

# A study on the sources of competitive advantage of Dubai as a Shopping Tourism Destination

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## Abstract:

*Dubai is a popular destination for shopping in the Middle East. Shopping is a lucrative tourism activity and the government of Dubai in collaboration with the retail sector has capitalized on the same and has successfully created shopping events namely Dubai Shopping Festival (DSF), Dubai Summer Surprise (DSS), and Eid in Dubai. Shopping festivals namely Dubai Shopping Festival (DSF) Dubai Summer Surprise (DSS) and Eid in Dubai feature prominently in official destination marketing and development strategies and tourist spending is a significant contributor to retail revenue. This paper discusses in detail the factors which give Dubai the competitive advantage as a shopping destination. Previous studies have focused predominantly on tourism development and planning, destination development and branding, whereas this study has focused specifically on the Retail success of Dubai, linking it up with its emergence as a popular shopping destination. It also presents a useful compilation of factors that provide Dubai a competitive advantage in positioning itself as a shopping tourism destination.*

**Keywords:** Dubai, retail, shopping, tourism

## 1. Introduction

This paper explores the relationship between shopping and tourism with particular reference to Dubai and the factors which facilitate success. Shopping festivals namely Dubai Shopping Festival (DSF) Dubai Summer Surprise (DSS) and Eid in Dubai feature prominently in official marketing and development strategies and tourist spending is a significant contributor to retail revenues.

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The number of tourists who have visited Dubai during DSF in 1996 was 1.6 million who spent AED 2.15 billion in shopping during the festival (Saleem 2010). The year 2009 saw 3.35 million tourist arrivals with tourist spending at AED 9.8 billion (Saleem 2010). A growth 109% in arrivals and 390% in tourist spending in a time span of fourteen years only reiterates the synergy between shopping as a tourism activity and the retail sector.

## **2. Literature review.**

Tourism destinations have been competing to attract international tourists and their resulting economic impact and tourism development is seen as a way of improving a country's economic and social well-being (Eccles, 1995). Tourism policy and planning in Dubai follows the hybrid state-controlled/integrated tourism planning model and is dependent on the political stability and the vision of the ruler of Dubai (Sharpley 2008). Balakrishnan (2008) emphasized on the role of strategic vision in branding a destination and highlighted the importance of the 6P's namely purpose, people, performance, products, positioning and process in destination branding. The findings suggest that Dubai does not have a key image differentiator and stressed on the need to focus on the branding strategy. Henderson (2006) outlined the factors critical to development of tourism in Dubai.

Shopping has been acknowledged to be a common tourist activity and a motivation for travel, especially in the case of cross-border trips (Timothy and Butler, 1995). Tourist travelling for pleasure or for visiting friends and relatives purchase souvenirs to remember their travel experience (Swanson, 2004). Destinations have developed distinctive shopping areas to capitalize on the importance of shopping. Getz (1993) discussed the strategies for developing tourist shopping villages as a tourism attraction. Factors like lower prices, lower taxes, larger variety of goods, extensive promotion and media coverage encourage tourist to shop in a different country (Timothy and Butler, 1995). Dimanche (2003) suggested that tax free shopping contributes to a tourist's propensity to buy goods. Anwar and Sohail (2004) in their studies concluded that UAE is perceived to be a shopping haven and shopping festivals attract the largest number of tourists. It is against this backdrop the paper explores the relationship between shopping and tourism in Dubai and the factors which facilitate its success.

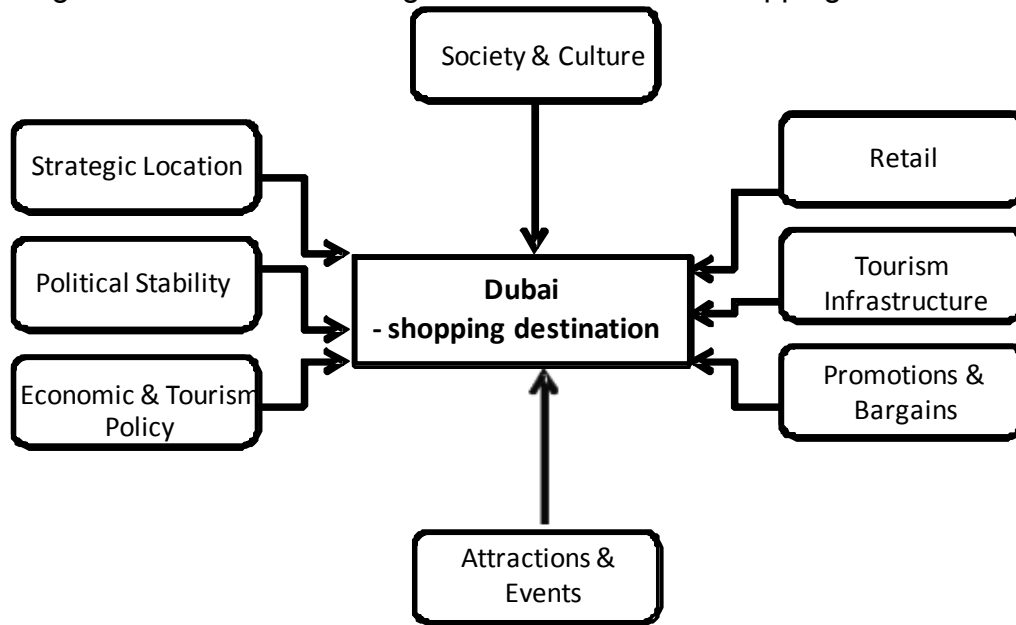
## **3. Methodology.**

This is a fact-finding descriptive study based on secondary data available in the public domain and research literature.

## **4. Findings.**

There are a number of factors which would influence the tourist's choice of Dubai as a shopping destination, details of which are contained in Figure 1.

Figure 1 Factors influencing tourist's choice of a shopping destination



#### 4.1 Strategic Location

Strategically located almost midway between Asia, Africa and Europe, Dubai can be reached by flight in just three hours from Mumbai, four hours from Nairobi, eight hours from Hong Kong, and an overnight flight from London (Department of Commerce & Tourism Marketing 2011). It is a major aviation hub in the Middle East. 130 airlines connect Dubai with 220 destinations in six continents across the planet. Dubai is ranked the 4<sup>th</sup> busiest airport in the world by Airport Council International's latest estimates (Airports Council International 2011).

In 2010, Dubai International Airport recorded an annual figure of 47.2 million passengers (YOY growth of 15%) compared to 40.9 million in 2009. Passengers are projected to cross 51 million in 2011 and 98 million by 2020 (Dubai International 2011).

#### 4.2 Political Stability

According to UNWTO, the Middle East comprises of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, Yemen, and Palestine (UNWTO 2011). The region has had a history of wars, terrorist attacks, regional unrest and the recent Arab Spring. The unrest which began in Tunisia at the beginning of the year and later spread to Egypt, Bahrain, Libya, Yemen, and Syria and in several cases has seen the regimes been overthrown. Unlike the other countries, Dubai is politically stable and is expected to remain stable for the period 2011-2015 (Economic Intelligence Unit 2011).

Dubai operates within the framework of constitutional monarchy, and has been ruled by the Al Maktoum family since 1833. Shaikh Mohammed Bin

Rashid Al Maktoum, the ruler of Dubai, is also the Vice President and Prime Minister of United Arab Emirates and has been accredited with the development of Dubai into a modern powerhouse.

### **4.3 Economic & Tourism Policy**

The economy of Dubai has rapidly moved from fishing, gold and jewellery trading to tourism, shipping and trade. In the 1980 and the early 1990s, Dubai took a strategic decision to emerge as a major international quality tourism destination (Department of Economic Development 2011).

This liberal step forward means that it is ahead of its regional neighbours'. The impact of the global financial crisis has also prompted the Emirate to downgrade financial services and construction as core focuses for expansion whilst manufacturing continues to be an important component in the emirate's diversification strategy (UAE Interact 2011). As per the figures released by Dubai Statistics Center (DSC), the economy of Dubai grew by 2.8% in 2010 AED 29,036 billion (\$ 79.9 billion) from AED 28,507 billion in 2009. The hotel occupancy grew to 75.5% in the first half of 2011 as compared to 70.0% in the whole of 2010 (Dubai Statistics Center 2011). In line with the strategy of diversifying the economy, government agencies like Department of Tourism and Commerce Management (DTCM) and Dubai Events and Promotion Establishment (DEPE) under the Department of Economic Development (DED) have been empowered to create a continuous buzz and excitement in the city-emirate of Dubai. Major events like Dubai Shopping Festival, Dubai Summer Surprises, and Global Village have put Dubai on the map of the globe trotter.

### **4.4 Society and Culture**

The culture of Dubai is rooted in the Islamic traditions and the religion influences everyday activities of the residents. The Emirati society is divided into two social categories: the nationals (Al-Muwateneen) and the foreign immigrants, referred to as the incomers (Al-Wafedeen). An Emirati man is generally clad in a traditional dress of a white robe (kandoura) and white head cloth (ghutra) with a black rope (aqal) Women wear long dresses with a head cover (hijab) and black cloak (abayah) (Everyculture 2011). The landscape of Dubai is dotted with Mosques and the call for prayer (Adhan) can be heard five times a day. Friday, is the official weekend and although Arabic is the official language, English, Hindi and Urdu are widely spoken. The local population, however, is tolerant of other religions and has a liberal approach to non-Islamic beliefs, needs and ways of life. This flexibility has given rise to a multi-cultural society, with a population of 1,905,476 for the year ended 2010 (Dubai Statistics Center 2011), out of which less than 20 % of the population is UAE Nationals (168,029) (UAE Interact 2011).

## **4.5 Tourism Infrastructure**

Since the early days after independence from the British, Dubai has invested heavily into the Emirate's infrastructure. A massive airport having 3 terminals capable of handling 60 million passengers notwithstanding, the Emirate is working hard to open the doors of the world's largest airport to passengers in 2012 (Dubai International 2011). State-of-the-art metro transportation system, complemented with taxis and buses have enhanced the convenience of transportation and connected various malls like the Dubai mall, Mall of the Emirates, Deira City Center, Ibn Batuta, and Burjuman which are the destination shopping malls and has helped in being a footfall multiplier. The Emirate boasts of landmark hotels like Burj Al Arab, Atlantis, and Armani. Accommodation for the tourist ranges from budget to luxury hotels and hotel apartments. The Department of Tourism and Commerce Marketing (DTCM) reported that there were a total of 566 operating hotels and hotel apartments for the period Jan-Jun 2010, an increase of over 7% over 2009 (Dubai Statistics Center 2011). Dubai's hotel occupancy was the highest among the regional players like Abu Dhabi, Sharm Al Shaikh, Cairo, Riyadh and Jeddah (Lowe 2011).

## **4.6 Retail**

Shopping in Dubai primarily revolves around malls. Apart from never seen before bargains, they provide entertainment and events for the tourists. Dubai has firmly established itself on the global retail map. According to a recent report by CB Richard Ellis, Dubai now equals London as the most popular retail city in the world, attracting about 56% of the international brands surveyed (Khaleej Times Online 2011). The city has become the main entry point into the Middle East region for a host of major international retailers, like Bloomingdales and Saks Fifth Avenue as well as high-end fashion labels Prada and Gucci who recently signed joint ventures to develop a retail network across the Middle East (Khaleej Times Online 2011). An open port with low import duties, the retail prices in Dubai are very competitive. Annual shopping festivals – Dubai Shopping Festival (DSF) and Dubai Summer Surprises (DSS) has helped increase retail spending and have provided stimulus to Dubai's retail sector. Even though the retail sector in UAE (Economic Intelligence Unit 2011) is small in comparison to the developed countries like USA, Japan, China and Germany, Dubai's share in UAE retail sales which is about 60% (Dubai Tourism & Commerce Marketing 2011) will remain stable as per the current Economic Intelligence Unit estimates.

Table 1: A snapshot of the major malls in Dubai

Mall	Stores (S) Restaurants (R)	Anchor Stores	Leisure & Entertainment	Hotels
Deira City Centre	370 (S) 55 (R)	Carrefour, Iconic, Debenhams, Paris Gallery, Sharaf DG, Woolworths, Virgin Megastore, NEXT, New Look, Splash, GAP, H&M, Sun & Sand Sports,	Magic Planet Bowling City Multiplex	City Centre Hotel & Residence Novotel Deira City Centre Ibis Deira City Centre
Mall of the Emirates	520 (S) 85 (R)	Carrefour, Centrepoint, Debenhams, Harvey Nichols, 31 high end fashion brands, D&G, Bottega Veneta, Y-3, Diane Von Furstenburg, Christian Louboutin	Ski Dubai Magic Planet Multiplex	Kempinski Pullman Hotel
Dubai Mall	1200 (S) 150 (R)	Bloomingdales's, Galeries Lafayette, Debenhams, Marks & Spencer's, Paris Gallery	Dubai Aquarium Dubai Ice Rink, Burj Khalifa, Dubai Fountain, Multiplex	Address Dubai Mall
Mirdif City Centre	430 (S) 75 (R)	Carrefour, Centrepoint, Home Centre, Debenhams, Fitness First, Forever 21, Emax	Playnation Aquaplay Multiplex	
Dubai Festival City	400 (S) 90 (S)	IKEA, Plug Ins, Toys R Us, ACE, Intersport, Fitness First	Al Badia Gold Club Bowling City, Multiplex	Intercontinental Crowne Plaza

Source: Websites of the above said malls

The super-regional shopping centres in Dubai as shown in the table above have an exciting mix of shopping, dining, leisure and entertainment facilities including hotels. Also, these shopping centres have very large parking areas and also connected by Dubai Metro except in case of Mirdif City Centre & Dubai Festival City. The tourist friendly infrastructure has ensured that these malls have an annual footfall from 20 million (Deira City Centre 2011) to 47 million in 2010 (The Dubai Mall 2011).

Dubai Duty Free (DDF) was started in the year 1983 and is the single largest airport retailer in the world. Its merchandise includes jewellery, electronics, cosmetics, liquor, sports equipment, designer wear, children's wear and toys and books. Sales at the end of the September 2011 has reached AED 3.78 billion ,an increase of 16.4% over the same period in 2010, is projected to reach AED 5.3 billion (Dubai Duty Free 2011).

Table 2. Dubai Duty Free Sales by Merchandise Category

Year Till Date Sep 2011		
Merchandise	AED Millions	Share
Perfumes	548	14.5%
Gold	432	11.4%
Electronics	296	7.8%
Cosmetics	229	6.1%
Confectionery	284	7.5%
Others	1,991	52.7%
Total	3,780	100.0%

Source: dubaidutyfree

Dubai Duty Free, which is the biggest retailer in the emirate of Dubai, has been growing by leaps and bounds since its doors were opened in 1983. Perfumes and cosmetics together account for about 20.6% of the retail sales in 2011. In 2010, 6.1 million bottles of liquor flew off the shelves along with 7.9 million cans of beer (Dubai Duty Free 2011). And 2,940 kilograms of gold were sold in 2010.

#### **4.7 Promotions and Bargains**

Dubai has been at the forefront of running the most innovative and successful promotions. Dubai Duty Free organizes various promotions like 'Finest Surprise Luxury Car' draw, 'Special Finest Surprise' Car Series, and 'Millennium Millionaire' promotion (Dubai Duty Free 2011), Dubai Shopping Festival has its own daily draws for Lexus Cars and 4X4 drives. The gold merchants give away a total of more than 20 kilograms of pure gold through raffle draws. Over 200 jewellery retail outlets across Dubai participate in the campaign during the shopping festival to be a part of these promotions; customers need to spend only up to AED 500 on gold jewellery purchases at any of the participating outlets (Dubai Gold and Jewellery Group 2011). Started in 1996, Dubai Gold and Jewellery Group and World Gold Council have supported Dubai Shopping Festival and Dubai Summer Surprises over the years, offering 650 kilos of gold free till date (Dubai Gold and Jewellery Group 2011). Most hotels and hotel apartments also get involved offering special offers during the period.

Emirates Airlines, owned wholly by Dubai Govt. have been at the forefront of having special promotions during Dubai Shopping Festival. Special holiday packages offer a wide range of prices, properties and benefits to cater to the sub-continent holiday goers. During DSF 2011, Emirates offered a 'Stay 4, Pay 3' promotion which included travel and stay in some of the best beach and city hotels in Dubai. The package also includes accommodations for four nights for the price of three, airport transfers to and from the hotel by private car, and an Arabian Adventures welcome pack, apart from numerous other benefits. This promotion was valid for travel during DSF with prices starting from just \$55 per person per night based on double occupancy (Emirates 2011). Every year big offers on consumer electronics have been a huge draw for retail customers, who now wait for the festivals to buy big ticket products. These offers are a big draw, as all the suppliers and the mass merchandisers tend to push volumes at the lowest possible margins along with a lot of freebies. Similar value for money promotions are rolled out in the subsequent months in the year during Dubai Summer Surprises, Eid in Dubai.

#### **4.8 Attractions & Events**

The yearlong sunshine in the cosmopolitan emirate of Dubai draws a large number of tourists from the colder regions of the world. Apart from the Gold Souk, Dhow Cruise and Desert Safari, the Mall of Emirates with its Ski Slope, Dubai Mall with its world's largest fountains, Ice Rink and Aquarium, Atlantis on Jumeirah Palm Islands is a must see on every tourist's itinerary. Global

Village, an event, where the international community gather together to display their culture and heritage through exhibitions of traditional handicrafts, clothing, music, and dance is a focal point during the shopping festival .In the year 2010, Global Village saw 4.5 million visitors and participation from 28 countries (Global Village 2011).

Dubailand, has 45 projects across 7 themes of parks, culture & art, science & technology, sports facilities & academies, wellbeing & health, retail, hotels & resorts spread over 3 billion square feet. It would have a total of 55 hotels within its location and would support a population of 2.5 million, including residents and tourists (Dubailand 2011).

MICE tourism has now become a very important part of Dubai's economy with state-of-the-art infrastructure facilities. Dubai World Trade Centre has seen a total of 1.4 million visitors from over 155 countries - a growth of over 14% in visitors to exhibitions, conferences and meetings (Dubai World Trade Centre 2011).

## **5. Conclusion**

Dubai has come a long way from being a trading post in the 1960s to the most modern tourist destination with the entire infrastructure in place for becoming the most favored retail destination too. The rulers of Dubai have proved to be trendsetters in the most unstable part of the world and engaged themselves proactively in the infrastructural development of a modern tourist and retail destination. Dubai has independently put in policies and statutory frameworks in place to encourage and enhance the potential of the brand 'Dubai'.

The state-of-the-art shopping malls replete with retail outlets, entertainment areas, dining restaurants & cafes, multiplex attract tourists and contribute to the retail sales in the emirate.

Events play a major role in enriching the shopping experience during the festivals. Music concerts, street celebrations, night souks, desert camps, kids' entertainment centers, fireworks, carnivals make Dubai Shopping Festival & Dubai Summer Surprises a major draw for the tourist. Compared with the rest of UAE, Dubai's strength lies in its stable government, with a visionary leadership against a backdrop of a tolerant society. However sustaining this position will depend on political and economic stability of the region. Dubai faces competition from its neighbours, who are also promoting shopping festivals with the aim of attracting tourists.

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