

The Dubai Shopping Festival

DIVERSIFICATION IN THE EMIRATI ECONOMY

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he Dubai Shopping Festival (DSF) celebrated its 20th anniversary during its month-long run in January 2015. The festival, led by the Dubai Festivals and Retail Sector Promotions Establishment (DFRSPE), welcomed over 4.4 million visitors from all over the world and included a full calendar of more than 150 entertainment events complemented by fireworks, live music from regional stars, and widespread, tax-free sales.¹ New for 2015 was a Celebrity Pop-Up Shop that featured American fashion star Nicole Richie among others, and it offered the opportunity to win a piece of the 'Dubai Celebration Chain' – a 5.5 km long, 256 kilo heavy gold chain² fashioned as the world's longest handmade gold chain. This was just the latest installment in a festival that, in two decades of existence, has drawn in over \$39 billion in revenues for the travel, retail, hospitality, and entertainment sectors.³

In the face of the DSF's opulent success, it is hard to comprehend that, forty years ago, Dubai was considered one of the least-developed regions in the world.⁴ The transformation of Dubai into one of the world's top tourist attractions is a testament to its success in leaving behind developing-nation status to become an internationally renowned economic center, all in just a few short decades. The DSF serves as an exemplary case study in which the previously oil-centric emirate diversified its economy by capitalizing on the intersection of retail and tourism—creating thereby the profitable tool of “shopping tourism.”

In the early 1980s, oil production in Dubai accounted for two thirds of the country's gross domestic product (GDP), effectively carrying the emirate's economy.⁵ However, the volatility of oil resources spurred Dubai to take significant steps to increase non-oil sectors' economic contribution by the year 2030.⁶ Dubai's Department of Tourism and Commerce Marketing (DTCM) now reports that tourism accounts for 22.6% of the emirate's gross domestic product, leaving oil to account for only 7%.⁷ This shift places tourist-centric events like the DSF at the forefront of Dubai's economic stage.

This article will address the DSF's distinct impact in the four subsections that follow. The first will supply an overview of Dubai's oil-driven rise from developing nation to advanced economic center, providing context to the emirate's ability to facilitate mass tourism. The second will look at Dubai's focused efforts to diversify its economy—by way of robust retail and tourism industries—through particular projects and initiatives. The third will explain the specific lengths

to which the government has gone to facilitate this economically advantageous national event, and shed light on the shopper's experience within the event. The fourth will conclude by assessing the utility of the festival model in advancing tourism industry progress by evaluating its effect on Dubai's economy as a whole. This article utilizes data from official sources within the Dubai government, such as the Dubai Economic Council and the Dubai Statistics Center for tourism, retail, and economic statistics. It also incorporates Arab press coverage of the DSF as well as findings from previous research on subjects from experiential marketing models to the historical economic development of Dubai and the United Arab Emirates (UAE).

Dubai's Rise to International Port and Commercial Hub

Before oil concessions changed the fabric of Dubai's economic system, the emirate was already an active trade center in the Arab Gulf, though only made up of a small cluster of settlements near the Dubai River.⁸ Dubai prospered from positive relations with Britain, and its merchants frequented British-controlled Bombay with their wares. However, the main revenue streams of the emirate shifted unavoidably when the Great Depression hit in the 1930s. The mercantile pearling industry collapsed, and air travel and oil simultaneously became the new cash cows of the region.⁹

The breakdown of the pearling industry hastened the merchant oligarchy's loss of power in Dubai while new revenues increased the power of the ruler of Dubai, Sheikh Saeed bin Maktoum bin Hasher Al Maktoum

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(1912-58). Britain chose Dubai as the location for an air base in 1934, which began its influence as a port for air travel as well as sea travel—a distinction that it continues to hold today.¹⁰ Oil exploration began shortly after, and royalties poured into the treasury of the ruling sheikh. Despite the resource royalties, however, the collapse of the mercantile trade system and the British's biased protection of Indian merchants caused a deep depression in Dubai.

In the 1940s, the Arabian Gulf was hit hard by the Second World War as supplies were cut off and famine spread through the region. Nevertheless, Dubai was able to prosper as a trading post at the expense of other poorer Gulf countries, like Qatar and Bahrain, by opening a black market for colonial food rations from Britain. At this point, Dubai's energetic business community and British Political Agent status gave Dubai a leg up in international trade into the 1950s.¹¹

Dubai's merchant community set the groundwork for the diversification of its economy by improving the ports and waterways. Accommodations were made for large import steamer ships at the end of the

1950s, and Dubai's modern economic success was spearheaded by the trade-minded Sheikh Rashid bin Saeed Al Maktoum, the Vice-President and Prime Minister of the UAE and Ruler of Dubai (1958-90).¹² Sheikh Rashid is famously known for transforming Dubai from a modest settlement to an international commercial hub, which he did in part thanks to new-found oil wealth. But he was well-aware that oil was not a permanent basis on which to build his emirate's economy. A quote popularly attributed to him is, "My grandfather rode a camel, my father rode a camel, I drive a Mercedes, my son drives a Land Rover, his son will drive a Land Rover, but his son will ride a camel."¹³ The quote emblemizes the Sheikh's intention to break Dubai's dependency on oil before fossil fuel ran out. It reveals his determination, in other words, to avert the return to the camel.

For this purpose, Sheikh Rashid continued to focus on improving trade even as oil concessions grew. He began modernizing Dubai through the 1960s by providing the first modern medical care in the lower Gulf, as well as building on education reforms, establishing a professional police force, and setting up the

modern municipality. The Sheikh allowed for the privatization of many community services and utilities by merchants, namely electric and telecommunications.¹⁴

In the 1970s, oil extraction in the Arabian Gulf grew rapidly, and oil wealth was used in Dubai to develop infrastructure, such as further improvement of the port, and to make its citizens significantly more prosperous.¹⁵ Sheikh Rashid continued to pursue

Image of Dubai in the mid-20th century, on display at the Dubai Museum. Wikimedia Commons.



sustainable economic and administrative reforms that aided the success of business. For example, thanks to the city's low tax system, customs duties in Dubai have never exceeded 2 percent.¹⁶ Communications and industrialization industries developed alongside oil trade, and Dubai's commerce with other Gulf countries grew and diversified until the mid-1990s. Dubai again profited off of wartime trade during the Iraqi-Iranian war by maintaining a safe alternative to the dry ports of Kuwait and Iran, and by smuggling consumer goods cargoes into Iran.¹⁷

The trade sector in Dubai continues to benefit from a robust market economy and political stability, maintaining Dubai's port as one of the busiest in the region. These efforts fashioned the city of Dubai as the most active business center in the Gulf, attracting investment from Europe and the Far East, to say nothing of its Arab neighbors.¹⁸ In the 1990s, Dubai fine-tuned its diversification efforts, positioning itself to abandon all oil dependency by 2010.¹⁸ Through shrewd and responsible investments in its own future, Dubai developed new, sustainable sources of income and new sectors such as retail and tourism.

Taking the Initiative for Retail Tourism

Dubai's first innovations to welcome robust tourism began in the early 1980s under Sheikh Rashid. He delineated a strategic vision for the emirate in which tourism would encourage direct foreign investment and wider business development rather than simply function as an independent sector.²⁰ Therefore, the initial developments were intended to target business travelers in western Europe and neighboring Gulf Cooperation Council (GCC) countries. These efforts included infrastructural and transportation developments, such as the establishment in 1985 of the state-owned Emirates Airlines. The government also set up the Dubai Commerce and Tourism Promotion Board (DCTPB)—a government body in charge of promoting Dubai's status as an international destination.

By 1996, tourist arrivals reached 1.9 million, marking the success of the Sheikh's primary strategies.²¹ The initial momentum encouraged additional policies to

follow, such as the 1997 creation of the Department of Tourism and Commerce Marketing (DTCM) which established "the principal authority for the planning, supervision and development of tourism in the emirate."²² The government also legislated several successful pro-tourism policies, such as more liberal trade policies and the elimination of traditional dress code and alcohol consumption restrictions.²³ The government also made a series of key facilities investments. Specifically, the development of several lavish hotels was aided by large involvement from state-owned international hotel chain brands, such as Jumeirah.

One of the most notable accommodations projects by Jumeirah was the Burj Al Arab, the futuristic hotel contained on its own island. The state-supported hotel offers a helicopter landing pad, gold iPads for every guest, chauffeur-driven Rolls Royces, and nightly room rates that start at around \$1,780 USD.²⁴ The majority of Dubai's hotel development projects like the Burj Al Arab are marked by innovative, self-contained resorts which helped to brand Dubai's tourism in the

The Burj al Arab in Dubai. Creative Commons.



“Retail accounts for 29% of the emirate’s GDP, and the Dubai Shopping Festival is the single largest retail event of the year. It contributed approximately \$4 billion to the Dubai economy from retail, hospitality, and travel expenditures in 2012.”

marketplace.²⁵ Dubai made a strong effort to encourage strategic partnerships between the government and private sector to guarantee the success of these massive projects. That open relationship between wealthy public and private firms helped attractions and events like the DSF thrive and evolve over time from public sector to tradable, private sector entities.²⁶ In this way, Dubai has been able to lead the region in business innovation through its willingness to implement more open economic policies. On top of progressive economic policies, Dubai liberalized visa restrictions in 2001 which led to an immediate 30 percent uptick in the annual growth rate of tourist arrivals, accommodating a total of 4.7 million tourists that year. In 2006, within ten years of the creation of the DTCM and the DSF, Dubai welcomed over 6.4 million tourists.²⁷

Inside the DSF’s Formation

As established in the foregoing section, the government of Dubai went to many specific lengths to encourage tourism attractions of all types. The DSF was one of these endeavors: a shopping extravaganza intended to reduce the seasonality of tourism travel to Dubai, and to allow Muslim tourists and regional travelers to let off steam after four weeks of fasting during the Islamic holy month of Ramadan. Therefore, the timing of the festival shifts annually relative to the Gregorian calendar in common global use.²⁸ The original idea of the festival was to utilize the existing fifteen shopping malls in Dubai to create a festival that would offer a combination of experiences other than just shopping—namely family entertainment and sweepstakes.²⁹ The DSF then quickly became one of

the world’s leading unique and creative event offerings due to a well-researched and systematically-planned package.³⁰

The first festival launched in 1996 was prepared in only forty-five days due to efforts taken by an organizing committee made up of general managers and directors of different corporate houses in Dubai.³¹ More than 160 nationalities made up the population of Dubai at the birth of the festival, allowing the planning committee to shape attractions for a variety of cultures—a flexibility that has remained one of the keys to its unique success.

Government backing also aided the DSF by facilitating waivers for event implementers to ease government regulations surrounding the production of the festival. Beginning with the first year of the festival, government-owned Emirates Airlines offered cut-rate flights and was deemed the official transporter of the event.³² The airline aids in promotional duties, which range from bearing the logo of the festival on its aircrafts to distributing festival brochures in-flight. The Dubai International Airport also accommodates visas designated to aid tourist travel for the DSF, and state officials arranged the mooring of Greek cruise ships in the emirate’s harbor to allow for more accommodations in the early years of the festival.³³

The government is also charged with providing the proper safety elements and public location management. The Dubai Metro Fashion Show is a specific instance in which government authorities annually aid the physical logistics of festival events. The fashion show takes place during the DSF within moving trains



One of the marketing posters used to advertise the DSF's 20th anniversary. UAE Interact.

in the Dubai metro system with the models utilizing train cars as runway platforms.³⁴ This event is organized in collaboration with the Roads and Transport Authority (RTA) to arrange special train lines, and the show is sponsored by private sector clothing retailer Bloomingdales. This collaboration perfectly illustrates the public-private partnership at the core of the DSF's success.

The Utility of the Festival Model for Dubai's Economy

The festival platform itself is a creative and advantageous method that helped to imprint Dubai as an international destination. Festivals are an age-old model that have been used worldwide to express a host nation's culture and technology, but the modern events marketing tools that the DSF utilizes bring the model of the festival successfully into the 21st century.³⁵

Through its emphasis on hotel accommodations and entertainment, Dubai's festival model provides an enthralling, multifaceted setting for retail that captivates the consumer. Research has shown that shoppers focus on more than just the objects they

purchase; their propensity to buy is very much shaped by their shopping experience and environment.³⁶ A variety of multi-day events within the frame of a festival or Mega-event is the answer to this consumer, and therefore the genius of the DSF model.

The challenges of such a grandiose model are few but significant. A consistent integration between all actors in the fes-

tival—the private sector, retailers, hospitality sector, public sector, and government authority bodies—is a necessary but not simplistic balance for the festival planning body (DFRSPE) to coordinate.³⁷ However, the authoritative bodies most often work willingly in collaboration with the DFRSPE, in particular for the aforementioned Dubai Metro Fashion Show. The festival model is also challenged by the aim of maintaining customer loyalty during the obligatory one-year gap in between festivals.

However, the DSF still has an undeniable, distinct effect on Dubai's economy as a whole. Retail accounts for 29% of the emirate's GDP, and the DSF is the single largest retail event of the year.³⁸ According to the DFRSPE, the DSF contributed approximately \$4 billion to the Dubai economy from retail, hospitality, and travel expenditures in 2012. Over the last two decades in total, the festival has drawn over 56 million visitors to the emirate, and has resulted in total expenditures in retail, hospitality, and entertainment industries exceeding \$39 billion.⁴⁰

Heightened revenues during the festival are seen from retail to financial services, where profits are growing each year as the DSF continues to gain popularity.

The leading currency exchange company Al Fardan Exchange reported an 8-10% increase in currency exchange transactions during the first two weeks of the 2015 festival compared to the same period in 2014.⁴¹ The travel sector saw an increase of around 5% in hotel bookings and occupancy during the 2015 festival compared to the 2014 festival, and Emirates Airlines reported a 12% increase overall of travelers flying to Dubai during the DSF.⁴²

Conclusion

The DSF has helped to brand Dubai in the world market; while the majority of festival visitors still come from neighboring GCC countries like Saudi Arabia, the DSF has seen an increase in visitors from Europe, namely the UK and Russia.⁴³ Dubai as a whole has seen major growth in tourism from non-Arab countries, with Europe and Asia leading the pack. From the most recent Dubai Statistics Center report from 2013, only about 3 million of the 9 million tourists total were from other regional Arab countries; 2.4 million were from Europe and 2.3 million were from Asia and Africa.⁴⁴

Through these bounds outside of the Arab world, Dubai now holds a permanent place in the international skyline. The emirate's signature, futurist skyscraper-hotels are famed for their height and decadence. Dubai has grown from a bustling but small settlement into a world center in just a few short decades. While oil revenues functioned as the basis for expansion, the international reach and influence of Dubai was due wholly to its government's shrewd liberal market initiatives. The DSF is the embodiment of these efforts, and of the lucrative intersection of retail and tourism. The two sectors reach beyond the bounds of their industries by benefitting the financial services sector and providing manifold opportunities for investment. The specific festival model provides a customizable experience for each individual consumer, defining the Dubai brand and helping to change the face of a young, underdeveloped state. ♦

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