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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

TOP CA CASE STUDY EXAMINATION

DECEMBER 2014

ADVANCE INFORMATION

CenterLand Group LLC (CLG)

From Single outlet to Multi-brand, Multinational Presence

On a sunny and warm day in mid-October 2014, Mark Pias and Chandra Narayan, chief operating officer (COO) and GM – Retail Operations respectively of Jeddah Territory/Western Region of CenterLand Group LLC (CLG), a limited liability company, were about to taste the Indian vegetarian rice and curry that had been brought in for lunch at their regional office. "Another lunch spent with the Incentive Scheme," Narayan remarked. "Do you think we should pay incentives for all the concepts irrespective of their achievements in the last quarter?"

Mark looked up from the papers he was reviewing. "More to the point, will we be able to achieve the last quarter target as a region? What if we decide to pay incentives only for those concepts that achieved at least minimum target sales? I do not mind deviating from the incentive policy. But, we need to be sure of achieving at least target sales irrespective of budgeted. In the meantime, let's eat".

CenterLand Group was started in 1976 as a small "**Shop4Baby - concept**" single retail outlet in Bahrain with initial capital of USD 3,000 and 5,000 sq.ft. space, by Macky Khanth - CEO and founder of CLG. The shop was initially started as a proprietary business under agency agreement and was selling products of "BabyCare", one of the international brands which is well-liked by UK and EU customers. The focus was mainly to sell retail category of baby needs, toys and kidswear. Macky's conceptualisation of "Shop4Baby" was a solid seed planted in the Bahrain market at that time. Year by year, the business grew to a reasonable level. By August 1979, having opened 12 outlets, Shop4Baby was able to reach customers of all the popular cities in Bahrain and was established as a reputed brand.

In 1985, Macky negotiated with CareMother International, one of the reputed international brands for mother and baby needs, and was able to become a distributor for CareMother products in Bahrain at that time. Step by step the business expanded rapidly and Macky wanted to structure the business in a formal way. In 1986, Shop4Baby was incorporated as a limited liability company and named Shop4Baby LLC. There were only two directors in the company;

Macky and the local sponsor for Bahrain. The local sponsor was only for compliance with regulatory requirements and had no involvement at all in the business. Macky became the managing director of the company.

By this time, Macky was also planning to expand the business in other countries to take advantage of the growing business opportunities prevailing in the Middle East region in the late 1980s. He invited one of his friends, Kapil Sony, a college mate who had completed his higher education in business management from one of the reputed universities in London. Kapil initially joined as Manager – Retail Operations as he had worked as a retail support executive for a reputed retail company in London for three years. With significant growth in sales and profitability in just one year after Kapil joined, Macky realised that he had taken the correct decision in recruiting this young and dynamic guy.

In the early 1990s, having carefully researched and planned for expansion, Macky decided that it was time to move the head office to Dubai so that the company would be able to expand easily in the Gulf region. Macky was very well supported by Kapil and other managers working in the company during that time. As a result, "Shop4Baby UAE LLC" was registered in Dubai and the head office of Shop4Baby moved to Dubai in 1992. During the same year, Kapil was promoted to General Manager – Retail Operations and Mrs. Ragini Khanth, Macky's wife, joined the business and was assigned the post of head of procurement and logistics. Three qualified professionals in the areas of finance, marketing and human resources were also recruited to the management team in the Dubai office in late 1992.

1993, another successful year, finished with the highest ever revenue in Shop4Baby's history. Macky realised that the time has come to target a new customer segment and expand the business. Kapil and Ragini were positive about Macky's thoughts. Kapil also suggested that the views of other professional managers in the team be sought. A management meeting was organised and all the key members of management participated in this meeting. Within a few months, the decision was taken to expand the business in the retail sector itself by focusing on different customer segments. Macky instructed the management team to set up a business plan for the next five years and requested Kapil to lead the planning.

Macky was very happy with the business plan suggested by the team and accordingly it was finalised and agreed for five years (1995 - 2000). Macky promised the team his fullest support and commitment for implementation of the plan. Macky's leadership style motivated the management team to work hard and implement the plan in a result oriented manner. During the period 1995 to 2000, significant changes took place in Macky's business. In mid-1995, CLG was established to centralise monitoring of different retail business segments. A new logo with three letters "CLG" was designed and registered in UAE. MartShoe LLC was established with the "MartShoe" concept to sell footwear products and opened its first retail store in Sharjah, UAE in 1995, with a space of 10,800 sq.ft. "Flash4Fashion" concept of fashion clothing and garments retailing under Flash4Fashion LLC was started in Dubai, UAE with retail space of 14,000 sq.ft. in early 1997. "LandHome" concept to cater to the furniture retailing segment under LandHome LLC was established in Sharjah, UAE with 70,000 sq.ft. in September 1997. CLG opened its flagship mall of the group – the Center Oasis, Dubai, UAE with 350,000 sq.ft. in 1998. Also, CLG entered Kuwait in 1999 by opening a mall there with all the brands, with a retail space of 125,000 sq.ft. Significant year-on-year (YOY) growth in revenue and profitability reported showed the continuous success in all the business segments of CLG. CLG also anchored in Oman in 2003. CLG entered the Kingdom of Saudi Arabia (KSA) in 2004. By 2006, CLG was able to spread its business across 10 countries with over 500 stores and a staff strength of 15,000. Total retail space was around 6 million sq.ft. by end 2006. The same trend towards significant growth continued for another seven years by adding new brands to the CLG portfolio. Currently, CLG has a presence across retail categories of; 1) Fashion clothing and garments, 2) Kidsware, toys and baby needs, 3) Home furniture and furnishings, 4) Cosmetics, accessories and lifestyle products, 5) Footwear, leather and accessories etc. By 2013, CLG recorded 14.5 million sq.ft. retail space in 15 countries, and had over 1,000 stores with a staff strength of 33,000.

Having opened its first value retail brand MaxCity, CLG successfully entered the KSA market in 2004. MaxCity standalone store with 20,000 sq.ft. which was opened in Bawadi (a popular town and market area in Jeddah), in Western Region, KSA was the first store. Macky saw the future potential in KSA and approached the King's family (Western Region, KSA) for a business partnership. As a result of successful negotiation, CLG was able to set up a separate company called Al Balad International LLC (ABI) with the King's family, with 51% of ownership to the

King's family and full management control to CLG. Accordingly, in early 2006, its first mall "CityPalace" with 380,000 sq.ft. was successfully opened in Jeddah City (the same region) to operate core retail concepts and other brands. Within a short period of time, the CityPalace building became a landmark in Jeddah City well known to the public. There was a significant growth in sales and profitability in all concepts operated in CityPalace. The reason behind the success in KSA was mainly due to the unprecedented support from the King's family (Western Region, KSA) to ABI. By 2008, CLG was able to anchor in two other regions in KSA; Central (Riyadh) and Eastern (Dammam). As usual in CLG operations, separate COOs were appointed to manage the business in each region. Considering the significance of KSA to the overall CLG revenue and profitability, group management decided to establish a corporate office in Riyadh, KSA. Each regional operation is considered as an independent Strategic Business Unit (SBU) and the COO is empowered to make overall decisions. Regional COO is mainly assisted by GM – Retail Operations, Concept Head/Manager (for each concept separately), and GM – Finance (Annexure VI – Organisation Structure (Key Positions Only) – Western Region, KSA).

CityPalace to PointLand – mall in new operational structure of CLG in 2009

Shop4Baby, Flash4Fashion, MartShoe and LandHome are considered to be the core retail concepts of CLG. In order to enjoy the synergies and withstand competition in KSA, a new operational structure was introduced to the Western Region operations and it was purely an innovation by management of the Western Region. A new operating model called PointLand was launched in 2009 and the four core retail concepts; Shop4Baby, Flash4Fashion, MartShoe and LandHome, are operated under one roof to bring preferred brands together, with customers being treated to an enhanced shopping experience. With its marketing strategy, PointLand promotes its promise as 'the spirit of shopping'. As per the decision, CityPalace was renamed PointLand, being the first such mall of CLG, and has successfully rolled out 100 destination outlets across the Gulf Cooperation Council (GCC) and Jordan. The target for end-2014 is a total of 150 such outlets of which 60 outlets will be in KSA. While concentration on the roll out of the new PointLand shopping mall, to make use of market opportunities for growth, standalone stores (for each concept/brand separately) are also to be operated in the market and will be opened in virgin/niche markets as an entry strategy.

At present KSA is the top contributor to group revenue and profitability and accounts for 1/5 of overall. Western Region being the highest contributor accounts for more than 40% of revenue and profitability of KSA figures of CLG.

Jameel Adil, the first COO of Western Region, who played a key role in the tremendous success in KSA operations, especially in the Western Region, was a role model to the two COOs of the other KSA regions. With his leadership, the Western Region operations had been continuously reporting YOY growth till 2012. A new COO was appointed to the Western Region in April 2013 with the sudden death of Jameel due to a heart attack.

MaxCity as a separate value retailer

CLG identified a gap in GCC markets for quality value retailing. This was the fastest growing segment that has transformed retailing in the USA, Europe and beyond during early 2000. CLG wanted to use this market trend and opened its first value retail brand "MaxCity"' with 20,000 sq.ft. in Bawadi, KSA in 2004. With MaxCity chain of stores, CLG expanded into this market segment (i.e. value retailing) and redefined mid-market retailing. By December 2013, MaxCity celebrated the opening of 100 such stores of which 72 are in KSA (30 in Western, 20 in Central and 22 in Eastern regions). MaxCity operates as a standalone store and separately from PointLand malls. MaxCity acts as a major contributor to the group in terms of sales as well as profitability. MaxCity has been performing well since its inception. Even though the ATV is less in MaxCity as compared to PointLand concepts/other concepts, average footfall is more in MaxCity stores.

MaxCity - Western Region office is also based in the same office as PointLand (i.e. ABI - Regional office building). MaxCity Western Region operations also come under the purview of Western Region COO and there is a separate head (Western Region) to manage regional operations of MaxCity. Head - Retail Operations - MaxCity reports to both Regional COO and Country Head - MaxCity Operations, who is based in the Riyadh corporate office. Mr. Vinod Dhaga (Indian national) had been performing as Head - Retail Operations – MaxCity Western

Region from 2006. Vinod was asked to move to Oman to develop MaxCity operations in Oman during mid-2012 and Mr. Andrew Prfol (UK national) replaced Vinod.

Daily sales and cash management function

Daily sales are realised through direct cash, credit cards, gift vouchers etc. Out of total sales, around 60% and 36% are realised from direct cash and credit cards respectively. Daily cash collection in each standalone store/PointLand mall should be deposited to the collection account maintained in a local bank - AlRaije. This is done by using the cash collection service provided by AlRaije through an outsourced company – AlJamal Security Service**.** AlJamal comes every day to PointLand (or standalone store) to collect cash. ABI - Western Region, KSA has signed an agreement with AlRaije bank in this regard in 2009 when the service started. Renewal of the agreement is made annually incorporating increased prices (service charge). As per past experience, the bank's annual increase is around 25% of the previous year's agreed rate. Cash collection charges vary according to the area and currently there are four categories according to the location (rate per day per location) (Annexure III). Considering financial and geographical factors**,** there are 58 collection points for all the stores/PointLand. When a particular store or PointLand is not a cash collection point, such store/PointLand is required to hand over the cash to a nearby collection point by way of internal cash receipts, where the mall manager/store manager of the collection point is responsible to issue an internal cash receipt. The management is not happy with the current cash pickup service due to various reasons such as unreasonable rate increase, service issues regarding AlJamal team, cash counting discrepancies, delay in credit to the account and security issues with the cash in transit company etc.

With the consultation of the Riyadh corporate office, the GM - Finance (Regional) has had discussions with AlRaije bank for alternative arrangements to deposit cash. Accordingly, AlRaije bank has come up with a proposal for "Lockbox arrangement" in which the bank will install a lockbox (similar to an ATM machine) at CLG stores, and the stores can directly deposit the daily cash collection through the lockbox. Currently, there is no other bank in KSA that provides the proposed service and it will serve as AlRaije's pilot project. Proposed pricing for the Lockbox arrangement is given in Annexure IV.

Planning and budgetary control

CLG follows the budgetary control approach to monitor performance. The annual financial budget is prepared by way of a top-down approach in which the top management decides the expected growth rate for overall group level as well as concept level in terms of sales and profitability. Gross profit margin is set at concept director level in consultation with the buying team and considering agreements with suppliers. Measurements for controlling and managing costs are also set by giving maximum % of sales for each overhead category. The Business Finance Manager for a particular concept is the direct point of contact at regional level for that particular concept, and is responsible to prepare the regional level concepts budget in consultation with regional management. This budget is prepared and agreed at regional level and then sent to the head office (concept director level) for their approval. Revisions are made quarterly according to the actual performance in the previous quarter (estimated revised budget). Incentives for regional level management and staff in each concept, is dependent on the extent to which the budget is achieved. Incentives are paid quarterly to staff (below grade 8), based on sales achievement against budget/(revised budget) in each quarter. The % and amount of the incentive is determined by Regional COO and GM. Based on the incentive amount allocated to each concept at regional level, the Concept Manager and Business Finance Manager prepare an incentive distribution scheme for staff. For this purpose, store level performance is mainly taken into account. This scheme needs to be approved and authorised by the Regional COO and GMs before the payment.

All executives and managers above grade 8 are paid incentives annually. The maximum annual entitlement of incentives will be three months' salary if the budgeted targets are achieved fully. In other cases, a proportionate basis is applied. Final decision regarding the total incentive amount in this category is purely based on the decision taken at group level at the head office in Dubai.

Proposed Project: Top 100 and Bottom 100

A new corporate chief financial officer (CFO) Mr. Vishal Modi joined CLG's corporate office in KSA in May 2014. Prior to joining CLG, he had worked in one of the top global retail companies and has gained enormous experience in process improvement and cost controlling, business turnaround etc. One of the key performance indicators (KPIs) set for Vishal by CLG management was to propose and implement a business turnaround plan for loss making stores in KSA operations. Having discussed with regional level COOs and GMs - Finance, Vishal has proposed a turnaround plan. The draft plan which is not yet finalised for implementation is given in Annexure V.

Proposed plan - New stores

As per the store roll-out plan for 2015, CLG – Western Region, KSA plans to open 30 new stores, of which 4 will be for PointLand operations, 6 for MaxCity stores and the balance for standalone core concept stores.

Considering retail sector development in major cities in the region for the next three years, the management has already negotiated with property owners/landlords and committed for space to open new stores. The average sq.ft. already committed for 2015, 2016 and 2017, are 412,000, 520,000 and 390,000 respectively.

Annexure I: Sales performance - last 7 years performance (Western Region, KSA)

Currency - Saudi Riyal (in millions)

Concept/Brand	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Shop4Baby	184.77	208.49	241.66	332.21	436.34	524.33	630.15
Flash4Fashion	203.11	228.46	250.29	355.64	454.56	534.16	711.32
MartShoe	59.85	67.63	77.21	97.91	127.71	152.85	282.23
LandHome	173.35	175.57	197.89	241.49	321.96	386.14	485.24
Total PointLand Concepts (Core Concepts)	621.08	680.15	767.05	1,027.25	1,340.57	1,597.48	2,108.94
MaxCity	180.97	235.95	297.16	448.61	593.46	713.03	765.22
Other brands including agency sales	52.63	85.23	95.13	115.32	120.23	201.23	295.23
Total - Western Region	854.68	1,001.33	1,159.34	1,591.18	2,054.26	2,511.74	3,169.39

FY: Financial Year ending 31st December

Annexure II: Profit & loss statement - 3 years at a glance

Region: Western Region, KSA

Concept: MaxCity

Amounts in Saudi Riyal (millions)

Particulars	FY 2012 - A		FY 2013 - A		2014 - E		2014 - B	
Sales	713.0	100.0%	765.2	100.0%	828.9	100.0%	856.7	100.0%
Less :- Cost of Sales	454.7	63.8%	507.6	66.3%	553.9	66.8%	557.8	65.1%
Gross Profit	258.3	**36.2%**	257.6	**33.7%**	275.0	**33.2%**	298.9	**34.9%**
Staff Costs	53.1	7.4%	72.5	9.5%	79.6	9.6%	82.0	9.6%
Owner's Remuneration	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Rent	33.2	4.7%	42.6	5.6%	44.8	5.4%	46.7	5.5%
Administrative Expenses	21.0	2.9%	30.0	3.9%	35.0	4.2%	38.4	4.5%
Selling & Promotion Expenses	11.0	1.5%	14.3	1.9%	16.5	2.0%	21.3	2.5%
Total Operating Expenses	118.3	**16.6%**	159.4	**20.8%**	175.9	**21.2%**	188.4	**22.0%**
Operating Profit	140.0	**19.6%**	98.2	**12.8%**	99.1	**12.0%**	110.5	**12.9%**
Interest & Fin. Charges - Local	0.9	0.1%	2.3	0.3%	1.0	0.1%	2.6	0.3%
Interest & Fin. Charges - Corporate	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Cash Profit	139.1	**19.5%**	95.9	**12.5%**	98.1	**11.8%**	107.9	**12.6%**
Depreciation / Pre-operative	12.0	1.7%	17.8	2.3%	19.8	2.4%	30.3	3.5%
Other Debits & Credits	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Misc. (Income) / Expenditure	-0.1	0.0%	-6.8	-0.9%	-2.0	-0.2%	-2.9	-0.3%
Net Profit from Operations	127.2	**17.8%**	84.9	**11.1%**	80.3	**9.7%**	80.5	**9.4%**
Total Overheads Excluding Taxes	131.1	***18.4%***	172.7	***22.6%***	194.7	***23.5%***	218.4	***25.5%***

A - Actual

B - Budgeted

E - Estimated with adjusted budget

Annexure III: Current Service Charges – Cash Pickup service

Location	Number of collection points	Rates	
		Current	Proposed for 2015
Area A	25	240	300
Area B	22	275	500
Area C	8	300	550
Area D	3	350	550

Notes:

1. Above rates are for one trip for one location / per trip per location
2. Amounts in Saudi Riyal
3. Current service level by AlJamal is 85% per annum

Annexure IV: Lockbox Arrangement by AlRaije bank – Proposed Pricing

	Quantity of Lockboxes		
Description	2-20	21-50	above 50
Lockbox Monthly Fees (per unit)	13,000	11,000	9,000
Installation Cost	35,000	35,000	35,000
Maintenance	Free	Free	Free
Cash Pickup	Free	Free	Free
Reprogramming	Free	Free	Free

Notes:

1. Amounts in Saudi Riyal

2. Above prices are fixed for next three years

3. To get the price relevant to any segment for all machines ordered, the minimum number of machines defining the segment should be ordered; e.g. to obtain the price applicable to the 2nd segment i.e. 21-50, for all machines, a minimum of 21 machines should be ordered.

Annexure V: Extract of Transformation Project: Top 100 Stores and Bottom 100

CLG – Corporate Office – KSA

Strictly Confidential

1. Objective

The objective of this framework document is to define broad parameters and methodologies to be adopted in navigating the loss making as well as opportunity stores to sustainable profits. This will be achieved by taking advantage of the top talent of the organisation and involvement of senior management in providing necessary support.

The document also contains sections about the governance arrangements and methodologies for successful launch and execution of the Transformation Project.

2. Rationale

Presently, CLG has over 100 like-for-like (LFL) stores (1 Year +) which are unprofitable at net profit (NP) level across regions and concepts. We also have high opportunity stores (maximum negative variance against budget). Both types hereafter referred to as "Gifted Stores". The reasons for non-performance of these stores include, inter alia, improper location, uneconomical sizing, poor catchment area, low value proposition etc.

Many of these stores are not achieving the budgeted level of performance since inception and hence tactical intervention is required including closure of unviable stores.

3. Opportunity

Turnaround and leverage NP opportunity from Gifted Stores, with a NP opportunity of Saudi Riyal 100 million per annum which will directly contribute to the bottom-line.

4. Key Filter

Sustainable for at least 2 quarters (Q1 and Q2).

5. Project Milestones

This critical project is planned to be successfully closed in a time bound and focused manner with agreed timelines as follows:

- (i) Gifted Stores selection
- (ii) Champ selection
- (iii) Workshop and COO one-on-one
- (iv) Menu card submission and review by Crack Team
- (v) Screening report
- (vi) Resource approval
- (vii) Action report and sign off
- (viii) Store turnaround

5.1 Phase 1 - Planning and preparation (Q4, FY 14)

(i) Finalisation of the framework after 3 weeks of brainstorming and extensive discussions at regional level with concepts, operations, and select stores/area managers (date to be agreed)

(ii) Gifted Stores short listing (date to be agreed)

(iii) Store champ nomination (date to be agreed)

(iv) Workshop on turnaround (date to be agreed)

(v) COO one-on-one (date to be agreed)

5.2 A brief outline of the key steps stated above

5.2.1 Gifted Stores short listing

(i) Regional COO to provide the list of Gifted Stores (30 - 50 per region) in order of priority as per objective of the project (LFL stores, negative NP, lower performance, maximum negative variance against budget)

(ii) Store performance to be evaluated for last two years (minimum)

(iii) Minimum NP opportunity of Saudi Riyal 100,000 p.a.

(iv) Exceptional stores or stores which are under intervention to be filtered out

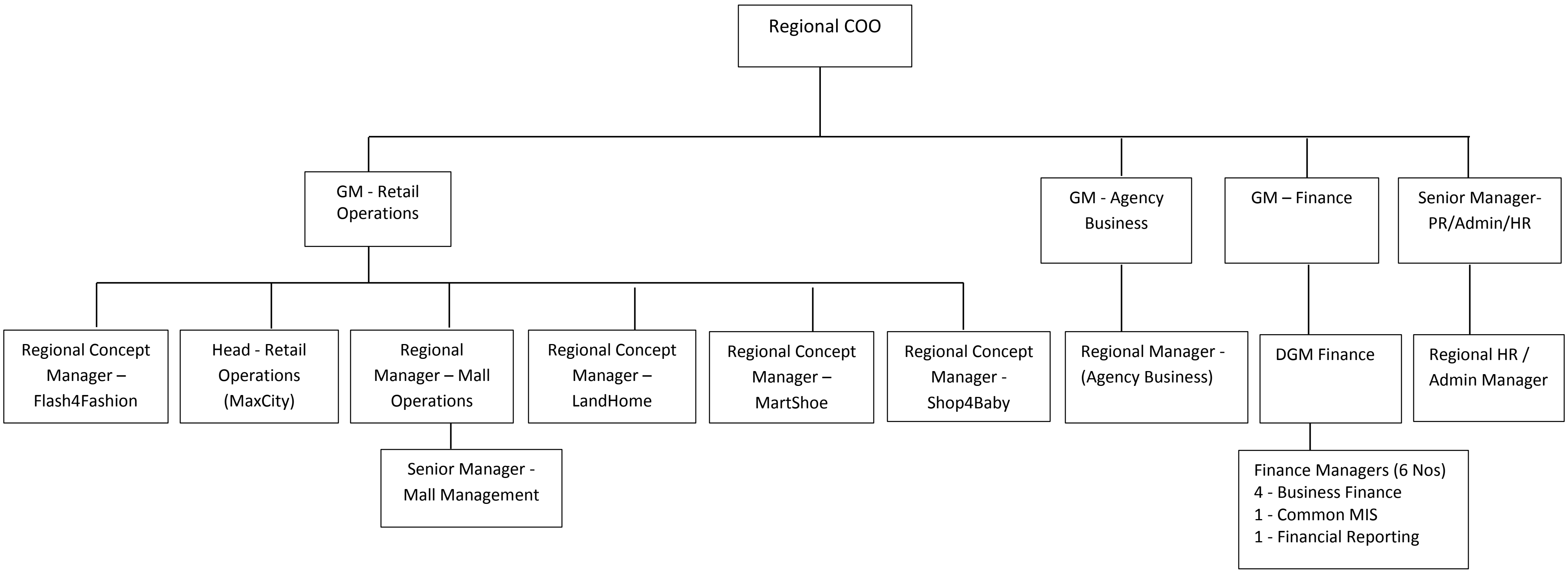
5.2.2 Store champions nomination

CLG has an enviable talent pool to provide growth impetus to the business plans of the company. These top talent are embedded in various cross functions, and for successful execution of this project, CLG will harness the cross functional talent. Prime focus would be on nominating non-stores staff, who would provide a fresh perspective.

Each region will nominate managers (at least double the number of stores), for shortlisting purposes, who will navigate the stores to profitability. In addition, managers from Corporate may also be nominated from which the top 100 managers from B10 and above will be finally shortlisted and mapped one to one.

The key attributes looked for in selecting these champs include business perspective, leadership traits & skills, ambition, good interpersonal skills, guiding and counseling skills.

Annexure VI - Organisation structure – Western Region, KSA (Only Key Positions)



Annexure VII: About Employment Law – Saudi Arabia

With one of the world's highest birth rates at around 3%, and an expatriate population which in 2007 stood at 27% of the total population of 24 million, creating employment opportunities for its citizens has long been a high priority of the Saudi Arabian government. The Labour Regulation provides that the percentage of Saudi workers employed by an employer shall not be less than 75% of his total workers, but gives the Minister of Labour authority to decrease this percentage in case of unavailability of Saudi workers with technical expertise or academic qualifications, or if it is difficult to fill a given post with a Saudi citizen. Since 18th June 2011, the Ministry of Labour has begun to implement a new Saudization programme known as Nitaqat. The concept is that, based on the percentage of Saudi Arabian employees, businesses are classified as Excellent, Green, Yellow or Red, and that the employer will receive privileges or be subject to sanctions connected with the employment of foreign staff depending on the category it falls into. In general, employers in the Green and Excellent categories will find it easy to obtain work permits for foreign staff, while employers in the Yellow category may only renew current work permits without being granted new ones, while employers in the Red category will not, eventually, even be able to renew existing work permits. Part of the Nitaqat programme is a detailed list of quotas which are determined by the business sector and size of the business entity. For example, a petrochemicals business with 500 employees requires at least 45% Saudi Arabian employees to be in the Green category, while a general manufacturing business of the same size requires only 20% Saudi Arabian employees to be in the Green category. Women may be employed, but work permits for non-Saudi women tend to be restricted to the health, education and air transport sectors. There are no restrictions on the employment of Saudi women, provided that the appropriate working environment is provided.

Normal working hours are eight hours per day for six days a week. Work in excess of 48 hours per week must be compensated at overtime rates, except for certain categories of work, primarily of relevance in the catering trade. Saudi Arabian public holidays are set by the Minister of Labour under the Regulation, and may not exceed ten days per year. During Ramadan, the month of fasting, the maximum working hours for Muslim employees is reduced to six hours per day for six days a week for a total of thirty-six hours. It is common for Muslim employees to receive a thirteenth month's salary on the occasion of the Eid Al Fitr public holiday, which marks the end of Ramadan.

Annexure VIII: Extract from Internal Presentation slides

Market Overview
Saudi Arabia's retail sector is the largest in the GCC with 42% of the GCC market followed by UAE (29%) and Qatar (11%)
Growth outlook for Saudi Arabia is very optimistic with an expected CAGR of 9.5% between 2014 and 2018. All the other GCC nations are likely to register an annual average retail sales growth of around 5%-7% during the same period
Saudi Arabia's retail market is estimated @ USD 76 billion in 2014 and expected to reach USD 92 billion by 2017
Jeddah and Riyadh account for 78% of Kingdom of Saudi Arabia's gross leasable area (GLA)
E-commerce is gaining momentum as seen in other parts of the world
Retail landscape is undergoing a transformation phase; modern structures are fast replacing old markets and souks
Increased competition in the apparel category in all segments will impact property availability in malls and result in rentals increase

Business Overview | 12-13 Est. / 13-14 Bud.

Vision 2020 | Org Chart | KPI's | HR Challenges | Competition | Threats

KSA-WESTERN

Threats to Business and Strategy to Counter the Threats

Threats to business – Changing Labour Market Scenario
Very weak work force available in the market
Aggressive Saudization approach compels employment of unskilled labor at high costs
Increasing staff cost
High attrition rate of Saudi staff

Threats to business – Changing Competition Scenario
New competition entering the market: R&B, Fashion 24, LC Waikiki
Customer preference shifting to high street brands
Local value retailers opening large format stores with modern ambience

Business Overview | 12-13 Est. / 13-14 Bud. | KSA-WESTERN

Vision 2020 | Org Chart | KPI's | HR Challenges | Competition | Threats

Threats to Business and Strategy to Counter the Threats

Strategy to counter threat – Changing Labour Market Scenario
Look for quality and not quantity
Strong staff retention programmes
Long term growth paths – Training academy
Support the Nitaqat program
Bring the right people onboard

Strategy to counter threat – Changing Competition Scenario
Penetration of new markets before competition does
Store renovations on time to upgrade ambience
Strong Shukran base, Strong PR via the media, Strong tie up strategies
Speed and independence in decision making at all levels ensuring optimum efficiency in business
Strict cost control in running the operations and ensuring exceptional value for the products and services offered

Annexure IX: Profile - Macky Khanth

Macky comes from a very humble background. He was born in Kuwait and had his schooling in Lebanon. He went for higher studies to England where he failed in Accountancy. Because of the family's poor financial condition, he drove a taxi in London. Then he came to Bahrain to start a business. He worked really hard to make that business a success. According to him "logic is the basis of good management and retail is no big rocket science". He always placed emphasis on research. He has set up a NGO in India called LIFE CLG International Foundation for Empowerment, to serve the deprived in society through health and education. Oh yes not to forget, he is very passionate about movies and makes it a point to see at least one movie a day which inspires him and gets him going.