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# CIRCULAR FASHION POTENTIAL

*IN THE GCC*

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We are proud to embrace more sustainable business models, maintaining our commitment to customer centricity and experience. In response to the growing demand for ethical consumption, over the past few years, we've expanded our efforts in circular economy while paving the way to our Net Zero Commitment as a Group.

Our 'Circular Fashion Potential in the GCC' report provides deep insights into consumer attitudes, behaviors, and motivations in circular fashion. This is a critical step, especially for an industry like fashion, which contributes ~10% of global CO<sub>2</sub> emissions. Our report reveals the GCC luxury re-commerce market is worth more than 500 million and is expected to grow by 10%-15% annually to reach USD 760-780 million by 2026.

As we witness luxury brands and retailers adopting circular business models, we recognize our role and the opportunity to not just meet but lead consumer needs. We aim to guide them on a journey towards a more circular and sustainable future through increased offerings, education, and behavior change.

**PATRICK CHALHOUB**  
GROUP PRESIDENT



In line with our Chalhoub Impact framework, this report marks a significant leap in integrating Environmental, Social, and Governance (ESG) principles into our business model. Our commitment to pave the way to Net Zero by 2040 reflects our dedication to combatting climate change. Through circular initiatives with brands like preloved & buy-back at Level Shoes, rental at Tanagra, and refillable solutions at L'Occitane, we're actively embedding sustainability into our core.

The report reveals key insights: GCC consumers show a strong interest in buying pre-loved items, particularly in bags (20%), watches (18%), and jewelry (16%). Top reasons for buying pre-loved include affordability (43%), investment potential (42%), and access to limited editions (40%). A significant 70% have resold items in the past year, driven by a desire to make money (42%) and finance new luxury purchases (41%).

This signals a transformative shift, sustainability converges with luxury, reshaping consumer choices and industry norms. This report serves as a compelling business case for circularity, clarifying the current landscape, highlighting trends, and showcasing our commitment to sustainability. As we explore development avenues, we stress the importance of alignment among policy makers, regulators, brands, retailers, and customers, keeping our focus at the initiative level driven by interested brands and consumer affinity.

**FLORENCE BULTE**  
CHIEF SUSTAINABILITY OFFICER



# PREFACE

## Chalhoub Group used the following input for this report:

1. **Desk research** reviewing data and insights from publicly available sources
2. **15 interviews with stakeholders** from Chalhoub and re-commerce players
3. **Survey of 1,300 consumers across the GCC region:**
  - 500 in United Arab Emirates, 500 in Saudi Arabia, 150 in Qatar, 150 in Kuwait
  - Age groups: 18-24, 25-34, 35-44, 45-54, 55+
  - Mix of locals (64%), Arab expats (20%), Asian expats (14%), Western expats (2%), 50/50 split male/female

Other external sources are listed on the bottom of each page

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By their nature, these forward-looking statements are subject to important risks and uncertainties and factors that go beyond control of the Chalhoub Group's ability to predict.

These forward-looking statements should not be considered as a guarantee of future performance: the actual results could differ materially from those expressed or implied by them.

The forward-looking statements only reflect Chalhoub Group's views and opinions as of the date of this document, and Chalhoub Group does not undertake to revise or update these forward-looking statements.

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**01/** LUXURY BRANDS AND RETAILERS ARE INCREASINGLY ADOPTING CIRCULAR BUSINESS MODELS

In the past years, **new business models** have been introduced to expand fashion's circular offering: **Re-commerce, Rental, Repair, Redesign, Recycle and Re-invent**. **In luxury, brands and retailers** are **positioning themselves in the market**, mainly focusing on re-commerce, repair and upcycling initiatives and have launched various concepts either independently or with partners

**02/** GCC RE-COMMERCE MARKET IS WORTH USD 3.0-3.5BN, OF WHICH 480-500M IS LUXURY

**GCC re-commerce market** is expected to reach USD 10.5-11bn by 2026 (CAGR +26% to +30%) with **luxury re-commerce worth USD 760-780m** (CAGR +10%-15%). It is anticipated that the penetration of luxury re-commerce in the GCC (5%) will remain behind other regions (e.g. US with 31%). **The luxury re-commerce market is expected to become more mature** with **new service offerings**, such as authentication, improvement of the selling experience and the after-sale services as well as finance options

**03/** GCC CONSUMERS ARE INTERESTED IN BUYING PRE-LOVED, BUT EVEN MORE IN SELLING

While **1/3 of consumers purchased a pre-loved item in the last year** already, another **1/3 intend to do so** in the future. Bags (20%), watches (18%) and jewelry (16%) are the categories that receive most interest. Top reasons for buying pre-loved are not being able to afford the item brand new (43%), investment reasons (42%) and access to limited editions (40%). **Re-selling is even more widespread**, as **70%** have re-sold an item in the past year, mainly jewelry (36%) and watches (35%). Re-selling is driven by the desire of making money (42%) and financing new luxury purchases (41%)



# AGENDA

01/ WHY CIRCULAR FASHION MATTERS?

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02/ RE-COMMERCE IN THE LUXURY FASHION INDUSTRY

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03/ GCC OPPORTUNITY AND VOICE OF THE CONSUMER

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04/ LUXURY RE-COMMERCE MARKET OUTLOOK

**Circularity** is particularly relevant for fashion as it is one of the least sustainable industries, accounting for ~10% of global CO<sub>2</sub> emissions



Produces **10% of all carbon emissions** - more than all international flights & maritime shipping combined



The **2<sup>nd</sup> largest consumer** of the world's **water** supply



Responsible for **20% of all industrial water pollution** worldwide



Consumers **buy > 80B new pieces** of clothing every year. This is **400% more than** what was consumed **20 years ago**



**Clothing utilization**—the number of times a garment is worn before it is discarded—has **decreased by nearly 40%** in the last 15 years



Average number of **collections / year** has gone **up from 2 to 5**. Some fast fashion retailers have more than 20



**85% of all textiles end up in a landfill each year, with less than 1% of the materials getting recycled**

SOURCE: BusinessInsider, McKinsey & Company, Ellen MacArthur Foundation; Fashion United

# Circularity in fashion aims to extend the product life-cycle through different business models

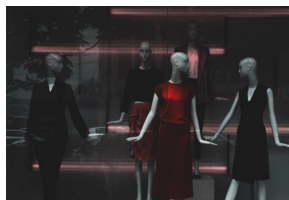
**Circularity** is a model of production and consumption, which involves reusing, sharing, leasing, repairing, refurbishing, and recycling existing materials and products as long as possible. In this way, the **life cycle of products is extended**

## DISTRIBUTION-RELATED



### 01/ RE-COMMERCE

Buying and selling of **previously owned fashion items** from specialized **marketplaces and consignment stores, predominantly online**

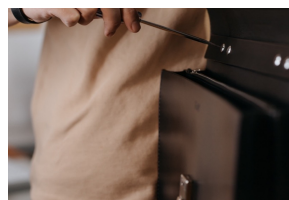


### 02/ RENTAL

Providing customers with the opportunity to **rent fashion items for a period of time**, allowing them to discover brands and rent items for specific occasions

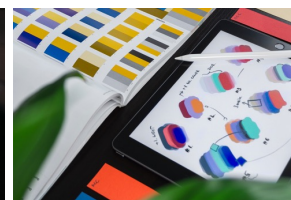


## PRODUCT-RELATED



### 03/ REPAIR

Providing **repair and restoration services** for damaged or heavily worn fashion items to **extend the product life cycle**



### 04/ REDESIGN

Use **existing items** as a basis to **create something new** by combining it with other garments and materials or using embroidery and patchwork (**upcycle**)



## MATERIAL-RELATED



### 05/ RECYCLE

**Reuse an item's raw material** in order to manufacture **something new**



### 06/ RE-INVENT & REDUCE

Create items by **using innovative and sustainable fibers**, easier to reuse/recycle designs or less collection cycles



Relative market size

SOURCE: Chalhoub Group Analysis



## Luxury groups & retailers *have introduced different circular business models, mainly focused on re-commerce, repair & upcycling*

### KERING

In 2021, invested in Vestiaire Collective and Cocoon, a luxury bag rental platform. Some brands (e.g. Gucci Vault) launched re-commerce initiatives while other do upcycling (e.g. Pomellato), coupled with a strong culture of repair across the Group

### GALERIES LAFAYETTE

(Re)Store launched in 2021 where clients can buy, sell, recycle their items and learn how to care for them with >10 second-hand players and young brands only using recycled or upcycled materials

### BURBERRY

Partnered in 2023 with Vestiaire Collective to launch a pilot resale program. Customers in the UK and US can trade in their items in exchange for a gift card, which can be spent in Burberry's stores or website

### RICHEMONT

Started Cartier's certified pre-owned in 2023, in partnership with the re-commerce player Watchfinder (acquired in 2018). Chloé launched a buy-back program in 2022, while IWC explores bio-based materials for bracelets

### SELFRIDGES

Strong ambition to reach 45% of its transactions made through rental, repair & recycle by 2030. "Worn again" initiative in 2023 with curated secondhand fashion & furniture brands, swap shops, upcycling

### LEVEL SHOES

Launched pre-loved in 2022, focusing on shoes, bags and accessories. Curated assortment with about ~500 products available in August 2023

### LVMH

Created Nona Source in 2021, the 1<sup>st</sup> online resale platform for re-sourcing deadstock fabrics from the Group's Fashion & Leather Goods Maisons. Repair is also a focus for the Group

### NEIMAN MARCUS

Partnered with Fashionphile to resell designer bags & accessories. Customers receive payment up front with a 10% bonus if it is as a Neiman Marcus Gift Card. Items resold through Fashionphile

### OUNASS

Launched pre-loved in 2022, focusing on luxury accessories, bags and jewelry (>30 brands) via partnerships with local vintage boutiques. Selected assortment with ~200 products in August 2023

SOURCE: Companies' websites

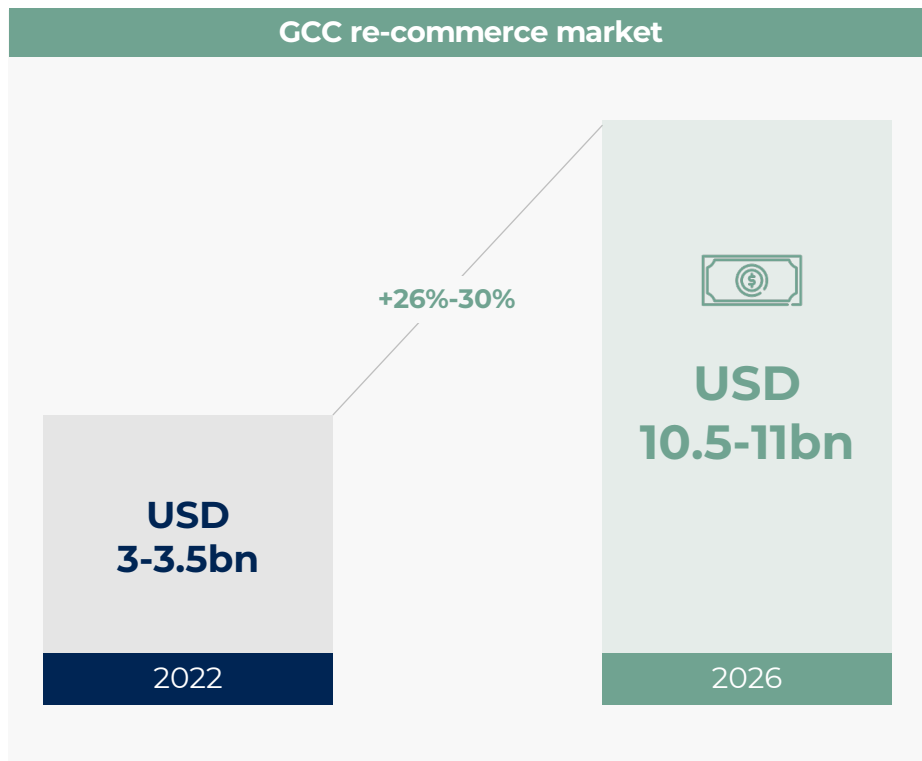
# The fragmented luxury fashion re-commerce space *is set for consolidation*

## Investment transactions – non-exhaustive

	TRADESY	FARFETCH	GOAT	RICHEMONT	NEIMAN MARCUS	KERING	FARFETCH	VESTIAIRE COLLECTIVE	GOAT
	2015	2018			2019	2021			2022
<b>BUYER</b>	PURE RE-COMMERCE RETAILER	RETAILER	PURE RE-COMMERCE RETAILER	LUXURY GROUP	RETAILER	LUXURY GROUP	RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER
<b>TARGET NAME</b>	SHOPHERS	STADIUM GOODS SNEAKERS	FIGHT CLUB SNEAKERS	WATCH-FINDER	FASHION-PHILE	VESTIAIRE COLLECTIVE	LUXCLISIF	TRADESY	GRAILED SNEAKERS
<b>TARGET TYPE</b>	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER ENABLER	PURE RE-COMMERCE RETAILER	PURE RE-COMMERCE RETAILER
<b>TYPE OF M&amp;A</b>	M&A	M&A	M&A	M&A	INVESTMENT MINORITY STAKE	INVESTMENT 5%	M&A	M&A	M&A
<b>VALUE (USD)</b>	N.A.	250m	N.A.	310m	N.A.	215m	N.A.	N.A.	N.A.

SOURCE: Companies' websites

**In the GCC, the overall re-commerce market is estimated at USD 3-3.5bn and expected to grow at a 26%-30% CAGR, reaching USD 10.5-11bn by 2026**



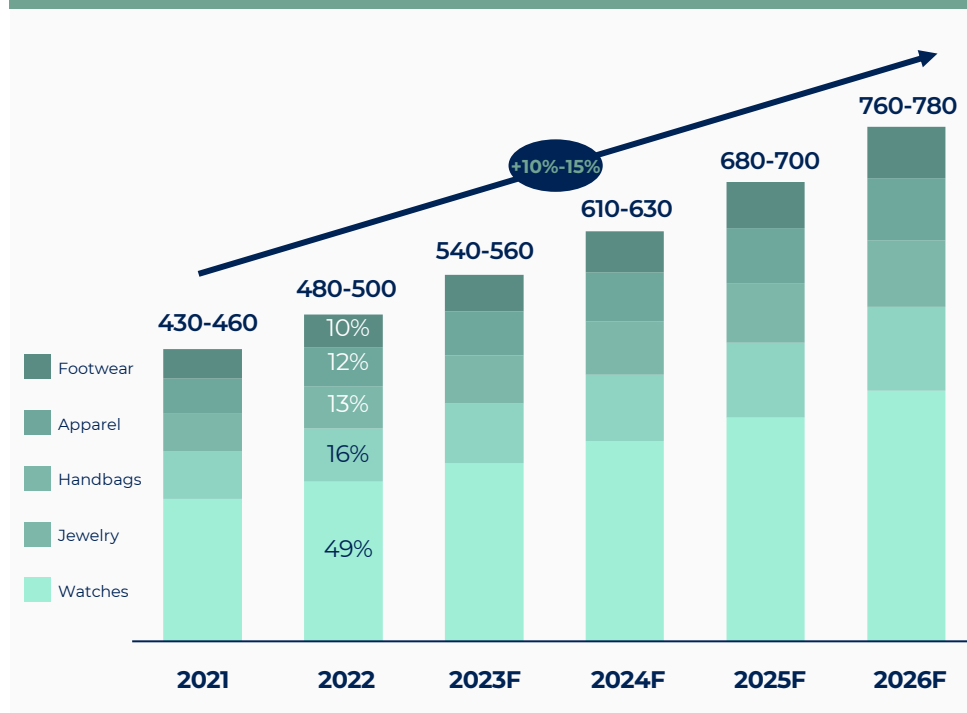
**Drivers of GCC e-commerce market**

- Today, **GCC re-commerce contributes less than 3% to the global** re-commerce market
- GCC market is mainly driven by **Gen Z who prioritize sustainability more than older generations** and contribute to reducing the associated stigma. They view re-commerce as a way of being sustainable while still continuously rotating their wardrobe, hence the importance of the apparel category (64%)
- **For the GCC re-commerce market, apparel** represents the **largest category** (63%), followed by watches (17%) and footwear (9%), handbags (6%) and jewelry (6%)
- Re-commerce in the region is also **gaining momentum due to the rising inflation** (2.5% in KSA, 4.8% in the UAE and 5% for Qatar in 2022), particularly in rents (6.1% in the UAE and 8.6% in KSA in July 2023), resulting in reduced disposable income. This is notably affecting consumers with lower income levels who turn to re-commerce for more affordable shopping options

SOURCE: Chalhoub Group Analysis, 2022 inflation rates are the average yearly CPI variation as published by the statistics authorities of each country

## Zoom into luxury: The GCC luxury re-commerce is worth USD 480-500m in 2022, with growth expectations to reach USD 760-780m by 2026

GCC total luxury re-commerce market (USD m)



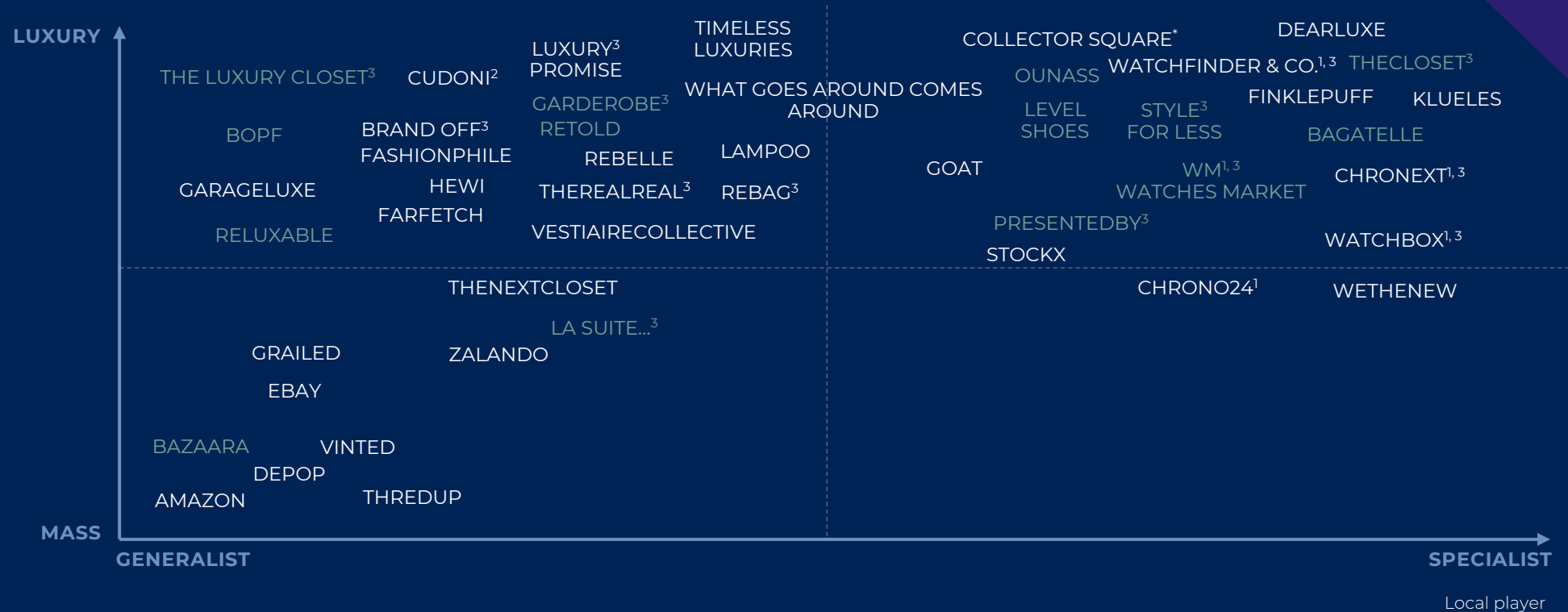
Share luxury re-commerce to total luxury market (%)

GCC	CHINA	VS.	US	JAPAN
5%	5%		31%	28%

- While **GCC luxury re-commerce is picking up** at a CAGR of +10%-15%, it is behind the global re-commerce market which is growing at +36%. GCC **luxury re-commerce** penetration is projected to remain behind other regions due to:
  - o **Nascent interest in sustainability** – ranks 9<sup>th</sup> when choosing between luxury brands, whereas 65% of luxury consumers in the US take fashion houses' sustainability commitments into account
  - o **Cultural stigma against secondhand, especially for millennials that drive luxury in GCC** – vs e.g. Japan where an attitude of avoiding being wasteful ("Mottainai" or "what a waste") is rooted in the Japanese Buddhist philosophy
  - o **Residents can afford to purchase new items due to higher purchasing power** – estimated annual luxury spending per capita of USD 570 for the UAE, USD 470 for Qatar vs. 300 for the USA and 200 for Japan (2023E)

SOURCE: IMARC, Bain & Company, Boston Consulting Group x Comité Colbert, IMF and Chalhoub Group Analysis

# The re-commerce market in the GCC is scattered through multiple, online players, mainly generalists



Note: Generalist players offers several categories (e.g. apparel, W&J, footwear) while specialist players focus on one or few categories (e.g. handbags, watches)

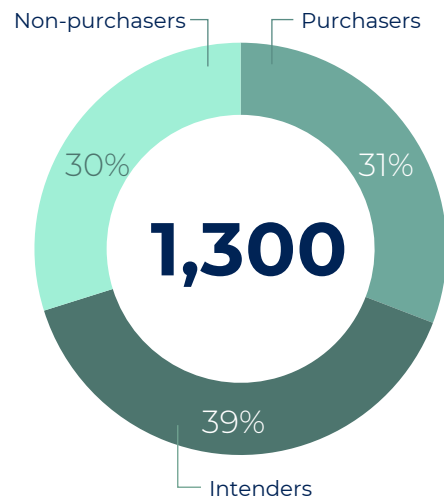
<sup>1</sup> Watches only, <sup>2</sup> Ceased operations in 2023, <sup>3</sup> Omnichannel

SOURCE: Chalhoub Group Analysis

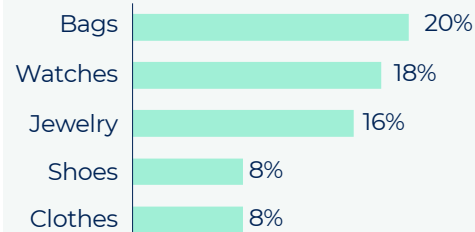


# 1/3 of consumers have bought pre-loved, mainly bags and watches – additionally, 1/3 intend to buy either due to availability or financial reasons

Sample size N=912



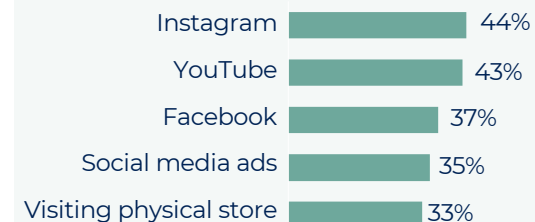
## CATEGORIES PURCHASED IN LAST 12M<sup>1</sup>



## TOP 5 BRANDS BY MENTION<sup>2</sup>

- #1 Gucci
- #2 Rolex
- #3 Chanel
- #4 Louis Vuitton
- #5 Dior

## TOP 5 SOURCES OF INSPIRATION

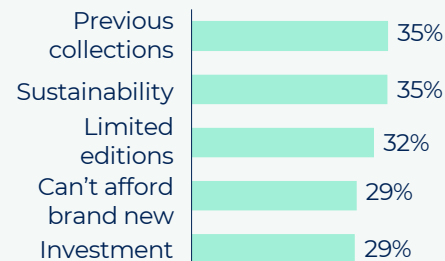


## TOP 5 REASONS TO BUY PRE-LOVED

### Purchasers



### Intenders



## TOP 5 CUSTOMER SEGMENTS

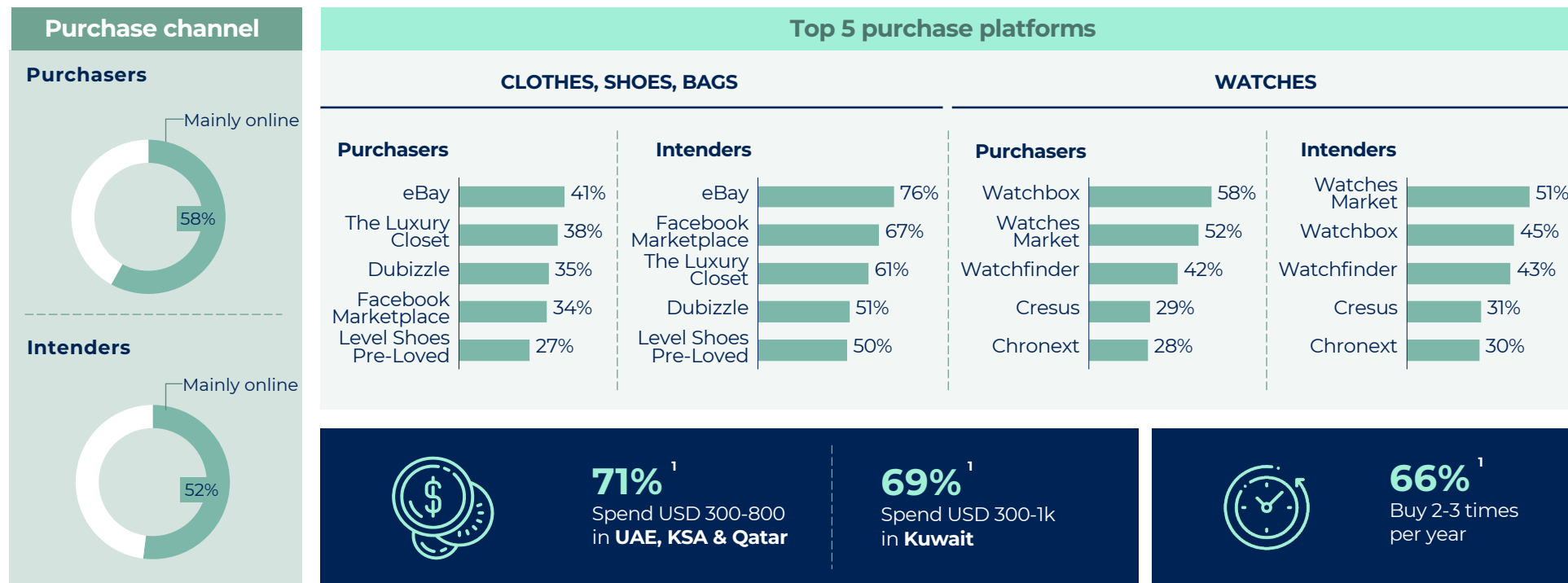
- Collector:** Engages in re-commerce to obtain rare and exclusive items
- Eco buyer:** Buys pre-owned items for environmental reasons
- Thrifter:** Driven to re-commerce due to affordability aspect
- Investor:** Purchases pre-owned items for investment purposes
- Ease seeker:** Uses re-commerce out of convenience (finds it easier and faster)

<sup>1</sup> Purchasers only (N = 401), <sup>2</sup> Top 5 brands for pre-loved purchase by number of mentions. The top 5 brands by value would look different

SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC", 2023

# Online and offline channels are almost equally important – for clothes, shoes, bags, eBay is No. 1 channel, while specialist retailers are chosen for watches

Sample size N=912



<sup>1</sup>Purchasers only (N = 401)

SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC", 2023

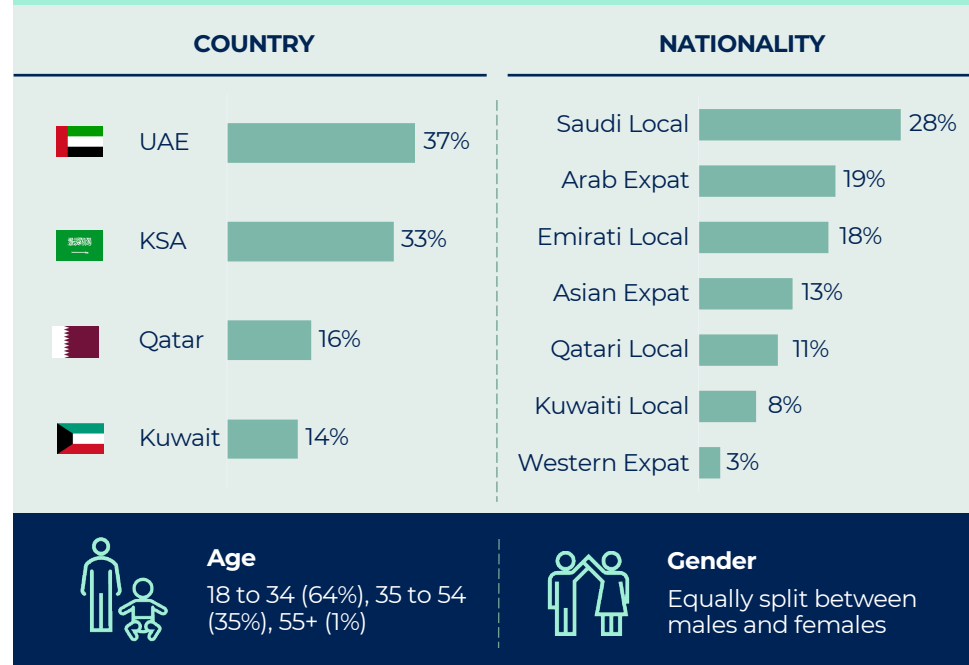
# For non-purchasers, concerns about authenticity and item conditions are key barriers to buy pre-loved

Sample size N=388

## Top 5 barriers to purchase



## Non-purchasers profiling



SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

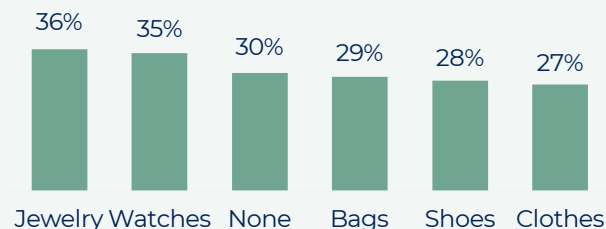
## 3 out of 4 respondents have not only re-sold fashion items in the last year, but also considered the re-sale value before buying

Sample size N=913

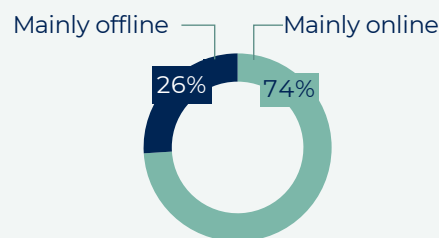
**74%** Sold a luxury item **2-3 times** in last 12M

**73%** Considered the **re-sale value** when purchasing a luxury item

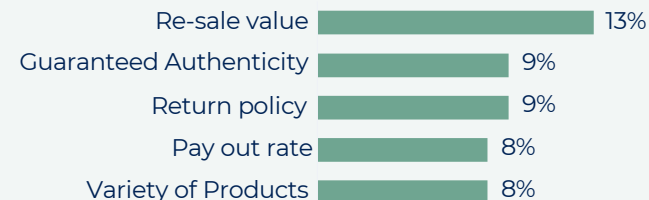
### CATEGORIES RE-SOLD IN L12M



### RE-SELL CHANNEL



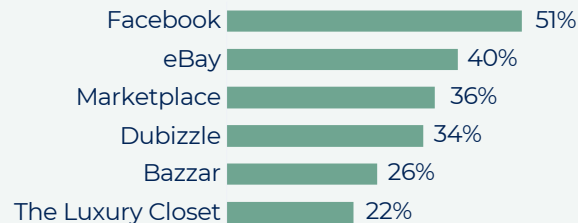
### TOP 5 FACTORS CONSIDERED IN A PLATFORM



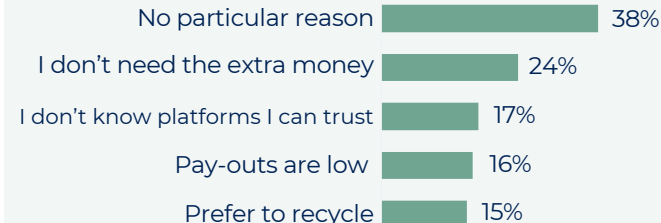
### TOP 5 REASONS TO RE-SELL



### TOP 5 PLATFORMS USED





### TOP 5 BARRIERS TO RE-SELL



SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

## Money and financing new purchases *are key reasons to re-sell across categories*

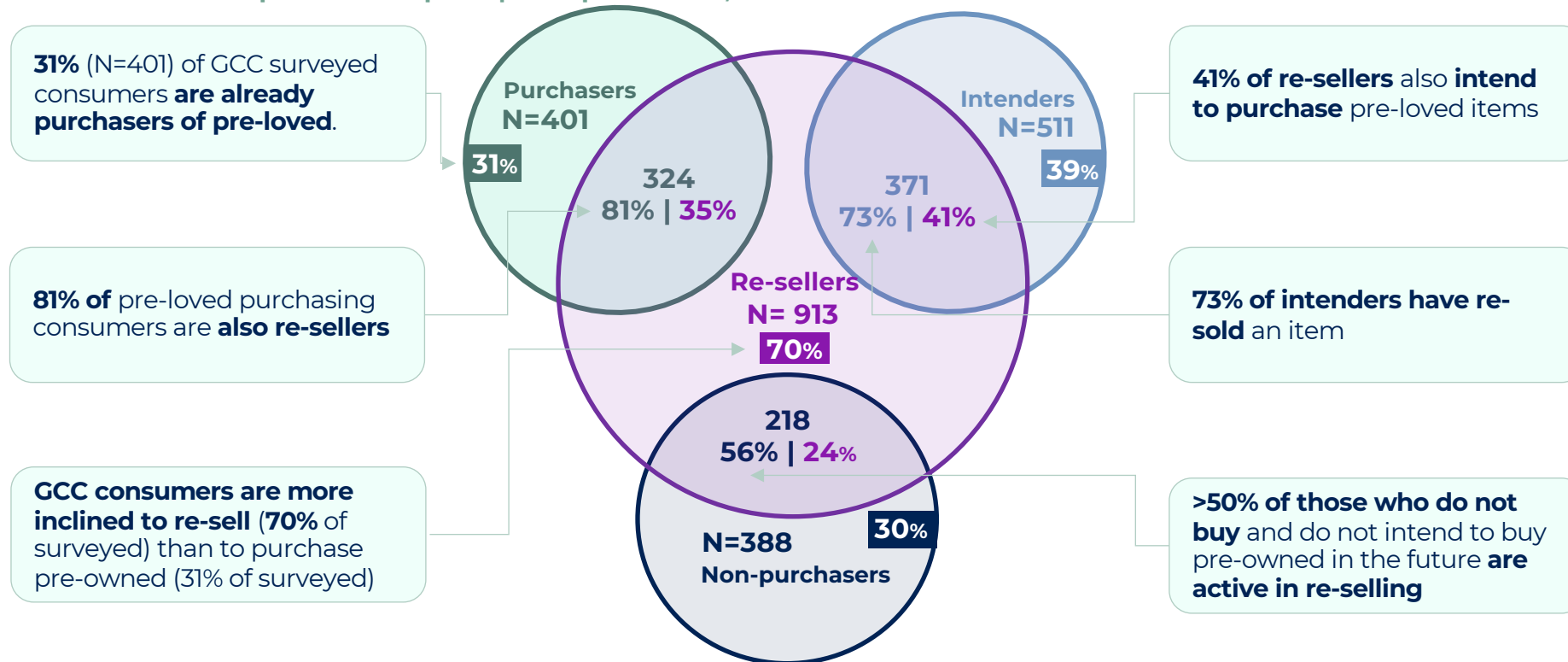
	CLOTHES Base: 352		SHOES Base: 363		BAGS Base: 377		WATCHES Base: 452		JEWELRY Base: 464	
										
CHANNEL										
Mainly online	74%		74%		79%		77%		70%	
Mainly offline	26%		26%		21%		23%		30%	
REASON TO RE-SELL	MONEY	48%	MONEY	49%	SPACE IN WARDROBE	52%	FINANCE NEW PURCHASES	48%	FINANCE NEW PURCHASES	48%
	SUSTAINABILITY	47%	FINANCE NEW PURCHASES	48%	FINANCE NEW PURCHASES	45%	MONEY	47%	SPACE IN WARDROBE	47%
	SPACE IN WARDROBE	46%	SPACE IN WARDROBE	45%	MONEY	45%	SPACE IN WARDROBE	46%	MONEY	46%
PLATFORMS	FACEBOOK	58%	FACEBOOK	59%	FACEBOOK	56%	FACEBOOK	58%	FACEBOOK	58%
	EBAY	39%	EBAY	46%	EBAY	40%	EBAY	39%	EBAY	39%
	MARKETPLACE	39%	MARKETPLACE	43%	DUBIZZLE	39%	MARKETPLACE	39%	MARKETPLACE	39%
FACTORS WHEN CHOOSING A PLATFORM	RE-SALE VALUE	11%	RE-SALE VALUE	13%	RE-SALE VALUE	12%	RE-SALE VALUE	58%	RE-SALE VALUE	58%
	RETURN POLICY	11%	PAYOUT RATE	8%	GUARANTEED AUTHENTICITY	10%	GUARANTEED AUTHENTICITY	39%	GUARANTEED AUTHENTICITY	39%
	GUARANTEED AUTHENTICITY	9%	RETURN POLICY	8%	VARIETY OF PRODUCTS	9%	PAYOUT RATE	39%	PAYOUT RATE	39%

SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023



## GCC consumers seem more inclined to re-sell than to purchase pre-loved

### Consumer behavior – profile overlaps | Sample size N=1,300



SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

# Categories that typically have a higher price point, such as bags, watches and jewelry, attract the same cluster of purchasers

## Categories overlap

### CUSTOMERS WHO BOUGHT PRE-LOVED...

...ALSO BOUGHT OR INTEND TO  
BUY PRE-LOVED...





	CLOTHES	SHOES	BAGS	WATCHES	JEWELRY
CLOTHES	X	55%	21%	28%	27%
SHOES	51%	X	19%	21%	24%
BAGS	51%	49%	X	61%	72%
WATCHES	63%	51%	57%	X	65%
JEWELRY	52%	51%	57%	56%	X

#### Reading example

- Purchasers of pre-loved bags also bought watches (57%) and jewelry (57%)
- Purchasers of pre-loved watches also bought bags (61%) and jewelry (56%)

SOURCE: Chalhoub Group proprietary consumer research "Understanding second-hand luxury purchase behaviour in GCC," 2023

## Outlook: The luxury re-commerce market is expected to become more mature with new service offerings that will become relevant

1 AUTHENTICATION 	2 SELLING EXPERIENCE 	3 AFTER-SALE SERVICES 	4 FINANCE OPTIONS 
<p>The luxury re-commerce market is set to <b>leverage technology</b> for product authentication, e.g. <b>blockchain-backed</b> item authentication, or <b>automation</b> within the process</p> <p>Companies will aim to <b>develop a team of luxury experts who have a deep understanding of the luxury market and who can physically examine</b> products to verify authenticity</p>	<p>Luxury re-commerce players will <b>prioritize personalized and experiential selling</b></p> <p><b>Focus on the seller side</b> will grow to ensure product circulation – a few companies have begun to develop AI-powered platforms to <b>automate the selling process</b>, making the seller journey easy and efficient</p> <p><b>“VIP Concierge”</b> services—where a <b>concierge handles all aspects</b> on a seller’s behalf—will rise</p>	<p>Players in the pre-owned market are expected to <b>extend after-sale services</b> such as <b>warranty, take-back guarantees</b> and <b>repairs</b></p> <p>New players might emerge as pure <b>after-sale services specialists</b>, offering additional services, such as <b>digital wardrobes, customization &amp; upcycling</b> (e.g. Save Your Wardrobe—an end-to-end integrated platform for after-sales services—won the LVMH innovation award in 2023)</p>	<p>Platforms are expected to increasingly propose <b>payment plans</b> (e.g. BNPL with Tabby) to provide more <b>flexibility</b> to customers and to <b>facilitate sales of big-ticket items</b></p> <p><b>Buyer protection against counterfeits</b> (e.g. Chrono24’s escrow service safeguarding funds for 14 days until item receipt and inspection) are set to become the norm</p>
5 GCC SPECIFICS			
<p><b>Trade-ins</b>, offered either directly by brands or retailers, are set to become more prevalent in the region due to the GCC's consumers' high interest in reselling and the high quality of pre-loved items in the region</p>		<p>Platforms will aim for a <b>seamless omni-channel experience</b> cater to GCC consumers' increasing adoption of e-commerce</p>	

SOURCE: Chalhoub Group Analysis



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