

OPPORTUNITIES FOR SRI LANKAN TRAVEL GOODS IN UNITED ARAB EMIRATES (UAE)



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1. MARKET DESCRIPTION

Bags and luggage has grown by 9% in current value terms in 2016, compared to 10% the previous year. Growth has been driven by fashion conscious consumers who continue to purchase products in the category. Bags and luggage products with “Astrong” brand name and which are competitively priced, such as Micheal Kors and Kate Spade, continue to gain momentum due to the interest of the young and aspirational population within the country.

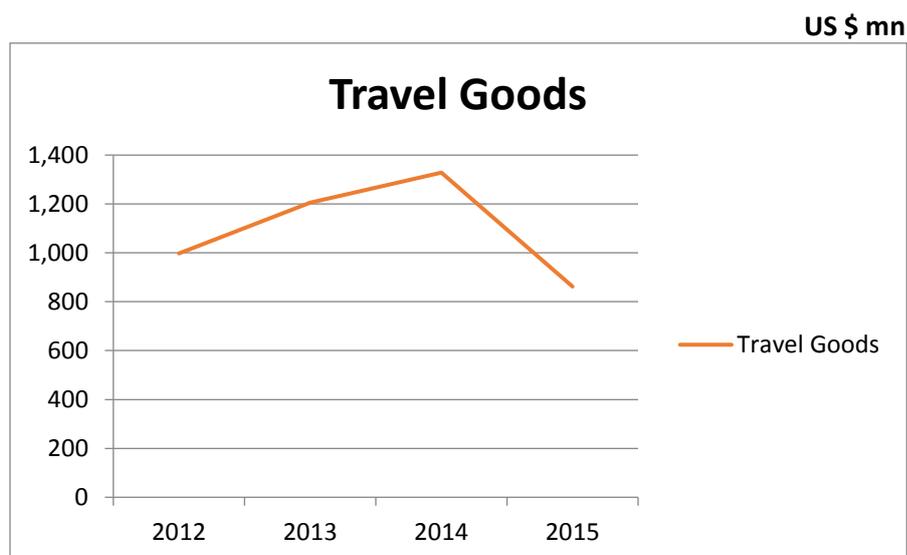
On the other hand, Luxury travel goods faced more intensive competition from the luxury brands, which primarily are oriented towards other luxury categories, such as clothing and personal accessories. The complex luxury offerings are becoming more and more popular. The ultimate luxury brands, such as Louis Vuitton or Gucci, started to put emphases on 100% branded products.

Further, the unique population composition of the United Arab Emirates (UAE) has offered varied of market opportunities from budget conscious lower end of the market to most exclusive upper end of the market. It is estimated that the UAE total population is 9.4Mn, and the local Emirati nationals (UAE nationals) are confined to 1.4Mn representing less than 15% of the total population. The other 8Mn. of the population representing 85% of the total population comprises of around 200 different nationalities. The majority of the Emirati nationals are considered to be rich and high spenders interested in purchasing more branded products. Further, the other nationalities living in the UAE having their own businesses and also holding managerial/executed positions in both public and private sectors are high earners claiming higher purchasing power, interested in purchasing more branded products.

Additionally there are over 14Mn. tourists annually visiting Dubai for tourism as well as for shopping creating higher demand for purchasing travel goods in UAE. Hence, the overall demand for branded goods in the market is high. In addition, there is a significant portion of the overall population living in UAE are blue collar workers having higher demand for non-branded low cost travel goods.

Purchases are expected to slow down especially during 2017 and 2018 due to a projected economic slowdown especially following the introduction of VAT in 2018, thus not be ideal for new entrants to the market.

Figure: World export trend of travel goods (HS 4202) to UAE



Source: Trade map

2. ACTIVITIES OF COMPETITION

When focusing on the competitive landscape, Chalhoub Group remained the leading player in bags and luggage, with a value share of 16%. The group continues to benefit from the long-standing presence of its Louis Vuitton brand. Louis Vuitton is known for its Monogram canvas and colorful designs. Louis Vuitton has consistently introduced contemporary variants of existing designs. For example, it added “feminine” colors to its Epi Pegase 45 suitcase range. Furthermore, the company has successfully and continuously been able to deliver the quality requirements of the customer base.

Table: Top 10 exporters of travel goods to UAE in 2015

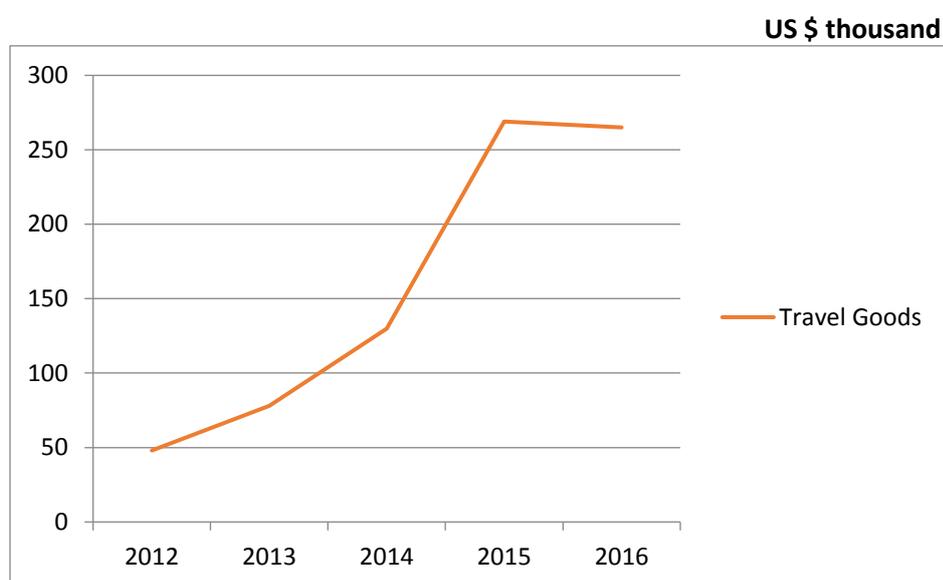
US \$ thousand	
Exporters	Value
China	397,475.00
Italy	204,426.00
France	117,726.00
Viet Nam	28,603.00
Spain	28,258.00
India	21,446.00
Indonesia	8,495.00
Thailand	6,505.00
United States of America	5,994.00
United Kingdom	4,939.00

Source: Trade map

3. POSITION OF SRI LANKAN GOODS

The country also exports many travel goods from the Asian region to gain a competitive edge through lower prices. Considering China and India it would be difficult for the Sri Lankans to compete with them by providing UAE with the required items at lowest prices as both the countries are well known for their mass production and cheap labor. Since the UAE is currently undergoing a recession they always tend to demand the lowest possible prices from the manufacturers, Therefore, there will be very less chance for the Sri Lankans to grab a considerable market share, considering the country's preset economic situation.

Figure: Export trend of travel goods (HS 4202) from Sri Lanka to UAE



Source: Sri Lanka Customs

4. CONCLUSION & RECOMMENDATION

Indications showcase that it would not be ideal to enter in to the market at this moment, as the recession is continuously affecting the trade.

After the global oil price has fallen almost 70% since mid-2014, the UAE has felt the impact of the lower prices on growth rates, trade figures and public finances. Even though the country is considered as one of the heavily desired tourist destinations, the number of high end tourists expected to be declined with the ongoing economic condition of the country.

However, The World Expo 2020 is expected to play an important role in boosting activities of the tourism sector. The six-month event is expected to attract around 25 million visitors, which will not only serve DUBAI's tourism and hospitality sector, but can extend to further emirates whereby some

tourists visit more than one location. Developments in the tourism sector will support the country along with its overall strategy of diversifying the economy .All these projects will continue to support the country's economic diversification ,and underscore the UAE as a central hub of the Middle East and internationally for innovation ,excellence and the investors market of choice.

Therefore, it would be superlative, if the Sri Lankan Exporters could focus more on the possibilities to enter in to the travel goods market in conjunction with the World Expo 2020.

Sources:

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2. The World of yachts.com-28th June,2016
3. The World of yachts.com-2015
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