

Luxury consumption in tourism: the case of Dubai – Part 2

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ABSTRACT: 2016 was a year of critical discussion and reflection for Nadkarni and Heyes as they considered the luxury image of Dubai in this journal. Discussions outlined the theoretical nature of luxury while also addressing the current hotel industry statistics coming out of the Emirate. Now four years on, Nadkarni and Heyes look to deliver this critical reflective research note to readers and researchers on what is and has happened in Dubai, looking to examine whether the luxury image of the destination is being progressed, maintained or diluted.

KEYWORDS: destination, hotel pipeline, luxury hotels, management, marketing, reputation

Introduction

In 2016, we had an article titled "Luxury consumption in tourism: The case of Dubai" published in this journal. The article outlined the possible negative effects of Dubai's extensive expansion plans for its luxury hotel market. Three years on, and with extensive developments happening in the intervening period, it is now time to see how the inferences that we drew were reflected, based on the data set pertaining to Dubai.

To re-cap briefly on the first article, (Nadkarni and Heyes, 2016) we explored the nature of luxury in a philosophical context. To remind the readers, luxury is very much seen from an individual standpoint (Berry, 1994; Choi, 2003; Weidmann et al., 2009), with common variables associated with the phenomenon, including high price, exclusiveness and high quality (Frank, 1999; Thomas, 2007; Bellaïche, Mei-Pochtler, & Hanisch., 2010; Hoffmann & Coste-Manière, 2012). What is interesting to note, however, is how luxury is very much seen from a present-day standing; that is to say the concept can be considered very much ephemeral — what is luxury today is not necessarily going to be luxury in 10 or 20 years time — despite the arguments of Dubois and Paternault (1995) that for anything to be considered luxurious it should hold an element of history and tradition. The move towards more modern and contemporary luxury powered by sustainability and innovation (Gardetti, 2015) is argued to be the present and future takes on luxury.

The variables of price and exclusiveness were discussed in the 2016 article. We looked to critically construct an argument based on the luxury literature, outlining how Dubai's extravagantly constant development may be putting its so-called "luxury reputation" in jeopardy. While it could be suggested that Dubai started out the larger vision for its tourism industry with the hope of becoming the optimal luxury tourist destination, it could be suggested that time and subsequently the extra development have pushed Dubai's luxury image, especially exclusivity, to the brink of breaking point. Furthermore, we discussed how such

developments are likely to impact on the Emirate's luxury hotel industry from a rack rate/average room rate (ADR) perspective at the time and into the future (to the present day).

Now three years later, we are pleased to showcase the actual live data set coming out of Dubai's luxury hotel industry and to see if we were in fact correct in our predictions. There will also be further critical discussions leading into Dubai's future tourism pathways.

The image of Dubai (2016 re-cap)

The extract below is to remind the reader of Dubai's progress in its tourism developments:

With reports in 2007 speculating that Dubai's oil reserves would quickly run dry and are predicted to be depleted by 2020 at the rate of extraction at the time (Oxford Business Group, 2007), a government-funded strategy against "putting all eggs in one basket" has seen Dubai complement its revenues from the oil industry by hedging on the service sector as a key growth driver of its economy. In comparison to its other co-prosperous GCC peers, Dubai's economy is far more diversified, with the service sector contributing 38.3% to the GDP. Hospitality's share of the GDP as of 2015 stood at 5.6 % (Emirates NBD Bank, 2016).

The increasing emphasis on tourism as an engine of Dubai's economic growth is a logical consequence of the iconic brand that Emirates Airlines has evolved into since its inception in 1985 with two leased aircraft, scaling up rapidly to an all wide-bodied fleet of 236 aircraft in service with over 250 on the order book as of June 2016 (Emirates, 2016). This transportation, some would say, is driving Dubai forward in attracting and delivering high numbers of visitors, year after year. From 14.2 million international visitors (Dubai Statistics Centre, 2016) in 2015, the Dubai Government's Department of Tourism and Commerce Marketing (DTCM, 2015) aims to take this figure to over 20 million by 2020 per its Tourism Vision for 2020 master plan, defying

industry benchmark forecasts that peg the figure at a little over 16 million.

But questions which have circulated in academia about Dubai's successful bid to host the Expo 2020 have provided a stimulus to the non-oil economy as a whole, in particular to the tourism and hospitality industry, against the backdrop of rapid economic growth the Emirate has achieved in recent years (Nadkarni & Jauncey, 2014), making the illustrious target by 2020 achievable. The optimism for achieving the set target despite the economic and political headwinds in its extended geography is fuelled by scalable developments in the domains of logistics, infrastructure, connectivity and the knowledge economy (LICK). Academics have historically used Dubai as a focal point for their case study research. While many are likely to be impressed by the growth in numbers, most notably those businesses looking to capitalise on future investment dealings within the city, others have looked to question the sustainability of the city's growth patterns (Bagaeen, 2007).

Since the 2017 publication, large numbers of projects and hotel development opportunities have been conducted in Dubai. Most notable are the opening of hotels and resorts such as Royal Atlantis Resort and Residence, Paramount Hotel Dubai and Legoland Dubai. Further projects said to be in the pipeline are that of a USD 1.2 billion development, consisting of a 2 200 key hotel, an extension to the Wild Wadi Water Park, 200 luxury apartments and entertainment for all ages. The extravagant nature of resort building make us authors continue to question Dubai's luxury image, possibly suggesting that Dubai is looking to take on a Las Vegas-type of image with mega resorts fit for all. Is exclusivity being enhanced, maintained or diluted? Based on these numbers, it could be assumed that higher numbers are very much in line with that of Dubai's Multiple Commodity Centre (which upholds Dubai's continuous progress in the tourism and hospitality industry based on the wishes of Sheikh Mohammad).

Similarly, an interesting concept which has arisen from Dubai's demand for more affordable luxury is the development of brands such as Rove Hotels by Emaar (Emaar, 2020). The appealing nature of luxury tangibles and intangibles assisted by a more relaxed contemporary and modern style can be said to attract guests from the millennial and Generation Z markets. Such developments suggest that the luxury hotel market in Dubai is further expanding, this time through product and price differentiation. While the concept and definition of luxury is still seen from an individual perspective (Berry, 1994; Choi, 2003; Weidmann et al., 2009), there is still no international definition of a luxury hotel (Slattery & Games, 2010), Dubai's hotel market can be seen to be expanding or stretching its luxury hotel offerings considerably to accommodate a wider customer base with a wide range of different offerings. Nevertheless, to stretch the country's offerings from a luxury hotel product perspective to what could be described as "affordable luxury" again raises further discussions to the already hotly debated topic of Dubai's hotel categorisation system.

From a pricing and occupancy perspective, Dubai's luxury hotels are floundering. The increase in room inventory topped with an unstable economic market made worse by political and other matters around the world (e.g. Brexit, Trump administration, Covid-19, etc.) can be seen to have affected Dubai's hotel market financially, as can be seen in Table 1.

In line with the analysis of the original article, Table 1 validates the conjecture that the number of hotels in Dubai continues to

remain skewed towards luxury properties. That said, data on available rooms across categories of hotels provides a slightly different picture. As shown in Table 2, the total available keys in the budget category has actually registered an increase. Albeit this increase is more modest in comparison to the corresponding figures in the premium segments, it is a reflection of the efforts on the part of Dubai's tourism authorities to augment available budget accommodation in the run-up to Expo 2020 which is due to commence in October 2020.

The overall increase in supply notwithstanding, STR data (November 2018–November 2019) shows occupancy in 2019 (74.2%) being at similar levels to the corresponding figure in 2018 (74.9%), implying growth in the number of tourists has been proportionate to the growth in the supply for rooms. However, this growth has come at the expense of revenue metrics. With ADR in 2019 at USD 146.48 and RevPAR at 108.67, these metrics showed a year-on-year drop of 12.6% and 13.5% respectively. As can be seen, however, the continuous rise in data has continued to effect the luxury 5-star segment, stretching Dubai's luxury hotel inventory and making it more accessible to experience.

Critical discussion

The classic conundrum of achieving growth in occupancy at the cost of revenue metrics is particularly accentuated in a luxury-heavy market such as Dubai. Despite falling revenue metrics resulting from growth in capacity, occupancy levels have remained steady. Furthermore, the 2019 edition of the Mastercard Global Destination Cities Index (Mastercard, 2019), which was also referenced in the original study, pegs Dubai as the fourth most-visited destination city, trailing only Bangkok, Paris and London in that order. The same study places Dubai at the top of the list for international visitor spending, which stood at USD 30.82 billion in 2019. In contrast, at a revenue spend of USD 20.09 billion, Makkah was a close second. What the updated analysis shows is that irrespective of economic drives, brand Dubai continues to be associated with luxury. There is a conscious attempt by Dubai's authorities to drive innovation and sustainability at the top of the agenda which is amply reflected in the theme and organisation of the upcoming Expo 2020 (Nadkarni & Teare, 2019) slated to commence in October 2020. The moot point is whether luxury finds a place

TABLE 1: Dubai hotel inventory

Establishments	2018	2019	% change
5 star	113	128	13.27
4 star	146	158	8.22
1 to 3 star	260	258	-0.77
Hotel apartment [deluxe/superior]	68	68	0.00
Hotel apartment [standard]	129	129	0.00

Source: STR & GlobalDATA (2019)

TABLE 2: Dubai room inventory

Rooms	2018	2019	% change
5 star	38 543	43 133	11.91
4 star	29 908	33 120	10.74
1 to 3 star	22 634	24 491	8.20

Source: STR & GlobalDATA (2019)

in the innovation-sustainability matrix as Dubai moves ahead to position itself as the most sought-after destination on the global tourism map.

As of 2019, Dubai was rated the Digital Capital of the Middle East (smartdubai.ae, 2019), a fitting peak considering 2020 is the year of Expo 2020. With hotel inventory being expanded to accommodate the international visitors from over 192 countries — expected numbers into the Emirate are greatly debated, varying from 11 million (Reuters, 2019) to 25 million (*GulfToday*, 2019) — questions remain based on what will happen to existing hotels once footfall into the Emirate returns to "normal". It is suggested that such real estate will potentially be transformed into residential apartments or office blocks. What is relatively unknown, however, is how and which hotels may be sacrificed. Will the Dubai government look to eliminate some of the cities 5-star hotels to increase exclusivity and assist in an increase in revenue, ADRs and RevPARs for the remaining 5-star hotel market, or will the Dubai government look to eradicate a number of budget hotels to increase Dubai's quality image? Only time will tell.

Conclusion

This article was an opportunity to reflect on our critical discussion written in 2017. Examining and critically analysing Dubai's luxury status, and considering a drastic increase in luxury hotels across the Emirate, this article has helped to offer a more contemporary look at the current state of Dubai's luxury hotel market.

Questions still remain based on Dubai's luxury status. With Expo 2020 coming later this year, considerable questions remain on the trajectory of Dubai after the world event. With inventory (hotel room) numbers likely to be lowered, how Dubai will look to market itself to the world after the event is still to be seen. Will it wish to "return" to luxury ways, or will it look to continue its extravagant promotions as becoming a leading family and resort destination. Until our next update, let's watch and see what happens in Dubai.

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