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Wealthy look for value as downturn bites

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Retailers are stocking lower priced items as even the wealthy begin to economise. Stephen Lock / The National

Luxury retailers in the UAE are stocking more lower-priced items and classic pieces to cater to a new customer mentality after the economic downturn.

Mohi-Din bin Hendi, president of BinHendi Enterprises, which holds the local licences for Hugo Boss and Gianfranco Ferre, said his group was trying to incorporate goods at the lower end of the price scale, as well as the highest end, to aim for two types of customers that were still buying.

“In the successful days, when the market was going nowhere else but up, you tend to omit those things,” he said. “Now it is necessary to see the product you have is the latest product, sellable products, and also mix it in with not so very expensive products.”

High-end retailers have been pushed to adjust their strategies as consumers put off spending on unnecessary items. The research firm Bain said in its latest Luxury Goods Worldwide study that sales would slow around the globe by between 15 and 20 per cent in the first half, before stabilising at a 10 per cent drop for the year.

The luxury sector would shrink from €170 billion (Dh807.31bn) last year to €152bn this year, Bain said, but it predicted sales would grow by 2 per cent in the Middle East.

Despite this, at BinHendi’s stores luxury sales have dropped by 30 per cent in the first quarter compared with the year before, Mr bin Hendi said. The group also recently closed its branded two-storey wing of stores, BinHendi Avenue, at Deira City Centre.

Chalhoub Group, which owns the local licences for brands such as Chanel and Fendi, was adding more classic items to its store offerings, said Mansour Hajjar, the group's UAE country manager.

"We have focused more on basic items in these collections," Mr Hajjar said. "We have noticed that the consumers are seeking better value, longer longevity basic items."

The group has also cut back its orders for new inventory, he said. Although Chalhoub has added 14 new stores, seven of them fashion stores, mostly in Dubai Mall, the group is ordering the same amount of overall stock as last year.

BinHendi has not cut back on stock in its luxury stores, Mr bin Hendi said, but it was watching customers' spending patterns more closely to tailor products accordingly. This could mean, for example, offering more luxury watches with one row of diamonds, instead of two, he said.

Salam Stores, a chain of luxury department stores which stocks brands including Christian Lacroix, Givenchy and Giorgio Armani, was also adding more lower-priced brands to its portfolio, said Aaron Bennett, the group's retail manager for the UAE.

"We're probably bringing in lower price-pointed products than we would have before," Mr Bennett said. "But it's not like we're fundamentally shifting our pricing product."

Salam Stores was also offering bigger discounts than in previous years, he said. "We have adjusted our price point in terms of [discount] percentage points, accordingly, because you have to remain competitive."

Many luxury retailers worldwide have discounted their goods significantly to boost sales, said Milton Pedraza, the chief executive of the Luxury Institute, a New York-based research group that tracks the sector.

"Some retailers are not pricing it as high as it would have been, but not calling it a sale," Mr Pedraza said. "They're not announcing it. Effectively it's a price decrease. They know they have to price it to move."

In a survey by the Luxury Institute last month, half the respondents said the most important deciding factor when making a luxury purchase was a price reduction, he said. "That's pretty bad. It should have been quality, style, craftsmanship. But the number one thing was discounts."

Retailers were now stocking more classic items that have longevity, Mr Pedraza said. "It's more classic inventory and stuff that has more utility. Classic style and design with a little bit of flair, but sticking to lasting value. That's what a lot of wealthy and ultra-wealthy consumers want right now."

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