



Qatar's Luxury Goods Sector

Market Analysis

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1. Luxury Goods Sector Overview

1.1. Market Overview

Luxury goods are high-end products that are made with the best materials and craftsmanship by reputable brands with a track record of excellence. Luxury goods are defined by their exclusivity, limited availability, and higher price points. The Qatar Luxury Goods market has experienced a remarkable expansion in recent times, driven by a thriving economy and the increasing disposable income of its residents. Qatar's luxury goods market is expected to reach US\$ 1,153 million in 2023 (Statista, 2023) and witness a CAGR of 2.55% from 2023-2028 (Mordor Intelligence, 2023).

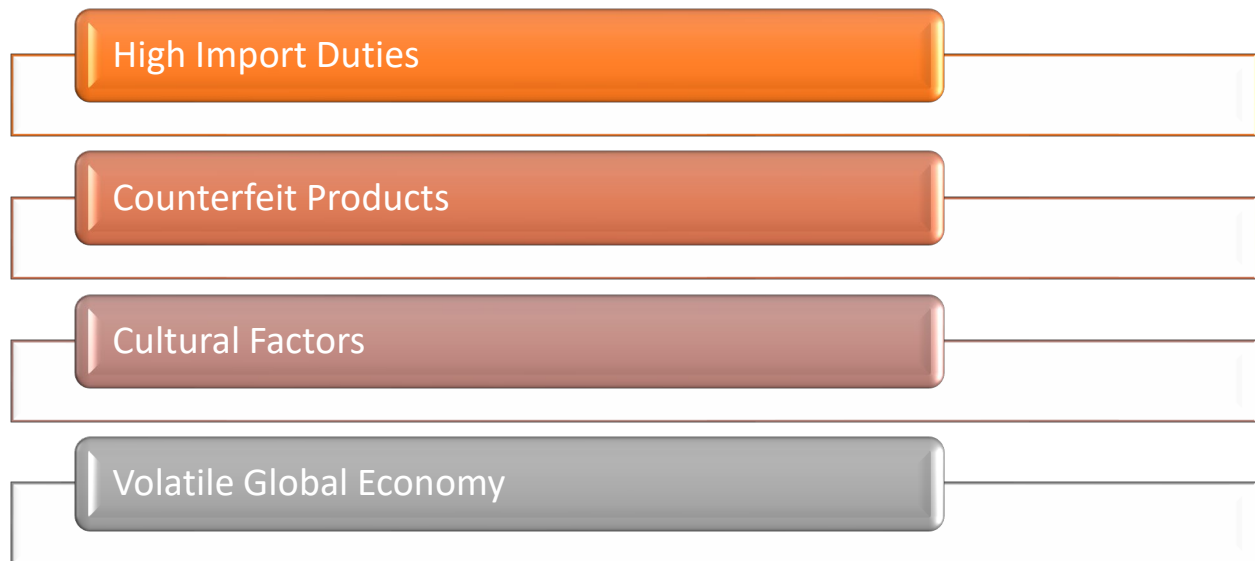
Luxury goods include top-tier goods renowned for their exceptional quality, exclusivity, and prestige. These goods cater to affluent individuals willing to pay a premium for exceptional craftsmanship and the allure of renowned brands. The market encompasses a diverse array of luxury goods, spanning from high-end fashion attire, accessories, timepieces, jewellery, cosmetics, fragrances, high-end vehicles, and more. The Qatar luxury goods market represents a highly attractive opportunity for both domestic and international luxury brands to establish a robust presence and tap into the affluent customer base within the country.

The luxury goods market is in the midst of a digital transformation, as brands are adopting e-commerce, utilizing social media for marketing, and employing digital engagement tactics to connect with technology-savvy consumers. Covid-19 accelerated the shift towards e-commerce. The pandemic resulted in closed physical stores, travel bans and restricted shopping hours, prompting a change in the market's dynamics, which in turn created opportunities for online retailers to thrive. In the Luxury Goods market, 8.5% of total revenue will be generated through online sales by the end of 2023 (Statista, 2023). Increasing internet access has granted consumers convenient access to product information, allowing them to readily compare various items' prices. A luxury e-commerce website, Ounass, was launched in Qatar in November 2022, where consumers can shop for luxury brands, including Gucci, Saint Laurent, Balenciaga, etc. Consumers can shop for men's, women's, and children's ready-to-wear clothing, handbags, footwear, cosmetics, fine jewellery, and home goods. (Mordor Intelligence, 2023)

1.2. Competitive Landscape

The Qatar luxury goods market is highly competitive, with local and international brands vying for market share. Qatar boasts a robust presence of global luxury names like Louis Vuitton, Gucci, Chanel, and Rolex, frequently establishing their exclusive boutiques and flagship stores. Meanwhile, domestic luxury brands and retailers contribute significantly to the market, presenting distinctive offerings tailored to the tastes of Qatari customers. The market dynamics are shaped by elements like changing consumer preferences and the influence of digital technology. Luxury brands must consistently introduce new ideas and adapt to remain relevant in this ever-changing market. The competitive scenario in this space is distinguished by factors such as brand prestige, product excellence, marketing approaches, and the capability to deliver outstanding customer service. The existence of well-known luxury shopping destinations, hotels, and entertainment establishments all contribute to establishing a favourable setting for luxury retail in Qatar.

2. Key Sector Challenges:



2.1. High Import Duties

High import duties on luxury goods have a direct impact on pricing and affordability. Qatar enforces substantial import tariffs on luxury items, resulting in a notable elevation in price for buyers. This serves as a discouragement for certain prospective customers, particularly within the price-sensitive sections of the market. These duties can make luxury goods significantly more expensive for Qatar's

consumers, dampening demand. The average import duty on luxury goods in Qatar is significantly higher than that in other countries in the Middle East, such as the United Arab Emirates and Saudi Arabia.

2.2. Counterfeit Products

Brand reputation and customer trust are affected by counterfeit products. The luxury goods market frequently grapples with the issue of imitation products that mimic well-known brands. These replica products not only endanger brands' reputations but also adversely affect consumer confidence. Counterfeit luxury items are frequently available at significantly lower prices compared to authentic products, making them appealing to consumers. Nonetheless, these counterfeit goods often lack quality and may not adhere to the same safety standards as their genuine counterparts. The government is also working with luxury brands to help them protect their intellectual property rights. For example, the government has provided luxury brands with training on how to identify and report fake goods.

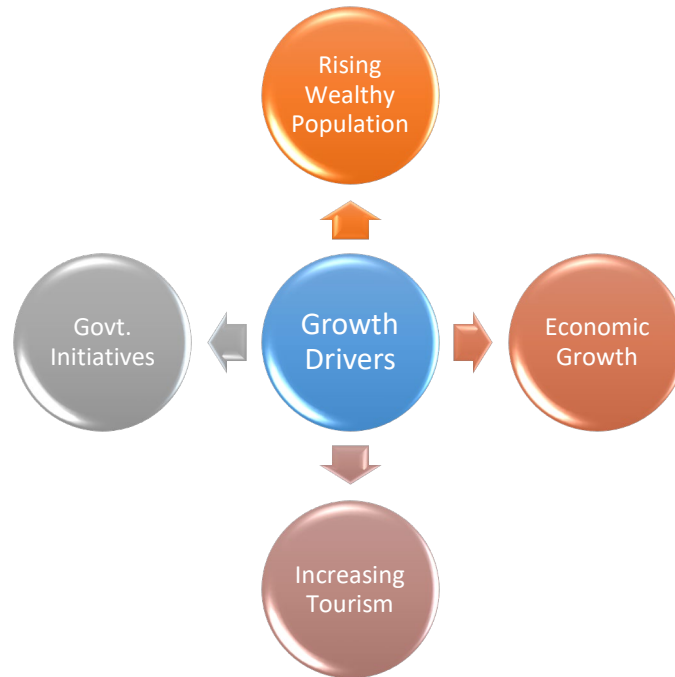
2.3. Cultural Factors

Qatar exhibits cultural diversity and hosts a substantial expatriate community. The myriad of cultural preferences and shopping tendencies of various nationalities can differ, presenting difficulties for luxury brands in serving a multifaceted consumer base. The core of Qatari culture is firmly grounded in traditional values, which occasionally conflict with the values embodied by luxury brands, often perceived as linked to materialism and extravagance. Moreover, conservation and modesty hold significant importance in Qatari culture, posing a challenge for luxury brands in crafting marketing strategies that resonate with the preferences of Qatari consumers.

2.4. Volatile Global Economy

The Qatar luxury retail sector faces a significant challenge due to the unpredictable nature of the global economy. Given Qatar's relatively small economy and substantial reliance on imports, the volatility in the transnational economy can result in fluctuations in the value of the Qatari riyal. Consequently, this may lead to increased costs for luxury goods, posing a potential financial challenge for consumers in Qatar. Additionally, uncertainty and anxiety arising from the unpredictable global economy may prompt consumers to reduce their spending, including expenditures on luxury goods.

3. Key Growth Drivers:



3.1. Rising Wealthy Population

The rise of a substantial affluent class in Qatar has played a role in the expansion of the luxury goods market. As more people ascend the socioeconomic hierarchy, their appetites for luxury items grow, leading to increased market demand. The rising wealthy population positively impacts the luxury goods sector due to increased purchasing power and a strong desire for luxury goods. Wealthy consumers have more disposable income, which they are willing to spend on luxury goods. Moreover, wealthy consumers often seek to acquire luxury goods, as they see them as a way to signal their status and taste. This is particularly true in Qatar, where there is a robust culture of conspicuous consumption.

3.2. Growth in Luxury Retail Spaces

Numerous luxury brands have increased their footprint in Qatar through the establishment of new boutiques and flagship stores. The Place Vendôme Qatar, Mall of Qatar, The Pear Qatar, and Lagoon Mall have all seen the inclusion of luxury retail locations to meet the rising desire for high-end products. These are just a few examples of the many luxury retail spaces that are opening up in Qatar. With the nation's ongoing growth and progress, we anticipate the emergence of a greater number of

luxury brands and locations in the foreseeable future. Moreover, alongside the expansion of brick-and-mortar luxury retail, Qatar is witnessing a surge in online luxury shopping. This can be attributed to the growing prevalence of e-commerce in the area and the availability of online shopping options from numerous luxury brands.

3.3. Increasing Tourism

Qatar actively promotes luxury tourism, offering a range of lavish experiences, from high-end hotels to exclusive dining options. This encourages travellers seeking indulgent experiences, which, in turn, supports the demand for luxury goods. Tourism in Qatar attracts visitors from around the world, including those with higher disposable incomes. These tourists are more inclined to purchase high-end products, from designer fashion to high-quality accessories.

Qatar's duty-free shopping options, especially at Hamad International Airport, provide travellers with the convenience of purchasing luxury items without paying import duties. Louis Vuitton, a leading global French luxury fashion house, announced the launch of its first store at Qatar Duty-Free in Hamad International Airport, Doha (Mordor Intelligence, 2023). This can lead to increased sales in the luxury segment as travellers take advantage of duty-free shopping opportunities.

3.4. Government Initiatives

The Qatari government has implemented multiple measures to encourage luxury tourism and shopping. Investments in top-tier infrastructure, including luxurious hotels, shopping centres, and entertainment venues, have played a role in the expansion of the luxury goods market. Government initiatives include the following:

- Investment in Infrastructure: The Qatari government has invested heavily in infrastructure development, including the construction of new shopping malls (Place Vendôme, Lusail Iconic Tower, Doha Oasis) and luxury hotels. This has made it easier for luxury brands to enter the Qatari market and reach consumers. In addition to these new shopping malls, the Qatari government is also investing in the renovation and expansion of existing shopping malls. For example, the Villaggio Mall, which is one of the largest shopping malls in Qatar, is undergoing a major renovation that will add new luxury retailers and restaurants.

- Tax Breaks: The Qatari government offers tax breaks to luxury brands that invest in the country. This has made it more attractive for luxury brands to open stores in Qatar and expand their presence in the country.
- Free Trade Agreements: Qatar has signed free trade agreements with a number of countries (Turkey, Indonesia and Bahrain), which has made it easier for luxury brands to import goods into Qatar. This has helped to reduce the cost of luxury goods for consumers in Qatar.
- Marketing Support: The Qatari government has supported the marketing of luxury goods in the country. For example, the government has launched a number of tourism campaigns that highlight Qatar's luxury offerings.

4. Sector Outlook

The luxury goods market in Qatar offers a thriving prospect for high-end brands to access the affluent customer base within the nation. The market provides a conducive setting for luxury retail thanks to a robust economy, high individual incomes, and an expanding tourism sector. To maintain competitiveness in this dynamic market, luxury brands must adjust to shifting consumer preferences and embrace digital innovations. By comprehending the market's dynamics, consumer preferences, and emerging trends, industry players can successfully navigate the Qatar luxury goods market and establish a solid presence in this lucrative sector (MarketWide Research, 2023).

The outlook for the Qatar luxury goods market appears bright, with sustained growth anticipated in the upcoming years. Qatar's robust economy, increasing disposable income and a growing tourism sector are set to propel the expansion of the luxury goods market. Luxury brands will persist in their investments in the Qatari market by establishing new stores, introducing exclusive collections, and improving their digital presence. The market is poised to experience a shift towards experiential luxury and personalization as consumers actively seek distinctive and meaningful luxury encounters. Continually developing luxury retail spaces and infrastructure will further stimulate the market's growth (MarketWide Research, 2023).

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