Gulf luxury consumers: a world apart?
Introduction

Whether Emirati, Saudi, Kuwaiti or Qatari, Gulf consumers account for some of the highest consumption spends both at home and abroad. They are the UK’s biggest shoppers (Visit Britain, 2013); they spend seven times more in Germany than the average European visitor (German National Tourist Office, 2013); and 50% of Middle Eastern tourists spend more than US$6,600 a day in France (Atout France, 2012).

Luxury in the Gulf has been a fast-paced journey, which has fuelled the evolution of the luxury offer and retail format in the region, resulting in world-renowned malls, a proliferation of stand-alone boutiques, the arrival of international department stores, and the emergence of multi-brand concepts.

For decades, GCC consumers have been considered followers of Western trends and particularly of logo branded products.

But is this the whole story? Where is this journey heading next? Can consumers from the Gulf lead the way or will they merely follow a preset Western path?

This paper, the Chalhoub Group’s second white paper, sets out to describe this journey through two prospective research studies - the first of their kind to be conducted. The first study draws upon the insights of 5 years of proprietary consumer research on affluent Gulf nationals to identify the key GCC luxury consumption trends and patterns; each piece of consumer research is based on approximately 1,500 interviews on topics such as youth and luxury, digital, fashion usage and attitudes and excellence in service. The second prospective study draws upon in-depth interviews with VIP clients and regional experts to understand the relationship with and expectations to luxury.

Through extracts from both studies, this paper aims to unveil the particular lifestyle as well as the specific codes which underlie luxury consumption in the Gulf. From drivers deeply rooted in society, it will define a set of 3 archetypes as well as 3 trends, and address the potential evolution of luxury demand in the region.
Specific lifestyle and societal codes

Luxury holds a special place in the heart of Gulf nationals. Its consumption drivers can be found in a particular economic context and in deep-rooted societal trends.

A. A lifestyle of consumption

In a region made prosperous by vigorous oil production and exports, Gulf economies have benefited from dynamic growth over the past decades. Underpinned by healthy oil prices, government budgets have been able to stimulate large infrastructure projects, which in turn have fuelled the emergence of a vibrant non-oil sector. The IMF predicts that the GCC will witness a promising 4.4% GDP growth rate for the year ahead with its GDP per capita remaining among the highest in the world.

With the acquisition of wealth, concomitant spending has evolved through a younger generation. Fuelled by half a decade of strong population growth, the Gulf’s society is predominantly a youthful one. About 26 million people, 55% of the overall population, are below 30 years of age (UN, 2012). It is within this generational divide that the difference in the way luxury is perceived can be witnessed. Generation Y, under 30 years of age, have been brought up in the dawn of the region’s economic ascendancy. They perceive luxury as their playground. Generation X, over 30 years of age, have experienced the region’s socio-economic changes and have a more relative understanding of the value of things. For them, luxury is not a given but a gift.

B. Luxury defines one’s place in society

Luxury consumption is not only defined by spending but also in turn defines the spender. Originating mainly from tribal structures, the sense of community and need for belonging are still strong elements in the local culture. Spending becomes a way to keep up with the strict codes dictated by society. Through their distinctive features, luxury objects serve in establishing one’s place in society. Similarly, generosity, a pillar of Arab culture, finds expression in the consumption of luxury.

In this highly competitive pursuit, recognisable and visible signs of luxury are essential. The paradoxical desire to belong as well as to stand out drives the race for luxury in the region, a race which requires a continuous renewal of goals: the latest, the newest, the most unique, the most exclusive.

“Luxury is something that is able to transmit emotion and create a special moment or memory for life. It is about providing customers with products characterized by uniqueness, crafted with care and expertise with the best quality of materials. It offers them an exceptional experience.”

Pietro Beccari – CEO FENDI

C. Luxury is freedom of expression

With the arrival of the mall culture into the region, a new sphere has been added to local culture: the public space. In a society that has been historically dominated by private spaces and prescribed behaviour, the mall offered the first public space. Exempt from many cultural restrictions, if allowed among other things, the chance to mingle. Retail spaces create a sphere that encourages individuality, as opposed to the private space which is about the community or the family. The result is a sense of freedom which expresses itself through buying.

“Luxury has always been part of the Middle East. Shopping malls afford the consumer a chance to display their personal fashion style”

John Idol - CEO Michael Kors

Three distinctive consumer archetypes

The special place that luxury holds in the hearts and minds of Gulf consumers takes on several forms that in turn dictate specific behaviours and related triggers. Based on the prospective research carried out across the region, we have singled out three distinctive consumer archetypes.

The gazelle

In the Arab culture, the gazelle is valued for its grace and beauty. Although delicate in features, it is swift, agile and immensely adaptable.

Fashion forward, brand savvy, curious and demanding, “gazelles” look for self-expression through luxury. They will typically search for the unique in the range of well-known brands and tend to be more adventurous than others with lesser known designers, brands or products. Characterized by a high activity on social media, they go online to keep up to date but also to share, post and blog their own opinions and advice.

They look up to other fashionistas and bloggers as well as Western trendsetters and celebrities.

Self-expression

Social media

Western influences
The horse

The horse is a sign of princes' privileges. It is said that Bedouins only congratulated each other on 3 occasions: when a son was born, when an eminent poet emerged and when a horse was born.

Status-oriented ‘horses’ are characterized by a constant showcase of superiority through their own person or the extensions of themselves, their house, their car and indeed their children.

For them, luxury is a means to gain social acceptance and peer praise. Their luxury purchases typically target iconic brands. They are drawn to the most well-known and the most expensive.

Their sphere of influence includes their peers as well as sheikhs and national celebrities.

The hawk

The hawk or falcon is a symbol of peace of mind. It is referred to in the holy Qur’an as the representation of the righteous soul returning to its creator.

An archetype still very much in its infancy, the hedonistic ‘hawks’ are somewhat distancing themselves from the materialistic world and are beginning to appreciate luxury for the experiences and the enjoyment it can bring.

They typically have a passion they like to share and look for specific objects more than brands. Of all possible influences, they are particularly sensitive to personal relationships whether with family, friends or sales people.
Deep-rooted luxury consumption trends

As archetypes, gazelles, horses and hawks are an exaggerated expression of three deep-rooted consumption trends, all present among affluent Gulf nationals but to varying degrees: the quest for indulgence, the need for recognition and the longing for bonds.

A. The quest for indulgence

Shopping enthusiasm

The region’s quest for indulgence is sustained by high levels of spending. The monthly average spend among affluent nationals on beauty, fashion and gifts is US$2,400. It is not only the volume spent on luxury which is high but also the frequency.

On average, 42% of GCC luxury consumers splurge on luxury clothes on a one to two month basis, 41% on luxury shoes and 37% on luxury bags every two to three months.

Novelty factor

The potential for repeat purchases is substantial. However, a pre-requisite of making use of this potential is to generate a continuous novelty factor to meet the region’s demand for the new and the very latest. On average, 78% of GCC affluent consumers said they like to keep up with the latest trends, with 76% of them converting this desire into consumption by liking to have the latest in everything they own. It is no surprise then that two of the top three drivers for shopping are ‘new arrivals’ and ‘every new fashion season’.

“INNOVATION is in our blood at Parfums Christian Dior. On average our novelty rate, which includes both renovation & incremental innovations, accounts for 25% of our business every year! The quest for beauty in the Gulf requires this from us, to be at the forefront of their set of preferred brands.”

Claude Martinez – CEO Parfums Christian Dior

Epicurean pursuits

The activity of shopping as a means to instantaneous escapism should not be underestimated in the Gulf region. 74% of GCC nationals buy something they like, even if they have not planned for it, and 63% of Riyadh nationals claim to shop for clothes ‘whenever they need to feel better’, making impulsive shopping standard behaviour.

It is also this desire for concrete experiences in the retail realm that is somewhat holding back e-commerce in the region. While 84% of GCC affluent internet users claim to regularly access brand websites, only 26% actually shop online. For 44% it is the need to see and feel the product that makes them shy away from internet purchases.

B. The need for recognition

Acceptably different

The second luxury consumption trend, the need for recognition, is embedded in a powerful need for self-affirmation. Choice of style is a tool not only for asserting individuality but also in establishing identity: 77% of GCC nationals like to create their own style. 74% claim it is important to stand out and be noticed. Being able to purchase originality is paramount; whether through exclusivity, capsule collections or customisations. 89% of affluent Gulf nationals look for a unique luxury product, and strong preferences for special/limited edition items are well pronounced across the region.

However, self-affirmation is driven by a duality of desires. Alongside originality, acceptability is a parallel driver. 83% of GCC nationals feel it is important to be accepted. A reputable brand caters to this desire for acceptability. While the product needs to be unique, the brand needs to be established in order to gain the clan’s approval.

“How do you know who I am?” Iconic branding allows for visible self-affirmation and direct expression of one’s social standing – a reassurance for increased self-confidence within a conformist channel telling the story of ‘who I am’ and ‘where I stand’ in society.

While the appeal of trusted branded products is prevalent across all Gulf States, it is still strongest in conservative markets such as Riyadh, where 90% of affluent nationals prefer heavily branded and very recognisable luxury items.

In a society of hospitality and gifting, these dynamics are extended to gift purchases. Brand reputation comes top when asked what is important when buying a gift at 82% of Gulf nationals want their gifts to impress, thereby enhancing the image of the giver.

The race to show off

In a strongly image-conscious society, the need to know before others, to see before others and to purchase before others makes special treatment pivotal in order to enhance self-recognition. Exclusive previews in VIP environments or at home, pre-ordering of new collection items, simple SMS alerts or calls for new arrivals all have a place in the never-ending race to show off. Even the deep-rooted local tradition of bargaining is seen as a personalised gesture from the salesperson which recognises the importance of his or her client.

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“I choose a luxury brand because…”

Source: Chalhoub Group consumer research, Youth & Luxury

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C. Longing for bonds
Knowing is trusting

Integral to the relationship between GCC consumers and luxury brands is trust. The culture of the Gulf is still highly anchored in passing down habits and customs, a notion which creates reassurance through long-term commitment. When purchasing luxury, it is this sense of trust that comes into play. 32% of affluent Gulf nationals choose a luxury brand because they grew up with it; 57% because they trust it.

“In 2014, Baccarat celebrates its 250th anniversary making the maison one of the oldest luxury brands in the world. This milestone is a tribute to Baccarat's history, heritage and unique savoir faire. For a significant part of this long history and still today, the Chalhoub Group has accompanied Baccarat in its journey. Their first-hand knowledge of the luxury consumers’ needs and habits, coupled with a deep passion and appreciation for the heritage of Baccarat, have been vital components to our mutual development and success.” - Daniela Riccardi, CEO, Baccarat

We are one

Another key to this intricate desire for bonds is found in a consumer’s immediate circle. The biggest influencers in a Gulf consumer’s life are to be found within a small intimate circle of personal relationships. 71% claim the biggest influencers in life are siblings and friends, closely followed by spouse and mother. This powerful bond transfers into the arena of luxury: 79% rank friends as their biggest influencers on luxury purchases. What others in this close circle of trust think matters greatly, steering all elements of the purchase and shopping experience. The influencers are with the shopper every step of the way: 70% shop with friends, 40% with mothers and sisters.

My biggest influences in life / My biggest influences on style / My biggest influences on luxury purchases

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Source: Chalhoub Group consumer research

The influencer network
In a highly connected society, the desire to bond with one’s close network of personal relationships extends into the virtual sphere. Social networking naturally leads the way, with over 90% of affluent GCC nationals having regular access to social networking sites such as Facebook, Twitter and YouTube. Decision-making in the real world is strongly navigated by these virtual ties. Nationals in Kuwait, Qatar and the UAE tend to turn to Facebook and forums for inspiration as well as approval of novelties. In Saudi Arabia, they are considered a solid platform for trusted opinions.

Luxury consumption tomorrow

Years of proprietary quantitative and qualitative consumer research coupled with in-depth interviews of international and regional experts (academics, bloggers, fashion designers and sociologists) have allowed us to define the prominent luxury consumption trends, as presented in the previous section. Moreover, it enables us to anticipate future evolution in the next three to five years.

A. Historic trends

The first set of consumer trends will be defined as ‘historic’ and encompass behaviours which are strongly anchored in today’s society and which will most certainly remain in the coming years.

Ultra consumption

Over the past years the West has been displaying signs of cautious, deal-oriented consumption, while the Gulf, with economic buoyancy forecast to last, seems to be heading towards even greater wealth and stronger purchasing power, fuelling more consumption. This in turn should drive increased retail maturity and brand presence in the region; more choices, more alternatives, more possibilities. The only limit: political instability.

Ostentation and distinction

The importance of one’s place in society, the impact of images and signs, the rivalry among families, friends and countries are strong cultural components that are bound to retain central stage. In that respect, exterior signs that identify while differentiating will certainly remain strong.

Brand visibility…with a twist

Unlike the West, where understatement is the norm and luxury brands are intended to be recognised and appreciated by a select peer circle, brand visibility and wide appeal will remain a must in the Gulf. While evolving tastes will call for different ways of displaying the brand on the product, it will remain paramount for the brand to be recognized by the wider masses.

“If should be advertised here before” - Latifa, 31, luxury consumer, Abu Dhabi

B. Emerging trends

‘Emerging trends’ are not as anchored as ‘historic’ ones but are clearly visible today. We expect to see them increase in the next three to five years.

Convenience and digital

All focus groups and in-depth interviews with clients conducted around the subject of service and shopping experience point to an overwhelming desire for comfortable, practical, fast and effortless experiences. It is this very desire that we see fuelling the growth of the digital—whether online shopping or digitally enhanced in-store experiences. Coupled with the quest for novelty, latest releases and the ‘having it before anyone else’, digital appeal should grow among affluent nationals. Its only limitation is trust – trust in the product quality, trust in the payment, trust in the operator.

“We have access to the new collection. It is cheaper, we can stay home, it is convenient. The future will be online.” - Hamad, 40, luxury consumer, Abu Dhabi

Expert advice

In Middle Eastern societies, relationships matter greatly, in-store advice and assistance are crucial in fostering trust between brands and consumers. We foresee this relationship reaching another level of maturity in the coming years. Consumers will be looking for increased product knowledge (‘how is it made?’ ‘how do I care for it?’), brand news (‘who wore it? where?’) and style advice (‘what suits me best?’ ‘how to mix and match?’). The latter is of paramount importance in the critical search for standing out in a safe and acceptable way.
Nomadism
Today’s affluent Gulf nationals are avid travellers, tomorrow’s even more so. True to societal roots, travel is one not of individual pursuit but of a family, a clan. Increased exposure to international styles and tastes will certainly narrow information gaps between East and West while not necessarily homogenising tastes. For one, brand visibility will remain a differentiating factor for a long time.

C. Future trends
Lastly, ‘future trends’ are the ones that are in their infancy today but which we see growing strongly over the next three to five years.

Immaterial value
As has happened in the West in the past decades, new territories for luxury will emerge beyond that of objects. Consumers will start searching for luxury in their lifestyle, in their travel or dining experience, in culture. Status symbols will still be key. But experience as well.

“When I was younger, I bought countless luxury goods. That was before, before I “grew up”. I buy fewer products now and not necessarily the most expensive ones. I enjoy spending more time with my family and travelling. My next purchase will be a yacht...to spend 3 or 4 months at sea alone with my family”
Mohamad, 40, luxury consumer, Jeddah

Heightened experience
Similarly, the search for experience will happen on the shop floor: mono-brand stores with 360 degree brand experiences, demonstration and staging of products in life-like surroundings, retail spaces merging with arts and the digital world.

Centre of the world
With strong ambitions for the region, the GCC is taking a more prominent role on the world stage. With geopolitical, socio-economic, educational and cultural projects, the Gulf States are securing their place in the world by attracting the world’s attention. These resilient dynamics will bring a new centrality for luxury. Regional cities want to emerge as hotspots for fashion shows and designer events, placing the region on a par with cities such as Milan, Paris, London and New York. The Middle East will not only be a rich territory for luxury consumption but one for luxury creation.

Conclusion
Luxury Gulf consumers are following their own journey rooted in their particular lifestyle and societal codes. They are passionate about luxury yet demanding and assertive. What will they expect of brands, retailers and malls tomorrow?

“...The real wealth of the Gulf area lies in its young population that is increasingly educated, exposed, knowledgeable and ambitious. They are the perfect luxury consumer: assertive and demanding. They want to be pampered and recognised as well as feel unique.”
Patrick Chalhoub, CO-CEO of the Chalhoub Group

Virtual journeys...
Already a world on their own where families can spend a whole day entertaining all ages, malls and stores will be expected to deliver a hyper-experience in a self-contained world, which will turn a trip to the mall into a journey in itself. In the cross-over between shopping, hotel and amusement park, people will stay days in search of augmented experiences. Sales people will become the story-tellers of their enchanted journeys.

Seamless shopping...
Shopping will become effortless. The store will be an extension of the home with large spaces including private areas, comfortable seating and the legendary Arabic hospitality. It will be digitally enhanced, enabling easy screening of the whole boutique, pre-booking, e-commerce and virtual trials simultaneously shared online. With no in-store payment needed, customers will be recognised when stepping into the boutique, their tastes and needs anticipated. Omni-channel will be a must with seamless integration of the in-store experience with the online experience and social media platforms.

Products for the Gulf...
Products will be launched in the Gulf at the same time as in the West - to the minute. They will include special lines for Gulf customers in terms of sizes, cuts, shades and scents and these will be launched exclusively in the Gulf or ahead of the global market. Regional and local brands will grow stronger, fuelled by an inherent national pride looking for avenues to express itself.

Retailers part of the circle of trust...
Retailers will nurture their relationships with their customers. They will know them and celebrate the bond by building on the power of family and friends and becoming part of their customers’ legacy. Women, an increasing part of the workforce, will need to be acknowledged for their own spending power and recognized for their developing autonomy and sense of self.

In order to be able to accompany luxury Gulf consumers and anticipate their aspirations, luxury brands will have to face these challenges by tapping into the societal fabric, which sets the path for a very specific consumption journey.
Sources

Chalhoub Group prospective research 2013 in conjunction with Methos:
44 in-depth interviews, GCC nationals, VIP customers and 4 regional expert interviews

Chalhoub Group prospective research 2013 in conjunction with Carlin International:
based on 2010-2013 Chalhoub Group consumer research

Chalhoub Group GCC fashion usage and attitudes 2012-13 in conjunction with Acuity ME:
1,700 interviews, GCC nationals, expatriates and tourists, mid to high income, males and females, 18+

Chalhoub Group retail excellence in service 2012 in conjunction with TNS:
24 focus groups, GCC nationals mid to high income and 24 in-depth interviews, VIP customers

Chalhoub Group GCC digital behaviour 2012 in conjunction with Acuity ME:
1,800 interviews, GCC nationals, mid to high income, males and females, 15+ internet users

Chalhoub Group GCC youth and luxury 2010 in conjunction with Datamonitor:
1,300 interviews, GCC nationals mid to high income, males and females, 15 to 29

Definitions

GCC: Gulf Cooperation Council, comprises of Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Bahrain and Oman.

Thank you

A special thank you to our partner brands for their support and contribution:

Pietro Beccari
CEO Fendi

John Idol
CEO Michael Kors

Claude Martinez
CEO Parfums Christian Dior

Daniela Riccardi
CEO Baccarat
The Chalhoub Group has been the leading partner for luxury across the Middle East since 1955. As an expert in retail, distribution and marketing services based in Dubai, the group has become a major player in the fashion, beauty and gift sectors regionally.

By blending its Middle East expertise and intimate knowledge of luxury, the Chalhoub Group is building brands in the region by offering service excellence to all its partners, and a unique experience to its customers through its passionate teams.

With a growing workforce of more than 9,500 people, implemented in 14 countries, as well as the operating of over 550 retail outlets, the group’s success is attributed to its most valued asset of highly skilled and dedicated teams. Professionalism and passion are what fuel the Chalhoub Group’s competitive edge in today’s market.

By being committed to implementing sustainable practices into their business, the Chalhoub Group has been awarded in 2014, for the second consecutive year, the CSR Label from the Dubai Chamber of Commerce.

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