



CHALHOUB
GROUP
SINCE 1955

CIRCULAR FASHION POTENTIAL

IN THE GCC

December 2023



We are proud to embrace more sustainable business models, maintaining our commitment to customer centricity and experience.

In response to the growing demand for ethical consumption, over the past few years, we've expanded our efforts in circular economy while paving the way to our Net Zero Commitment as a Group.

Our 'Circular Fashion Potential in the GCC' report provides deep insights into consumer attitudes, behaviors, and motivations in circular fashion. This is a critical step, especially for an industry like fashion, which contributes ~10% of global CO2 emissions. Our report reveals the GCC luxury re-commerce market is worth more than 500 million and is expected to grow by 10%-15% annually to reach USD 760-780 million by 2026.

As we witness luxury brands and retailers adopting circular business models, we recognize our role and the opportunity to not just meet but lead consumer needs. We aim to guide them on a journey towards a more circular and sustainable future through increased offerings, education, and behavior change.

PATRICK CHALHOUB
GROUP PRESIDENT



In line with our Chalhoub Impact framework, this report marks a significant leap in integrating Environmental, Social, and Governance (ESG) principles into our business model. Our commitment to pave the way to Net Zero by 2040 reflects our dedication to combatting climate change. Through circular initiatives with brands like preloved & buy-back at Level Shoes, rental at Tanagra, and refillable solutions at L'Occitane, we're actively embedding sustainability into our core.

The report reveals key insights: GCC consumers show a strong interest in buying pre-loved, particularly bags (20%), watches (18%), and jewelry (16%). Top reasons for buying pre-loved include affordability (43%), investment potential (42%), and access to limited editions (40%). A significant 70% have resold in the past year, driven by a desire to make money (42%) and finance new purchases (41%).

This signals a transformative shift, sustainability converges with luxury, reshaping consumer choices and industry norms. This report serves as a compelling business case for circularity, clarifying the current landscape, highlighting trends, and showcasing our commitment to sustainability. As we explore development avenues, we stress the importance of alignment among policy makers, regulators, brands, retailers, and customers, keeping our focus at the initiative level driven by interested brands and consumer affinity.

FLORENCE BULTE
CHIEF SUSTAINABILITY OFFICER



PREFACE

Chalhoub Group used the following input for this report:

1. **Desk research** reviewing data and insights from publicly available sources
2. **15 interviews with stakeholders** from Chalhoub and re-commerce players
3. **Survey of 1,300 consumers across the GCC region:**
 - 500 in United Arab Emirates, 500 in Saudi Arabia, 150 in Qatar, 150 in Kuwait
 - Age groups: 18-24, 25-34, 35-44, 45-54, 55+
 - Mix of locals (64%), Arab expats (20%), Asian expats (14%), Western expats (2%), 50/50 split male/female

Other external sources are listed on the bottom of each page

DISCLAIMER

This document may contain forward-looking statements which are based on assumptions, estimations and forecasts, and/or which may not directly relate to a historical or current fact.

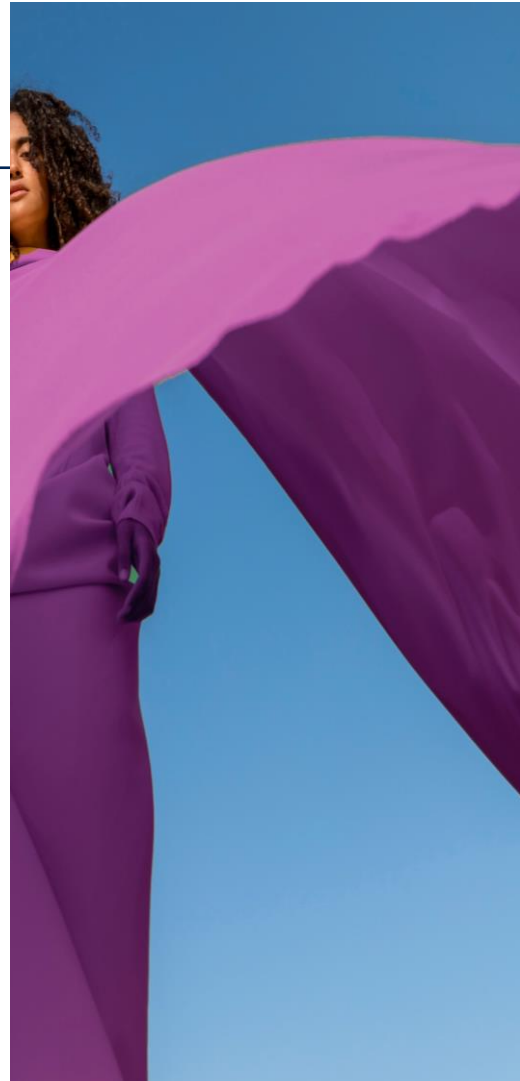
By their nature, these forward-looking statements are subject to important risks and uncertainties and factors that go beyond control of the Chalhoub Group's ability to predict.

These forward-looking statements should not be considered as a guarantee of future performance: the actual results could differ materially from those expressed or implied by them.

The forward-looking statements only reflect Chalhoub Group's views and opinions as of the date of this document, and Chalhoub Group does not undertake to revise or update these forward-looking statements.

The forward-looking statements should be used with caution and circumspection and in no event can Chalhoub Group and/or its Management be held responsible for any investment or other decision based upon such statements.

The information in this document does not constitute an invitation or inducement to engage in any investment activities.



01/ LUXURY BRANDS AND RETAILERS ARE INCREASINGLY ADOPTING CIRCULAR BUSINESS MODELS

In the past years, **new business models** have been introduced to expand fashion's circular offering: **Re-commerce, Rental, Repair, Redesign, Recycle and Re-invent**. **In luxury, brands and retailers are positioning themselves in the market**, mainly focusing on re-commerce, repair and upcycling initiatives and have launched various concepts either independently or with partners

02/ GCC RE-COMMERCE MARKET IS WORTH USD 3.0-3.5BN, OF WHICH 480-500M IS LUXURY

GCC re-commerce market is expected to reach USD 10.5-11bn by 2026 (CAGR +26% to +30%) with **luxury re-commerce worth USD 760-780m** (CAGR +10%-15%). It is anticipated that the penetration of luxury re-commerce in the GCC (5%) will remain behind other regions (e.g. US with 31%). **The luxury re-commerce market is expected to become more mature** with **new service offerings**, such as authentication, improvement of the selling experience and after-sale services as well as finance options

03/ GCC CONSUMERS ARE INTERESTED IN BUYING PRE-LOVED, BUT EVEN MORE IN SELLING

While **1/3 of consumers purchased a pre-loved item in the last year** already, another **1/3 intend to do so** in the future. Bags (20%), watches (18%) and jewelry (16%) are the categories that receive most interest. Top reasons for buying pre-loved are not being able to afford the item brand new (43%), investment reasons (42%) and access to limited editions (40%). **Re-selling is even more widespread**, as **70%** have re-sold an item in the past year, mainly jewelry (36%) and watches (35%). Re-selling is driven by the desire of making money (42%) and financing new luxury purchases (41%)

AGENDA

01/ WHY CIRCULAR FASHION MATTERS?

02/ RE-COMMERCE IN THE LUXURY FASHION INDUSTRY

03/ GCC OPPORTUNITY AND VOICE OF THE CONSUMER

04/ LUXURY RE-COMMERCE MARKET OUTLOOK

Circularity is particularly relevant for fashion as it is one of the least sustainable industries, accounting for ~10% of global CO2 emissions



Produces **10% of all carbon emissions** - more than all international flights & maritime shipping combined



The **2nd largest consumer** of the world's **water** supply



Responsible for **20% of all industrial water pollution** worldwide



Consumers **buy > 80B new pieces** of clothing every year. This is **400% more than** what was consumed **20 years ago**



Clothing utilization—the number of times a garment is worn before it is discarded—has **decreased by nearly 40%** in the last 15 years



Average number of **collections / year** has gone **up from 2 to 5**. Some fast fashion retailers have more than 20



85% of all textiles end up in a landfill each year, with less than 1% of the materials getting recycled

SOURCE: BusinessInsider, McKinsey & Company, Ellen MacArthur Foundation; Fashion United

Circularity in fashion aims to extend the product life-cycle through different business models

Circularity is a model of production and consumption, which involves reusing, sharing, leasing, repairing, refurbishing, and recycling existing materials and products as long as possible. In this way, the **life cycle of products is extended**

DISTRIBUTION-RELATED



01/ RE-COMMERCE

Buying and selling of **previously owned fashion items** from specialized **marketplaces and consignment stores, predominantly online**



02/ RENTAL

Providing customers with the opportunity to **rent fashion items for a period of time**, allowing them to discover brands and rent items for specific occasions



PRODUCT-RELATED



03/ REPAIR

Providing **repair and restoration services** for damaged or heavily worn fashion items to **extend the product life cycle**



04/ REDESIGN

Use **existing items** as a basis to **create something new** by combining it with other garments and materials or using embroidery and patchwork (**upcycle**)



MATERIAL-RELATED



05/ RECYCLE

Reuse an item's raw material in order to manufacture **something new (end-of-life solution)**



06/ RE-INVENT & REDUCE

Create items by **using innovative and sustainable fibers**, easier to reuse/recycle designs or less collection cycles



Relative market size

SOURCE: Chalhoub Group Analysis

Luxury groups & retailers *have introduced different circular business models, mainly focused on re-commerce, repair & upcycling*

KERING

In 2021, invested in Vestiaire Collective and Cocoon, a luxury bag rental platform. Some brands (e.g. Gucci Vault) launched re-commerce initiatives while other do upcycling (e.g. Pomellato), coupled with a strong culture of repair across the Group

GALERIES LAFAYETTE

(Re)Store launched in 2021 where clients can buy, sell, recycle their items and learn how to care for them with >10 second-hand players and young brands only using recycled or upcycled materials

BURBERRY

Partnered in 2023 with Vestiaire Collective to launch a pilot resale program. Customers in the UK and US can trade in their items in exchange for a gift card, which can be spent in Burberry's stores or website

RICHEMONT

Started Cartier's certified pre-owned in 2023, in partnership with the re-commerce player Watchfinder (acquired in 2018). Chloé launched a buy-back program in 2022, while IWC explores bio-based materials for bracelets

SELFRIDGES

Strong ambition to reach 45% of its transactions made through rental, repair & recycle by 2030. "Worn again" initiative in 2023 with curated secondhand fashion & furniture brands, swap shops, upcycling

LEVEL SHOES

Launched pre-loved in 2022, focusing on shoes, bags and accessories. Curated assortment with about ~500 products available in August 2023

LVMH

Created Nona Source in 2021, the 1st online resale platform for re-sourcing deadstock fabrics from the Group's Fashion & Leather Goods Maisons. Repair is also a focus for the Group

NEIMAN MARCUS

Partnered with Fashionphile to resell designer bags & accessories. Customers receive payment up front with a 10% bonus if it is as a Neiman Marcus Gift Card. Items resold through Fashionphile

OUNASS

Launched pre-loved in 2022, focusing on luxury accessories, bags and jewelry (>30 brands) via partnerships with local vintage boutiques. Selected assortment with ~200 products in August 2023

SOURCE: Companies' websites

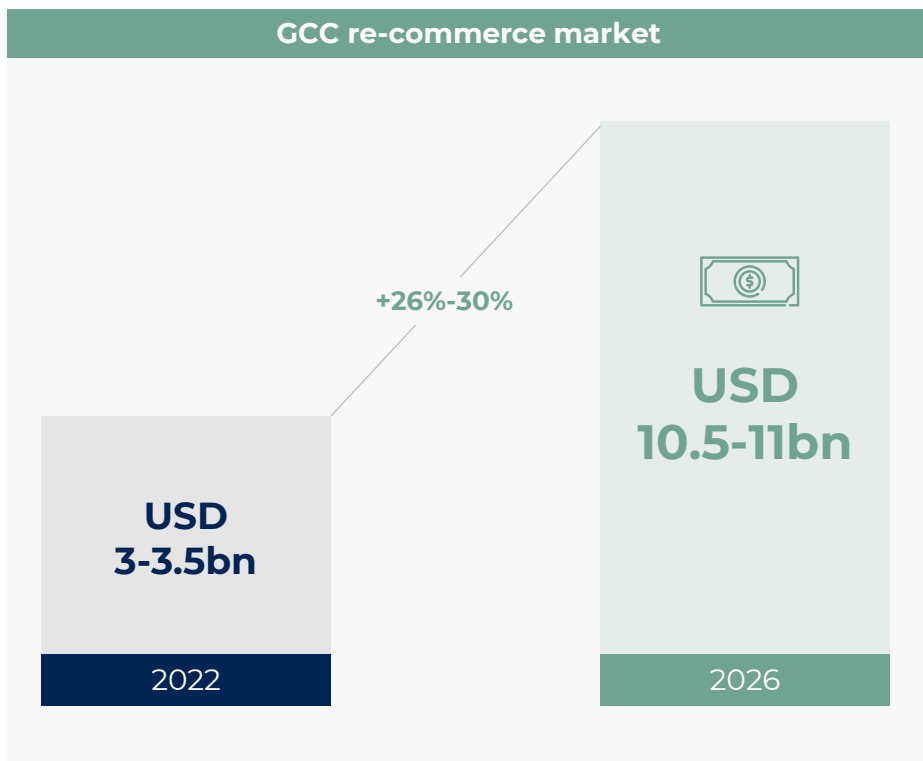
The fragmented luxury fashion re-commerce space *is set for consolidation*

Investment transactions – non-exhaustive

	TRADESY	FARFETCH	GOAT	RICHEMONT	NEIMAN MARCUS	KERING	FARFETCH	VESTIAIRE COLLECTIVE	GOAT
	2015	2018		2019		2021		2022	
BUYER	PURE RE-COMMERCE RETAILER	RETAILER	PURE RE-COMMERCE RETAILER	LUXURY GROUP	RETAILER	LUXURY GROUP	RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER
TARGET NAME	SHOPHERS	STADIUM GOODS SNEAKERS	FIGHT CLUB SNEAKERS	WATCH-FINDER	FASHION-PHILE	VESTIAIRE COLLECTIVE	LUXCLISIF	TRADESY	GRAILED SNEAKERS
TARGET TYPE	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER ENABLER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER
TYPE OF M&A	M&A	M&A	M&A	M&A	INVESTMENT MINORITY STAKE	INVESTMENT 5%	M&A	M&A	M&A
VALUE (USD)	N.A.	250m	N.A.	310m	N.A.	215m	N.A.	N.A.	N.A.

SOURCE: Companies' websites

In the GCC, the overall re-commerce market is estimated at USD 3-3.5bn and expected to grow at a 26%-30% CAGR, reaching USD 10.5-11bn by 2026

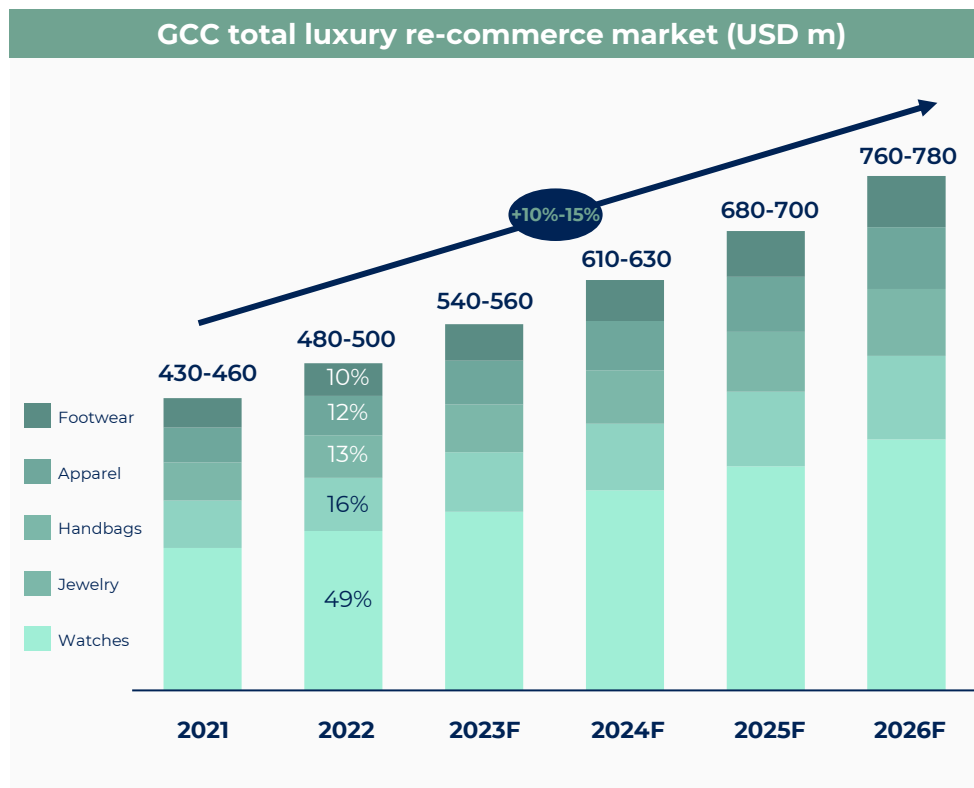


Drivers of GCC e-commerce market

- Today, **GCC re-commerce contributes less than 3% to the global** re-commerce market
- GCC market is mainly driven by **Gen Z who prioritize sustainability more than older generations** and contribute to reducing the associated stigma. They view re-commerce as a way of being sustainable while still continuously rotating their wardrobe, hence the importance of the apparel category (64%)
- **For the GCC re-commerce market, apparel** represents the **largest category** (63%), followed by watches (17%) and footwear (9%), handbags (6%) and jewelry (6%)
- Re-commerce in the region is also **gaining momentum due to the rising inflation** (2.5% in KSA, 4.8% in the UAE and 5% for Qatar in 2022), particularly in rents (6.1% in the UAE and 8.6% in KSA in July 2023), resulting in reduced disposable income. This is notably affecting consumers with lower income levels who turn to re-commerce for more affordable shopping options

SOURCE: Chalhoub Group Analysis, 2022 inflation rates are the average yearly CPI variation as published by the statistics authorities of each country

Zoom into luxury: The GCC luxury re-commerce is worth USD 480-500m in 2022, with growth expectations to reach USD 760-780m by 2026



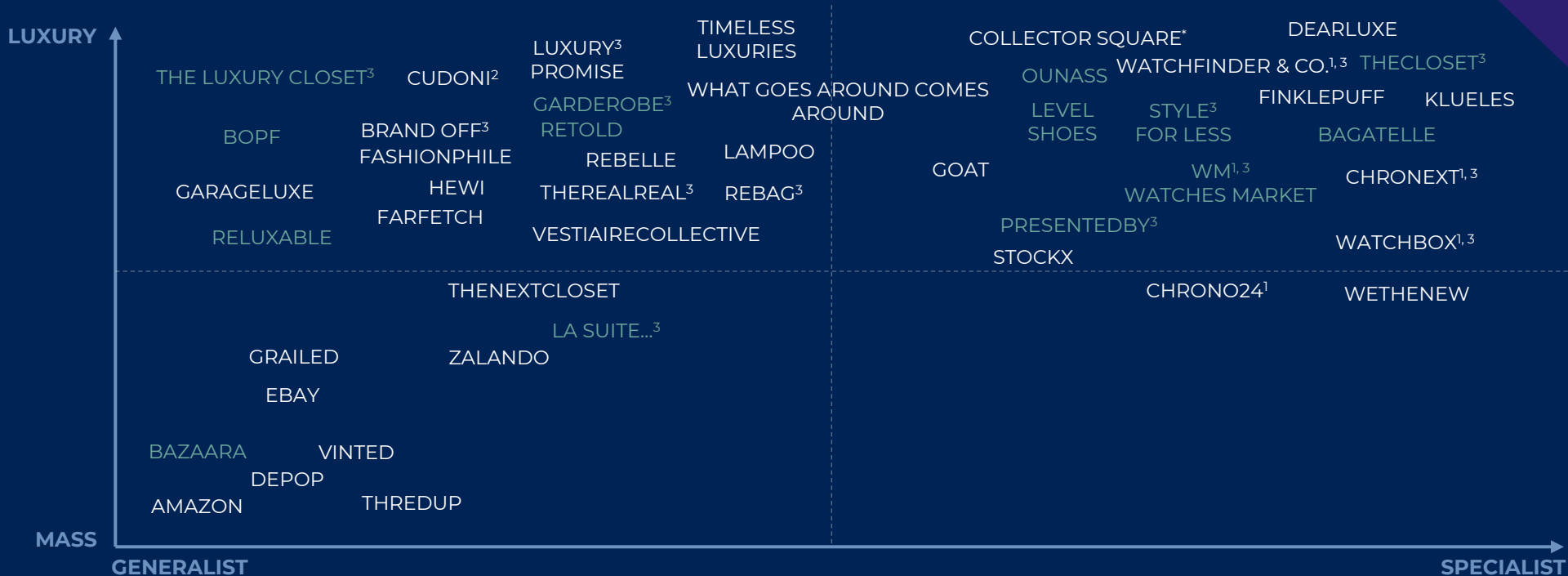
Share luxury re-commerce to total luxury market (%)

GCC	CHINA	VS.	US	JAPAN
5%	5%		31%	28%

- While **GCC luxury re-commerce is picking up** at a CAGR of +10%-15%, it is behind the global re-commerce market which is growing at +36%. GCC **luxury re-commerce** penetration is projected to remain behind other regions due to:
 - **Nascent interest in sustainability** – ranks 9th when choosing between luxury brands, whereas 65% of luxury consumers in the US take fashion houses' sustainability commitments into account
 - **Cultural stigma against secondhand, especially for millennials that drive luxury in GCC** – vs e.g. Japan where an attitude of avoiding being wasteful (“Mottainai” or “what a waste”) is rooted in the Japanese Buddhist philosophy
 - **Residents can afford to purchase new items due to higher purchasing power** – estimated annual luxury spending per capita of USD 570 for the UAE, USD 470 for Qatar vs. 300 for the USA and 200 for Japan (2023E)
- To address these **challenges from the consumer's perspective**, joint industry efforts are required to change societal perceptions

SOURCE: IMARC, Bain & Company, Boston Consulting Group x Comité Colbert, IMF and Chalhoub Group Analysis

The re-commerce market in the GCC is scattered through multiple, online players, mainly generalists

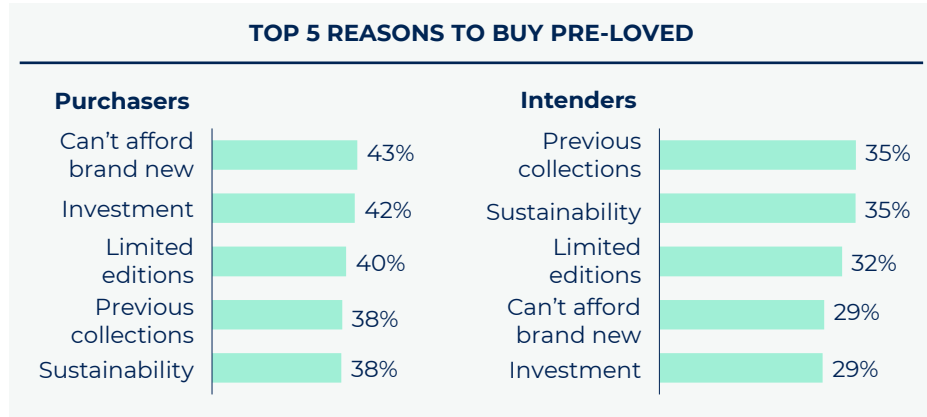
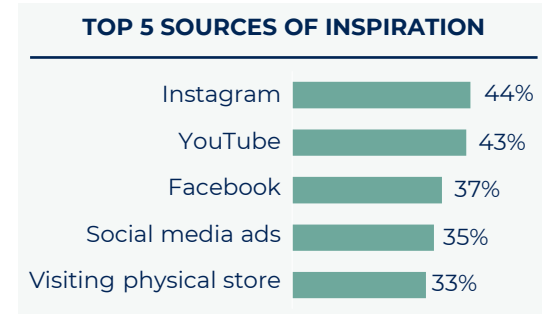
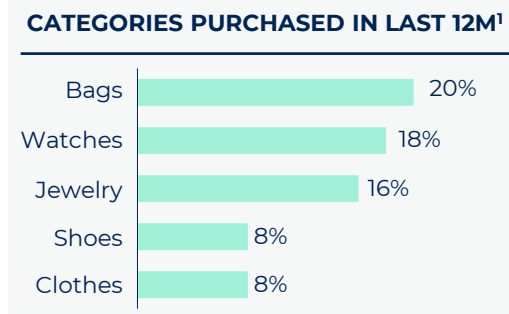
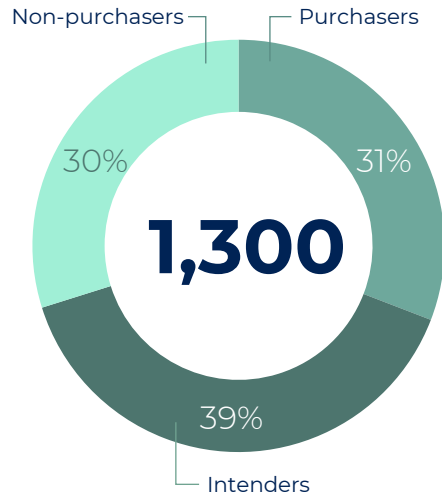


Note: Generalist players offers several categories (e.g. apparel, W&J, footwear) while specialist players focus on one or few categories (e.g. handbags, watches)

¹ Watches only, ² Ceased operations in 2023, ³ Omnichannel

SOURCE: Chalhoub Group Analysis

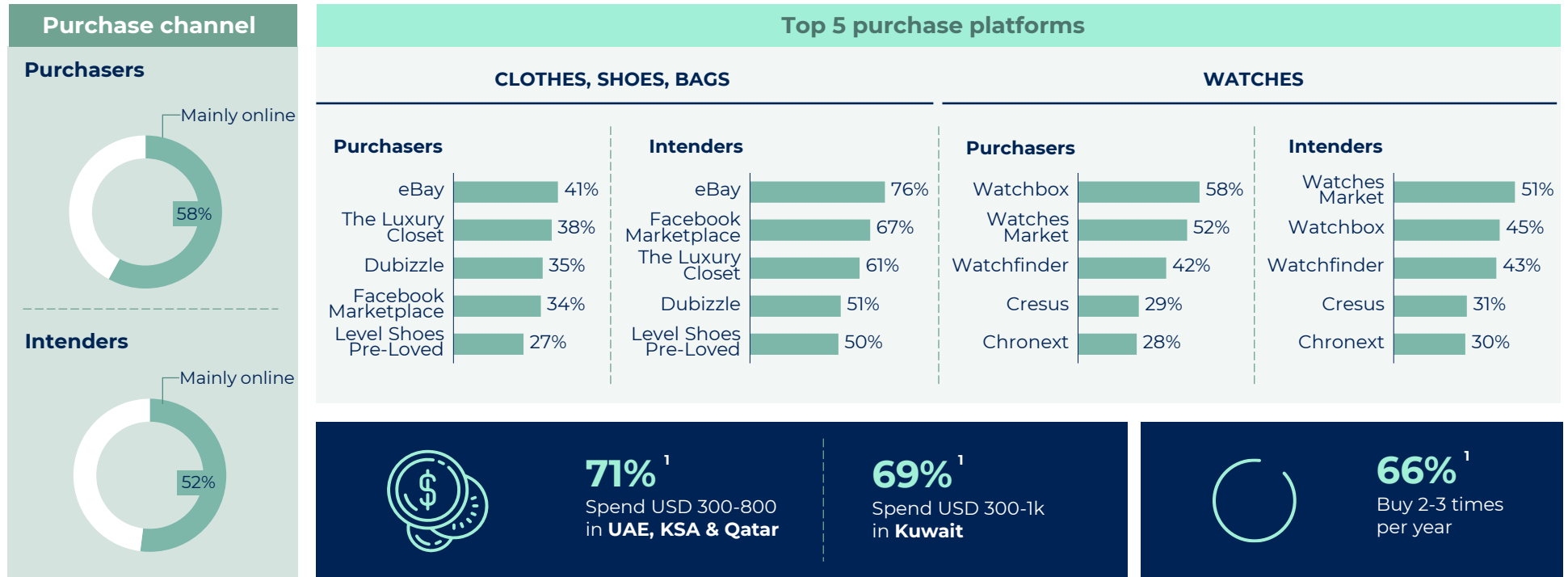
1/3 of consumers have bought pre-loved, mainly bags and watches – additionally, 1/3 intend to buy either due to availability or financial reasons



¹Purchasers only (N = 401), ² Top 5 brands for pre-loved purchase by number of mentions. The top 5 brands by value would look different
 SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC", 2023

Online and offline channels are almost equally important – for clothes, shoes, bags, eBay is No. 1 channel, while specialist retailers are chosen for watches

Sample size N=912



¹Purchasers only (N = 401)

SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC", 2023

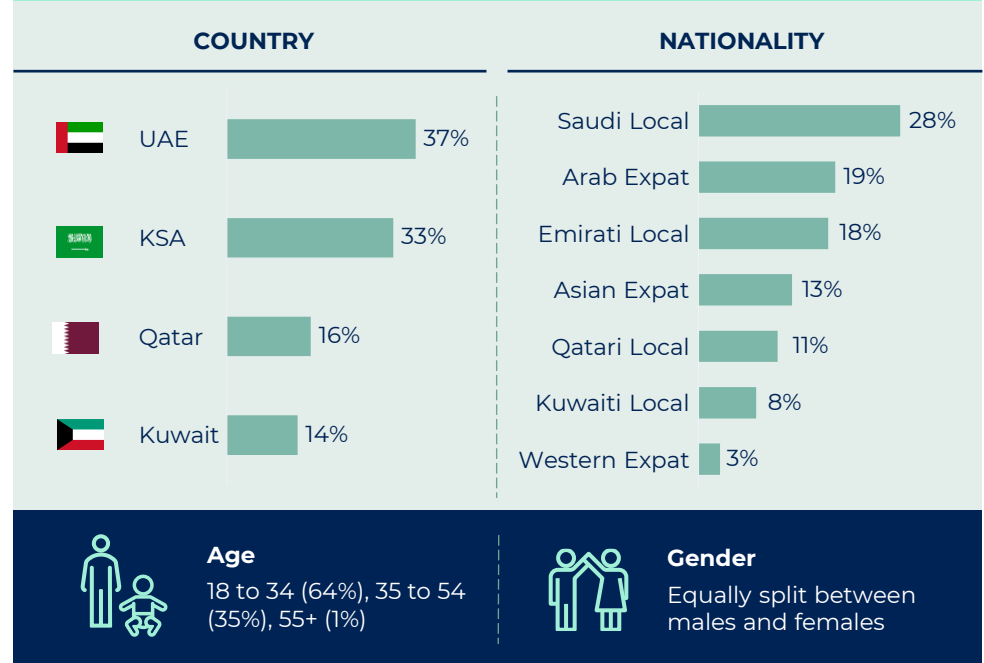
For non-purchasers, concerns about authenticity and item conditions are key barriers to buy pre-loved

Sample size N=388

Top 5 barriers to purchase

- 39% Fear of authenticity**
#1 barrier for watches (46%), bags (41%), and jewelry (38%)
- 39% Item conditions**
Driven by bags (43%) and shoes (42%)
- 38% Hygienic reasons**
#1 barrier for shoes (50%) and clothes (44%)
- 37% It belonged to strangers**
Driven by bags (40%) and watches (39%)
- 33% Lack of trust in second-hand platforms**
Driven by watches (39%) and bags (37%)

Non-purchasers profiling



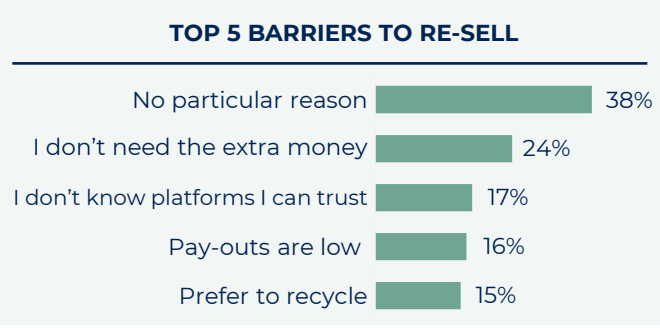
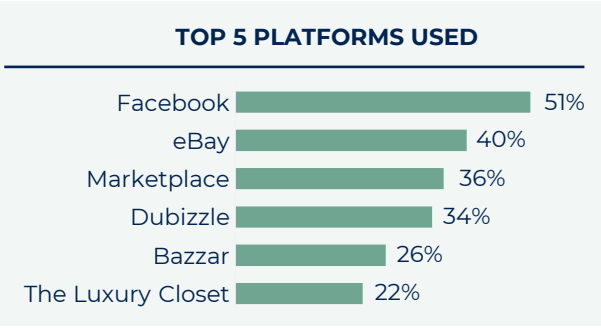
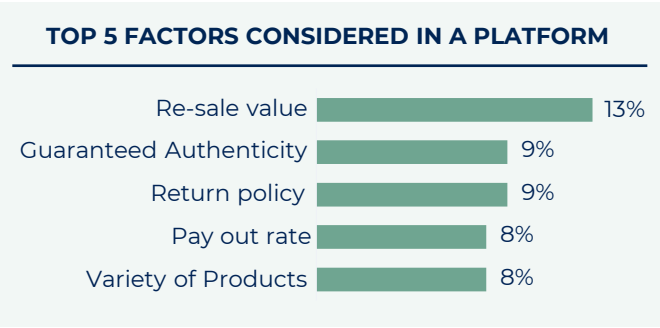
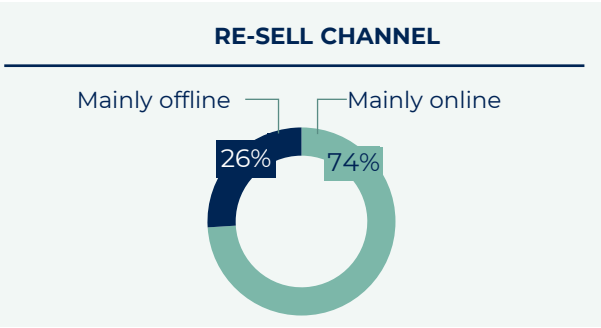
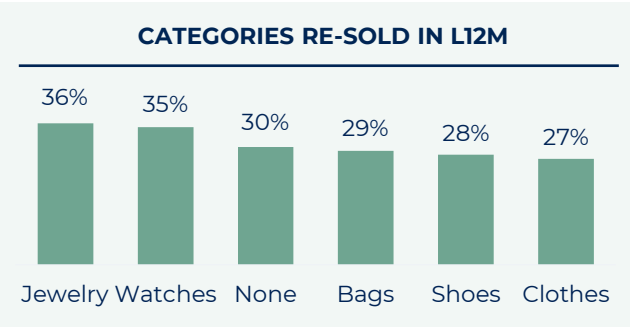
SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

3 out of 4 respondents have not only re-sold fashion items in the last year, but also considered the re-sale value before buying

Sample size N=913






74% Sold a luxury item **2-3 times** in last 12M

73% Considered the **re-sale value** when purchasing a luxury item



SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

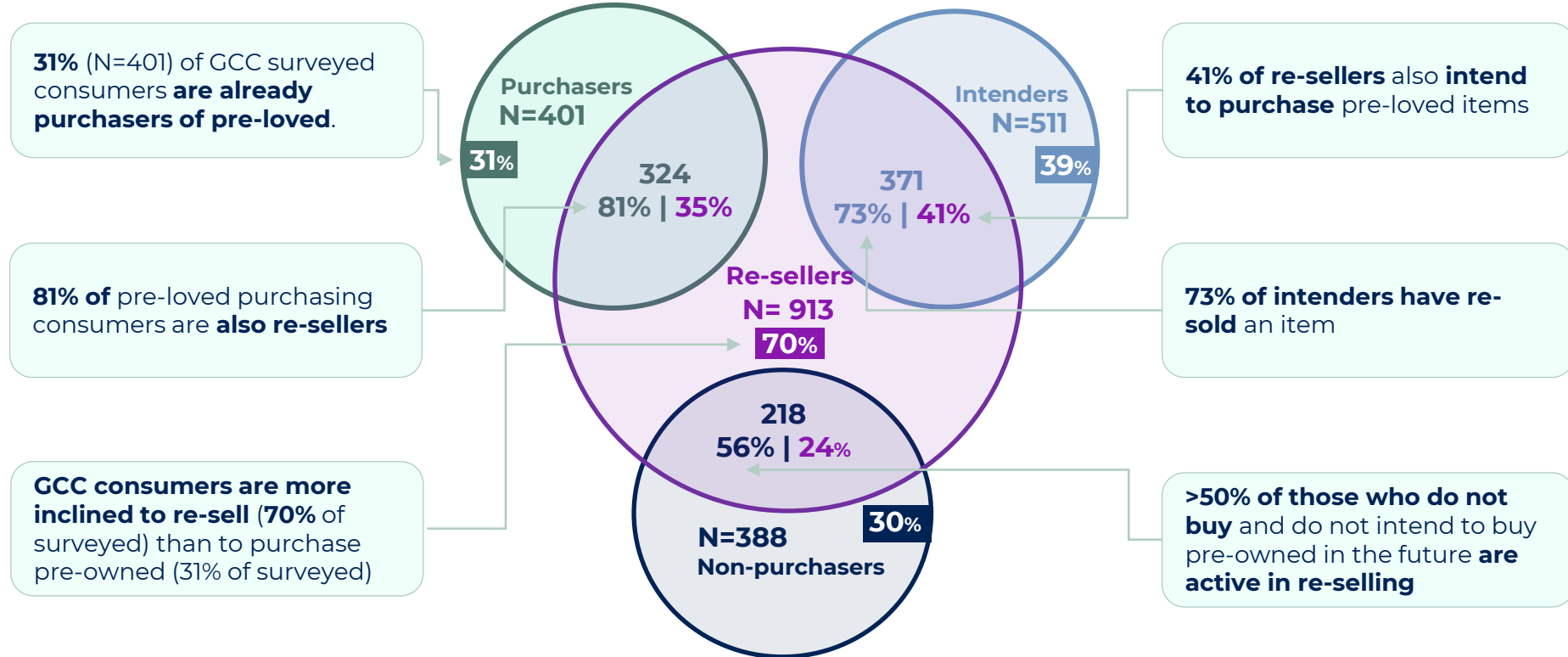
Money and financing new purchases *are key reasons to re-sell*

	CLOTHES Base: 352 		SHOES Base: 363 		BAGS Base: 377 		WATCHES Base: 452 		JEWELRY Base: 464 	
CHANNEL										
Mainly online	74%	26%	74%	26%	79%	21%	77%	23%	70%	30%
Mainly offline										
REASON TO RE-SELL	MONEY	48%	MONEY	49%	SPACE IN WARDROBE	52%	FINANCE NEW PURCHASES	48%	FINANCE NEW PURCHASES	48%
	SUSTAINABILITY	47%	FINANCE NEW PURCHASES	48%	FINANCE NEW PURCHASES	45%	MONEY	47%	SPACE IN WARDROBE	47%
	SPACE IN WARDROBE	46%	SPACE IN WARDROBE	45%	MONEY	45%	SPACE IN WARDROBE	46%	MONEY	46%
PLATFORMS	FACEBOOK	58%	FACEBOOK	59%	FACEBOOK	56%	FACEBOOK	58%	FACEBOOK	58%
	EBAY	39%	EBAY	46%	EBAY	40%	EBAY	39%	EBAY	39%
	MARKETPLACE	39%	MARKETPLACE	43%	DUBIZZLE	39%	MARKETPLACE	39%	MARKETPLACE	39%
FACTORS WHEN CHOOSING A PLATFORM	RE-SALE VALUE	11%	RE-SALE VALUE	13%	RE-SALE VALUE	12%	RE-SALE VALUE	58%	RE-SALE VALUE	58%
	RETURN POLICY	11%	PAYOUT RATE	8%	GUARANTEED AUTHENTICITY	10%	GUARANTEED AUTHENTICITY	39%	GUARANTEED AUTHENTICITY	39%
	GUARANTEED AUTHENTICITY	9%	RETURN POLICY	8%	VARIETY OF PRODUCTS	9%	PAYOUT RATE	39%	PAYOUT RATE	39%

SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

GCC consumers seem more inclined to re-sell than to purchase pre-loved

Consumer behavior – profile overlaps | Sample size N=1,300



SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

Categories that typically have a higher price point, such as bags, watches and jewelry, attract the same cluster of purchasers

Categories overlap

CUSTOMERS WHO BOUGHT PRE-LOVED...

...ALSO BOUGHT OR INTEND TO BUY PRE-LOVED...


	CLOTHES	SHOES	BAGS	WATCHES	JEWELRY
CLOTHES	X	55%	21%	28%	27%
SHOES	51%	X	19%	21%	24%
BAGS	51%	49%	X	61%	72%
WATCHES	63%	51%	57%	X	65%
JEWELRY	52%	51%	57%	56%	X

Reading example

- Purchasers of pre-loved bags also bought watches (57%) and jewelry (57%)
- Purchasers of pre-loved watches also bought bags (61%) and jewelry (56%)

SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

Outlook: The luxury re-commerce market is expected to become more mature with new service offerings that will become relevant

1 AUTHENTICATION 	2 SELLING EXPERIENCE 	3 AFTER-SALE SERVICES 	4 FINANCE OPTIONS 
<p>The luxury re-commerce market is set to leverage technology for product authentication, e.g. blockchain-backed item authentication, or automation within the process</p> <p>Companies will aim to develop a team of luxury experts who have a deep understanding of the luxury market and who can physically examine products to verify authenticity</p>	<p>Luxury re-commerce players will prioritize personalized and experiential selling</p> <p>Focus on the seller side will grow to ensure product circulation – a few companies have begun to develop AI-powered platforms to automate the selling process, making the seller journey easy and efficient</p> <p>“VIP Concierge” services—where a concierge handles all aspects on a seller’s behalf—will rise</p>	<p>Players in the pre-owned market are expected to extend after-sale services such as warranty, take-back guarantees and repairs</p> <p>New players might emerge as pure after-sale services specialists, offering additional services, such as digital wardrobes, customization & upcycling (e.g. Save Your Wardrobe—an end-to-end integrated platform for after-sales services—won the LVMH innovation award in 2023)</p>	<p>Platforms are expected to increasingly propose payment plans (e.g. BNPL with Tabby) to provide more flexibility to customers and to facilitate sales of big-ticket items</p> <p>Buyer protection against counterfeits (e.g. Chrono24’s escrow service safeguarding funds for 14 days until item receipt and inspection) are set to become the norm</p>
<h3>5 GCC SPECIFICS</h3>			
<p>Trade-ins, offered either directly by brands or retailers, are set to become more prevalent in the region due to the GCC's consumers' high interest in reselling and the high quality of pre-loved items in the region</p>		<p>Platforms will aim to provide a seamless omni-channel experience to cater to GCC consumers' increasing adoption of e-commerce</p>	

SOURCE: Chalhoub Group Analysis



AUTHORS

Jasmina Banda

Chief Strategy Officer and SVP of Fashion JVs

Andrea Fetzer

Director Strategy

CONTRIBUTORS

Alessandra Cozzi

FOR MORE INFORMATION

Lynn AlKhatib | Vice President of Communication

Lynn.ALKhatib@chalhoub.com

CHALHOUB GROUP
مجموعة شلهوب