

Tourism and shopping in the UAE: Spending an extra day

As a matter of marketing strategy, any tourist destination needs to position itself against competing resorts. The positioning can be based on price and aimed at generating volume, as in much of southern Europe and the Mediterranean region; or it can be based on differentiation and aimed at maximising revenue per visitor, as in, for example, Mauritius and Tibet. Destinations can also modify their positioning by promoting their competitive advantage. It could be argued that differentiation is a more desirable strategy for a destination than pricing, since, if successful, it generates more profits for the tourist industry in relation to the investment made in tourism infrastructure.

The UAE's positioning

The UAE's positioning as a tourist destination, at present, is based more on differentiation than on pricing. It is not a low-priced destination, but it promotes the quality of the vacation experience, with a combination including winter sun, sports, and in particular its shopping opportunities.

More than any other state in the Gulf region, the UAE has promoted shopping as an attraction for tourists. There is certainly more investment in retail space, per capita and possibly also in absolute terms, than anywhere else in the region. Between 1990 and 1998, 11,331 retail outlets were built in Dubai alone. By the most recent count, there were at least 41 shopping malls open in Dubai, with a total net lettable area of over 3 million square feet, and others under construction in Dubai, Sharjah and Abu Dhabi. The Emirate governments have made it part of their economic strategy to support the retail industry. The Dubai Shopping Festivals, of which the fourth was held in March and April 1999, and the Abu Dhabi Shopping Festival launched this year, are the most prominent manifestations of this strategy.

Shifting markets

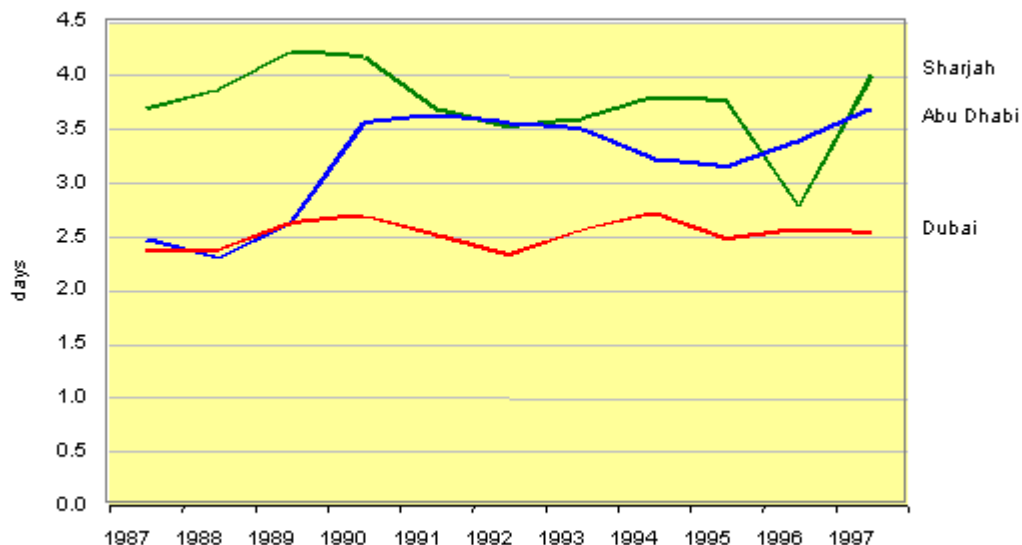
The UAE retail industry received an exceptional benefit from the influx, in the early 1990s, of shoppers from the CIS states. The Dubai Department of Tourism and Commerce Marketing estimated that in 1995/96 visitors from the CIS spent about Dh 3.3 million on shopping in Dubai: an average of about Dh 3,600 per capita per day. This traffic is now disappearing, in part because the CIS states have started taxing purchases abroad, but also because of economic recession in that region. The number of hotel guests from Russia dropped by 20 percent in 1997 and, from early indications, by a further 20 percent in 1998. The tourist and retail industry in the UAE has to find new markets. The challenge now for the industry is to make the most of its customer base without slipping into mass-market tourism.

Length of stay

To improve the benefit from shopping to the tourist industry, a well-tryed strategy is to induce visitors to increase the length of their stay. "Stay an extra day" is a common appeal to the traveller, often accompanied by tempting offers on accommodation. The idea is to offset cheap or negligible rates on the lodging against dining, tours and shopping expenditure. The UAE, and Dubai in particular, for some years has been looking for ways to add a day or a few days of recreational time to the stays of business visitors.

In fact, the average length of stay in the UAE has been very stable over the last 15 years or more, in the region of 2.8 days. As Chart 4 illustrates, Sharjah and Abu Dhabi have slightly longer staying visitors than the average, largely because they have a high proportion of tourists who typically come on one-week packages; Dubai's average, including its large element of business visitors, is about 2.5 days. Although Dubai has now over 4,100 furnished apartments in addition to its hotel capacity, the average length of stay in furnished apartments, at 2.7 days, is not much higher than that in hotels.

UAE hotel guests: average length of stay



Source: UAE Ministry of Planning

The impact of shopping

Although visitors to the UAE typically do not stay more than a few days, their shopping does make a significant contribution to the economy of the UAE. The Dubai Department of Tourism and Commerce Marketing estimated that in 1995/96, visitors' spending contributed value-added of about Dh 4.4 billion or about 13 percent of Dubai's Gross Domestic Product. During the Dubai Shopping Festivals, the numbers of daily visitors to major shopping centres are typically at least 60 percent above the average for other times of year. The 1998 Dubai Shopping Festival attracted 2.28 million visitors and generated some Dh 3.5 billion in retail sales, including Dh 2.1 billion spent by non-residents. Visitors shop enthusiastically in Dubai for consumer electronics, clothing, shoes and accessories, perfumes and cosmetics, and gold.

New opportunities

At present the UAE retail industry receives spin-off benefits from tourism rather than directly participating in its development. The next step may be to promote shopping more directly in the target markets. Possibilities could include link-ups between major shopping centres and hotels, airlines and tour operators, and other tourist destinations. Shopping tours, discount vouchers, and promotions might also be included in such packages.

The UAE is already starting to tap into multi-destination tourism, with Oman the first partner in this concept. The idea can be extended to, for example, Gulf-wide tours and "UAE plus" packages, which could offer culture and adventure in other Gulf states combined with shopping and relaxation in the UAE. A tour package which starts in the UAE, takes in the mountains and sands of Oman, or the ancient cities of Yemen, and ends in the comfort and luxury of the UAE, could be a way to persuade visitors to stay, and spend, the extra day.

This article was written for HSBC Bank Middle East and was published in the HSBC Economic Bulletin of 1999 second quarter. It is reproduced by kind permission of the HSBC Group.



