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Beauty and Personal Care in the United Arab Emirates (UAE)

EXECUTIVE SUMMARY

COVID-19 Impact on Beauty and Personal Care

The government of the United Arab Emirates (UAE) reacted robustly to the arrival of COVID-19 in the country. The status of Dubai and Abu Dhabi as major international transit hubs meant that these cities were more exposed than many others to the threat of contagion from COVID-19 and this led to the country's leadership taking the situation very seriously. Although sales of some hygiene-related beauty and personal care products experienced a temporary uplift in reaction to the arrival of COVID-19, overall the impact of the pandemic has been very negative on sales across industry. Some categories such as fragrances and color cosmetics have experienced plummeting demand, while premium brands have come under severe pressure in all categories.

These sales declines are linked to two overriding trends. The first is that, with social distancing in place for much of the first half of 2020, people have had much less reason to maintain a smart and professional appearance. The strong corporate culture that exists in Dubai, Abu Dhabi, and other cities across the country means that most professionals living in the United Arab Emirates pay a great deal of attention to maintaining a smart and well-groomed appearance at all times. However, with the requirement to leave the house to go to work and to socialize no longer

applicable, many people have let their personal grooming routines fall by the wayside, resulting in lower demand in many beauty and personal care categories.

Second, the severe interruption to business activity that was caused by COVID-19 during the first half of 2020 has resulted in widespread economic uncertainty, with many of the country's expatriate workers having lost their jobs as a result. With residence in the country often tied to one's employment, and with the high cost of living in the UAE unsustainable for many of those who find themselves out of work for any length of time, this has resulted in an elevated level of emigration among expatriates since the onset of COVID-19. This has narrowed the consumer base across beauty and personal care, placing serious pressure on demand. Among local consumers and those expatriates who have remained in the country, spending on non-essential products has been severely curbed. This has led to spending on beauty and personal care becoming far more focused on essential items for daily use, with negative implications for premium brands and all types of products that are seen as optional.

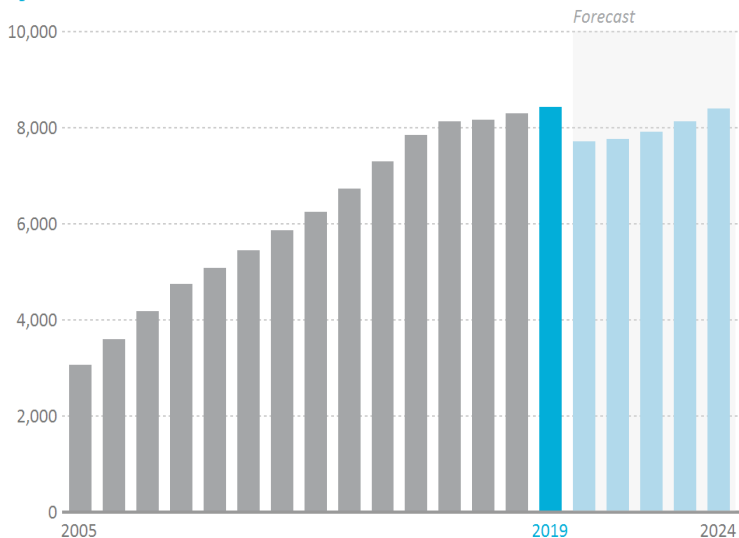
COVID-19's Country Impact

As of 13 May 2020, the UAE had seen 206 deaths due to COVID-19 and 20,386 cases. From 23 March, the government urged people to only leave their homes to go to work or in an emergency. On

Sales of Beauty and Personal Care in United Arab Emirates

Retail Value RSP - AED million - Current - 2005-2024

8,398



31 March, Al Ras, one of Dubai’s most densely populated areas, was placed under lockdown for two weeks, preventing all residents from leaving or entering the area. On 23 March, the government shut the country’s malls as well as fish, meat, and vegetable markets. The Ministry of Education had already announced that schools and universities across the country would close for a month, starting from 8 March, with distance learning introduced over this period. On 30 March, the ministry announced that the distance learning for schools and universities would continue until the end of the academic year in June. The economic consequences of the COVID-19 pandemic, coupled with the spectacular collapse of crude prices, are negatively affecting economies across the whole of the oil-rich Gulf as lockdowns strangle businesses and finance ministers cut state spending. Dubai has been particularly badly hit. It has been forced to downsize and restructure struggling state entities. However, the UAE government is also trying to help businesses and individuals weather the economic storm, for example through its Targeted Economic Support Scheme. On 23 April, both the Abu Dhabi and Dubai governments announced that some restrictions were being eased in respect to mall closures as they look to gradually ramp up economic activity again. However, the types of shops allowed to reopen was very limited with regulations in place that include not exceeding 30% capacity at any time.

Social Media and E-commerce Become More Important for Beauty and Personal Care

Very few potentially revolutionary trends emerged in beauty and personal care in the UAE towards the end of the review period. The industry is generally quite mature, with demand in many categories already saturated, including across both mass and premium brands. However, it became increasingly apparent over the course of the 2019 that it is now absolutely essential for

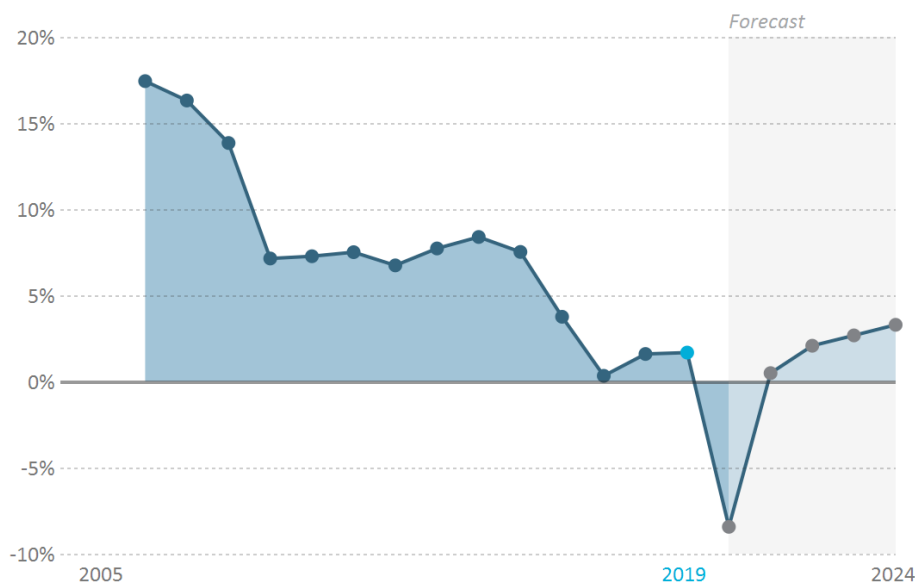
brands with any ambition to be seen as a leading player in beauty and personal care in the UAE to be engaging fully with social media and e-commerce. Internet access in the country is very high, as is smartphone ownership and engagement with social media. As a result, bloggers and social media influencers have emerged as vitally important players in beauty and personal care due to their ability to reach huge numbers of consumers. Some of these bloggers have even made the leap to the names and faces behind entire brands, notably local beauty blogger Huda Kattan, who heads the emerging premium brand Huda Beauty. Obtaining a positive review or recommendation from a blogger or vlogger is now considered to be one of the most important marketing moves that a beauty brand can make and this is likely to ensure that social media comes even more important and influential in the marketing of beauty and personal care during the forecast period.

Meanwhile, e-commerce is still an early stage of development in the UAE and this is tied to the country’s very strong retail shopping culture. Indeed, for many residents of major urban areas such as Dubai and Abu Dhabi, “retail therapy” is seen as the ideal way to wind down from their stressful work lives. There are very many people in the country who spend the vast majority of their leisure time in shopping centers, which in the UAE also serve as comprehensive foodservice, leisure, and entertainment facilities. However, many of the country’s busy and time-pressed professionals have also come to appreciate the convenience of online shopping and home delivery. Furthermore, there are increasing numbers of niche premium beauty and personal care brands that are only available online. In response, the country’s leading beauty specialist retailers have all established very strong and popular e-commerce websites, with Sephora and Paris Gallery leading the way in this respect.

Sales Performance of Beauty and Personal Care in United Arab Emirates

% Y-O-Y Retail Value RSP Growth 2005-2024

1.7%



Furthermore, the involvement of pure play e-commerce retailers in beauty and personal care has increased significantly recently. This is tied to the rising popularity of e-commerce platforms such as Farfetch, which is positioned as the “Amazon of luxury”, and luxury e-commerce player Ounass, which recently collaborated with Snapchat to create a virtual boutique featuring augmented reality technology and 3D visuals.

The Leading Multinationals Face Strong Competition from Emerging Niche Players

2019 witnessed a furthering of the trend noted in 2018 by which the leading multinational players in beauty and personal care are increasingly facing challenges due to the shift in demand towards emerging niche brands. The two main areas into which sales are moving are South Korean brands, part of a global trend known generically as “K-beauty”; and local brands that target the local Arab population with products that are designed specifically to meet their needs. The so-called “K-beauty” trend has so far involved mainly premium brands. However, faced with a certain level of saturation in premium sales, the leading South Korean beauty brands are now looking to widen their appeal by tapping into mass demand. During 2019 for instance, Face Shop used quirky packaging to attract consumers, while the brand’s mass face masks performing particularly well due to rising consumer concern over air pollution and dust. Among the most dynamic local brands meanwhile are Shiffa Beauty and Huda Beauty. Shiffa Beauty was recently launched by Dubai-based Dr Lamees Hamdan and it has a natural and herbal positioning. Shiffa has emerged strongly and is already a leader in the emerging area of “clean” beauty, with the brand’s entire range of products available from Sephora outlets. All Shiffa products are more than 80% organic and contain natural ingredients sourced from the Middle East, including rose from Iran and jasmine from Egypt. Moreover, Shiffa’s Dubai origins are clearly indicated on its premium packaging. Huda Beauty meanwhile was started by influential beauty blogger Huda Kattan and the brand made waves towards the end of the review period with the launch of its new skin care range. This followed the late 2018 launch of the brand’s first fragrance Kayali and distributed exclusively via Sephora. These and other key local

players such as Farsali and Lakmé have a major advantage over their international rivals as they have a better understanding of the wants and needs of local consumers and they are also better positioned to cater specifically to these needs. Local brands are also highly visible and are usually positioned side-by-side with European brands in leading beauty specialist retailers such as Paris Gallery and Sephora.

Positive Sales Growth Expected to Continue Over the Forecast Period

The forecast period is set to see moderate positive growth continue to be registered across beauty and personal care in the UAE. Although most categories have already reached a certain level of maturity and despite demand being saturated across both mass and premium beauty and personal care, there remain many opportunities for brands to continue developing their image and ensure ongoing positive sales growth. While the focus is likely to remain on premium brands in an affluent country where luxury, prestige, and cachet count for a lot, the COVID-19 pandemic has brought the spending habits of many consumers into sharp focus. This is likely to result in many people rationalizing their spending on beauty and personal care during the forecast period, with masstige brands likely to be seen as an acceptable compromise in terms of quality and price for many consumers. In addition, the cultural focus is likely to turn back toward traditional Arabian fragrances and beauty methods, with mainstream Western brands expected to seek to tap into the strong and proud history of personal grooming in the Middle East to give their products an exotic edge in the West while appealing directly to their affluent and discerning Middle Eastern clients. Finally, the trend towards the internet becoming a more important sales and marketing platform for beauty and personal care brands is expected to accelerate. Engaging with social media and e-commerce are already considered essential elements of a comprehensive marketing strategy for industry players and this is likely to be brought into even sharper focus over the forecast period. ■

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Food Goes Back-to-Basics to Move Forward

