

PGE: Thirty years young and adapting to change

This year marks the 30th Anniversary of pioneering Americas fragrance distributor Philippe Gerard Enterprises, which has been selling fine fragrances and beauty products into the Americas duty free and Caribbean market since 1984. What does it take to sustain a successful business like this in such a competitive environment – a business that not only sustains itself but looks ready to flourish as it ventures into innovative new areas? PGE Inc. founder Philippe Gerard and President Jean-François Picot discuss with Lois Pasternak how they are preparing for an even more exciting future.

“What did we do right? We are here for 30 years and still growing,” leads off PGE President Jean-François Picot, during a free-ranging interview in the company’s Miami offices recently.

“One of our qualities is stability. For 30 years now our clients see the same face with Philippe Gerard; I have been here for 20 years and Betty Martinez, our customer service manager for more than 20 years. Our customers tell us that they appreciate that we are such a stable company,” says Picot.

“As a smaller company, we offer stability, communication, and proximity to our accounts, all of which go into creating a relationship,” adds company founder Philippe Gerard through Skype, as he joins in from France. “Management in the Caribbean has changed but it is still family-oriented. So we are in touch with these people and they know us and there is respect on both sides. This is one of the

ingredients to why we are still here. And it shows that we like what we are doing. We have the passion for the business as well.”

But it takes more than stability and passion to stay on top of a business that these days is often fashion and celebrity driven, says the PGE executives.

“We are always looking for ways to adapt and understand what is happening in the industry. We (PG and JFP) have experience but at times we are not on top of the new trends, especially when it comes to the world of cosmetics and fragrances. So we have brought ‘new blood’ into the company, recruiting and training a team of younger people who bring us a different outlook,” explains Picot.

“Our team is very important in terms of vision, and their input helps us make choices, and in marketing and product,” adds Gerard. “We try to combine our experience with their new vision. We listen to what they have to say.”

PGE’s “younger point of view” was influential as the company has hosted some of the most successful celebrity launches the Caribbean has seen over the past years.

Among the most high-profile events was the launch this past fall for the Parlux fragrance Rogue, from Rihanna. Rihanna is not only a global super-star singer and performer – she is a mega-Caribbean celebrity from Barbados.

“Every new Rihanna launch is a very big event, especially for Barbados, and we support them very strongly. In November, our Caribbean representative Tina Hamilton persuaded Rihanna to make her one and only personal appearance during the launch in the Cave Shepherd store in Barbados, which was of course a huge hit. And we had equally successful launches for other “celebrity” fragrances going back as far as the original Paris Hilton perfume, which we rolled out with Paris Hilton look-alike contests in Aruba,” recalls Picot.

PGE has a history for long-term relationships. The company has been in partnership with the Parlux brands in the Caribbean for the last 18 years; partners with Ferragamo for the last 11 years, and partners with Falic Fashion Group (FFG) for seven years.

Adding value to the marketing position

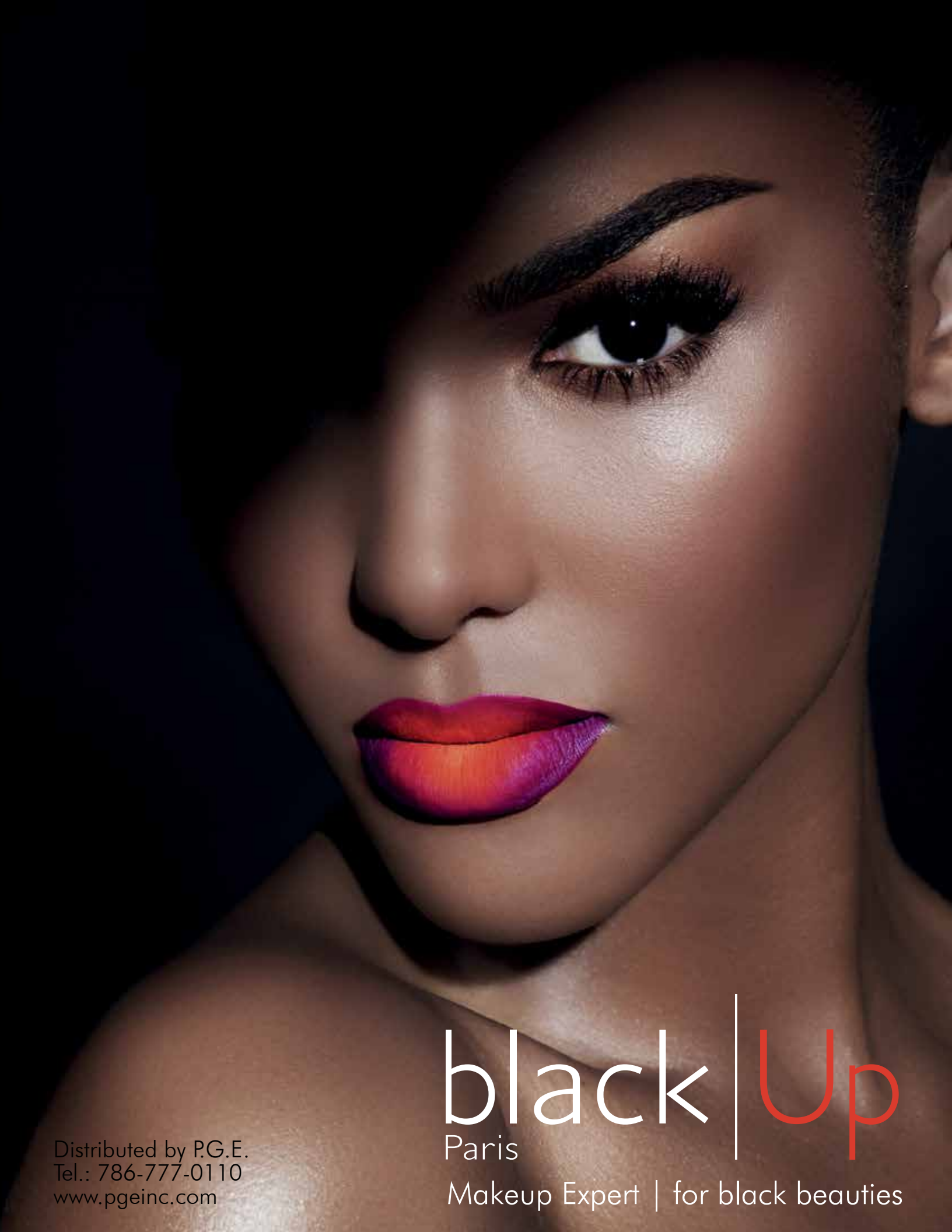
But Gerard says that in addition to these long-term partnerships, the company has been looking for ways to adapt to the changes it sees all around it -- changes that include discounts and internet competition, among other pressures.

“So we began looking at brands that bring a very special added value to the offer and marketing position, and we came up with four of what I call the ‘axis of adaptation’ brands,” he said.

PGE’s new additions include Black



From left to right you have: Philippe Gerard (Chairman), Betty Acosta (Customer Service), Daphne Robboy (Marketing Director), Tina Hamilton (Area Manager), Arlet Castillo (Area Manager), Jean Francois Picot (President)



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Some of the exclusive Trinidad Carnival 2014 looks created with Black up cosmetics in partnership with Stechers. Black up is represented by PGE, and is in the process of opening in St. Kitts, St. Lucia, and Antigua.

Up, a very unique high-end makeup artist brand; Glam Glow, an award-winning innovative treatment line; FLO, a line of beauty products perfectly designed for the traveling woman; and, the most recent addition, American skincare line H2O, which it has for Caribbean distribution specifically through GM Services.

Black Up

Black Up, as a French luxury brand for women of color, brings a very special value to the market in terms of product and marketing, says Gerard.

“Black Up is a perfect fit for us in the Caribbean. It has its own identity and fills the needs of the market. We analyzed the market and saw the brand as a good opportunity for us. It is one of the best decisions that we have made in a long time,” says Gerard.

Black Up is an excellent brand for the Caribbean local market, adds Jean-Francois Picot. “The Caribbean local market is often overlooked. There is a local consumption of luxury goods in the Caribbean --it is not only a tourist destination. There are people living there with disposable income, for beauty products in particular,” he says.

PGE saw the potential of the Caribbean local market with its sales of the Perry Ellis fragrances, which it handles for FFG. “Perry Ellis. Typical American designer, right? An icon. But the fragrances became very popular in the Caribbean,” says Picot.

“Perry Ellis was really the first brand that we established in the local market several years ago. Way back we were

looking a duty free only, targeting the cruise ships and hotels. But the market changed and we met those changes by adapting with a product that met local demand,” recalls Gerard.

Black Up is PGE’s third makeup brand in the Caribbean, coming after Revlon and then Smashbox (which was sold to Estée Lauder). “Neither of these brands featured colors for the local people. We had been looking at Black Up for three years before signing with them, and once they felt they were ready to launch here, the brand has been an immediate success,” says Picot.

The partnership that PGE has with Black Up is a key to its success, says Picot: “It is a very special relationship. They are a small company, very involved and very entrepreneurial, so we communicate well, and with their support and energy, it makes a big difference.”

PGE’s first point of sale for Black Up in the Caribbean was in St. Maarten, which it opened in September 2011. Then came the Caymans, the Bahamas, Barbados, Bermuda, Haiti and Jamaica, with Trinidad, Antigua, St. Lucia, St. Kitts and the USA Virgin Islands opening this quarter.

“As of this

year we will be in all the main markets in the Caribbean,” says Gerard. While PGE does not handle Black Up in the French Antilles – which is considered the local French market – Black Up is available on these islands and is outselling many top international lines.

“We use these islands as the benchmark for us in the rest of the Caribbean,” says Picot, who is also seeing more inter-island sales as well as local market business.

“Black Up has been very successful for us so far but we are still in the beginning stages. It is only two years since the first opening and we are still in the brand-building process,” says Gerard. “2014 will be the first year we are operating under full distribution.

Picot points out that with makeup – with its many references, colors, fashion,



Philippe Gerard (2nd left) and Jean-Francois Picot with Kenzo executives Pierre Forsans and Pierre Broc in the 1990s. PGE helped launch the Kenzo fragrances in the Americas and worked with the company for 13 years until it was purchased by LVMH.



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and novelties –it takes time to build the right assortment and the right level of inventories, etc. Black Up also features quality furniture made in France and shipped, and as a make-up artist brand, requires the use of trained make-up artists.

“So it entails a significant investment when we go into a store ; it is a whole process. Everything about this brand is quality -- the communication, the visuals, the furniture and of course the products. But it is worth it and it is paying off. We have high ambitions for this brand for the years to come,” says Gerard.

Glowing mud

“Talking about how we adapt, we are also working with a company that is very into innovation: Glam Glow,” continues Picot. “They represent four incredible products and was started by a couple --Shannon and Glenn Dellimore -- that we met in Cannes back in 2010 sitting at the bar at the Majestic Hotel. They were just starting out then so we followed them for the whole next year to see how it would do. They went from retail sales of \$200,000 in 2010 to \$103 million in 2013 with just three products. So the progression has been amazing.”



PGE represents Glam Glow in the Americas Travel Retail with an extension into the spa market. The goal this year for Glam Glow, which has racked up more than 10 major beauty awards and is now in 112 countries, to expand more into US Duty Free. Picot says that Glam Glow is scheduled to launch with Starboard in March, and that they are looking at some key Duty Free markets down the line, with South America later on. The brand is also moving into Asia and the Middle East, and recently launched in 150 Sephora stores in China.

FLO beauty products

Number three in PGE’s “axis of adaptation” is beauty products company FLO, who will be exhibiting with PGE in Orlando.

“Flo is made up of young, dynamic entrepreneurs, and we love that,” says Picot. “We are looking to diversify but still remain in our travel industry, in a beauty environment. So Flo’s products bring a commodity to women who travel, but still within beauty, like mirrors, travel sets, and atomizers. These are things that facilitate the life of a woman who travels.”

Gerard reports that Flo will show some new items in Orlando, including their new line of perfume jewelry. These are perfume pendants in different colors and shapes that contain a stone that you spray with your favorite scent, and place within the pendant. They even have one for men.

In its final move towards diversification, PGE signed an agreement with H2O, through GMP Services, for the Caribbean distribution. GMP Services remains the master agent.

“We have been looking for a skincare brand for a long time. We had been very interested in H2O because it is an American brand, and has a presence in the US market. It is very attractively priced and includes a bath and body line as well as skincare. We see great potential to develop the brand further in the Caribbean and are confident that we will do well with it,” says Picot. The contract started on Jan. 1.

“Some retailers already carry the brand in the Caribbean so we will have to assess the situation, but we will be developing it into more accounts in the market,” adds Gerard.

“We looked at a lot of cosmetics brands. There were many exciting

emerging brands, but there was always something missing. Lack of presence in the US, or the wrong pricing, or the management did not understand our markets, and we think that H2O is the best match we found to translate into sales in the Caribbean. You have to have something special so that your product can grow,” he continues.

“Actually, it goes back to what we like to do, which is brand-building,” says Picot. “We are starting with a carefully selected range, after that we can grow, but we have to go step by step.”

On top of these four new brands, PGE will also launch two new fragrance launches with Ferragamo – Aqua Essenziale for men and Signorina Eleganza for women, and Pour Homme and the 360 Collection fragrances from Perry Ellis.

“What we do is really analyze the market constantly, check the value of what is important, and make choices on assortment and product because the market is very sophisticated,” says Picot.

“We have a good staff on the road, and we try to teach them to make decisions on the spot. We give them the tools to make decisions – whether it is commercial, marketing or financial, to solve the issue quickly and move forward.”

“Our business is based on building relationships and friendships and partnerships. Basically we are dealing with customers we have known for 20 years, 15 years, 10 years. We have customers we have been working with for three generations – like Maggy’s in Aruba,” concludes Picot.

“Relationships with customers and suppliers alike is part of the service that we offer and is what the company was based on. And that is why we have survived 30 years,” says Gerard.

“It is a changing world and we have to listen and look around, and that is what Jean-François and I are doing, with the support of our staff. That is the most exciting part of our business.”





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