



LUXURY IN THE GCC AGE OF DIGITALISATION?



CHALHOUB GROUP
WHITE PAPER 2017



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IT'S ALL ABOUT CONSUMERS, ALL CONSUMERS

Following decades of abundance, the Gulf luxury industry has entered a pivotal phase. After recording an annual growth of approximately 6% to 8% at a constant exchange rate over the past years, its dynamic moderated to a year-on-year increase of just 1% to 2% in 2015¹ and was estimated to drop to -3% across the Middle East in 2016²; meanwhile, several governments in the region initiated a complete overhaul of their regulatory and fiscal landscapes, which will soon translate into significant structural adjustments for the trade environment. The Chalhoub Group analysed these fundamental changes and detailed this [New Norm in its 2016 White Paper](#). However, the Group believes there is more for regional luxury industry players to address as well.

All around the globe, digital has massively disrupted and transformed the way business is conducted. From marketing strategies to return on investment (ROI) measurement, digital has infiltrated all aspects of the work, across all kinds of companies – and luxury is no exception. Moreover, technological innovations prompt shifts in consumption habits and even societal (r)evolutions, all of which brands need to keep up with. To remain relevant in the face of this dramatic, steady and rapid change, luxury has to reinvent itself digitally and tell a new story for the modern consumers.

This digital transformation happens globally, but it takes an even more urgent undertone in the Gulf Cooperation Council (GCC), which underlying forces differ widely from those in Europe or in the US. The Chalhoub Group sees a clear digital

INTRODUCTION

momentum building in the Gulf, and therefore chose to focus this fifth White Paper on GCC digital luxury, its challenges and its promises.

Indeed, regional prospects are exciting: although e-commerce in the region has been lagging at 2.6% of total retail sales vs 7% globally in 2015³, with luxury products' online sales amounting to only US\$200-US\$230 million and 2.5% of the segment's total sales in the GCC⁴, the e-commerce contribution to the Gulf high-end market is expected to reach a total value of US\$1.5 billion within four years⁵, driven by political leaders' forward thinking, young demographics, more value-conscious consumers and ambitious digital pure players. The modern Gulf affluent consumer is tech-savvy and digitally connected, as show the GCC Internet and smartphone 2015 penetration rates' surges to 84%⁶ and 126% respectively (vs 49.5% worldwide and 71% in selected developed economies respectively)⁷. Most importantly, digital is changing the nature of the relationship between brands and individuals, putting consumers – all consumers – at the core.

GCC luxury's future performance will hinge on its ability to swiftly act upon this new connected reality and to embrace a fully integrated environment, reflective of the experience that consumers seek. For its key players, managing the paradox of luxury's inherently exclusive and privileged nature in a digital multiverse that is essentially open and accessible, may prove to be challenging; but prioritising the omnichannel – the ability to enjoy a continuous and bespoke experience across brands, formats, locations and devices – while informing, entertaining and inspiring consumers every step of the way, is the road forward.

Building on over 60 years of Middle East expertise, along with proprietary market research, interviews with industry experts and third-party data analysis, the Chalhoub Group 2017 White Paper aims to map out the many opportunities and obstacles this new digital era presents to the regional industry. A better understanding of today's complex environment will ultimately help navigate the GCC luxury world of tomorrow.



“Internet is instrumental in transforming GCC luxury consumers who now are very aware of labels, prices, trends and products, and can find almost any item on the web. Faced with [this level of volatility and exigence](#), we shouldn't push these consumers, but instead let them pull. Today, the customer is at the centre, and our role is to provide for his needs, be it on the informational side or on the e-commerce front, so that he keeps coming back to our brands and feels secure buying online. Regional luxury players have no choice but to affirm their presence, speak and interact with their audience in a very honest and transparent manner – and almost in real time. Modern Arab clients also expect us to have e-commerce and [omnichannel](#) capabilities, and we have to give them what they are looking for. We all have a lot to do, from adapting our websites so that they are user-friendly and accessible, to training our teams to be fully involved in the omnichannel, as the store and the digital properties now must complement one another – all the while protecting the brand's DNA. It's a learning curve, but in one way or another, we are all moving forward in that direction.”

ANTHONY CHALHOUB - CO-CEO, CHALHOUB GROUP



A NEW SET OF CONSUMERS

Gone is the heyday of luxury in the GCC, when high-end products were considered an easy sell and the market seemed to be there for the taking. Gulf affluent shoppers are not spending on high-quality products the same way they used to. They are still ardent luxury enthusiasts, but are morphing into a different type of consumers: the channels they use to get information on products, the reasons they choose one brand over another, the way they spend, and their connection to labels in general, are evolving fast. This metamorphosis is rooted in the combined impact of the region's demographic change and of its swift digitalisation; going beyond consumption, it even leads to an in-depth shift in behaviours. To recognise and understand this new set of consumers is regional luxury players' next order of business.

MERCURIAL MILLENNIALS

The GCC is at a demographic turning point. People under 30 – Generation Y (also known as millennials, born between 1975 and 2000) and Generation Z (born in 2000 and onwards) – now form half of its population⁸. For the region's governments, this "youth bulge" and its extensive social ramifications, can become either a dividend or a liability, as the World Economic Forum warned in May 2015. This is also true for brands: representing 52% of the population in Saudi Arabia, 51% in Oman, 49% in Bahrain, 47% in Kuwait, 47% in Qatar and 40% in the UAE in 2016⁹, these two

populations make for an increasingly large and active portion of GCC consumers, and come with a host of new characteristics.

Arab millennials are extremely digital savvy, while Generation Z youngsters are digital natives. Critically, none are simple digital users. These generations do not view online as a tool or a media; for them, it's a way of life. All around the globe – and particularly in emerging regions such as the GCC that bypassed the long processing journey developed markets had to take towards new technologies – many young consumers have never known any other type of interaction with brands but through digital channels. Mobile apps, websites and social media are their first and most important touchpoints.

This digital inclination fuses with higher levels of education and frequent travels to give GCC millennials, in particular, sophistication, assurance and voice. Their knowledge of international trends, pricing and labels, allows them to pass quick and confident judgement – which they readily share. Less attached to names and more to individual experiences and values, Arab youth increasingly aspire to purpose and substance. Like their peers all around the globe, they want to make an impact. For example, beyond quality, heritage or status, young Arabs now look at brands from different perspectives, such as social responsibility¹⁰.

These well-informed and clear-minded GCC youngsters also have their own communication and shopping preferences: expecting to be kept updated with real time alerts and preferring SMS or email for information on the go, they value analysis and categorisation of their spending, and want to stay in complete control of their account information and card usage; importantly, they seek out personalised products and services, and demand a frictionless, high-quality user experience across their digital devices¹¹.

Add to the mix that GCC millennials and Gen-Zers have a high disposable income despite their young age, and live in some of the world's richest countries (Qatar, for example, ranked sixth globally in 2016 with a nominal gross domestic product (GDP) per capita at current prices, of US\$60,733¹²); already the highest spenders of all their global peers¹³, Emirati and Saudi youth are expected to generate US\$40,000 and US\$18,000 respectively in average annual income by 2019¹⁴. Thus, with the financial means to back their demands, they can afford to be exigent.

In other words, GCC youth have influence, affluence and they are opinionated. They are true agents of change.

“The region's large millennial population has diversified behaviours, aspirations and relationships to luxury brands. One size does not fit all. While older millennials have a deeper relationship with brands and are more receptive to their historical tactics, younger millennials mix and match physical and digital, East and West, in ways that feel seamless and natural. With a carefree attitude towards spending, they see the world as a 'phygital' playground without pre-set boundaries. Legacy luxury brands continue to focus on maintaining their position as the almost sole trend authorities, but they are struggling to adapt to the new generation, who owns the style conversation, setting its own trends and preferring to be followed than to follow. Online or offline, individuality and experiences come first, leaving little room for luxury brands to dictate rules they can no longer enforce.”

HOUDA TOHME - [HAVAS LUXHUB](#)

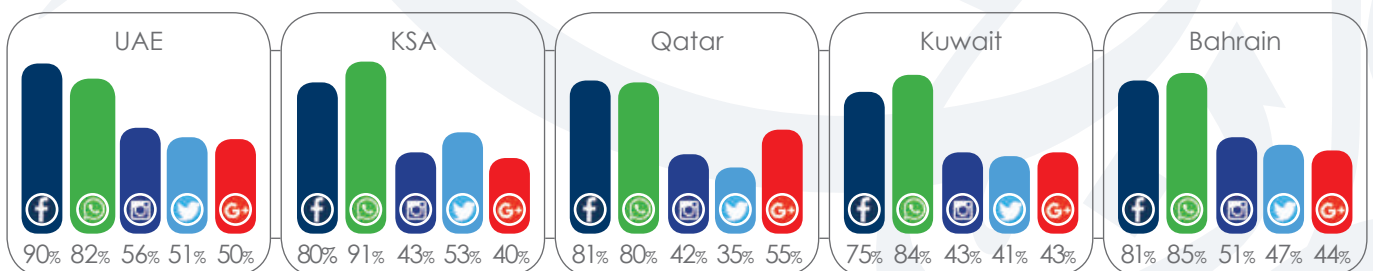


CONNECTED PEOPLE

Millennials may be the category of consumers most influenced by the digital revolution, but others are not immune and all age groups are actively joining the online conversation. In terms of digital consumption, the Gulf sets itself apart from other markets: at 84% in 2016, GCC Internet penetration rates soared way above the 49.5% world average, rocketing to as high as 97.40% in Qatar¹⁵.

Digital GCC also characterises itself by the fact that social media dominates the Arab online realm and is closely linked to a surge in mobile usage. Although the popularity of each social platform varies across the region, social media is where Arab users go online the most, and the most often: in January 2016, Qatar ranked third (75%) and the UAE ranked fifth (68%) in countries with the highest social media penetration globally¹⁶, while Emirati and Saudi residents spend 3.27h and 3.26h a day on social media respectively, against a global average of 2.25h¹⁷. GCC users enjoy social media so much mostly because it allows them to connect with other people in a region where interpersonal communications can suffer from various constraints (distances, cultural restrictions, etc.): indeed, more

MOST USED SOCIAL MEDIA PLATFORMS BY GCC COUNTRY IN 2015



Source: Arab Social Media Report 2015

than half of Middle East and North Africa (MENA) users go on social media to chat, while gaining information, watching videos, listening to music and sharing photos are secondary¹⁸. WhatsApp's significant importance in the region says a lot about that state of mind: 47% of UAE and 27% of Saudi Internet users name the chatting app as their preferred social media platform (vs 46% for Facebook in the UAE and 25% in Saudi Arabia). The figures are drastically reversed in Western countries where Facebook stands unchallenged: 47% in France (vs 7% for WhatsApp), 47% in the UK (vs 24% for WhatsApp) and 41% in the US (where WhatsApp is close to non-existent)¹⁹.

This desire to be constantly connected to loved ones despite time and distances, also drives mobile usage growth and the subsequent democratisation of smartphones, the preferred screen to access social media for 83% of Arab users²⁰. Indeed, owning a couple of mobile devices is not a rare occurrence in the Gulf where in 2015, the smartphone penetration rates surged to a whopping 157.44% in Saudi Arabia, 156.13% in Kuwait and 144.20% in the UAE²¹. And this growth is not likely to slow, sustained by millennials' infatuation with smart devices.

That is not to say that digital adoption in the Gulf doesn't meet any resistance. The GCC digital ecosystem is still immature, complex and unruly, which generated cultural concerns amongst the broader public about online addiction, family fragmentation, social boundaries being pushed and people exposed to messages and images incompatible with local values. This reluctance was reinforced by the lack of quality, relevant Arabic digital content; back in 2014, only 3% of the total Internet content was written in Arabic – the eighth most widely used language worldwide²². However, the growing quantity of content produced digitally by Arab millennials and influencers, along with private and public initiatives such as Dubai's Arab Digital Content Forum and Google's Arabic Web Days, have started to positively tip the balance. Today, 99% of people in Saudi Arabia and the UAE, and 94% in Qatar access the Internet in Arabic, with a significant decline of English usage since 2013²³.

“ [2016] marks a shift from the dot-com era. As publishers, we are not asking the reader to adapt to us – we are adapting to her. Reach is now defined not only by websites, but by social and digital touchpoints. Performance is now defined not only by page views, but by engagement. Native content is now produced not only for the website, but for all its brand and social extensions. Advertisers then come to us not only for our production capabilities, but also for our multi-platform reach. ”

HALEH NIA - FOUNDING PUBLISHER AND EDITOR-IN-CHIEF, [SAVOIR FLAIR](#) AND [STYLY.COM](#)

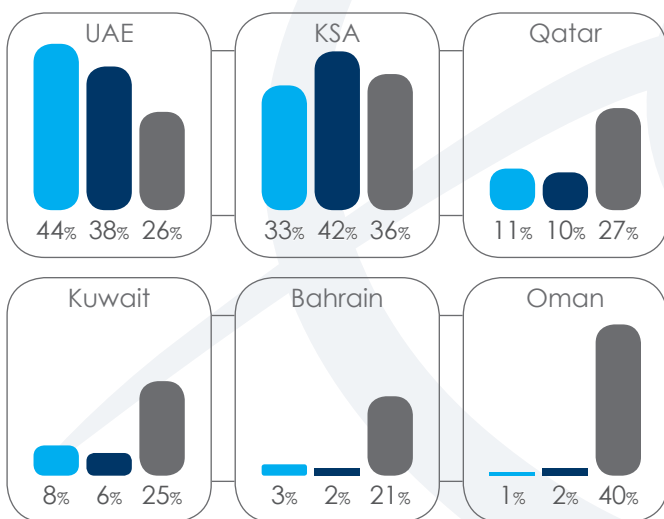
E-COMMERCE IN THE STARTING BLOCKS

Theoretically, such a high level of connectivity, particularly on mobile, should allow for a thriving e-economy. However, e-commerce is only picking up in the Gulf. Whereas the digital retail global market was worth over US\$2.3 trillion in 2015, contributing 3.11% to the world's GDP²⁴, the GCC e-commerce business was estimated at US\$5.3 billion that year, representing only about 0.4% of the region's GDP²⁵. The reason why is simple: the regional e-commerce ecosystem is still a work in progress, only starting to solve the many issues that dampen its development. Arab consumers lack awareness and knowledge of regional e-commerce options (for example, in 2016, only half of the UAE Internet users knew about local e-commerce platforms²⁶) and many have concerns about online security, receiving

mildly measures such as 3D secure technologies. They are not yet e-payment-savvy either: the GCC consists mostly of cash-based economies, with 67% of all payments in Saudi Arabia and 58% in the UAE made in cash²⁷ while credit card penetration rates across the region vary wildly, from 97% in Kuwait to around 45% in Saudi Arabia and Qatar²⁸. As a result, cash on delivery (COD) of online orders accounts for approximately 60% of digital transactions in the region²⁹, reflecting users' distrust and regional e-tailers' predicament: how to accommodate clients' preferences while managing unexpected returns and losses, risks of theft during delivery, and a substantially slower payment cycle. Local companies also face tough competition from international players: so far, most of them did not have the regional warehouse network required for large stock capabilities and the rapid, 24-hours delivery expected by online customers, whereas global e-tailers benefit from the region's e-commerce regulatory void and low levels of customs fees. GCC e-shoppers are ready to pay a higher delivery cost to access the large choice of products and high-quality services provided by international players – which explains why in 2016, these global players with no physical presence in Saudi Arabia recorded almost a third of the country's e-commerce sales³⁰.

However, prospects are more than reassuring; they are mouth-watering. First ignited by the products' price discrepancies spurred by the devaluation of the Euro in a dollar-pegged region, consumers' interest in e-commerce has boomed.

GCC E-COMMERCE MARKET POISED FOR RAPID GROWTH



■ % of total in 2015	Market size (US\$ billion)
■ % of total in 2020	2015 5.3
■ CAGR (2015-2020)	2020 19.8
	CAGR 30%

Source: AT Kearney 2016
Note: Market size excludes travel and tourism, event tickets, subscriptions such as Netflix, business to business, wholesale, and industrial transactions





It is also fuelled by digital's ease of purchase and accessibility, local governments' softening of restrictions on regional trade, logistics providers improving their services, millennials' high propensity to transact online, the widespread usage of social platforms increasingly offering options such as "Buy now" buttons, sky-high mobile penetration rates, and more. Quick to spot this digital potential, international and regional pure players have established themselves across the GCC in recent years: the likes of Ebay, Groupon, Yoox Net-a-Porter Group, Deliveroo and Farfetch have joined regional pure players such as Souq, Wadi, Talabat, Namshi and MarkaVIP. Proving them right, business has been accelerating recently: in March, Amazon.com Inc has acquired Dubai-based online retailer Souq – that claims 23 million monthly visitors per month – for an undisclosed amount after an initial bid at US\$800 million; Paypal announced the launch of its first Middle East operation in November 2016; and Etisalat partnered with MasterCard to offer a range of digital products, including a mobile wallet. Meanwhile, e-commerce queries increased year-on-year by 49.94% in Saudi Arabia and 76.54% in the UAE in 2015³¹. E-commerce in the GCC is therefore expected to grow by a compound annual growth rate (CAGR) of 30% between 2015 and 2020, to reach US\$19.8 billion³².

OPTIMAL CIRCUMSTANCES

Thus, the GCC offers a remarkable combination of economic, social and political factors that will drive further digital usage and e-commerce in the region while continuing to deeply change the Arab society, creating a unique dynamic for brands to benefit from.

The Gulf population is not only young, connected and hungry for socialisation, as mentioned earlier, but also tech-savvy and early-adopting³³. Additionally, an increasing number of GCC modern shoppers are now attentive to how they spend their money and appreciate digital for the cheaper prices it can offer: indeed, 49% of customers in the Middle East choose their online shopping sites based on price, even though that figure still is lower than the global 60% average³⁴. Last, the GCC benefits from its political leaders' forward-thinking vision, whether it translates into regulatory changes such as Dubai's Open Data Law in March 2016, plans for smart cities (Masdar City in the UAE, Lusail City in Qatar...), enhancing smart governments (through the widespread usage of government services mobile apps for example), or leveraging new communication tools to engage with the public.

DIGITAL LUXURY IN THE GCC: A FAST-EVOLVING LANDSCAPE

The very notion of luxury rests on very distinctive pillars: exclusivity, uniqueness and accessibility to only a few. Tradition and heritage are part of its fundamentals, along with the enhanced ability to satisfy luxury enthusiasts' desire to touch and feel products prior to purchase, while enjoying gratifying in-store experiences. Conversely, digital is interactive, free-for-all and responsive to everyone; disruption and innovation are some of its distinctive traits, whereas the online path to purchase and client servicing are, naturally, immaterial and disembodied. How to marry the two is a paradox for high-end brands to figure out; some global players are succeeding, carefully devising compelling digital strategies apt to cater to this new volatile audience.



However, in the GCC, most luxury companies are still shying away from a full-fledged, polished and localised approach, preferring to zero in on what they consider safe options: social media communications and influencer marketing. These companies are striving to find the right course within a fast-paced, always-changing digital environment, currently dominated by influencers, Facebook and Instagram, but promising to evolve beyond recognition in the very near future – as it does everywhere else, all the time.

SOCIAL, THE NEW EXCLUSIVE?

All around the world, luxury brands are relative newcomers to social media, which they used to believe was too mass for their target audience – and too risky for themselves. However, most have realised that the conversation is happening with or without them, and are now opting in. They follow their customers who have

wholeheartedly adopted social channels and heavily rely on what they find there: indeed, in 2015, half of global luxury purchases were influenced by what users had seen, done and heard online, with affluent shoppers mostly using social networks to research and share information about products and trends³⁵.

“Three years ago, social media was already showing massive potential but beauty retailers were weak digitally. So Wojooh took the lead, focusing on social platforms, launching our digital loyalty program and our customer relationship management (CRM) programme, as well as building up e-commerce. The results are extremely positive both at an engagement and a performance level. Our next challenge is to prove how digital can drive traffic in stores and e-commerce can support business growth. We have been testing different formats to increase sales conversions and even though the direct last-click conversion rate is still low, those initiatives are impactful in terms of ‘assisted conversions’. Digital is not one thing or another; it has to serve multiple purposes and be transversal. Social media is first a mindset; testing and innovating as well as being locally relevant are the only way to succeed.”

FREDERICA TRIBUANI - HEAD OF MARKETING, [WOJOOH](#)

In the GCC too, social media is the channel of choice to get information: millennials use platforms such as Facebook, YouTube, Twitter and Instagram to actively look for product information and seek out the authenticity of peer opinions; Saudi youth, in particular, spend twice as much time as their Emirati counterparts in such activities³⁶. Most importantly for high-end brands, it is on social media that 42% of GCC consumers aged 18-26 discover luxury, as opposed to 17% of those over 35 who still rely rather on word of mouth (28%) and print magazines (29%)³⁷. This demonstrates that marketers can use social media to capitalise on millennials’ proverbial curiosity and on their prevailing fear of missing out.

INSTAGRAM, THE LUXURY PREFERENCE

Not all social media platforms are equal in the eye of the beholder. For example, Pinterest has emerged as the go-to channel for favourite products, must-have novelties and tutorials, making it ideal for beauty promotions. However, 90% of GCC luxury consumers aged 18-26, 68% aged 27-34, 61% aged 35+, consider that Instagram, with its hip vibe, slick visuals, massive reach and impactful 30-second video format, is the digital space of choice for advertising high-end items, way above any other social media channel³⁸. In fact, out of its 63 million monthly users in the MENA region as of February 2017 (no less than 10% of its global community and one of its fastest growing in the world), 70% follow a business and 75% say they take action (visiting a website, shopping, recommending, etc.) after seeing a post³⁹. Instagram is pushing hard to facilitate brand discovery and online shopping, introducing features such as the Snapchat-inspired Stories; launched in August 2016, Stories allows users to post 24-hour ephemeral photo and video slideshows that appear at the top of the old feed, thus helping marketers communicate more without overwhelming people’s pages. Besides, Stories enables brands to choose who they want to share cohesive stories with, giving them a new opportunity to organically interact with followers and non-followers. Following this instant success, Instagram continues to launch more e-commerce friendly options, such as the “Save for later” bookmark, also usable for ads, product details added to posts, live video and a “Shop now” link which redirects users to the retailer’s website where they can buy the product.

Moreover, social media's visual and interactive nature offers a wealth of opportunities for legacy brands to engage with their audience in a meaningful manner. After all, luxury has all the right assets: visual, beautiful content is where it naturally excels. Be it through regular digital conversations or out-of-the-box online exclusives, high-end labels can use social media to foster a dialogue with their followers and add extra credibility to their marketing, balancing out the decline of traditional advertising along the way.

That's not to say that social media does not come with a flipside. First, social is the great equaliser, leading aspirational and absolute luxury brands to behave in the exact same way. For example, a post by Michael Kors may not be that different from one by Louis Vuitton. Even for similar brands, key competitors are only a newsfeed scroll away. The more fragmented communication becomes, the harder it is for legacy brands to differentiate themselves, especially in the eye of younger consumers who have known nothing but such equalised type of content. Besides, this fragmentation, added to modern consumers' shorter attention span, means luxury brands have to work twice as hard to stand out. Social media has given the broader public unprecedented access to the world of luxury, but that also translates into the obligation for brands to jam-pack their Instagram or Snapchat feeds with sneak previews, behind-the-scene stories and exclusive interviews, in order to take full advantage of the immediacy of the medium. Lastly, identifying the right social media in a digital landscape that keeps launching new channels and tools, adds another layer of difficulty for marketers who are required to constantly be attentive, agile and adaptable.

Therefore, a genuine social media strategy demands luxury players engage in a significant, long-term commitment, and accept to relinquish part of the control they have over their image and communications. It is, so far, a tall order for brands, particularly the international ones which global approach to their owned social communications aims to safeguard brand standards and guidelines. Regional brands are more flexible and can tailor the message to local audiences, should they manage to let a bit of this control go.



“We develop our social media strategies based on our typical buyer's persona: GCC-based women aged 20-50. We aim to grow and engage a community, increase awareness, gain further consumer insights, which we use to create and continuously improve content. Our 2017 social media strategy is to invest in content focused on recruiting followers and on engagement, emphasising on quality versus quantity. All our social media posts must align with our values: be playful, fashionable, quintessential and convey wonderment. We also always ensure that social media is a tool to support our marketing communication plan, and synergises with our in-store activities. Communicating via digital channels can prove very effective with a high reach and low cost, but several channels must be used to ensure the consumer is seeing the brand at different touchpoints.”

MIRAL YOUSSEF - GENERAL MANAGER, [LEVEL KIDS](#)

THE REIGN OF INFLUENCERS

Influencer marketing has become a social media staple, and is on the rise in the GCC; digital celebrities themselves are adopting corporate practices, including rate cards, while specialised marketing regional agencies such as Ghaliyah and Hot Ice Communications are popping up. Meanwhile, Loolia.com was launched in 2015, aiming to support vloggers in video production, content management, audience building and monetisation: in less than two years, Loolia TV (the agency's YouTube channel featuring tutorials and videos by dozens of influencers), grabbed over 730,000 subscribers. Also acting as a network, Loolia connects users with regional influencers through video appointments, thus facilitating access to personalised advice.

“Influencers in the Middle East are very powerful. Followers, who spend a lot of time on their phone rather than on TV or magazines, feel like they know them because they see them every day on Snapchat or Instagram. When they love an influencer and respect her choices, they want to dress like her, buy like her. They trust her. This is why I wouldn't promote something I wouldn't buy myself; I have to be extremely honest because it's a huge responsibility. Influencers add this touch of reality to a brand. But brands have to properly research the influencers they want to work with, to ensure their audience is a good fit. Then they have to trust them to create their own content. Changing the style of this content would only show that it's fake.”

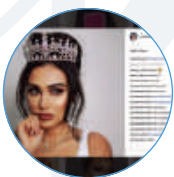
DEEMA ALASADI - INFLUENCER

GCC consumers' interest in famous bloggers and social media stars is indeed massive: in 2016, 61% of people aged 18-26 and 56% of people aged 27-34, followed at least one⁴⁰, while 71% of UAE residents aged 18-40 were happy to take advice from online personalities before making a purchase⁴¹, instead of consulting family and friends for product recommendations. No wonder that, for some, influencers are no longer a supplement to their marketing strategy – they are part of the strategy.

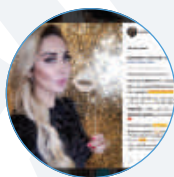
A VARIETY OF INFLUENCERS

Not all online VIPs are the same. Some stand as mega-players and have powerful clout and reach. Others are niche or micro-bloggers, and qualify by the quality of people who follow them rather than sheer numbers. The influence of this micro-crowd may feel almost counterintuitive to brands, but it proves to be more impactful: the like and comment ratio of these bloggers' Instagram posts is higher than those of mega-celebrities⁴².

Some of the GCC's mega-bloggers



Huda Kattan
18.4 million



Joelle Mardinian
5.7 million



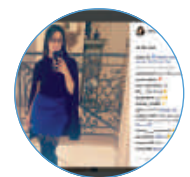
Lojain Omran
5.1 million



Noha Nabil
4.4 million



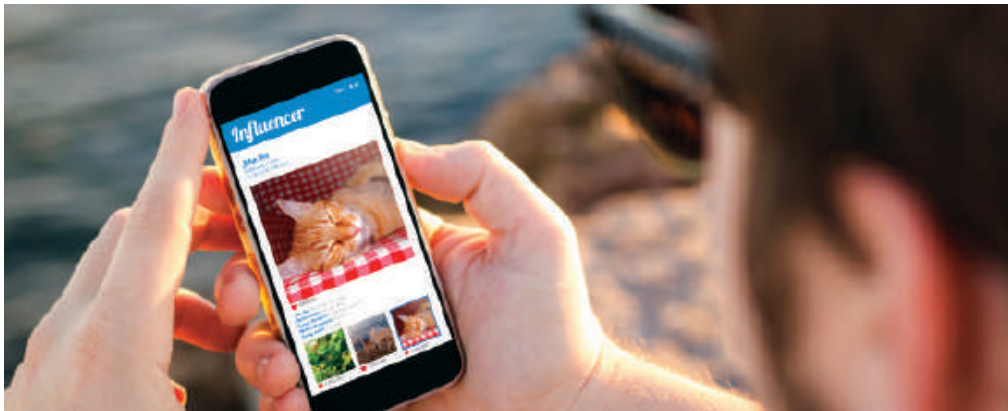
Ola AlFares
3.3 million



Aseel Omran
3.2 million

Source: Instagram March 2017.

Note: In number of Instagram followers. List is not exhaustive.



Brands hope to generate awareness and build engagement in an unobtrusive and genuine way by working with bloggers, vloggers, youtubers and generally social media celebrities – a whole community of dedicated content producers generating massive quantities of material out of pure passion. And there are plenty to choose from: in 2016, Cision Point's media database listed 200 fashion and beauty social media "contacts" for the UAE alone.

“ Influencers' associations with corporations take different forms and shapes. They vary from a simple social media post to event appearances to photoshoots. In some cases, influencers engage in brand-related competitions and product reviews and, in a few cases, they become friend or face of the brand. People follow [online celebrities] on social media for the interest in their lifestyle and the authority they represent around a certain topic, so such associations only pay off when they are naturally integrated and well blended within the blogger's daily life. The biggest challenge, however, is when brands look at them as an 'ad break'. Influencer marketing is not advertising. It is companies building a relationship with consumers through a common friend. Obviously, short-term engagements and ad-hoc associations do not serve the purpose in this case. ”

FADI SIBAI - FOUNDER & MANAGING DIRECTOR, [HOT ICE COMMUNICATIONS](#)

HUDA KATTAN'S SUCCESS STORY



Born to Iraqi parents and trained as a makeup artist in Hollywood, Huda Kattan moved to Dubai in 2009 and launched her blog, Huda Beauty, in 2010. Within a year, it was scoring more than a million hits a month, mostly thanks to her easy-to-follow tutorials and her unconventional, sometimes adventurous but always entertaining approach to products and people. Huda Kattan joined Instagram in 2012, and soon became the most influential online beauty personality in the Middle East, if not beyond – she was named the world's #1 Instagram beauty influencer by luxury communications network SERMO in 2016. Her YouTube channel now boasts more than 1.7 million subscribers and her own cosmetics brand, launched in 2013 with the help of her sisters Mona and Alya, catapulted her to worldwide fame. It's been sold exclusively in the US at Sephora since 2015, and in the UK at Harrods since 2016.

ONLINE VIDEO, A HIGH-END HIGHWAY

Video is highly popular in the GCC: Saudi Arabia, where 41% of Saudi women watch online videos every day ⁴³, has the highest YouTube watch time per capita in the world. Saudi and Emirati women under 25 watch videos more frequently than they check their emails, specifically beauty and fashion channels which watch time grew by 50% in 2015 ⁴⁴.

“Today, YouTube is the number one video platform in MENA: in Saudi Arabia, it has a reach of 91% on mobile and 61% on desktop, and the highest watch time per capita in the world. Through powerful audience targeting, engaging and interactive ad formats, automated bidding and advanced measurement capabilities, YouTube allows advertisers to be more effective and efficient in achieving marketing objectives. Brands can now target a fashion enthusiast or someone looking to buy luxury handbags, for example, engage them with interactive video formats, allow them to click to buy items they see in the ad, and measure the impact of their campaigns on brand metrics and sales.”

ACILE SLEIMAN - INDUSTRY HEAD-RETAIL, E-COMMERCE & ONLINE SERVICES, GOOGLE

Social media stars are particularly good at delivering video content that attracts an audience already inclined to watch them. Video content created by top female Saudi youtubers such as Njoud AlShammari (900,000 subscribers, and over 53 million views), Hessa AlAwad (470,000 subscribers and nearly 61 million views) and Al-Juhara Sajer (425,000 subscribers and 48 million views), is five times more engaging than the average video ⁴⁵. In fact, smart Arab youtubers are such a hit that in October 2016, YouTube launched Batala, a dedicated channel which features the top female creators from the MENA region.

Branded video content has also a key role to play in a digital strategy that revolves around authentic storytelling and experience. Be it through tutorials, exclusive access to behind-the-scenes, making-ofs, interviews with brand ambassadors... the possibilities for labels to deliver material that both



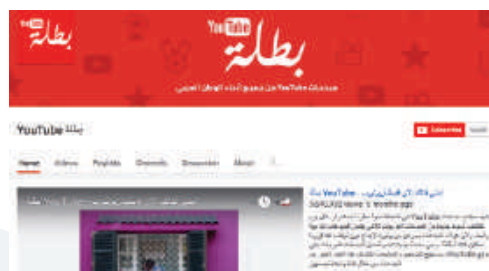
Njoud AlShammari



Al-Juhara Sajer

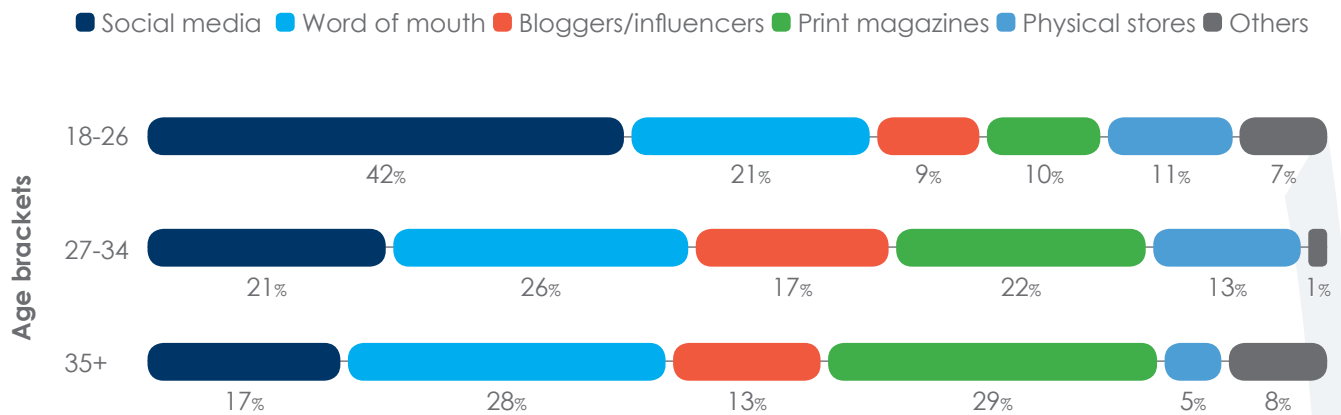


Hessa AlAwad



Batala

GCC MILLENNIALS DISCOVER LUXURY ON SOCIAL MEDIA



Source: Havas LuxHub survey, April 2016

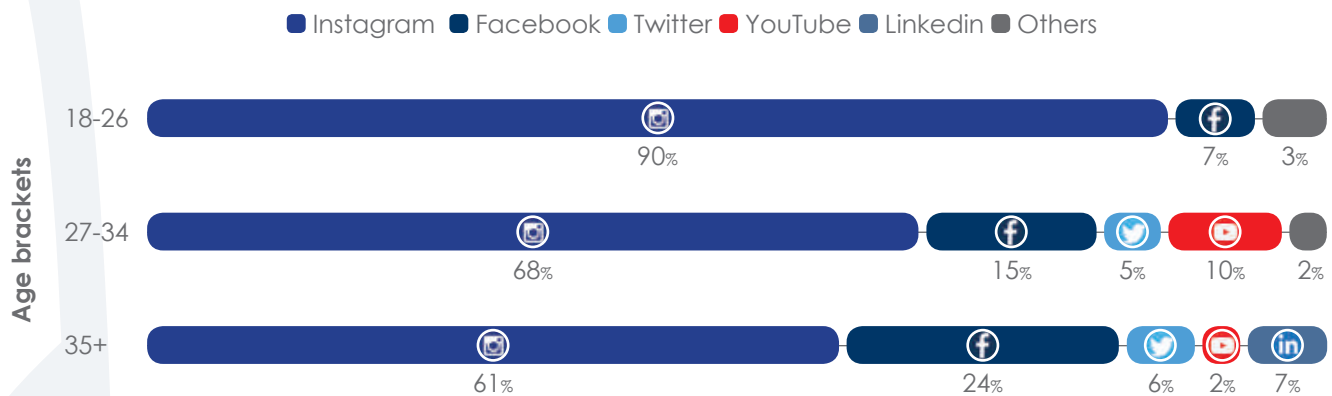
market them and entertains/informs/inspires viewers, are limitless. Video is the one digital channel where brands can spend time with their consumers and tell their own stories, including in long form, whether it is building on the history of the brand, introducing Haute Couture to a new generation, or reinforcing their iconography and values. One example of that approach was Cartier's Ramadan campaign: last June, the iconic Cartier Panthère took a journey across the Arabian desert through a three-part animation video released throughout the holy month, and accompanied by in-store activations. The brand aimed to connect with its clients by celebrating a key occasion together, while reminding them of its inspirational heritage in a locally-relevant way.

The range of possibilities is bolstered by social media platforms that keep rolling out new services such as live video: Facebook and Instagram recently added this option, while Periscope allows users to live-stream content on Twitter. These innovations show how users aspire to more authenticity, even if it means less-than-perfect content. In parallel, shoppable videos are making their debut: viewers can click on anything appearing in the video, from clothes to furniture or jewellery, and instantly make their purchases – thus bridging the gap with e-commerce.

“Arab luxury consumers are interested in international luxury events such as catwalks, that brands share on their international social platforms. But they also look for content that relates and is relevant to their lifestyle: GCC-centric, localised, featuring women and men like them. That is why publishers like OLN Network – which recently launched the first in-house production house offering cinema-quality for online in the region – look at creating and sharing such quality content, and they can guarantee a high number of views thanks to their large regional reach. That is also why using successful local influencers works so well and boosts actual transactions. Eventually, brands should not create such local content because they have to, but because it will ultimately translate into more sales.”

ZOYA SAKR - GROUP EDITOR IN CHIEF, [OLN NETWORK](#)

GCC PREFERRED SOCIAL MEDIA PLATFORMS FOR ADVERTISING LUXURY



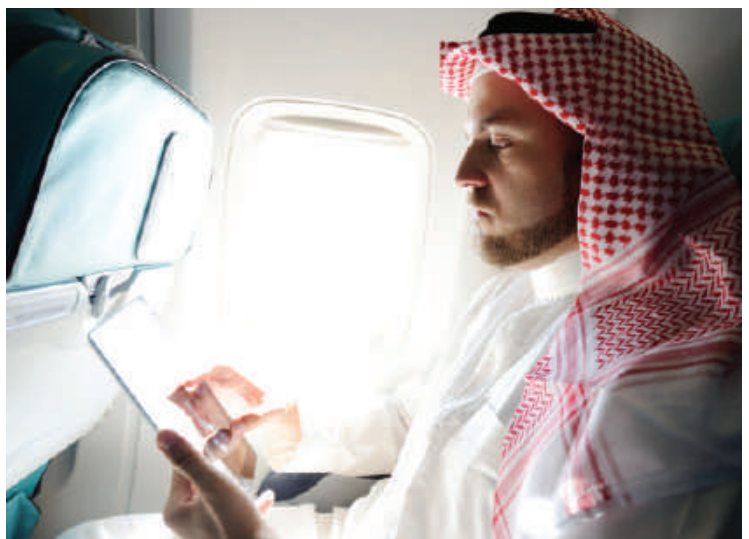
Source: Havas LuxHub survey, April 2016

CONTENT IS KING, CONTEXT IS KEY

The new relationship between a label and its consumers extends to the company's whole range of communications: the allure and experience of luxury starts with effective content marketing, whether through online advertising, branded material, blogs, social media, white papers or infographics. In luxury maybe even more so than in others industries, it must entertain, inform and inspire.

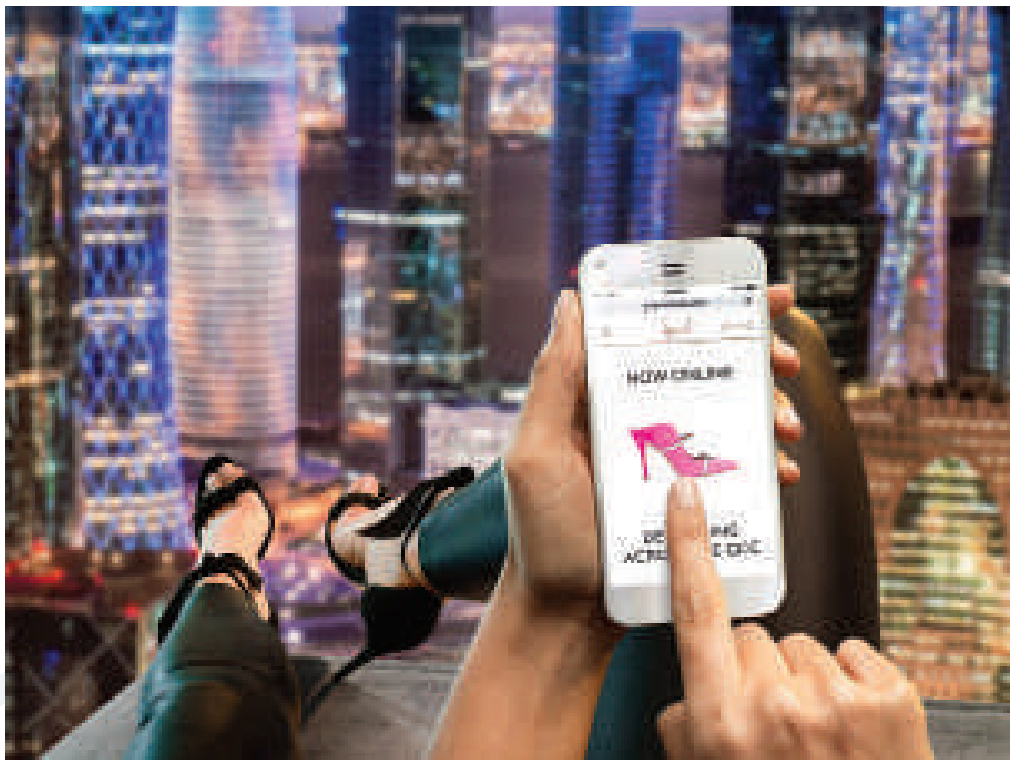
Indeed, luxury marketing isn't about selling a product; it is about finding a way to draw individuals into the brand's world. There are many ways digital content can be approached so that people will be ready to embrace it. For example, LVMH's [Nowness.com](#), a "daily resource for the culturally curious", builds on a sense of exclusivity and versatility: editorial is accessible without a membership, but a registered login permits users to curate their own experience by "loving" videos, photos and articles. User engagement and user-generated content signal loyalty, commitment and passion, and are rewarding for both the brand and the consumers.

However, content doesn't float in a disconnected bubble. Today's customers are receiving too many messages, most of which don't relate to them, and they're receiving them at the wrong time. In reaction, they have developed a tough set of coping mechanisms. Context marketing – the art of delivering the right material to the right customer at the right moment – helps marketers know the personas of the people they address (their needs, lifestyles and motivations), and home in on them at the very moments they will likely be most interested in the messages. For example, when Gucci created Gucci Style, a "shoppable magazine" that allows users to make purchases on the go, the fashion brand kept in mind that luxury customers are busy people who travel often and use their mobile to pass the time.



DIGITAL RESHAPING THE GCC LUXURY BUSINESS

Digital technologies' incremental importance is transforming every step of the consumer's journey in a world where the future is not digital only, but physical with digital – in other words, “phygital”. New models are emerging, aiming to address two challenges that ultimately combine into a third one: first, how to use digital technologies to enhance the luxury in-store experience. Second, how to replicate this physical experience online to boost e-commerce. And last, how to stitch all the pieces together to create a seamless experience. A few global players now lead this complex omnichannel charge while the regional industry is waking up to the importance of tackling e-commerce urgently; but GCC luxury is struggling to create a focused digital agenda that synchronises all aspects of its business, offline and online.



LUXURY E-COMMERCE COMING OF AGE

While the global e-commerce personal luxury goods market was estimated at US\$17.73 billion in 2015⁴⁶, high-end products' online sales in the GCC amounted to only US\$200-US\$230 million, representing 2.5% of the segment's total sales in the region⁴⁷. However, the signs are here that luxury e-retail has a bright future in the Gulf, where it's expected to reach a total value of US\$1.5 billion within four years⁴⁸.

Regional brands like Wojooh, Level Shoes and Sauce, along with international names such as Harvey Nichols, L'Occitane, Sephora, Burberry, Lacoste, Macy's and Bloomingdale's, have been actively setting up e-commerce operations for the past five years. For example, high-end concept multi-brand fashion boutique Symphony launched its first, bespoke online store in 2014; offering worldwide shipping, exclusive collections and an interactive experience through its online micro-magazine Notes BySymphony, BySymphony.com also supports the offline space by informing clients while, conversely, benefiting from customers' trust and goodwill already built by the well-established physical store. Off-price brands Yoox and The Outnet are set to debut localised sites in 2018, while Net-a-Porter and Mr Porter will launch in 2019.

However, the strongest signal was given by the region's retail giants recently joining the fray: Mohamed Alabbar's Symphony Investment unveiled in November 2016 a joint venture with digital high-end fashion retailer Yoox Net-a-Porter Group. The following month, ALTayer's Insignia (which portfolio includes department stores Bloomingdale's and Harvey Nichols) launched Ounass.com, its first luxury online retail business targeting the UAE, Saudi Arabia and Qatar. The dual language site delivers goods for free in less than two hours for Dubai residents and on the same day elsewhere in the UAE. And in 2017, the launch by Alabbar of noon.com – a US\$139 million e-commerce portal featuring on-the-ground operations, a premier same-day delivery service, Arabic-language customer care and content, as well as local currency and payment methods – should also give a significant push to the general e-commerce environment, subsequently benefiting digital luxury retail. By tackling themselves most of the issues hampering e-commerce growth in the GCC and making massive investments, these luxury mega-retailers are showing the depth of their commitment, telling other industry players that the time for action is now.

“GCC e-commerce penetration is negligible at 1.3% of retail, compared to 15-18% in countries like the US, China and the UK. This is due to multiple reasons: lack of trust in online payments, heavy reliance on cash-on-delivery, a difficult geographical nature and an underdeveloped addressing system that also hinders service levels. However, we believe the region is ripe for an e-commerce revolution: its Internet and smartphone penetration rates are amongst the highest globally, the population is young (almost 50% are below 24 years of age) and technology-savvy, the per capita income is high and demand for e-commerce services is strong. E-commerce giants have emerged around the world, such as Alibaba in China, but there is no trusted e-commerce brand catering to all the customers' needs and wants in the GCC. The launch of noon.com, and the resulting increased competition, should grow the region's retail sector as a whole, create new jobs, and also help local merchants expand reach. We wish to innovate on the end-to-end experience for our customers, and building key elements in-house will help noon curate customer experience at every single touchpoint. With noon, we wish to offer the most customer-centric online shopping experience available anywhere. Customers globally have hugely benefited from the e-commerce model, and we want to bring the same benefits to the GCC clientele, whose trust we are here to win. We wish to champion the cause of digital innovation in the region.”

MOHAMED ALABBAR

MENA MOST POPULAR E-COMMERCE WEBSITES IN 2016



Source: Payfort "State of Payments" 2016

DATA, THE SOURCE OF KNOWLEDGE

Never had brands more information about consumers than today. Through data, they know their behaviours in details, from buying patterns to when and how they travel, eat or sleep. Thanks to data directly sourced from their own platforms or acquired from third parties, brands can digitally target their exact ideal consumer, increasing ROI. In the very near future, this data will be used for Artificial Intelligence (AI) – some brands are in fact already using bots that learn about consumer interactions.

THE OMNICHANNEL PRIORITY

Should this much-expected growth of e-commerce necessarily be detrimental to sales in brick-and-mortar locations? Indeed, for a while, retailers around the world were concerned that showrooming – the practice of searching offline and buying online, often at a cheaper price – would take away from in-store profits. However, it appears that, in fact, the practices go both ways: many people also enjoy webrooming – the practice of browsing online before buying offline. The reason for that new balance is, primarily, the investment that some luxury brands have made in theatre retail: physical shops are evolving from traditional point-of-purchase to a space offering a digitally-enhanced shopping experience by way of cutting-edge technologies. Listening to their customers and understanding they were yearning for such experiences, these companies accepted that the once straightforward luxury path to purchase (awareness to evaluation to purchase to loyalty) is no longer linear, and learnt how to navigate it. To take a customer-centric view, recognise all customer touchpoints, and offer relevant content and branded experiences at these points, becomes paramount with users now firmly in the driver's seat. The omnichannel allows for such a fully integrated retail approach, smoothly weaving together all interactions, regardless of channel or device: from PC to smartphone to tablet to in-store easily, anytime, anywhere.

This model implies to harmonise the two universes so that the consumers' path to purchase is fully streamlined. For example, globally, clients favour physical venues to explore (due to the ease of testing products) and be served (for better quality service and easier returns); but they prefer to buy online for the ease of purchasing⁴⁹. Brands cannot (yet) erase practical boundaries and offer via Internet product testing

for example, but a website and/or mobile app can provide an experience close to the one in the material world, by giving easy access to all types of information such as details about the items, opening hours, locations, return policies, etc. Conversely, offering the convenience of connected shopping or mobile digital guidance through geolocation within the brick-and-mortar location, or giving consumers the option to order electronically products that are not available in situ and delivering them to their home, makes the overall shopping experience easy, interactive and more effective.

By borrowing the best of their existing offline services to enhance their online offering, as well as taking digital tools to enhance physical visits, luxury brands can seize the opportunity to provide a personalised experience to their customers. Customer-identifying technologies and geolocation tactics in-store, on a website or on a mobile app, are effective tools at their disposal, but with customers increasingly shopping in a cross-channel way – and comparing prices on their mobile in particular – sales associates trained to offer a quality service across both environments can ensure the convergence of in-person experience and digital channels (which, notably, has a significant impact on sales, with shoppers spending up to four times more if they interact with both a staff member and the brand's website while in-store⁵⁰). Similarly, luxury retailers can recreate their tangible quality customer service within immaterial channels, by incorporating digital features such as live chat, product finders, size calculators and personalised recommendations.

While the number of channels to consider might seem a bit overwhelming, the good news is that consumers leave many digital footprints. New technologies present the immense advantage of providing marketers with a wealth of data that, once gathered and analysed, can offer a better understanding of each clientele segment's exact habits, feedback and expectations. Such intelligence can be an enabler to providing better service.

MOBILE, THE COMMON THREAD

Mobile is the device that Gulf consumers use at every turn of their purchase journey, so mobile marketing (m-marketing) should be high on the list of priorities of luxury brands now turning to mobile-first strategies. But these brands should understand that the on-the-go nature of mobile affects the whole digital experience and that being mobile-ready has several implications: on the way they advertise (interactive formats designed for small screens), on the optimisation of their websites, and even on the layout of in-store display. Mobile also means more interactivity and emphasis on content sharing across digital and online channels, from augmented reality or customised Snapchat geo-filters to simply adding hashtags at point of sale. As for mobile commerce (m-commerce), it holds major promises in the GCC where, in 2015, e-commerce queries via mobile surged by 91.71% in Saudi Arabia and 196% in the UAE⁵¹; mobile shopping increased from 61% in 2014 to 70% in the Middle East that same year, while people are increasingly using their phones (rather than tablets and computers) to browse and research – prices particularly – before they buy; 46% of them expect their mobiles to be their main purchasing channel in the future⁵². Indeed, smartphones are moving away from a limited, informative role to take on more active features, from digital assistant to shopping tool, offering significant opportunities for those willing to seize them. This is the reasoning behind high-end online marketplace The Luxury Closet's launch of its first shopping app in December 2016; the decision was made based on a company survey indicating that an impressive 70% of customers in the region shop from their smartphone.

EXPERIMENTING WITH BEAUTY



Beauty offers fertile grounds for luxury players willing to engage customers in creative ways (particularly in a region such as the GCC where demand runs high): beauty brands offer a regular stream of designs, goods and sciences, to enthusiasts especially prone to experiment. Besides, in this category in particular, consumers are heavy digital users: globally, Internet went from the least consulted source of makeup products information and purchase in 2012, to the fastest-growing in 2016, surpassing print and broadcast advertising⁵³, while trends such as highlighting, strobing or contouring were born on social media. 55% of beauty shoppers actively seek information online and 30% purchase products based on specific benefits listed on the retailer's website⁵⁴. Brands who carefully listen to what their aficionados say can give them exactly what they need – be it information about a new release (where it comes from, how it works, what it feels like) or curated campaigns featuring new ideas and lines, trending styles and colours for the season.

Importantly, an increasing number of luxury labels successfully leverage genuine, inspiring marketing strategies that connect profoundly with consumers and resonate deeply with the youth, while enhancing their own iconic status and relevance. For example, Chanel reinforced its brand message, “Emancipated Elegance”, and strongly appealed to millennials when it featured young model/actress LilyRose Melody Depp kissing a bottle of N°5 L'Eau. Similarly, YSL Beauty honoured its historic mission to support young rebellious artists by having Zoe Kravitz discussing on camera how applying makeup helps her build up her courage before going on stage. Closer to home, Lancôme launched in March 2016 an online beauty magazine for the Middle East market, featuring the “Beautiful Moments” series with five influential young women from the region, including 24-year-old entrepreneur Mthayel AlAli and 19-year-old social media personality Shahnaz AlJumaily.

L'OCCITANE CASE STUDY⁵⁵

Initiated in September 2015, L'Occitane's digital strategy in the Gulf revolves around the omnichannel (digital and e-commerce were integrated at a team and marketing level in 2015-2016; operations and CRM will follow in 2017) and a mobile-first approach (all aspects of the business, from marketing to content to user experience (UX), have been mobile-optimised, with 85% of L'Occitane's orders in the region completed on mobile, against 40%-50% in more mature markets). Since, sales in L'Occitane's physical stores have increased by an average of 20% in the GCC, and its e-commerce grew by triple digits in 2016 vs. 2015. Its Saudi Arabia site boasts the brand's strongest e-commerce performance of all its international distributors; Saudi-based m-commerce sales and mobile conversion rates have grown by 85% and 211% respectively.

Regional campaigns across the UAE and Saudi Arabia – such as White Friday, the brand's biggest day of 2016 in these two markets – generate the largest increases in traffic, conversions and e-commerce sales in both countries. Taking advantage of the region's high mobile connectivity and common language, such campaigns deliver a high ROI and will be the backbone of the company's omnichannel approach. L'Occitane will launch in 2017 its first regional campaign across all countries simultaneously.



DIGITAL EGGING ON INNOVATION AND ENTREPRENEURSHIP

Digital is taking the world by storm, forcing companies to rethink the way they conduct business; but it also encourages the industry to consider new opportunities, if only to keep up with new entrepreneurs' disruptive models that are creatively remodelling the luxury stage.

Indeed, in the GCC just like in other parts of the world, many start-ups are venturing into retail, addressing affluent clients, some with notable success: on-demand car service Careem, for example, started its operations in 2012 and is now emerging as Uber's fiercest rival in the region, claiming over four million registered users as of October 2016, and engaging with the high-end clientele through its VIP services. In fact, Careem started off by approaching this segment, and picked up speed thanks to it: corporate high-echelons players were the one who early on embraced Careem's type of offering – personalised, practical, quick and flexible.

Dubai's digital marketplace The Luxury Closet is another local success story: launched in 2011 by Kunal Kapoor (Louis Vuitton Mall of Emirates boutique's Retail Sales Manager until April 2010) with a capital of roughly US\$40,000⁵⁶, it had reached 150,000 active monthly members as of January 2016. The Luxury Closet allows its members to buy and sell at more affordable prices new and pre-owned luxury products, from a variety of brands. In December 2016, it launched a dedicated app addressing the vast majority of consumers interested in m-commerce. With 80% of its goods supplied by individuals, and the rest from professionals, the venture now claims a double-digit monthly growth in the UAE, handles its warehousing and verification process, secured in December 2016 another big round of funding, and is eyeing expansions to Saudi Arabia, Kuwait, Qatar, Bahrain and India.

So Chic was established in 2014 by Alex Bouvy and Emma Di Rito along similar lines, but with a twist: so Chic hosts pop-up sales events during which UAE customers can buy clothing previously owned by fashion aficionados whose closets the two women personally visited, and select items from European boutiques they hand-pick during regular trips to Paris. The duo also set up a permanent brick-and-mortar



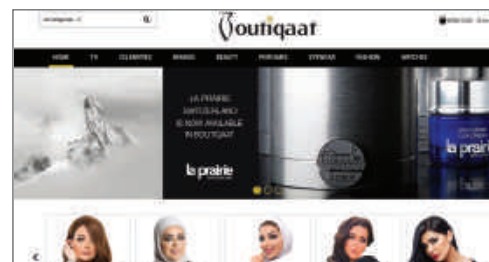
[The Luxury Closet](#)



[So Chic](#)



[MyList](#)



[Boutiqaat.com](#)

boutique, along with an online store offering free delivery for orders above US\$270 and a 48-hour return policy. By offering carefully curated items in pristine condition at a reasonable price during enjoyable, trendy events, the founders fill a retail gap and answer their clients' desire to feel part of an exclusive, pampered community.

As for digital multi-store gift registry MyList, launched in 2012, founder Julie Leblan has fully understood e-commerce consumers' expectations: variety (of brands and products), personalised content and services (free dedicated gift advisor, thank-you manager), price-consciousness (no registration, shipping, bank, service or hidden charges), versatility (group gifting, online and offline streamlined), inspiring content marketing (product recommendations, interviews, articles, blog posts... featured both on the website and social media).

Meanwhile, Kuwait-based pure player Boutiqaat.com, started in 2015, had been making the most of the influencers hype by featuring not only a wide range of cosmetic products but also a number of digital celebrities who showcase their personal selection of must-haves, shoppable directly on the site in their own boutiques.

More are launching every day, constantly exploring new or overlooked avenues: The Modist, for example, went live in early March 2017. Offering 75 contemporary design brands, Ghizlan Guenez, founder and chief executive of the Dubai-based e-commerce website, aims to reach out to a segment that she believes remained underserved so far: fashion-loving women around the world interested in a modest style.

“The hesitation of the region's luxury players into e-commerce is due to the lack of reliable back-end logistics solutions, low credit-card penetration, and the fear of not being able to successfully recreate a luxury-worthy front-end. If that's true, it simply means that the general state of the regional digital transformation is terribly slow and that luxury players are not willing to be innovators themselves. Either way, both are suggesting an unacceptable state-of-play in our region and I can only hope we wake up before our neighbours do.”

CHRISTIAN EID - VP MARKETING & COMMUNICATIONS, [CAREEM](#)

SEVEN METAPHORS TO PREPARE FOR THE FUTURE

Organisations' digital savviness is paramount to survive this bumpy transition phase and ensure they are fully equipped for what is coming next. Duval Union Consulting, that accompanies the Chalhoub Group in its digital transformation, summarises in seven metaphors how the modern environment is restructuring itself, what it means for corporations and who is now doing what in the GCC.

NEW MARKET AND COMPETITION

THE GATEKEEPER

Souq.com, Vaniday.ae, Huda Beauty, Boutiqaat

Today, opinion making is challenged and new players can dominate the attention of people. Online marketplaces and recommendation-based sites, along with new types of experts such as social media influencers, have drastically shifted consumers' sources of reference, information and discovery.

THE PARTICIPANT

The Luxury Closet, So Chic, Careem, Shedd, Visage.ae, Nabbesh, The List

Consumers are uniting, crowd-sourcing is becoming more powerful and the sharing economy is growing. Community and collaboration now are key attributes to any successful initiative. This evolution can be either good or bad for a company, depending on its ability to embrace it or its tendency to resist it.

THE FROG IN THE BOILING WATER

Noon.com, Ounass.com, BySymphony.com

Companies' position in the value chain is challenged. In a new environment where touchpoints are more fragmented and anything can be virtually sold online, every single player can bypass, or be bypassed. Challengers will take the opportunity to take on the well-established organisations that are not aware enough of, or not acting upon, the changing market conditions.



NEW CUSTOMER RELATIONS AND CHANNELS

THE TRAVELLER

GlamBox, HolidayMe, Collectionair

Primary location and place of consumption are changing. Everything that used to be physical can now be done digitally. Online and offline must merge to ensure self-empowerment and instant gratification. For brands, this means enhancing the shopping experience by adopting new ways of working, having keen contextual awareness, and embracing the omnichannel.

THE GLASS HOUSE

Class Dive, Bayzat, Compareit4me

Brand's relationship to the outside world is changing, now demanding of them transparency, accountability, proximity, authenticity and responsiveness. Companies are increasingly held accountable for where their products come from and under what conditions they are made. They must be humanised and bi-directional, listening to a community that wants to talk to them.

NEW PRODUCTS AND BUSINESS MODELS

THE PACKAGE

Designer-24, Boxit, NowMoney

Many start-ups are improving the retail business by focusing on one small problem at a time and creating a next-level solution. Because they specialise in one area and can scale very fast, they are outperforming larger organisations along the way. As a result, the retail industry is unbundling, changing products, services and the go-to market.

THE CYBORG

Pixelbug, BitOasis

Technology keeps progressing; we are only at the beginning of the digital revolution. Artificial intelligence already helps shoppers pick products, while Big Data will soon allow brands to automatically send highly personalised and localised campaigns to their target clientele. Virtual assistants will allow users to control their household's smart equipment. Neural networks and machine learning will simplify retailers' inventory process and stock management. Drones will change last-mile delivery. Stores will come in virtual and augmented reality formats.

CONCLUSION

A NEW WORLD

As the boundaries between offline and online fast disappear, modern technologies are empowering a new type of consumers, led by the elusive millennials and, especially, the HENRYs (High-Earners-Not-Yet-Rich); the new generations (Y and Z) will soon control a large share of the GCC personal luxury market projected to reach US\$1.5 billion by 2020⁵⁷. A novel luxury retail environment unfolds, revolving around the people and only the people.



More than an industry change, it is a societal change; particularly in the Gulf where a wealthy, tech-savvy, young and hungry population drives the digital/mobile revolution. Modern, connected Arab consumers are changing their place in society, their values and their priorities. They do not yearn for labels and status, they want experiences, substance, and to be free. Value-conscious, they differentiate between the costs and benefits of owning a product, and those of simply using it; they won't pay the price of one to get the other. The sharing economy's foray into luxury is but one example of this mindset, as the success of brands like Onefinestay (a deluxe Airbnb that offers private home rentals) or Victor (an app offering private jet travel on the Uber model) is testament to.

Integrating this [new paradigm](#) should be high on GCC brands' agenda, as should be figuring out the digital paradox – how to engage online without compromising the industry's fundamentals – and fully embracing the omnichannel priority, including the imminent e-commerce charge. Full-fledged social media strategies, influencer marketing and content/context marketing will each help luxury players offer customers in the Gulf (and beyond: Egypt, Lebanon, Iran and

CONCLUSION

India each offer fascinating potentials) the complete, seamless experience that they seek.

Because the clock is ticking and more is on its way. Some affluent brands are already using virtual and augmented reality tools, while 3D printing, although still nascent, will present its own set of challenges (from counterfeiting to the relevance of delivery services). The deployment of biometrics and Internet of Things (IoT) technologies will be a real game-changer: beyond the wearables already available (mainly smart watches), smart cars, audio, lighting and other home technologies will offer not only new items to sell and different channels to advertise on, but also another layer of invisible services and experiences embedded in consumers' lives everywhere, all the time – not to mention an unmatched wealth of data that will allow for complete one-on-one marketing.

We learnt that the [future](#) can go beyond our wildest dreams, and we cannot predict what it will look like. Now more than ever, the only constant is change – which is exciting and frightening in equal measures. However, the young, dynamic and tech-savvy GCC is a great place to undertake such a journey; its regional luxury community should be confident that it is particularly well equipped to lead the way, if it decides to.



“The GCC digital luxury scene is still in its infancy but the Arab luxury consumer is changing extremely fast; he's assertive, socially connected, much less loyal to brands, favouring experience and discovery over labels. We have to talk to him in a completely different way, engaging with him rather than imposing on him. This is why [our strategy](#) is to get a better knowledge of our audience, avoiding the 'spray and pay' habit to rather initiate a real dialogue with them, both physically and digitally – because the future of luxury cannot be one of the two: consumers' experience must seamlessly connect offline and online. To be truly omnichannel means to stop focusing on the way to deliver products and services, and to put customers at the centre instead. We are at the beginning of this digital disruption of the luxury retail industry. Tomorrow, there will be fewer flagship stores, offering a unique, outstanding, and better customer experience; and probably more community stores, offering simultaneously a personal contact with the consumers and a digital connection – which will allow the customer to access a broad choice and navigate solid, relevant [e-commerce](#) and [m-commerce](#) platforms. It's a major transformation for the retail scene, which will have to restructure itself accordingly. Those who want to endure have to get ready, and get ready now, or risk being left out.”

PATRICK CHALHOUB - Co-CEO, CHALHOUB GROUP

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