FASHION

Luxury Goods Growth Seen Slowing for Next Decade

Boston Consulting Group predicts that over the next 10 years global sales of luxury goods will grow by single digits, around 4 percent a year, in a market that grew with an average of 9 percent over the previous decade.

BY GORDON SCOLVIN

MILAN — The luxury slowdown is set to continue for years ahead.

That’s the forecast from Boston Consulting Group, which predicts that over the next 10 years global sales of luxury goods will grow by single digits, around 4 percent a year, compared with an average of 9 percent over the previous decade, as Asian consumers reign in spending. Antonio Achille, partner and managing director at BCG, also said sales quality will be different: previously growth came in tandem with store openings, while in the future, Achille said, growth will be like fine, in stores opened for at least one year — last year's focus will center more on "working intimately with the customers, improving conversion rates" — in other words, turning more window shoppers into paying customers.

"In the industry there is a conviction that the higher you are the better. In reality, to be successful you have to have a large business," — Luca Solca, Exane BNP Paribas

BUSINESS

Jobless Teens Seen as Key Challenge in Mideast

A Chalhoub Group study warns dependence on oil is another threat to the Gulf’s retail market.

BY RTU UPHARH

DUBAI — Can a retail market driven by abundant consumption — and a "build it and they will come" mentality — survive without oil? Not unless the Persian Gulf addresses two key challenges: dependence on oil and young people's unemployment.

A recent report from Chalhoub Group, one of the Middle East's largest luxury retailers, paints a bleak picture of the region's economic future.

The Gulf economies are still largely reliant on exports of oil and gas, which accounts for more than 65 percent of gross domestic product and 84 percent of government revenue across the Gulf Cooperation Council countries. The report says that, given the region's high youth unemployment rate, with numbers approaching 30 percent in Saudi Arabia.

"Creating a culture of sustainability has become a priority for luxury consumers in the region. Emirati teens are spending six times more than on average global teens, according to research by AMBR and TUI. A survey done by Clio make sure the region's group is still here in the next 60 years," said Anthony Chalhoub, chief executive officer of the Chalhoub Group, which marks its 60th anniversary this year.

"We believe in this region and its potential," he said. "No major player in luxury shows the affluent GCC consumer spends on average $2,400 per month on beauty, fashion and gifts. They also have high expectations of the brands when it comes to corporate social responsibility, with 83 percent of respondents saying they expect the shops they buy from to be responsible in the environmental and social communities.

The group is home to several large-scale sustainability projects. Alongside China and Europe, two of the largest "green city" projects can be found in the United Arab Emirates: Masdar City in Abu Dhabi and Dubai Design District in Dubai. According to the report, "these cities are master plans of a new era of social and environmental harmony, which will reshape social principles of living."