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Prakash Vel
University of Wollongong in Dubai, pvel@uow.edu.au

Jocelyn Rodrigues
London Metropolitan University

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ONLINE PURCHASE OF LUXURY PRODUCTS IN THE U.A.E.

Prakash Vel and Jocelyn Rodrigues

***Abstract*:** Luxury is an identity, a philosophy and a culture which requires understanding before the adoption of e-business practices because of its intricacies and output are essentially different from other types of goods. Factors such as culture, personal characteristics, website quality, and vendor characteristics influence the online purchasing behaviour of consumers thus making it a complex area of study. This paper explores the scope of e-retail for luxury consumption in the U.A.E. by identifying what motivates and de-motivates online purchase behaviour of U.A.E. consumers and necessary hypotheses have been drawn to reflect behaviour between online luxury preference consumers and non-online luxury preference consumers.

Keywords: e-Retail, Luxury brands, U.A.E. consumer

I. INTRODUCTION

The United Arab Emirates (U.A.E.) has become one of the world's most popular destinations for tourism, residence, work and shopping. The U.A.E. is made up of seven emirates (Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Quwain, Ras al-Khaimah & Fujeirah) which together formed the federation in 1971. The U.A.E. has become house to a number of world records for example, Burj Khalifa (the world's tallest building), the three Palm Islands (the world's largest artificial islands), and Dubai Mall (the largest shopping mall in the world). The current internet penetration figures assume 2.4 users per subscription. TRA projections indicate the number of subscribers are expected to increase from 1.44 million in 2009 to 2.66 million in 2012. The use of the Internet is extensive, by 2007 there were already 1.7 million users [1]. Although home to a diverse and multicultural society with advancement in the fields of tourism, retail, construction and technology and also home to all major leading international brands, the fact that online retail or e-Retail in this region is unpardonably out of date is indisputable.

K.Prakash Vel, Associate Professor, University of Wollongong in Dubai, P.O.Box: 20183, Dubai, UAE (corresponding author's e-mail: prakashvel@ uowdubai.ac.ae).

Jocelyn Rodrigues, student in London Metropolitan University, Postcode: N1 9EF, London, UK (e-mail: jmrodrigues@live.co.uk)

e-Retail was introduced in the U.A.E. in the year 2009 when websites such as nahel.com, souq.com, etc. came into being. Carrefour is the only international brand to have e-Retail in the U.A.E. at the moment. A recent global online survey conducted by ACNielsen also revealed that the U.A.E. ranked amongst the top five countries worldwide for consumer purchasing power of luxury clothes and accessories [2]. Despite an increase in internet users and an increase in consumer purchasing power of luxury brand products, the U.A.E. has failed to launch e-Retail for this sector till date.

Luxury is neither a product, an object, a service nor is it a concept or a lifestyle. It is an identity, a philosophy and a culture. Luxury's original function and *raîson d'être* is rooted in the social classes of the past civilizations and societies when royals nobles and aristocrats used ostentatious consumption to stamp their superiority and maintain their distance from the lesser privileged [3]. It is said that in the Roman empire the distinction of class was such an integral part of their society that the colours of the shoes of each social class were decreed by the ruling class. Although this has changed and no longer exists, what has not changed is man's need to show his status, distinction, to be admired, recognised and respected through distinguishing himself in most cases with his assets and possessions. This form of indirect stratification, which meets the innate desire of human beings to ascertain their position in the society which Maslow as well has theorized in his Hierarchy of Needs, remains a part of today's reality and the practice of this distinction remains very much prevalent in the U.A.E. culture as well irrespective of economic situation. The attraction of luxury consumption in the U.A.E. market can be very much related to the concept of "face consumption" and *chemyon* (the Korean notion of social face). Products by Christian Dior, Giorgio Armani and Yves Saint Laurent proved to be most popular with Emirati fashion consumers. U.A.E. consumers lead the world in the purchasing of luxury brand sunglasses which account for 67 percent and luggage bags make up 25 percent [2]. The ACNielsen survey also unveiled some of the benefits of the brands with 62 percent feeling that designer brands were strongly associated with a higher social status, whilst 45

percent believed that these clothes were of better quality compared to ordinary brands.

Thus with the growing consumption of luxury brands and their products and the increasing number of internet users it is essential to gauge the U.A.E. market needs for an e-Retail platform for luxury consumption as an emerging theme and necessity.

II. Literature Review

1. Definitions of Luxury

Luxury can be defined as anything that is desirable and which exceeds necessity and ordinariness. As a general rule, this is defined from a global perspective, for the present and for normal conditions. While the exclusivity of resources is evaluated by the entire society, the desirability of resources and the appearance of luxury are determined by the upper class. Consumers perceive that luxury products have six major characteristics including price, quality, aesthetics, rarity, extraordinariness and symbolism. [4]

Luxury marketing strategies differ to at least some extent between different product types for example personal vs. impersonal luxury products, publicly vs. privately consumed luxury products, and accessible vs. exceptional luxury products. By definition, luxury brands need to offer luxury products. Nevertheless, the product range of a luxury brand does not necessarily consist only of luxury products [5]. For example, Mercedes offers luxury cars such as S-class and non-luxury cars such as A-class [6][7], the latter of which can also be referred to as masstige products. However, all products of a luxury brand such as Mercedes can be referred to as luxury branded products. This demonstrates that a decision about the categorization of a brand as luxury or non-luxury must refer to the brand image and cannot be made just by evaluating the luxuriousness (or even only the price) of some of its products.

The constitutive characteristics of luxury products and brands form a part of the identity of luxury brands. Dependent on human identity, brands are also ascribed as having an identity. The brand identity comprises all brand associations that are intended by the company [8]. The elements of common brand identity concepts can be divided into two main components. The first component covers the physical-functional, mainly product-related associations and the other component includes the abstract, emotional brand associations [9].

One of the major product-related associations luxury products have is the high degree of symbolic meaning. The symbolism of luxury products and brands covers a wide variety of emotional associations, which refer to a large extent to human personality traits [10]. Therefore the emotional component of the luxury brand identity corresponds largely with the concepts of brand personality, which is defined by Aaker [11] as “the set of human characteristics associated with a brand.”

The physical-functional component of the luxury brand identity covers the associations between the brand’s products and the products’ attributes and benefits. Accordingly, luxury brands convey associations about a high level of price, quality, aesthetics, etc. At a minimum, each luxury brand aims at evoking at least these constitutive associations within their target group. They could be referred to as the “code of luxury” that any luxury brand has to comply with [5].

2. Culture of U.A.E.

a. Demographics:

U.A.E.’s population is estimated at nearly 8.2 million of whom only 13.3 percent were Emiratis. 23 percent of the population are non-Emirati Arabs and Iranians while majority of the population about 50 percent are from India. By 2020, Emiratis are projected to form only 10% of the population. There is also a growing presence of Europeans especially in multicultural cities such as Dubai. Those from other parts of Asia (including the Philippines, Iran or Sri Lanka) comprised up to 1 million people. The rest of the population were from other Arab states [12]. The population of the UAE has a skewed sex distribution: With a male/female sex ratio of 2.2 for the total population and 2.75 for the 15–65 age group, the UAE's gender imbalance is the highest in the world [13]. The most populated city is Dubai, with approximately 1.7 million people. and about 88% of the population of the United Arab Emirates is urban.

b. Cultural Dynamics:

Emirati culture mainly revolves around the religion of Islam and traditional Arab, and Bedouin culture. Although Emirati women in U.A.E. generally wear the *abaya* (a head scarf with a long black robe that covers their clothes) they are not barred from wearing other fashionable outfits. The fashion industry is the U.A.E. is soaring especially in cities like Dubai and Abu Dhabi as the inhabitants are mostly highly fashion and image conscious and is home to all the latest international fashion brands to cater to the needs of the residents as well as to the growing tourism industry as it is known as a major shopping destination. Shopping is an integral part of the lifestyle and U.A.E. is slowly coming to have the most number of shopping malls in the world. To analyze the culture of U.A.E. better it is useful to utilise the Hofstede Model of Cultural Dimensions. Hofstede [14]. Through this model U.A.E. has been observed to have a more collectivistic approach wherein Emiratis place high emphasis on groups, emphasis is created on materialism, background, societal status, values, personal reputation and relationships. Appearance for the Emiratis is also highly

important. The model also reveals that U.A.E. is a male oriented country which can be seen through their advertising which generally reflects male dominance. They have a paternalistic culture , where the leader is a father figure, both commanding and protecting his subordinates. The Emiratis in addition also appear to be very risk averse perhaps due to their collectivist nature and subsequent stringent rules, as more people need to be taken into account when taking risks. The Emiratis appear to be far more long term oriented. They are focussed on getting their needs and wants on the spot. Examples of use of credit cards is not as popular in Arab countries, where credit cards require punctuality and constant commitment to timely payments, and the U.A.E. as well as the rest of the Arab countries being long-term oriented have not been able to manage this system so far.

3. U.A.E. Culture and Luxury Consumption:

Big brands have always had an allure to the U.A.E. consumer as they depict an elite status symbol to a place where consumers are quite brand conscious. Recent trends show that shoppers in the U.A.E. were ranked first globally as the biggest fans and purchasers of Gucci, second for Giorgio Armani and third for Chanel [15]. The global online survey conducted by ACNielsen revealed that the U.A.E. ranked amongst the top five countries worldwide for consumer purchasing power for luxury clothes and accessories. The market research carried out in 2008 by Nielsen's Luxury Brand Survey concluded that 31 percent of the U.A.E. population bought designer labels, with 59 percent of those interviewed believing that people who wear design brands do so to project social status. Young women in the U.A.E. make up for majority of this luxury consumption. Dr. Andrea Tossato, a Dubai based clinical psychologist, attributed reasons why consumers in the U.A.E. preferred to indulge in the consumption of luxury to low self-esteem, or an addiction, wanting people to look at oneself with feelings of aspirations, a distorted view on life built on superficiality, or a lack of cultural interest wherein people find pleasure only in shopping [15]. Most of the high-end Emiratis spend between Dhs 30,000 and Dhs 50,000 - sometimes Dhs 80,000 in a big shopping spree. Emiratis are observed to really look after themselves and image to them is very important. This concept of social status and position can be attributed to the concept of face consumption or the Korean concept of *chemyon* meaning social face which is known to be an especially important concept in a collectivistic culture and is closely linked to social status, prestige and money [16]. Face consumption contains two dimensions namely "face consumption in pursuit of distinction and acknowledgement" and "conformity face consumption" both of which are observed to apply in the U.A.E. Most U.A.E. consumers are known to purchase luxury brand goods regardless of their economic status which is consistent with the suggestion that people who cannot afford luxury brand goods purchase them to gain social acknowledgement and maintain their social face.

4. The U.A.E. and e-Retail

Several companies such as Souq.com, Tejari.com, Brownbag.ae, and BurjMall.com have successfully crafted their company strategies to fit the needs of online consumers in the U.A.E. online market. According to a MasterCard survey on online shopping, the number of people using the internet to make purchases in the U.A.E. rose to 42 percent in 2010, up from 29 percent in 2009 [17]. Given the widespread proliferation of online shopping and increased economic activity that occurs online in the U.A.E. it is important to understand the dynamics of online shopping behaviour. Li and Zhang [18] analyzed 35 empirical studies and identified a total of ten interrelated factors contributing to online shopping attitudes and behaviour.

a. External Environment:

Refers to those contextual factors that impact consumers' online shopping attitudes and behaviour which is three dimensional. First being the existing legal framework that protects the consumers from any kind of loss in online transactions. The second is the system of the Third Party Recognition in which many third party certification bodies are working to ensure trustworthiness of online vendors and third factor is the number of competitors [18].

b. Demographics:

The MasterCard survey that revealed online shopping in the UAE is led by the 25-44 age group who purchased more items with more frequency than others [19]. Young women were found to have turned to the internet to shop, with 40 percent of respondents saying they bought online in 2011.

c. Personal Characteristics:

Includes consumer's internet knowledge, need specificity, and cultural environment, disposition to trust, product involvement, the extent to which they would like to share values and information with others etc.

d. Vendor/Product Characteristics:

Refers to the features of the Internet stores, the products they sell, and the service they provide to support the transactions. Twenty percent of those surveyed in the UAE by MasterCard said they used mobile devices to shop online, a growing trend across the region while 48 percent said most goods are cheaper online than they are offline [19]. It was also found that U.A.E. consumers lacked trust in regional merchants as being good with regards to quality, return policies and warranties. Some of the service factors included accessibility of sales people, timeliness of orders/waiting times, ease of returns and refunds etc. Backing these factors the MasterCard survey revealed that 64 percent of the

consumers preferred to have a hotline enquiry number when they shopped online. The concept of *waasta* or building relationships is an integral part of the Emirati culture which influences their daily activities and businesses. Personal interactions are still very much ingrained in the mentality of the regional residents.

e. Website Quality:

Include websites' information content, presentation, navigation, searching mechanism, security, site technical feature, media richness, and so forth.

f. Attitudes towards Online Shopping:

It is believed that consumer attitudes will affect intention to shop online and eventually whether a transaction is made.

g. Intention to Shop Online:

It refers to consumers' willingness to make purchases in an Internet store. Commonly, this factor is measured by consumers' willingness to buy and to return for additional purchases. The latter also contributes to customer loyalty.

h. Online Shopping Decision Making:

Includes information seeking, comparison of alternatives, and choice making. The results bearing on this factor directly influence consumers' purchasing behaviour [18].

i. Online Purchasing:

It refers to consumers' actions of placing orders and paying. Most empirical research use measures of frequency (or number) of purchases and value of online purchases as measures of online purchasing.

j. Consumer Satisfaction:

It can be defined as the extent to which consumers' perceptions of the online shopping experience confirm their expectations. If expectations are met, customers achieve a high degree of satisfaction, which influences their online shopping attitudes, intentions, decisions, and purchasing activity positively [18].

5. Luxury Brands and the Internet

In order to understand the scope of online luxury in the U.A.E. it is also essential to look into the state of luxury in the digital context worldwide to gauge its success and reach so far. Until recently, the luxury industry showed low commitment towards integrating advanced Internet technologies and its accompanying interactive and digital tools in the sector's marketing and overall business strategies [3]. They were pushed to have an online presence and conduct business on the Internet due to evolving consumer needs and expectations. International brands such as Versace and Prada did not have corporate websites until 2005 and 2007 respectively. For an industry that is known for its innovation, creativity and avant-gardism it is bewildering that they have been slow in establishing an online presence in comparison to other sectors leaving their consumers at the mercy of fake luxury good traders who are currently rampant online. However this can be explained through the examination of the core and scope of luxury as a business disciple. It is essential for luxury to understand the scope and extent of the digital world in order to create an online luxury experience. The continuous growth in the standards of living and increasing consumer product knowledge has given rise to access to luxury goods and services by more consumers, and several of them are exposed to luxury online. Luxury companies didn't adopt the Internet until it became apparent that the wealthy segment of the consumer population had embraced the Internet and was using it not only for information search but also for shopping, converging, sharing and influencing others. In Japan, Ledbury Research reports that 39% of high earners have purchased an item for more than £1000 online, with 28% in the US and 26% in the UK also having done so [20]. The fundamental questions linked to luxury e-Retail are "what to sell?" and "how to sell?" The former is related to understanding whether all the product range in each category should be displayed in the e-Boutique or not while the latter is linked to the development of the e-Boutique and in designing the selling space beyond strong aesthetic elements but also to feature an enhanced webmosphere. It is important that luxury brands learn to balance exclusivity with accessibility to profit from the Internet connected consumers.

III. RESEARCH METHODOLOGY

The objective or purpose of this paper is to explore or measure the scope of e-Retail for luxury consumption in the U.A.E. This paper would help in identifying the most effective strategies to use in penetrating the market for e-Retail of luxury products. The ten luxury fashion brands used for this research were: Louis Vuitton, Armani, Burberry, Prada, Chanel, Christian Dior, Calvin Klein, Kenneth Cole, Tommy Hilfiger, and Mulberry.

To fulfil the purpose and objective of this study, the following research question was formulated: "*If and how culture, service characteristics, website quality, personal characteristics, vendor characteristics, product characteristics and demographics impact the online consumption of luxury fashion brand products for U.A.E. consumers and which marketing strategies should be used to penetrate the e-Retail market for this industry?*" This would help in identifying what motivates and de-motivates consumers in the U.A.E. from buying luxury branded products

online. This research question leads to the following hypotheses:

H1: There is a relationship between significant factors on e-retail of luxury fashion products and purchase intentions.

H2: At least one pair of online spending on luxury fashion products towards online purchase intention is different.

H3: At least one pair of frequency of purchasing luxury brand products online towards online purchase intention is different.

H4: There are differences between personal characteristics, culture, service characteristics, website quality, consumer satisfaction, vendor characteristics, demographics ad product characteristics towards online purchase intention.

H5: There is a relationship between factors of personal characteristics, culture, service characteristics, consumer satisfaction, and product characteristics towards online purchase intention.

H6: There are differences between personal characteristics and online luxury shopping preference persons.

H7: There are differences between personal characteristic factors and online luxury shopping preference persons.

IV. Analysis and Findings

1. Descriptive Statistics

The study revealed that 37% of U.A.E. consumers who shop online spend a minimum of 5-10 hours a week on the Internet and 17.3% spend over 40 hours in a week. The proportion of males and females who shop online were found to be relatively close. 30% of the U.A.E. consumers who shop online have monthly incomes of Dhs. 10,000-20,000. 54.7% of the U.A.E. consumers who shop online are between the age of 25-34 years while 26.7% are between 18 - 24 years and 12% are between 35 - 44 years. Out of the all nationalities who reside in the U.A.E., Asian - Indians shop online the most at 77.3% while Arabs are just at 8%. It was also seen that 52% of U.A.E. consumers purchased goods online worth below Dhs. 500 and only 4% of consumers purchased products worth Dhs. 5,000 - 10,000 online. 49.4% U.A.E. consumers agreed that they would prefer their preferred luxury brand to introduce e-Retail whereas 45.3% consumers didn't express a preference nor dislike which means they could be converted in the future to prefer online retail for luxury brands products.

2. Hypotheses Testing

H1: There is a relationship between significant factors on e-retail of luxury fashion products and purchase intentions.

The Chi-square test carried out revealed that *personal characteristics*, *culture*, *service characteristics*, *website quality*, *consumer satisfaction*, and *vendor characteristics* are significantly related with U.A.E. consumers' online purchase intentions of luxury brand products whereas demographics, external environment, and product characteristics could be rejected from this analysis.

TABLE I

The Chi-Square Test Between Significant Factors on e-Retail of Luxury Brand Products and Purchase Intention

Factors	Chi-Square	df	Asymp.Sig (2-
Personal	143.900	100	**.003**
Culture	287.030	220	**.002**
Service	241.589	150	**.000**
Website Quality	268.608	230	**.041**
Consumer	176.539	70	**.000**
Vendor	201.410	100	**.000**
Demographics	143.669	160	.818
External Environment	45.148	40	.266
Product	97.099	90	.286

H2: At least one pair of online spending on luxury fashion products towards online purchase intention is different.

Through the ANOVA test it can be concluded that different levels of online spending on luxury brand products of U.A.E. consumers towards online purchase intentions are *not different.*

TABLE II

The ANOVA Test Between Online Spending and Online Purchase Intention

Online Purchase Intention					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	37.823	3	12.608	2.647	.056
Within Groups	338.177	71	4.763		
Total	376.000	74			

H3: At least one pair of frequency of purchasing luxury brand products online towards online purchase intention is different.

The ANOVA test revealed that the level of frequency of purchasing luxury brand products online and that of online purchase intention of U.A.E. consumers are *different*.

TABLE III

THE ANOVA TEST BETWEEN FREQUENCY OF ONLINE PURCHASES OF LUXURY BRAND PRODUCTS AND ONLINE PURCHASE INTENTION

		Sum of Squares	df	Mean Square	F	Sig.
Online Purchase Intention	Between Groups	151.902	4	37.975	11.862	.000
	Within Groups	224.098	70	3.201		
	Total	376.000	74			

H4: There are differences between personal characteristics, culture, service characteristics, website quality, consumer satisfaction, vendor characteristics, demographics ad product characteristics towards online purchase intention.

Pearson Correlations Test saw that personal characteristics, culture, service characteristics, consumer satisfaction, and product characteristics had a significant effect on online purchase intention.

TABLE IV

THE PEARSON CORRELATIONS TEST BETWEEN PERSONAL CHARACTERISTICS, CULTURE, SERVICE CHARACTERISTICS, WEBSITE QUALITY, CONSUMER SATISFACTION, VENDOR CHARACTERISTICS, DEMOGRAPHICS AND PRODUCT CHARACTERISTICS TOWARDS ONLINE PURCHASE INTENTIONS

		Online Purchase Intention
Personal Characteristics	Pearson Correlation	.598**
	Sig. (2-tailed)	.000
	N	75
CULTURE	Pearson Correlation	.413**
	Sig. (2-tailed)	.000
	N	75
Service Characteristics	Pearson Correlation	.467**
	Sig. (2-tailed)	.000
	N	75
Website Quality	Pearson Correlation	.179
	Sig. (2-tailed)	.124
	N	75
Online Purchasing	Pearson Correlation	.459**
	Sig. (2-tailed)	.000
	N	75
Consumer Satisfaction	Pearson Correlation	.554**
	Sig. (2-tailed)	.000
	N	75
Vendor Characteristics	Pearson Correlation	.192
	Sig. (2-tailed)	.098
	N	75
Demographics	Pearson Correlation	.055
	Sig. (2-tailed)	.639
	N	75
Product Characteristics	Pearson Correlation	.274*
	Sig. (2-tailed)	.017
	N	75

H5: There is a relationship between factors of personal characteristics, culture, service characteristics, consumer satisfaction, and product characteristics towards online purchase intention.

Pearson Correlations Test revealed that factors of personal characteristics like *feelings of security*, *convenience*, and *fear of using credit cards* have a moderate-low relationship with online purchase intention for luxury brand products. Cultural indicators such as prestige, high fashion consciousness, shopping alone, social & entertainment destination, mall frequency, and disregard of income share a low or moderate-low relationship with online purchase intention for luxury brand products. Similarly factors of service characteristics like delivery charges, international shipping charges, hotline number provision, returns and refund policy, customer communication channel satisfaction, delivery waiting times, and response to customer needs have a low relationship with online purchase intention for luxury brand products. The consumer satisfaction indicator, lack of online shopping options, has a moderate relationship with online purchase

intention for luxury brand products. None of the product characteristic indicators were seen to have a significant relationship with online purchase intention for luxury brand products.

H6: There are differences between personal characteristics and online luxury shopping preference persons.

The t-test revealed that there are differences between preference and non-preference persons on this factor.

H7: There are differences between personal characteristic factors and online luxury shopping preference persons.

The t-test shows that there are differences between preference and non-preference persons on indicators - convenience, fear of using credit cards, and feeling of security to shop.

V. Conclusion

This exploratory research is beneficial to luxury fashion brand marketers in the part of getting to know their target consumers for online retail.

In conclusion, there is a strong difference of behaviour between online luxury preference consumers and non-online luxury preference consumers. There are many factors which impact the online luxury fashion products purchasing behaviour namely Personal characteristics, Culture, Service Characteristics, Consumer satisfaction and Product Characteristics. Personal Characteristics is seen to have the most impact on online purchase behaviour of luxury fashion products for U.A.E. consumers.

The U.A.E.'s new launch of a national electronic trust mark will help improve consumers confidence in e-retail. Till then it should not stop luxury brands from going online. They can introduce e-Retail with strategies like paying cash on delivery which although not feasible in the long term is a good place to start with to boost consumer confidence in their e-retail systems.

Based on demographic information, there are two indicators which are significant: *amount of spent on luxury fashion products and frequency of purchasing luxury fashion products*. For consumers who prefer shopping online, luxury brands can boost sales and retain them by providing better and more recurrent online promotions and offers to enhance loyalty. The other indicators for this category are not suitable to apply in marketing strategies. For non online luxury preference persons who do not prefer to shop online for luxury goods due to the high value of goods, it can be supporting to these consumers to lean towards brands extension. A sub-brand has an ability in presenting the main brand image while the price set can be lower.

As Culture plays an important role as well, where in personal interactions are regarded positive luxury fashion brands can look into making their websites more interactive for U.A.E. consumers by providing a hotline number or an interactive online assistance during purchase. Since prestige and style are an important part of the culture, marketing communications should focus on brand image and exclusivity while maintaining accessibility online. By advertising symbols of wealth, prestige and class and exclusivity of online shopping the marketing strategy would rise social recognition pressure, material interest for people who prefer luxury for these reasons. The factors surrounding have to be included in the marketing strategy by emphasizing on benefit of online luxury which is "Exclusivity, Absolute Confidence, Great Comfort, Complete round the clock Access, Extravagant and Best quality items, and Great offers, Quick delivery". When consumers' expectations for online retail for luxury products match with actual performance, they will be satisfied, and have intentions to re-purchase the brand online soon leading to loyalty. Brands must take greater initiative on introducing e-retail to their consumers who are growing more aware by the day. This must be done before they lose them to other big brand retailers who are picking up much more pace in the U.A.E. They should think in terms of being a market leader and not market followers for the introduction of the e-Retail concept in their industry.

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