

United Arab Emirates Luxury Goods Market - Growth, Trends, and Forecasts (2023 - 2028)

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Report description:

The UAE luxury goods market is valued at USD 3.78 billion in the current year and is projected to register a CAGR of 5.20% during the upcoming five years.

The luxury goods market witnessed a steep decline due to the COVID-19 pandemic. This was largely attributed to the falling global economy and consumer resilience to splurge on luxury items. Moreover, the lockdowns and restrictions restrained the market growth further in the past couple of years. This mainly reduced the sales from offline retail channels, impacting the companies that primarily relied on brick-and-mortar platforms. As a result, many players started developing digital channels to reduce the buyer-seller gap. For instance, Richemont Group improved and developed its already existing digitized channel, contributing 8% to the group's sales in Q1 2020 compared to 2% in Q1 2019.

In the long term, the increasing disposable income and growing premiumization among urban consumers are anticipated to drive the market demand. Subsequently, tourism in the United Arab Emirates is projected to grow at a healthy rate during the forecast period and offers the players in the market significant opportunities for expansion and growth. Additionally, luxury brands have been launching offline stores in innovative formats to capture consumer interest and generate revenue. For instance, in October 2021, Gucci launched a new pop-up store at Dubai's iconic Burj Al Arab. This store was the first of its kind in the region and coincided with the United Arab Emirates 50th anniversary and Expo 2020.

Due to overexposure to social media platforms and mass consumption, consumers expect personalized products or individualized care from brands. One of every five luxury shoppers believes customization or tailoring is essential for purchasing luxury goods.

UAE Luxury Goods Market Trends

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Increasing Tourism and Growing Cultural Influence

The United Arab Emirates is among the most visited countries in the world, and with the support of the regulatory bodies of the country, the tourism industry is witnessing a surge. According to Dubai's Department of Economy and Tourism, Dubai hosted more than 7 million international visitors during the first half of 2022, a rise of 183% Y-o-Y. In 2021, Dubai received a total of 7.28 million international visitors. The sustained growth of the UAE luxury goods market can be attributed to the continuing rise in the tourism industry. Travelers visiting the country often buy luxury goods from the outlets of various multinational brands and take them back to their homes, where certain brands or products may not be commercially available.

The United Arab Emirates is an economically strong market, and major multinational brands have often launched their premium products earlier in this country than many others. Tourists often come across things that the United Arab Emirates is famous for, such as luxury perfumes and leather products. For instance, the luxury goods brand, Gucci, has a product portfolio in the country that comprises more than 29 variants of perfumes. Thus, as the tourism industry continues to grow, the luxury goods market in the country is likely to grow at a healthy rate, posing significant opportunities for the players to introduce their products to the local market.

E-commerce Sales Picking Up Pace Compared to Offline Sales

With the increasing digital adoption, e-commerce is becoming a reality, shaping new user interactions, disrupting business models, and creating new growth opportunities for single and multi-brand luxury goods stores in the country. As more customers move online, businesses follow suit, leading to the digital ecosystem's gradual development. It provides easy access to product-related information and prices to the customers, which further contributes to the overall growth of the UAE luxury goods market. In April 2022, Business of Preloved Fashion (BOPF), a luxury fashion brand, entered the UAE market and launched an online platform to create a direct interaction between buyers and sellers. Retailers are increasingly using technologies like augmented reality (AR) and metaverse to help online customers improve their shopping experience.

Additionally, government initiatives promote e-commerce in the region, boosting the market's growth. For instance, the UAE government set up a duty-free e-commerce hub Matajircom, as an initiative to work closely with local and international companies.

UAE Luxury Goods Market Competitor Analysis

The UAE luxury goods market is highly competitive, with the presence of both global and domestic players. However, the global players, including Rolex SA, LVMH Moët Hennessy Louis Vuitton, Kering Group, Compagnie Financière Richemont SA, and Chanel SA, show dominance over the market. Key players are now focusing on social media platforms and online distribution channels for online marketing and branding of their products, as the United Arab Emirates has the highest percentage of internet users who transact online. For instance, e-retailers specializing in luxury goods, such as Souq.com, Awok.com, Bloomingdale's Inc., and Elilhaam, have witnessed rapid growth in their annual revenues owing to an increase in the number of consumers shopping online. Online sales, especially during the pandemic, witnessed a boom due to social distancing norms and restrictions.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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