe Vergnano 1882	Café chain
Montblanc	Writing Instrument
Waterman	Pens
S.T. Dupont	Lighters/Pens/Cuff links
Christofle	Flatware/Tabletop/Desk accessories
Bernardaud	Cutlery/Scented candles
Davidoff	Cigars/Pipes

Source: Marmore Research

Some people actively buy, sell and trade expensive pens of any kind.

4. Entry form in Luxury retail and Legal framework

Franchise

The franchise sector in the MENA region was worth over USD 30billion as on 2014, with annual growth registered at 27 per cent.¹² The GCC nations, with a collective population of 1.4billion and a combined GDP of USD 1.9trillion, are responsible for major share of the above. Despite being a small economy, Kuwait's franchise business contributes greatly to the GCC region business. With an affluent customer base and high growth potential, Kuwait presents one of the biggest opportunities for existing and potential franchisors and franchisees to expand their businesses.

Most franchisees in Kuwait prefer to opt for the master-franchising (also called as sub-franchising or multi franchising) format where the master franchisee has the power to extend the franchisee or licenses to others within a specified region.

Table 4.1: Maximum percentage of ownership in a corporate franchise, 2014

Country	% of GCG Ownership of Franchisee	% of Foreign Ownership of Franchisee
Kuwait	100	49
Saudi Arabia	75	75
UAE	100	49
Oman	100	49
Bahrain	100	100
Qatar	50	49

Source: MENA Franchise Association

The maximum per cent of ownership in the share capital of a corporate franchisee by Kuwait nationals is 100 per cent whereas foreigners aren't allowed to hold more than 49 per cent of the share capital preventing them from having the majority stake in any business in the country.

Legal Framework

International brands looking to expand rapidly in Kuwait must take into account the legal, regulatory, cultural, religious and social norms that define the preferences of the governments and consumers.

Kuwait presents one of the biggest opportunities for existing and potential franchisors and franchisees.

Foreigners aren't allowed to hold more than 49 per cent of the share capital.

¹² MENAFA- Middle East and North Africa franchise association

Franchise, supply and distribution agreements are often construed as a commercial agency in Kuwait.

Applicable laws include Agency laws, Commercial codes, Companies law, Civil Codes, Judicial Procedural Code, Trade Mark law, Trade secrets/unfair competition law, Employment law and other laws that regulate import of goods and labeling of goods.¹³

Franchise, supply and distribution agreements are often construed as a commercial agency in Kuwait. Failure to register a franchise or supply agreement is not an offence in this country and it is preferable for the franchisor, if the franchise or supply agreement is not registered.

Kuwait became a party to the New York Convention on foreign arbitral awards on 27th July 1978¹⁴. It deals with the enforcement of foreign arbitral awards in case of franchise disputes by providing a multilateral framework that recognizes the validity of commercial arbitration agreements and enables expedited enforcement of arbitral awards in participating States. This convention has made arbitration the leading form of dispute resolution for cross-border disputes.¹⁵

Joint venture activity has been on the rise in Kuwait over the last few years.

Table 4.2: Some successful franchisees in Kuwait

Franchise	Partner	Industry
TGI Fridays	Americana Group	F&B
Sixt (Germany)	NA	Premium Mobility Services
Miss Selfridge	M.H. Alshaya	Apparel
Estee Lauder	M.H. Alshaya	Beauty/Skin Care
Caribou Coffee	Al Sayer Group	F&B

Source: Marmore Research

Joint Venture

Joint venture activity has been on the rise in Kuwait over the last few years, and there is every sign that this will continue as businesses seek to minimize the inherent risks associated with entering new markets.

The benefits of a successful joint venture include the sharing of risk, the pooling of complementary skills and capabilities, as well as providing access to new markets. Being largely dependent on oil for the growth of its economy, Kuwait government wants to diversify its economy away from oil. With the result, it is an attractive proposition for businesses that are looking to expand, and joint ventures are a common means of doing so. A

¹³ MENA Franchise Association

¹⁴ MENA Franchise Association

¹⁵ InsideCounsel

shared common objective can lead to a good fit for many businesses that choose this option.

Structure

There are a number of different structures that a joint venture can take. Typically in the Kuwait, the structure is likely to take the form of a contractual alliance, or limited liability company into which the venturing parties will invest.

Cultural Challenges

There is a strong relationship culture in Kuwait, with a great deal of emphasis placed upon trust.

There is a strong relationship culture in Kuwait, with a great deal of emphasis placed upon trust. Therefore, negotiations should be approached with this in mind. The level of sophistication of transactions is generally increasing in the region, as local parties gain more international experience, but long and complex joint venture agreements can be a surprise to local venturing parties who see the transaction as more straightforward; the inference from a long and complex document can be that you are not prepared to take your partner at his word.

From a practical perspective, foreign parties to a joint venture will usually need to accommodate a different working week; the usual working week in Kuwait is Sunday to Thursday.

Legal Framework

According to Government of Kuwait, joint venture companies do not have legal personalities of their own.

According to Government of Kuwait, joint venture companies do not have legal personalities of their own. Such companies have to conduct business in the name of their JV partners, and cannot conduct business in their own name with third parties. The partner is personally liable for the transactions he enters into with the third parties. The liability of the transacting partner to the third parties is unlimited. Meanwhile, the liability of the non-transacting partner is confined to his share in the joint venture. It is also mandatory that Kuwaiti partner guarantee the transacting partner, if the latter is a non-Kuwaiti citizen as a foreign partner is not permitted to hold more than 49 per cent of the share of the company. All parties privy to the agreement are exposed to jointly and severally liable if the joint venture company deals with third parties in its own name. It wouldn't make any difference whether the joint partners were personally involved in the transaction or not. Also, it is appropriate for joint ventures structured as a

corporate entity operating in Kuwait to consider an offshore holding structure through which to invest.

5. Luxury Retail formats

Malls

Malls offer a unique proposition of entertainment plus shopping and continue to be the choice destination for shoppers as it offers a wholesome experience. Upscale malls in Kuwait like Avenue mall provide luxury retailers with quality space to set up their operations. Lot of retailers have difficulty in finding space for their extravagant showrooms as the real estate prices in Kuwait are very high. For them, retail space in high-end malls are a good bet.

Demand for space in the upscale malls continues to be high as evidenced by the increasing rentals, which are among the highest in the world. Franchise owners who own development arms are in a better position to tide over this problem. Secondary/Mid-tier malls witnessed slackened demand, as rentals continued to fall.

Table 5.1: Characteristics of Various Mall Type

Mall Category	Features	Catchment Area
Theme based Mall	Based on a theme. Ex: Space travel, Jurassic park	Global Audience across countries
Upscale Mall	Provides Shopping as well as entertainment options.	Global Audience across countries
Secondary/ Mid-Tier Malls	Leisure Shopping	Nearby Regions
Community Malls	Caters to the primary needs of consumer.	Adjacent Neighbourhoods

Source: Marmore Research

Avenues Mall

It is the largest mall in Kuwait. It started operations in 2007, and with the completion of its third phase recently it is giving a close competition to the world-famous Dubai Mall. Shopping in Kuwait is largely viewed as a form of entertainment, given the lack of other activities, and Avenues has rightly captured that spirit by adopting a model of combining retail outlets with family entertainment options. The third phase of the mall include the Grand Avenue, which has caught the fancy of many due to its unusual architectural design. It sets out to conjure up an outdoor, "European" shopping experience, with retailers located on a 500-metre-long, 20-

Demand for space in the upscale malls continues to be high as evidenced by the increasing rentals.

Avenues adopted a model of combining retail outlets with family entertainment options.

metre-wide, tree-lined boulevard.¹⁶ The largest luxury shopping destination in Kuwait is the Prestige phase in the Avenues mall. The Avenues mall received a total footfall of 42 million visitors in 2013. The Avenues mall is a home for 200 stores. Most of the international brands operating in the retail segment are present in the Avenues mall.

Table 5.2: Retailers present in Avenues Mall

Retailer	Industry	Country
CARREFOUR	Multiline Retail	France
Louis Vuitton	Fashion	USA
STAR BUCKS	Café Chain	India
RALPH Lauren	Apparels	USA
Marks and Spencers	Multiline Retail	USA

Source: Marmore Research

Hyper Markets

Hypermarket is a superstore, which can be considered as a combination of both Department store and Supermarket. Hypermarkets typically serve as the anchor tenant in shopping malls attracting significant footfalls and subsequently enjoy lower rents. They offer superior shopping experience and provide a one stop shopping destination as they are well stocked with a wide variety of products at competitive prices. Hypermarkets are majorly located within malls, as a way to increase footfalls, while convenience stores have been the preferred way to increase local footprints in community malls due to size constraints. Key hypermarkets in Kuwait are EMKE Group (Lulu Hypermarkets), City Centre, Al Majid Futtiam (Carrefour), Geant and Spinneys.

Hypermarkets are still not an established form for selling luxury products in Kuwait and the whole of middle east region unlike China. Lianhua Supermarket, China's largest domestic retailer, now sells seven brands of luxury products in its outlets, including international brands like Gucci, Prada and Armani. The concept still remains unfavourable to Kuwaitis as they relate luxury shopping with the ambience and experience of the shop or boutique.

The largest luxury shopping destination in Kuwait is the Prestige phase in the Avenues mall.

Hypermarkets are majorly located within malls, as a way to increase footfalls.

¹⁶ Oxford Business Group

Online shopping

Retailers find this medium attractive as it reduces overheads, and enables them to offer products at competitive prices.

The popularity of e-commerce is increasing among consumers and retailers, and an increasing number of shoppers are turning to the internet to purchase goods ranging from apparel, electronics, groceries, books, airline tickets, event tickets etc. as they hunt for attractive deals without having to step out of their homes. Retailers find this medium attractive as it reduces overheads, and enables them to offer products at competitive prices. Growing number of internet users in Kuwait could enable growth in the online retail segment.

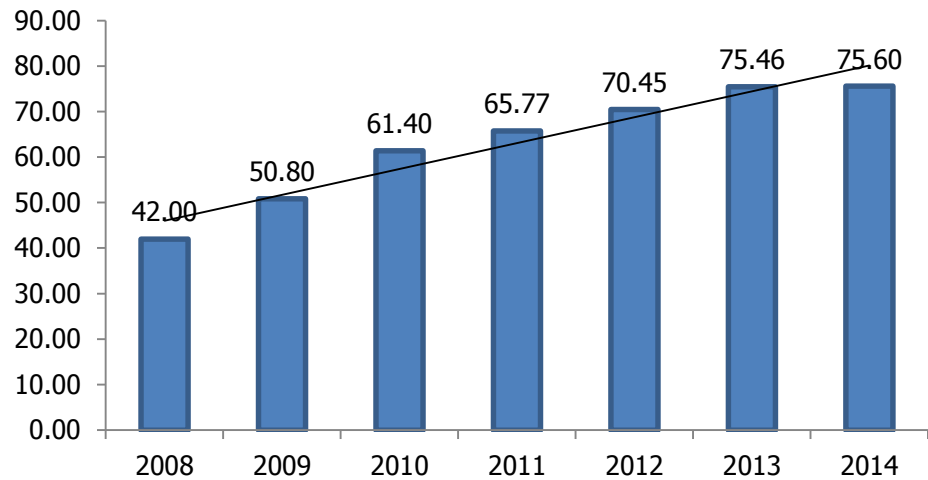
E-commerce websites in Kuwait include Beidoun and Souk. Souk.com offers customers access to some collection of few luxury brands like Burberry, Hugo Boss, Prada, Michael Kors, etc.

Kuwait isn't ranked in the top 30 in the Global Retail E-Commerce Index.

Kuwait ranks 8th in the 2014 Global Retail Development Index, in which top 30 countries are ranked for attractiveness of retail investment¹⁷. The GRDI rates country's retail sector on the basis of market attractiveness, country risk, market saturation, and the time available to get in to the market. Despite its high position on the GRDI, Kuwait isn't ranked in the top 30 in the Global Retail E-Commerce Index. This could be due to the fact that shopping is an important past time for the Kuwaitis. Due to lack of too many social activities, people indulge more in shopping. Luxury retail being closely knit with good customer experience is all the more difficult to sell online, as it is not possible to recreate the desired experience through Internet websites.

¹⁷A T Kearney

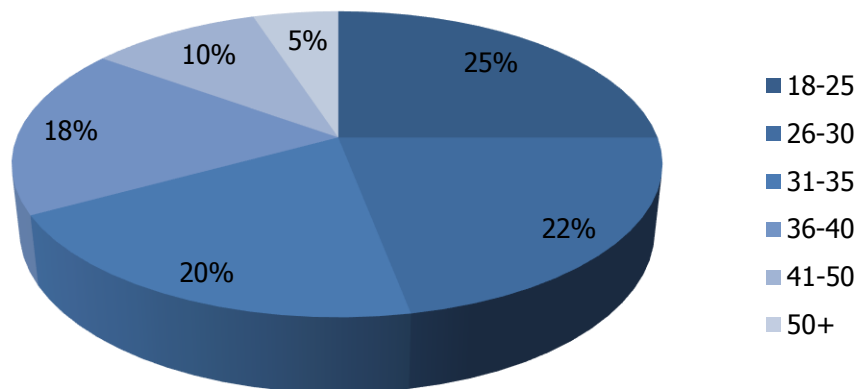
Figure 5.1: Percentage of Individuals using the Internet in Kuwait



Source: ITU, IWS

The ecommerce market size in Kuwait is estimated to go up to USD 1.07 billion by 2020.

Figure 5.2: Kuwait- Age grouping of online shoppers, 2014



Source: Payfort

Although Internet users are on a rise, the penetration of online retail in Kuwait isn't too significant. The ecommerce market size in Kuwait is estimated to be about USD 0.56 billion in 2014 and is expected to go up to USD 1.07 billion by 2020¹⁸. While the youthful population of Kuwait have taken to online shopping in a big way, elder generations still prefer the old brick and mortar stores, and view shopping as a form of entertainment. While cash on delivery (COD) is the most popular payment option in the

¹⁸ Payfort

Both e-commerce and m-commerce are still in their infancy in Kuwait.

Middle East, the high value of purchase in luxury retail doesn't always allow the option of COD, and consumers still prefer cash to online transactions. Both e-commerce and m-commerce are still in their infancy in Kuwait, due to limited presence of online retailers, lack of specific legislation governing e-businesses, and lowest smartphone penetration in the GCC.

6. Retail Infrastructure & Spending

New concepts are being developed, such as district or neighborhood malls, which target specific group of residents.

While megamalls still feature strongly – driven by the concept of shopping-as-entertainment, they were the key to the original retail boom but patterns are beginning to change. Given the danger of saturation (in Dubai, for example, there has been definite cannibalization of older malls); new concepts are being developed, such as district or neighborhood malls, which target specific group of residents. Nevertheless super-sized destination malls continue to be developed in some markets. Built quickly, these new cities are also prone to move their center of gravity quickly, wrong-footing luxury retailers who may not understand the signs. This increasingly varied picture makes the question of location more complex and more crucial for luxury brands.

Kuwait

Kuwait is the favourite location for international retailers after UAE.

Although real estate prices are shooting up, demand for retail space is growing and retail sector is expanding. Recently, the country's largest mall, The Avenues opened its phase 3 extension adding more 800 units. Gate mall also opened in 2014 with a retail space of 37,000 sq m. Urban and suburban population in Kuwait possess high disposable incomes, which they spend on luxury goods. The Avenues new extension includes a stand alone boutique that caters to the needs of Kuwaitis seeking luxury goods. The district is called The Prestige. Kuwait is the favourite location for international retailers after UAE.

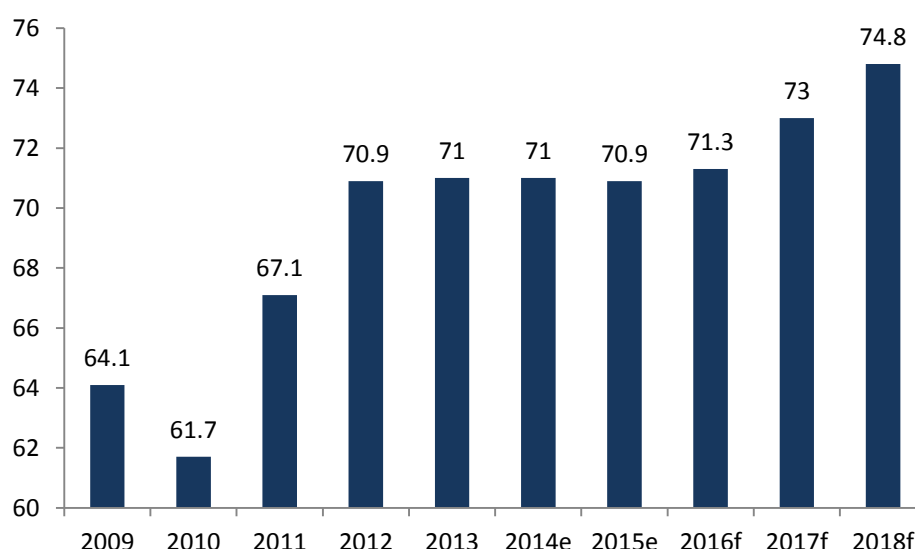
Premium brands in Kuwait are looking at expanding with unique store offerings. Swiss brand Chopard opened its largest boutique with a store designed by renowned architect Thierry W. Despont in 2013. Louis Vuitton is completing work on a lavish two-level outlet in The Avenues mall that includes a Haute Maroquinerie salon, allowing buyers to customize handmade Louis Vuitton bags.¹⁹ Although the luxury market is attractive, it is difficult for foreign brands to enter because of expensive real estate, limited space for expansion and a lot of competition from well-established local retailers such as Sultan Center, City Center.

¹⁹ AT Kearney

The Avenue is expanding to its fourth phase at a cost of USD 910 million, to a Gross Leasing Area (GLA) of 370,000 sq m.

In 2013, the gross leasable area (GLA) stood at 6,75,000 sq m.²⁰ The nation's largest mall, The Avenue is expanding to its fourth phase at a cost of USD 910 million, to a Gross Leasing Area (GLA) of 370,000 sq m. According to the developer, MH Alshaya/Mabanee Company, it plans to include a five-star hotel; Grand Avenue extension; Prestige extension; The Electra District, modeled after Times Square in New York; The Plaza District, inspired by Piazza San Marco in Venice and The Orchid District an area with boutiques and hanging gardens with restaurants at the center. They are planning to have Phase 4 completed by late 2016. Malls like 360 Kuwait & Marina Mall are other notable malls offering quality retail space, contributing 82,000 sq m and 35,379 sq m of retail space respectively.

Figure 6.1: GDP per capita of Kuwait, 2009-18 (current international dollar)



Source - IMF

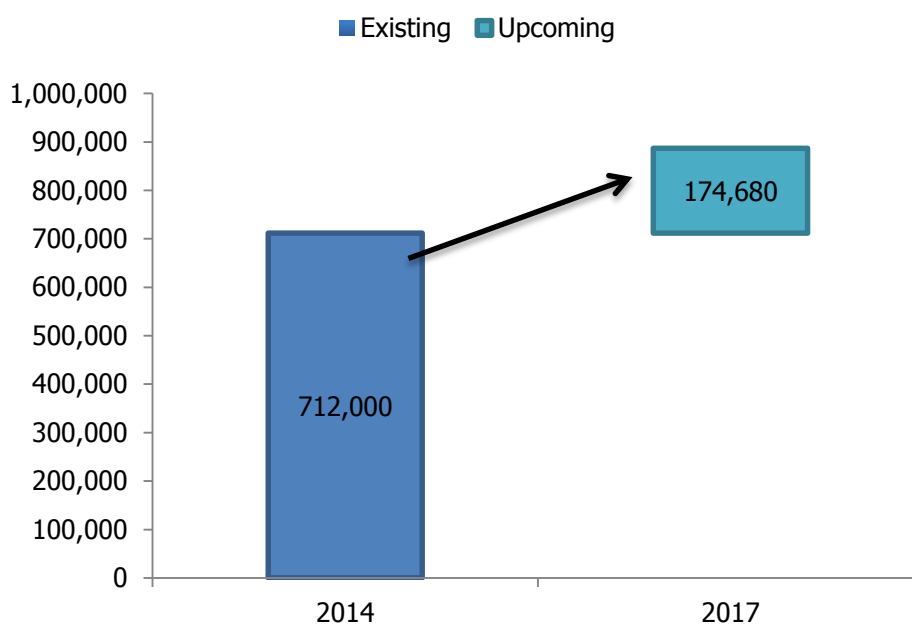
Table 6.1: Upcoming Malls in Kuwait

Project	Retail Space(in sq m)
Avenues IV Extension	120,000
Valued at USD 910 mn	(in multiple phases)
Boulevard	28,000
Al Salam Mall	26,680

Source: Marmore Research

²⁰ Report 2013: Kuwait by Oxford Business Group

Figure 6.2: Existing and Future Retail Space (in sq. m) in Kuwait



Average rents for commercial properties in Kuwait city remained stable over the period 2013-14.

Source: Marmore Research

Table 6.2: Prominent Malls Existing in Kuwait

Project	Retail Space (in Sq m)	Anchor
Avenue Mall	250,000	Carrefour, IKEA
360 Kuwait	82,000	Marks & Spencer
Gate Mall	37,000	-
Marina Mall	35,379	Virgin Mega Store, The ONE (Home furnishing)
Al Hamra Luxury Centre	24,000	Samsung, Korloff Marriage

Source: Marmore Research, Company Data

Table 6.1: Average Rental Value Trading of Commercial Properties (KD per sq. meter)

Location	2013	2014
Kuwait City	6-30	6-30
Outside Kuwait City	5-45	5-35

Source: KFH

Average rents for commercial properties in Kuwait city remained stable over the period 2013-14, while for outside Kuwait City the higher end properties increased by KD 10 per sq. m. in 2014.

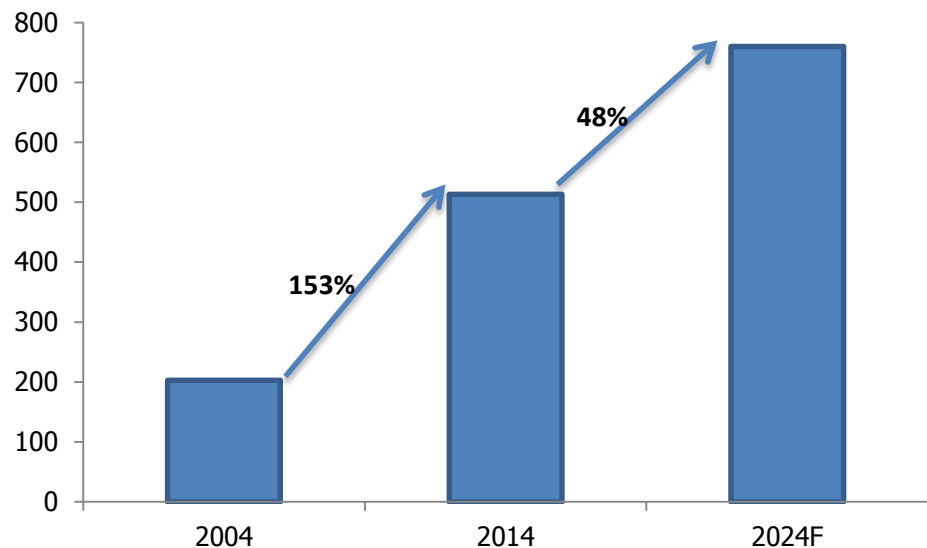
7. Growth Drivers

Affluent population

The number of HNWIs is forecasted to grow at a CAGR of more than 4 per cent till 2019.

Kuwait has experienced strong growth rates despite the global financial crisis that affected most of world economies. This growth was realized due to high oil prices and resultant fiscal surpluses. Low fuel expenses, increased government spending on healthcare, education and infrastructure, increased the disposable income of the individuals in this country. Number of High net worth individuals in Kuwait in 2013 was 13,600 with 720 super rich individuals whose assets are worth more than USD 30 million.²¹ The number of HNWIs is forecasted to grow at a CAGR of more than 4 per cent till 2019.²²

Figure 7.1: UHNWI population in Kuwait



Most of Kuwait's citizens reside in the capital city, resulting in a very high urbanization rate of 98 per cent.

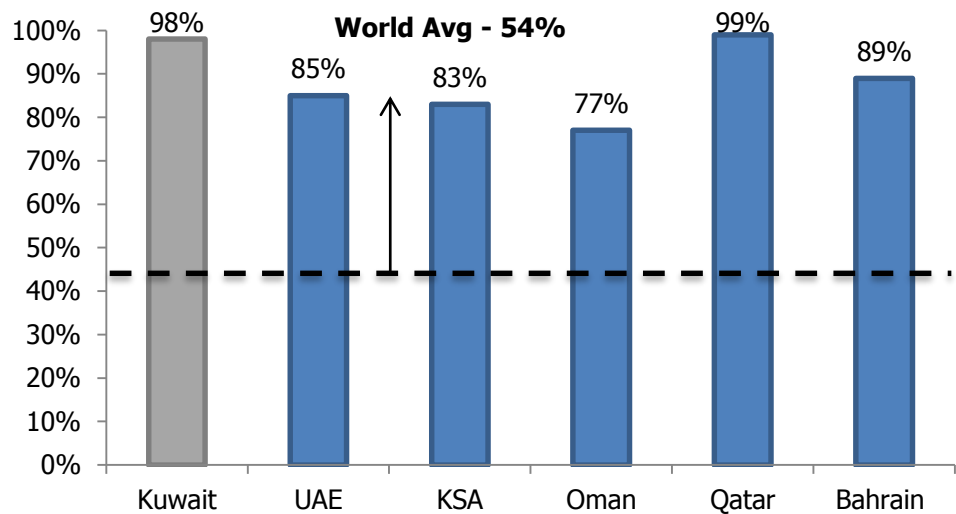
Source – The Wealth Report 2015

Also, most of the citizens of Kuwait reside in the city, resulting in a very high urbanization rate of 98 per cent when compared to the world average of only 54 per cent. This allows people to have an easy access to shop for luxury goods, and be more aware of the international brands entering the market.

²¹ Beyond Convention Report by Qatar Financial Centre (QFC)

²² Trade Arabia News Service

Figure 7.2: Urbanization levels in 2014

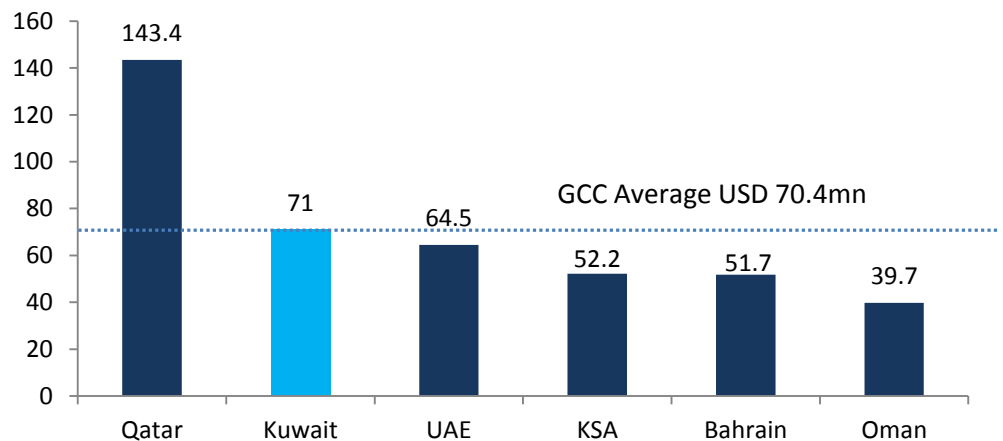


Source - UN Department of Economic & Social Affairs

Higher per capita income

Kuwait occupies the 8th position in the list of top 10 richest countries in the world based on average GDP per capita of the last decade. Consumption power as evidenced by the level of per capita income for Kuwait is higher than GCC average, and is just lagging behind a little compared to US. Youthful demographic profile with deep pockets indicate the increasing luxury retail demand, particularly in apparel, consumer electronics and food industries; as they are inclined to buy branded wear, stay on top of technological trends with latest gadgets and gaming consoles, and would prefer trying out varied cuisines.

Figure 7.3: Kuwait Per Capita Income Level in comparison with other countries at current prices (in USD), 2014



Source: IMF

Consumption power as evidenced by the level of per capita income for Kuwait is higher than GCC average.

Number of people visiting traditional souks and standalone retail outlets has constantly reduced.

The high level of per capita income, complemented by its growth, and the generous state grants in the form of subsidies/monetary transfer for its citizens, aids in strong retail demand.

Table 7.1 : Growth in per Capita Income Levels

Country	CAGR (2009-14)
Qatar	4.5%
Saudi Arabia	3.9%
USA	3.1%
UAE	3.0%
Bahrain	2.7%
UK	2.4%
Kuwait	2.1%
Oman	-1.0%

Source: IMF, Marmore Research

Grand malls and shopping complexes

Over the past few years, retail spaces have become more and more sophisticated. Number of people visiting traditional souks and standalone retail outlets has constantly reduced. Luxurious malls, shopping complexes and huge hypermarkets have become the preferred choice of the shoppers.

Further investment in mall infrastructure will add more leasable areas to retailers.

The Avenues Mall, 360 Kuwait, Gate mall and Marina mall are few of the famous malls located in the Kuwait. Lot of innovations and improvements are made to these shopping malls to engage the customers better as they are meant to be means of entertainment for them. Apart from having a group of shops, these shopping malls have several other advantages like restaurants, cafes, crèche for kids and other entertaining activities. For instance, 360 MALL in Kuwait is home to six different avenues of fun engaging activities. It has a 1500 sq. m of entertainment space designed specifically to host entertainment events (arcades, video games, all kind of simulators, etc.) for teenage age groups. Another avenue includes The Bowl Room – which covers an area of more than 2500 sq. m, and the facility includes a VIP bowling alley that can help add exclusivity to an event to make it extra special.

The trend of mall shopping is now embedded in local popular culture and offers a feasible form of entertainment with family and friends, particularly

Global retailers can also leverage on the experience and local knowledge of their franchise partners.

in the smoldering summer months. Further investment in mall infrastructure will add more leasable areas to retailers. As more space is added the culture of shopping and the extensive enthusiasm for international brand names from foreign nations is likely to attract more international chains to set up shop in the country and occupy this new space.

Franchise Businesses

Kuwait provides a great opportunity for businesses looking forward to expand in the Global market. Franchising is gaining popularity in Kuwait, with an affluent customer base, relatively faster government approvals and short lead times that make it an attractive destination for global players. Global retailers can also leverage on the experience and local knowledge of their franchise partners. It is effective for a franchisor to build its brand in a new market without significant investment; and it is risk free for a franchisee to join a successful and established franchise network compared to the risks of starting a business from scratch. Moreover, the parties involved in the franchise will be financially and legally separate and independent.

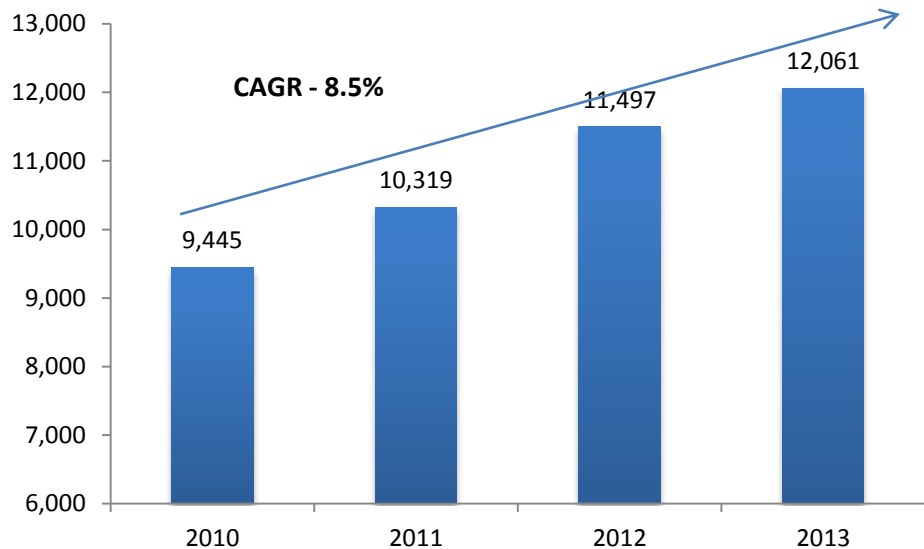
In Kuwait, franchising is not developed as a legal concept with proper laws and regulations.

In Kuwait, franchising is not developed as a legal concept with proper laws and regulations. Both franchiser and franchisee seek advice and conduct a due diligence before entering into agreement and prepare a comprehensive franchise agreement that defines the rights and obligations of both the parties, thereby protecting them and facilitating a good business.

At present, business groups such as Al Sayer Group, M.H. Alshaya and Americana Group control the retail franchising business in the Kuwait. These groups commonly have exclusive franchise rights in the region for a number of brands ranging from 20 to 55. The availability of such strong and experienced franchise partners will benefit the international brands entering the Kuwait market.

Growth in Consumer spending

Figure 7.4: Growth in Consumer Spending in Kuwait (KWD millions)

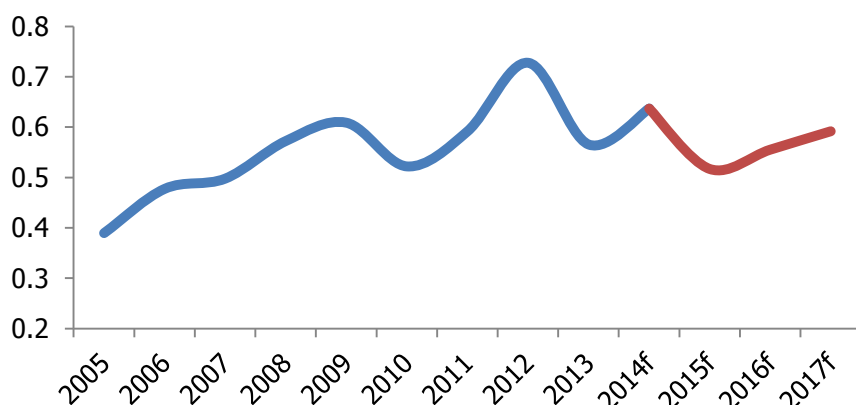


The continuous increase in consumer spending is a good indicator for the luxury goods retailers.

Source- tradingeconomics.com

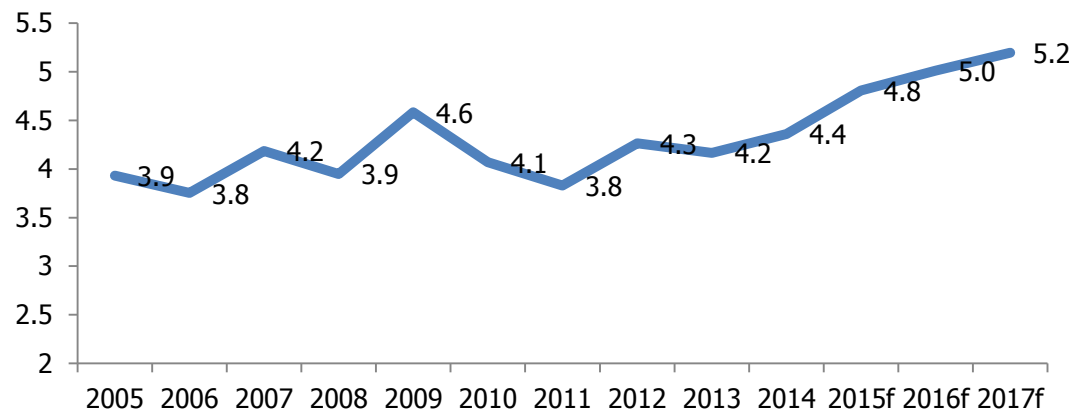
The consumer spending in Kuwait has increased at a CAGR of 8.5 per cent from 2010-2013. The continuous increase in consumer spending is a good indicator for the luxury goods retailers and international brands looking to enter the market as the consumers' disposable income is on a rise too.

Figure 7.5: Visitor Exports (Foreign spending in Kuwait) (in USD billion)



Source: World Travel & Tourism Council

Figure 7.6: Leisure Tourism & Spend in Kuwait (in USD billion - real prices)



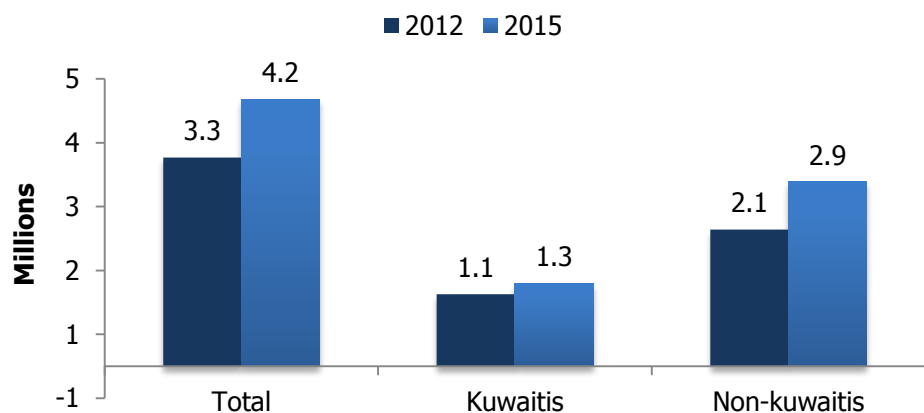
Source: World Travel & Tourism Council

Kuwait relies more on its local population including expatriates to lead the growth of its luxury retail segment than tourism.

The tourism sector in Kuwait is not as attractive as the other GCC nations, such as the UAE. The number of international arrivals has not seen a major rise from 2007 to 2012, hovering around 300 thousand people per year. The spending within the country by international tourists for both business and leisure trips, including transport expenses, has dropped from USD 0.72 billion in 2012 to USD 0.56 billion in 2013.

Kuwait relies more on its local population including expatriates to lead the growth of its luxury retail segment than tourism. The majority of the population of Kuwait consists of expatriates. The people in Kuwait are well off, brand-conscious and they are the key growth driver.

Figure 7.7- Expatriates in Kuwait²³



Source – Government of Kuwait

²³ As on 25th June, 2015

The Kuwait retail sector is likely to see an increase in competition as the retail space expands.

Increasing preference of international retailers

In the 2014 Global Retail Development Index, where top 30 countries are ranked for attractiveness of retail investment, Kuwait has improved its ranking by one position from the previous year to reach the 8th position²⁴. Three other GCC countries, viz. UAE, Saudi Arabia and Oman, also figures in the list.

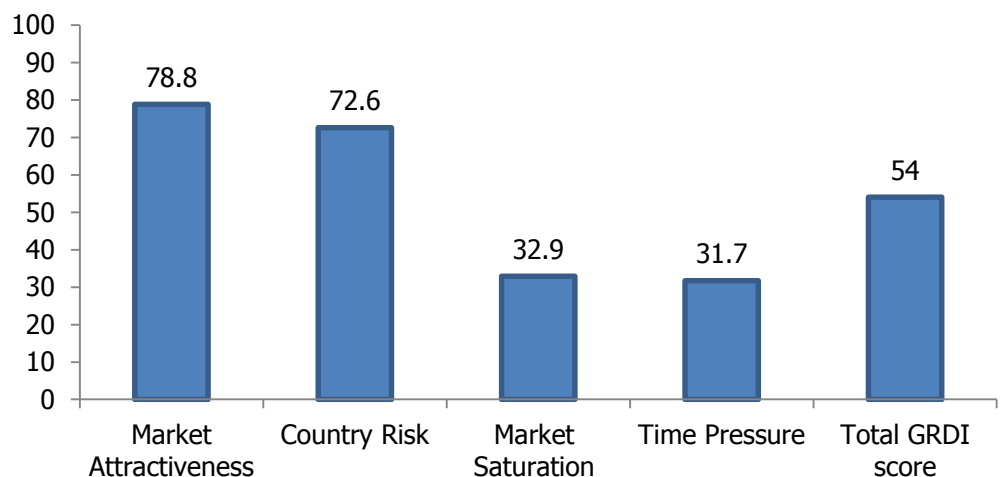
Kuwait scores a little lower on Market Saturation. But considering the income and demographics of the population there, there still is a scope for expansion for the retailers of the luxury brands. This has also been corroborated by the 6 out of 10 score in the Big Spenders Index 2015 in the category of luxury store footprint. The Kuwait retail sector is likely to see an increase in competition as the retail space expands and new players come into the market.

Table 7.2 : GRDI Rankings, 2013-2014

Country	2013	2014
UAE	5	4
Kuwait	9	8
Saudi Arabia	16	16
Oman	17	17

Source: A T Kearney

Figure 7.8: Score For Kuwait out of a score of 100, 2014



Source: A T Kearney

²⁴A T Kearney

International retailers like COS, Victoria's Secret and Cheesecake Factory entered Kuwait in 2012.

Kuwait is typically the second preferred country in GCC after the UAE, for international brands. International retailers like COS, Victoria's Secret and Cheesecake Factory entered in 2012, through franchise agreements with Kuwaiti retailer M.H. Alshaya Co. Prada opened its second Kuwait store at The Avenues in early 2013.

After the 1st World Luxury Design EXPO in Dubai in 2015, Group Erre International and World Luxury Design Ltd. are currently planning to host its next expo in Kuwait for the coming period of 2016-2020. The visitor profile is Members of the Royal Family, VIPs, High Income Individuals, International and Regional High Profile Personalities, and Leaders of Key Associations. Some of the partnered luxury brands are Versace, Fendi, Swarovski, Ralph Lauren and Armani.

Growing brand conscious population

High end apparel brands such as Prada, Gucci, Louis Vuitton and Armani have made significant inroads riding on the youthful population base that are known to be fashion conscious and are inclined to display the logo/brand in their apparel. Young people express their individuality through a unique sense of style, and purchase limited edition products.

Young Kuwaiti women are very socially active and associate luxury with exclusivity.

Kuwaiti nationals are assertive consumers, with 92 per cent choosing a brand simply because they 'like it' (versus a GCC average of 60 per cent). Versatile in brand knowledge and consumption, they are savvy shoppers who expect a sophisticated shopping experience. Young Kuwaiti women are very socially active and associate luxury with exclusivity – only for those of a certain class. Young Kuwaiti men are mature Internet users, price-aware and knowledgeable²⁵. According to Chalhoub Group Consumer Research, 70 per cent of the shoppers in Kuwait want the brand they buy to be highly visible and recognizable.

²⁵ Chalhoub Group, Youth & Luxury, 2010

8. Challenges

Falling oil prices

The recent fall in oil prices of about more than half in 6 months will result in Kuwait posting a budget deficit by 2017.

Kuwait's national budget relies excessively on petroleum revenues (approximately 50 per cent of nominal GDP and 95 per cent of the government's revenues come from oil revenues). The recent fall in oil prices of about more than half in 6 months will result in Kuwait posting a budget deficit by 2017, first time after 16 years. The dropping oil prices will reduce Kuwait's public revenues by 60 per cent²⁶.

Kuwait government spends a huge amount on subsidies every year. In the year 2014, it spent up to KD 5 billion compared to KD 864 million spent in 2004. It is also thinking about a phase-out of subsidies on petrol and other utilities. The decrease in subsidies will affect the consumers a lot as the costs rise, resulting in an increase in prices in the market. This might lead to a decrease in the disposable income of the people, which might affect the luxury retail segment.

Increased competition

Attractiveness of the market has led to widespread competition across all segments of retail.

Stagnant sales in developed markets and widespread competition in emerging markets have led International players to GCC markets like Kuwait. Attractiveness of the market has led to widespread competition across all segments of retail. Construction of newer and classier malls, pull crowds away from existing malls. Polarization of rentals and vacancy levels are seen. Newer malls command sky high rentals and eat away profit margins, while the older malls fail to attract sufficient footfalls to sustain business. For example, after the opening of Avenues Mall, other smaller shopping centres have lost business considerably.

Counterfeiting

Counterfeit product is an imitation of a product or brand, and is usually made with the intent to deliberately deceive the customers. Counterfeits are cheap, low priced and lack the functionality of the original product. However consumers get enticed by the appearance of a brand or the presence of logo and fall for the product, especially the low paid

²⁶ GulfBusiness.com

The loss as a result of counterfeited goods sales in the GCC, is estimated at over USD 200 million a year.

expatriates. Counterfeit market has grown over the years, that it has become hard to distinguish between the genuine and the fake product. Sale of counterfeit product results in loss of revenue, and disincentivize innovations. It ruins the image of the genuine luxury brands and also contributes to the loss of exclusivity of these brands. GCC Standardization Organization (GSO) estimates the loss as a result of counterfeited goods sales in the GCC, at over USD 200 million a year²⁷.

No product is left untouched in counterfeiting market, right from gaming CDs, mobiles, electronic accessories, to luxury hand bags, apparels, pharmaceuticals, chocolates, and cigarettes are being counterfeited, posing enormous danger to its users.

Commercial Control Department (CCD) has been set up under the the Ministry of Commerce and Industry in Kuwait which is responsible for protecting intellectual property rights within the market

Under HP's Anti-Counterfeit programme in Kuwait, the authorities discovered two local companies distributing and selling fake printing supplies for HP printers. The first company possessed around 6,500 finished fake inkjet and over 13,000 finished fake laser print cartridges. At the second company, the officials confiscated almost 30,000 ready-for-sale counterfeit inkjet and almost 40,000 ready-for-sale counterfeit laser print cartridges.

Nationals show least interest in this sector as most of the jobs are low paid customer facing jobs.

Limited workforce

Kuwait is dependent on migrant workforce and luxury retail sector is no different. It becomes difficult for retailers to preserve talented and capable employees as many expatriates might return to their own country after making significant savings. Also, nationals show least interest in this sector as most of the jobs are low paid customer facing jobs.

Also, the workforce in Kuwait prefers employment in public sector over private sector. According to a report by the Kuwaiti Economic Society, the public sector employs more than 300,000 Kuwaitis, which accounts for 80 per cent of the total Kuwaiti workforce of the country. The public sector spends almost 50 per cent of the annual budget on the employee wages

²⁷Nabeel Mulla, Secretary General of GSO

Rents in prime malls have increased by 10 per cent in the last 12 to 15 months.

In 2015 rankings, Kuwait ranked 150th among 189 economies on ease of starting a new business.

and other benefits. Owing to its high revenues due to oil, expenses on salaries and wages in the public sector equals 19 per cent of Kuwait's GDP, which is almost USD 181 billion. This amount is the highest spending allocation amongst any developed or developing nations outside the Gulf. The private sector is incapable of matching these levels of spending, making them a less attractive employer.

Retail Rental costs

Rental cost is one of the major costs for a retailer. Rentals of shopping malls dropped due to Global financial crisis, as the consumer confidence was low during that period. Sales and occupancy levels decreased in old and poorly performing retail properties. As lease rental is a major expense in the retail business, reduction in lease rentals boosted of the sector. However, as the performance of the sector improved, occupancy levels in prime malls reached to over 90 per cent. This has resulted in a scarcity of quality retail space in Kuwait, in comparison to its demand. This led to retail rentals rising to premium levels. Rents in prime malls have increased by 10 per cent in the last 12 to 15 months²⁸. Upward revisions of lease rentals in major cities caused the retail owners to relocate to neighboring cities, where the lease rentals are lower.

Imbalances in Business Environment

Kuwait was ranked 40th on the World Competitiveness Index in the FY 2014-15, falling from the 35th in FY 2010-11. Major structural imbalances that led to this are the slow licensing procedures, the complexities of the labor market, the absence of economic reforms and the lack of skilled labor force²⁹. In 2015 rankings, Kuwait ranked 150th among 189 economies on ease of starting a new business. Among the GCC nations, Kuwait ranks the lowest in both Doing Business and Starting a Business. It is also the least favorite of the investors among the GCC peers due to high bureaucracy in the region. Process reforms for business in Kuwait might come at the cost of affecting its workforce³⁰.

²⁸ Gulf news

²⁹ Kuwait National Competitiveness Committee Report

³⁰ Marmore Research – Kuwait – Starting a business

Table 8.1: Kuwait Ease of Doing Business and Starting a Business, 2014-15 Rankings

Year	Ease of Doing Business Rank	Over all DTF	Starting a Business					
			Rank	Distance to Frontier (DTF)	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in min. capital (% of income per capita)
2014	79	63.05	146	70.91	12	32	1.1	77.9
2015	86	63.11	150	71.3	12	31	1.9	74

Source: World Bank doingbusiness.org, Marmore Research

Table 8.2: GCC Ease of Doing Business and components, 2015 Rankings

Economy	UAE	KSA	Qatar	Bahrain	Oman	Kuwait
Ease of Doing Business Rank	22	49	50	53	66	86
Starting a Business	58	109	103	131	123	150
Dealing with Construction Permits	4	21	23	7	49	98
Getting Electricity	4	22	40	73	79	93
Registering Property	4	20	36	17	19	69
Getting Credit	89	71	131	104	116	116
Protecting Minority Investors	43	62	122	104	122	43
Paying Taxes	1	3	1	8	10	11
Trading Across Borders	8	92	61	64	60	117
Enforcing Contracts	121	108	104	123	130	131
Resolving Insolvency	92	163	47	87	112	127

Source: World Bank doingbusiness.org, Marmore Research

9. Appendix

Kuwait's Luxury Players Profile

Table 9.1: Leading Luxury Players in Kuwait

Player	Segment	Products
Al Tayer Group	Automobile	Ferrari, Maserati, Land Rover and Jaguar
	Perfumes and cosmetics	Bvlgari, Boucheron, Bottega Veneta, Dolce & Gabbana, Emilio Pucci, Giorgio Armani, Gucci, Ligne Roset, and Yves Saint Laurent
Chalhoub Group	Beauty, Fashion and Gifts	Louis Vuitton, Dior Couture, Sephora, Fendi, Louboutin and Berlutti
Alshaya Retail	Fashion & Footwear, Food, Health & Beauty, Pharmacy, Optics, Home Furnishings and Leisure & Entertainment	Starbucks, H&M, Mothercare, Debenhams, American Eagle Outfitters
Abu Issa Holding	fashion, watches, jewelry, perfumes, cosmetics, home decoration and luggage	Burberry, Versace, Moschino, Azzaro, Cartier & Clarins
Damas Jewelry	Jewellery and watch	Forevermark, Fope, Givori, Marco Bicego, Mikimoto, Pasquale Bruni, Roberto Coin, Utopia, Fabergé, Garrard

Source: Company Websites

Al Tayer Group (also present in UAE, KSA, Qatar)

Al Tayer group established in 1979 started its business in automobile and diversified into luxury retailing, perfumes and cosmetics, and interior furnishing. Al Tayer motors is mostly known for its automobile business and it brought famous brand names into the gulf region, such as Ferrari, Maserati, Land Rover and Jaguar. Al Tayer Insignia, the luxury retail arm, is the pioneer of luxury retailing in GCC. Portfolio includes some the world's best luxury brands in the fashion, jewellery and home categories. Headquartered in the UAE, Al Tayer Insignia has successfully expanded operations to the Kingdom of Saudi Arabia, Kuwait and Qatar and currently operates over 60 stores across the region.

Among the 36 brands currently in its portfolio are Bvlgari, Boucheron, Bottega Veneta, Dolce & Gabbana, Emilio Pucci, Giorgio Armani, Gucci, Ligne Roset, and Yves Saint Laurent. Al Tayer Insignia is the licensee for

Al Tayer Insignia, the luxury retail arm, is the pioneer of luxury retailing in GCC.

Al Tayer Insignia currently operates at over 60 stores across the GCC region.

the largest Harvey Nichols store outside the United Kingdom and the first Bloomingdale's stores outside the United States.

Gucci had a multi year franchise agreement with Al Tayer Insignia for over a decade.

The company currently employs over 1,600 people and has continued to experience healthy growth over the past few years. The group operates through multiple retail formats. Gucci had a multi year franchise agreement with Al Tayer Insignia for over a decade, but has now it entered into joint venture with the group. The joint venture, headquartered in Dubai and is now responsible for the operation and expansion of the Gucci brand in the market. The group also signed a joint venture agreement with Prada Spa in 2011, for the development of a retail network for Prada and Miu Miu brands across the various Middle East countries, including Saudi Arabia, Kuwait and the UAE. The joint venture company, headquartered in Dubai, oversees the roll out of Prada and Miu Miu stores across the region, leveraging on Al Tayer Insignia's market knowledge and expertise.

Chalhoub Group (also present in other GCC nations)

Some of Chalhoub's joint ventures include Louis Vuitton, Dior Couture, Sephora, Fendi, Louboutin and Berlutti.

Created by Mr and Mrs Michel Chalhoub in 1955, the Chalhoub Group is recognized as one of the leading forces in the luxury business in the Middle East. Maintaining its family owned heritage, today the group employs 1,900 employees and operates in the retail and distribution of renowned brands within the sectors of Beauty, Fashion and Gifts. Within the retail sector, the group functions through three types of business models: joint ventures, franchises and 'own concepts'. The joint venture, a regional agreement between the brand and the group, allows a co-management with the brand. Some of Chalhoub's joint ventures include Louis Vuitton, Dior Couture, Sephora, Fendi, Louboutin and Berlutti. Some of the group's franchises include Saks Fifth Avenue, Loewe, Carolina Herrera, Swarovski, Lacoste and Michael Kors. 'Own Concepts', a specific Chalhoub model, fills a gap in the market.

Three main activities exist at a group level: distribution, retail and marketing services. The group facilitates direct access to regional markets through its distribution companies and strategic alliances with major international groups.

Chalhoub group built brands in 14 countries and manages over 470 retail outlets.

The group built brands in 14 countries and manages over 470 retail outlets. It partners with prestigious houses such as Baccarat, Christofle, Christian Dior, Louis Vuitton and Nina Ricci, to name only a few.

Chalhoub Inc. recently agreed to represent Kartell in the Middle East. They signed a five year agreement based on the commitment of Chalhoub Inc. to develop Kartell in some of the GCC countries (UAE, Qatar, Saudi Arabia and Oman) and Iran, looking for partners to open 12 flagship stores. Kartell is a trendy design brand, with social status iconic products which includes more than 150 product families signed by the most avant-garde international designers.

Alshaya Retail (also present in other GCC nations)

Alshaya Retail is part of the wider group of businesses owned by the Alshaya Group, a family-owned business which was founded in 1890 in Kuwait. Alshaya Retail, trading as M.H. Alshaya Co., started its first international franchise relationship in 1983 with the opening of first Mothercare store. They employ over 40,000 people, with more than 70 brand partnerships, and operate over 2,600 stores, which occupy 850,000 sq m of retail space, across the Middle East and North Africa, Russia, Turkey and Europe.

Alshaya has built a Retail Academy in Riyadh, to provide much needed skills and retail sector experience to young nationals

Alshaya operates across a wide range of sectors, offering consumers the latest and best recognized names in Fashion & Footwear, Food, Health & Beauty, Pharmacy, Optics, Home Furnishings and Leisure & Entertainment. With brands such as Starbucks, H&M, Mothercare, Debenhams, American Eagle Outfitters, P.F. Chang's, The Cheesecake Factory, Victoria's Secret, Boots, Pottery Barn and KidZania, their multi-brand, multi-market franchise portfolio brings leading retail concepts to local malls and high streets and ensures an international shopping experience. Every year, they make over 430 million transactions and serve over 140 million guests in their stores, cafés and restaurants.

Alshaya has built a Retail Academy in Riyadh, to provide much needed real-world skills and retail sector experience to young nationals across the Kingdom, actively supporting the Government's nationalization goals. It announced opening of a new academy in Jeddah by end of 2014, together

The group announced opening of a new academy in Jeddah in 2014, with plans for a third in Dammam in 2015.

with plans for a third in Dammam in 2015. The expansion plans will enhance Alshaya's ability to introduce more young women to the skills required for a career in retail.

So far, 400 people have graduated from its Riyadh Retail Academy, and through its continued partnership with Human Resources Development Fund (HRDF), the company has committed to train 8,000 young people over the next five years. Successful graduates have the guarantee of a job within the company's portfolio of leading international retail brands.

Abu Issa Holding (also present in other GCC nations)

Abu Issa Holding (AIH) is one of the leading business groups in the Middle East based in Doha, Qatar. The company is built over a span of three decades and represents the region's most diversified and progressive groups. Luxury retail is one among the many business sectors it operates.

Blue Salon was established as an Abu Issa Holding concept in 1981, representing and developing international brands in the local Qatari Market. It has become Qatar's leader in fashion, watches, jewelry, perfumes, cosmetics, home decoration and luggage. It specializes as an exclusive "Retail Luxury Goods" and "Fashion Brand" store. Blue Salon Group rapidly expanded its retail network in the whole GCC. In Saudi Arabia alone, the Group has signed a strategic partnership under which they have opened some stores in Riyadh, Jeddah & Mecca and will continue to have 50 stores within the near future.

Al Shaya Perfumes started in the late nineties as a partnership between Al Shaya (Kuwait) & Abu Issa Holding (Qatar).

Al Shaya Perfumes started in the late nineties as a partnership between Al Shaya (Kuwait) & Abu Issa Holding (Qatar). It has grown from a single outlet to 5 retail outlets in all major and prominent locations. Al Shaya perfumes offers a wide range of Bakhoor, Dahan Oudh, Arabic perfumes & Mubkhar (incense burner).

Gulf Beauty, established in 2005 as a partnership between AIH – Qatar and Al Fahim - UAE, distributing wide range of prestigious Perfumes and Cosmetics brands. Through professional distribution structure, market knowledge & its dedicated team of sales staff and beauty advisors, the company is achieving effective operations. Some of the brands on its portfolio include: Burberry, Versace, Moschino, Azzaro, Cartier & Clarins.

Paris Gallery is formed in partnership with with Al Fahim Group, is a leading luxury retailer in the GCC.

Founded in 1907, Damas Jewelry operates across all 6 countries of GCC with more than 300 stores.

Paris Gallery is formed in partnership with with Al Fahim Group, is a leading luxury retailer in the GCC, offering customers a premium selection of over 450 international brands across several product categories - fragrances, cosmetics, watches, jewelry and fashion accessories - including leather goods, ladies shoes and eyewear.

Damas Jewelry (also present in other GCC nations)

Headquartered in Dubai, United Arab Emirates, Damas is the Middle East's leading international jewellery and watch retailer. Founded in 1907, the company today operates across all 6 countries of GCC through fully owned subsidiaries with more than 300 stores. With over 100 years of history, Damas has developed its portfolio of international brands, and has built a strong reputation, becoming a global trademark. Damas International was acquired in April 2012 by a consortium comprising of Mannai Corporation QSC & EFG Capital Partners Management Limited, and has continued its expansion since, with plans to further develop its network in the coming years.

Its portfolio includes international jewelry brands such as Baraka, Forevermark, Fope, Givori, Marco Bicego, Mikimoto, Pasquale Bruni, Roberto Coin, Utopia, Fabergé, Garrard.

They are the exclusive retailer of several renowned Swiss watch brands within the region including Parmigiani, Eberhard, Arminstrom, Chronoswiss, Perrelet, Sarcar and Louis Moinet. They are exquisitely designed, high end complication watches that are truly world class.

Table 9.2: The Big Spenders Index, 2015

Rank	Country	Luxury Store footprint	Wealth growth	Premium travel & spending	Spending on luxury imported item	Big-ticket luxury good spending	UHNWI population
1	UK	9	5	8	7	5	5
2	China	10	7	2	6	7	7
3	Qatar	7	10	9	10	2	2
4	Canada	9	8	5	10	3	4
5	India	8	10	10	5	1	4
6	KSA	8	5	9	10	4	3
7	Switzerland	10	8	6	6	3	4
8	Mexico	9	8	6	9	1	4
9	Hong Kong	9	9	9	2	2	3
10	Kuwait	6	7	8	10	2	2

Source: Knight Frank Report, 2015

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Aldar Properties PJSC	
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