

**THE
STATE
OF
FASHION
SECTOR
IN SAUDI
ARABIA**

2024

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CEO Message



Burak Cakmak
CEO of the Saudi Arabia
Fashion Commission

As we reflect on our journey, it is with great pride that I share the strides we have made in developing Saudi Arabia's fashion industry. Our nation has embarked on a profound transformation across multiple sectors, ushering in a new era for our rich local culture. The fashion sector has significantly contributed to this progress. As a result, **we now stand on the brink of a USD 33 billion opportunity within the Saudi Fashion and Luxury market, further solidifying our position as a regional leader.**

At the Fashion Commission, we are driven by **our commitment to developing local talent and brands at key stages of the fashion value chain.** Through our initiatives, we promote and support the growth of Saudi Arabia's dynamic fashion industry by collaborating with key partners to develop educational programs and funding opportunities. Starting from the basis, **we have initiated educational programs and mentorship opportunities** to equip emerging designers with the skills they need to succeed and unleash their creativity. When it comes to investments and funds for brands and SMEs, **we create a direct link between investors, funding entities such as Ministry of Investment for Saudi Arabia (MISA) and the Cultural Development Fund (CDF) and local entrepreneurs.**

In addition, we empower local entrepreneurs by enhancing their business strategies and operations, while also offering platforms such as Riyadh Fashion Week, Red Sea Fashion Week and yearly Saudi 100 brands showrooms in Paris to showcase their talents on local, regional, and international stages. Through these efforts, **we are cultivating a more independent and flourishing fashion industry** with the talent and potential to emerge as a global leader and competitor in the fashion world.

We are also pleased to observe the blending of our rich traditions with contemporary lifestyles in Saudi, resulting in diverse product offerings by both local and international brands and enhancing retail experiences. As **Saudi Arabia's retail pipeline of more than 20 retail projects takes shape in the coming years, we anticipate the retail penetration of the top 50 international brands in each category to surpass the current 75 percent average.**

As we look to the future, **we are confident that Saudi's fashion industry will continue to thrive, fueled by our young, and fashion-savvy population.** Additionally, the burgeoning tourism sector, bolstered by significant investments in leisure infrastructure and renowned entertainment events, is set to add dynamism to our country.

The key challenge that lies ahead of us is keeping pace with the rapid development observed in Saudi. We are determined to ensure that the right resources and skills are available across the value chain to orchestrate growth in harmony with the rest of the country. **With a USD 42 billion market opportunity projected for 2028, we are dedicated to making this potential a reality.**

Burak Cakmak



Introduction: The Role of Fashion in Shaping Vision 2030



Vision 2030 is driving a transformative shift across Saudi Arabia's socio-economic landscape, with fashion emerging as a key player. Since its launch in 2016, this strategic initiative has reshaped various sectors, and as of 2023, the fashion industry contributes 2.5 percent to Saudi's GDP* and creates 320,000 jobs.¹ An essential factor in this success is the sector's strong focus on gender equality, with women making up 52 percent of the workforce, confirming the trends observed in 2022.²

Beyond economic contribution, the industry plays a seminal role in enriching quality of life, with fashion brands and retail experiences bringing new leisure and entertainment offerings. Fashion also plays a central role in enriching cultural heritage, with local designers highlighting Saudi's traditional craft techniques and design language in their collections, and a wide supporting ecosystem of government organizations, writers, influencers, and communication agencies, showcasing Saudi talent and developments on a global stage.

*Note: Analysis adopts a broad definition of fashion, which is in line with international research and aligns with the Fashion Commission's strategy. It includes activities that contribute to the fashion industry as well as elements that are broader than a cultural definition.



Supporting Economic Growth and Jobs Creation

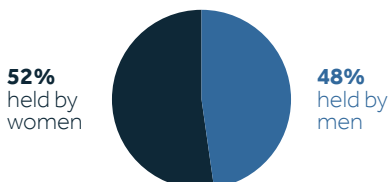
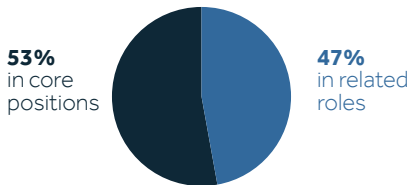
Growing at a seven percent CAGR since the introduction of Vision 2030, Saudi Arabia's GDP has expanded from USD 647 billion in 2016 to surpass USD 1 trillion in 2023.³ In the past five years, from 2018 to 2023, almost two-thirds of the economic growth has been fueled by non-oil sectors, with the non-oil GDP growing at five percent and accounting for 50 percent of GDP in 2023.⁴ The economic diversification agenda, which prioritizes sector growth and job creation, includes retail and fashion as a key strategic priority and is producing its effects year by year, also thanks to successful Saudi Arabia initiatives to attract new investments, build capabilities and facilitate business execution along the value chain (as detailed in Chapter 12). The fashion industry contributes 2.5 percent to the overall GDP, a significant increase compared to the 1.4 percent in 2021-2022.⁵ The majority of this GDP share still comes from domestic final consumption, at retail and wholesale segments of the value chain. As 56 percent of fashion consumption relies on imported goods, there is a large opportunity to boost domestic production to improve balance of trade, and the industry's economic impact.⁶

As of 2023, the fashion industry in Saudi Arabia accounts for three percent of the country's employment, providing a total of 320,000 jobs.⁷ This represents a significant increase of 90,000 jobs, up from the 230,000 reported in *The State of Fashion in the Kingdom of Saudi Arabia, 2023*. Of these, 170,000 positions (53%) are in core fashion occupations, while 150,000 (47%) are in related roles that support the industry, such as finance, HR, warehousing, delivery, and public relations.⁸ The growing number of expats filling non-core roles highlights the industry's expanding workforce, yet the Saudization initiative, a key component of Vision 2030, continues to prioritize reducing unemployment and boosting private sector participation among Saudi nationals. In 2023, 48 percent of all core fashion jobs in Saudi Arabia were held by Saudi citizens, consistent with the data observed in 2022.⁹

The Vision's mission of enhancing women's participation in the workforce reaches its most successful results in the fashion industry. While approximately 20 percent of the labor force overall is comprised of women¹⁰, Saudi fashion shows constant equal gender representation, with women making up 52 percent of the workforce since 2022.¹¹

320,000

total jobs in Saudi Fashion industry in 2023, of which:



The fashion industry contributes 2.5% to the overall Saudi Arabia's GDP, a significant increase compared to the 1.4% in 2021-2022.



Enriching Quality of Life and Showcasing Saudi Culture

Vision 2030 also seeks to enrich the social landscape in Saudi, improving quality of life for both citizens and expats. Enhancing livability of cities is a priority, with the Vision targeting Riyadh to be in the world's top ten cities by 2030. Fashion brands, offering elevated assortments and experiences to the Saudi population, play a key role in bringing these new lifestyles and social developments to life. The introduction of new high-quality brands, both local and international, is also enriching the opportunity for self-expression, as Saudi citizens and expats style themselves in their evolving daily social and professional lives.

Alongside economic and infrastructure evolution, preserving and showcasing Saudi Arabia's cultural heritage is key for the country. The emergence of the new homegrown fashion brands, supported by the Fashion Commission's Saudi 100 brands program, plays a key role in this. New brands such as Yataghan Jewelry, APOA, and Abadia, have a strong Saudi DNA, drawing inspiration from Saudi Arabia: its craft techniques, expansive terrains, architectural styles, and distinctive iconography. Beyond pure designers, a rich ecosystem, comprising government organizations, investors, writers, influencers, educators, communication agencies, is emerging to support and showcase talent. Fashion Commission's high resonance events, such as Riyadh Fashion Week in October and Red Sea Fashion Week in May, featured over 20 established and emerging Saudi brands across couture, ready-to-wear, resortwear and jewelry categories, showcasing Saudi talent to both a local and a global audience.

Employing thousands, fashion is a rapidly growing and integrant part of Vision 2030. It contributes both directly and indirectly to the economic diversification agenda, supporting other major sectors such as entertainment, and showcasing Saudi's heritage, cultural identity, and creativity to millions.





01

Saudi Arabia, the Region's Fashion Powerhouse



Valued at USD 80 billion today, the GCC (Gulf Cooperation Council) Fashion and Luxury market stands as a promising frontier of opportunities, considering all relevant segments from apparel to beauty. With an average GDP per capita twice that of Asia and approaching the European average, a rich cultural heritage, and a burgeoning interest in fashion, this market is projected to grow by approximately USD 20 billion by the end of the decade.

Saudi Arabia is poised for significant growth in its Fashion and Luxury market, driven by unique structural advantages and Vision 2030 initiatives. Expected to rise from USD 30 billion in 2023 to USD 42 billion by 2028, Saudi Arabia will outpace its GCC counterparts, commanding 45 percent of the market expansion.¹²

This growth is fueled by a robust economy, favorable demographics, and transformative social reforms. A young, tech-savvy population with increasing disposable income, combined with a booming tourism sector, underpins the market's expansion.

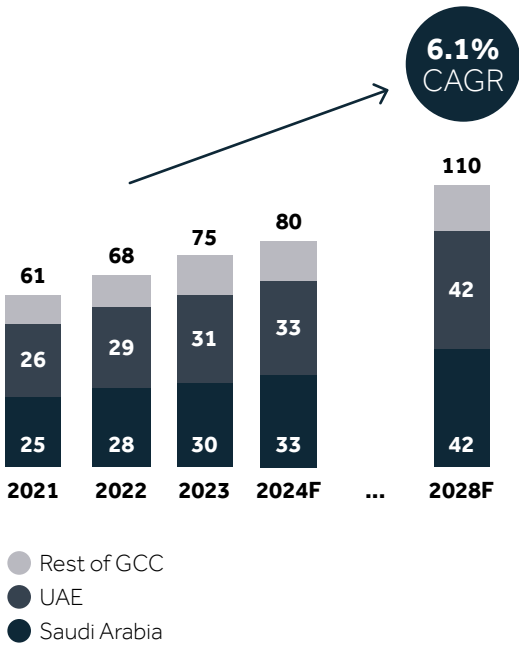


Saudi Arabia, at the Forefront of the GCC Fashion and Luxury Market Growth

Saudi Arabia is primed to foster industry growth, supported by structural tailwinds that are unique to the country, and that will benefit all relevant segments from apparel to beauty. Accounting for 41 percent of the total Fashion and Luxury market in GCC, Saudi Arabia is poised to grow by USD 12 billion from USD 30 billion in 2023 (in line with the *State of Fashion in the Kingdom of Saudi Arabia, 2023*, report estimates) to reach USD 42 billion in 2028. This growth rate will surpass that of other countries in the region, making Saudi Arabia responsible for 45 percent of the Fashion and Luxury market expansion in the GCC.¹³

Exhibit 1 – GCC Fashion and Luxury represents a USD 80 billion market, of which Saudi Arabia accounts for ~40% share¹⁴

Fashion and Luxury market in GCC, USD B



A solid economy, favorable demographics, culture-reshaping social reforms and leading-edge infrastructural development are coming together to nurture Saudi Arabia's fertile ground for fashion. With both international brands grasping the potential to expand their presence and local emerging brands growing and entering the global stage.



Saudi Arabia is poised to grow from USD 30 B in 2023 to

USD 42 B

in 2028. This represents a 6.8% CAGR

Non-luxury fashion segments represent 86% of total market. With a 6.3% CAGR in 2023-2028, it will reach

USD 35 B

Luxury segment is set for a 9.5% CAGR in 2023-2028. Reaching a value of *circa*

USD 7 B





Demographic Dividend and Tourism Ramp-Up to Drive Growth

Domestic demand is set to drive the majority of growth in the Fashion and Luxury market, fueled by a rising population, increasing GDP per capita, and a growing appetite for fashion among dynamic demographic groups unique to Saudi.

As the most populous country in the GCC, with approximately 37 million people in 2024, Saudi Arabia's population is expected to keep expanding, topping 40 million by 2030.¹⁵ Part of the growth will be bolstered by the mounting influx of expatriates attracted by the employment opportunities from Vision 2030. Around a quarter of the projected three million population increase by the end of the decade will be from expatriates seizing the employment opportunities generated by Vision 2030, with about 15 percent targeted to be highly-skilled, high-earning professionals.¹⁶

Fashion retail spending per capita in Saudi Arabia, currently at USD 800 annually, is expected to outpace growth in disposable income (22% vs. 4% CAGR by 2028) and align with GDP growth.¹⁷ This upward trend is already evident, with per capita fashion spending increasing by 15 percent between 2022 and 2024. Driving the growth in fashion demand is Saudi's dynamic demographic: a predominantly young population (~60% under 30),¹⁸ increasingly educated and connected, with rising workforce participation, the growing influence and purchasing power of women, an influx of cosmopolitan expats, and an expanding base of affluent consumers willing to spend more on fashion (see *Chapter 2 for details*).

As fashion appeal increases among Saudi Arabia's population, the substantial enhancements in retail stores and brands' offerings in the coming years will create fertile ground for this demand to flourish.

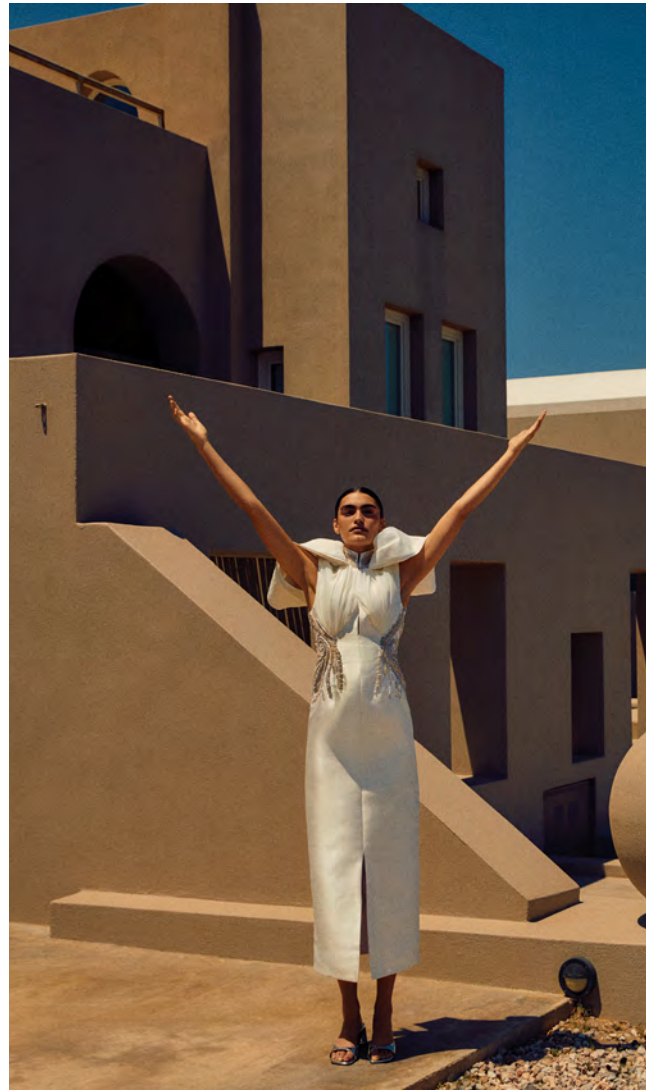
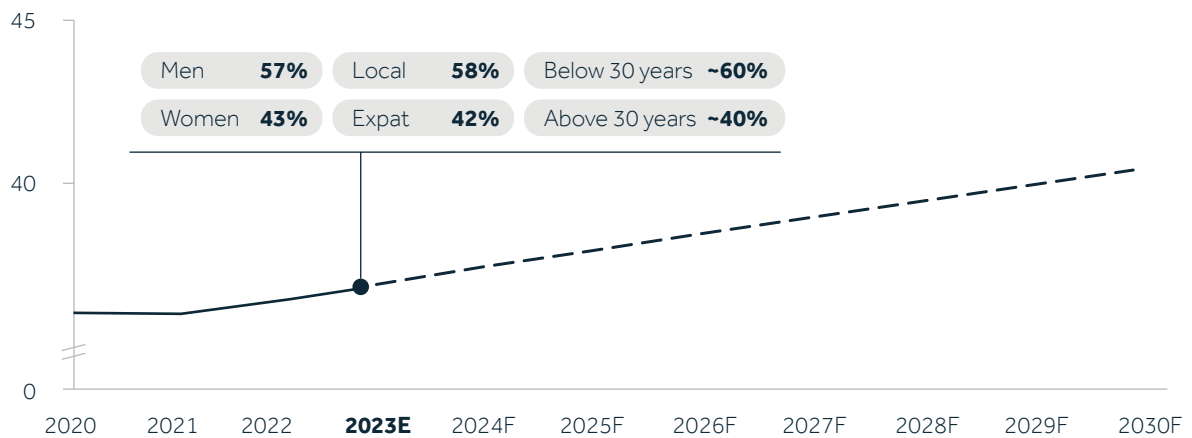


Exhibit 2 – Most populous country in the GCC, Saudi's population is expected to keep expanding, topping 40 M by 2030¹⁹

Saudi's population growth projections, Million



Tourism will also impact the Fashion and Luxury market, especially after 2028, when giga-projects across Saudi will reach completion. Inbound tourism is projected to grow from 27 million visits in 2023 to over 75 million by 2030, driven primarily by leisure tourism, which targets 30 million visits by 2030.²⁰ Inbound religious tourism also targets a sizable 30 million visits by 2030.²¹ Beyond infrastructural efforts, Saudi Arabia is stepping onto the international stage by hosting high-profile events with strong global resonance: from the Red Sea Film Festival, F1 races, and Expo 2030 attracting internationally renowned figures to fashion-centric events like Riyadh Fashion Week and Red Sea Fashion Week, Saudi Arabia is creating a vibrant and appealing destination for global visitors.

Additionally, an increasing number of international brands are entering the Saudi market, and existing players are expanding their store footprint and strengthening their product offerings to align with Western standards. This trend, combined with the rise of promising local brands, is expected to partially reduce the so-called 'spend leakage' phenomenon currently observed in Saudi Arabia (the portion of local demand addressed through out-of-country shopping, mainly in Dubai, London or Paris).

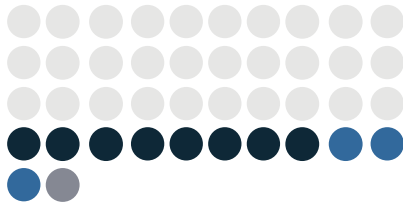
Exhibit 3 – Two-thirds of the Saudi Fashion and Luxury market growth fueled by domestic demand growth²²

Fashion and Luxury market in Saudi Arabia, USD B

30B 2023

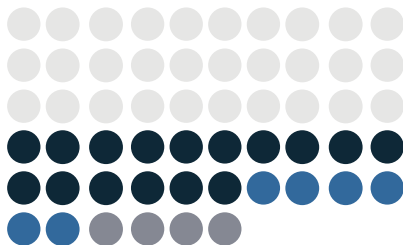


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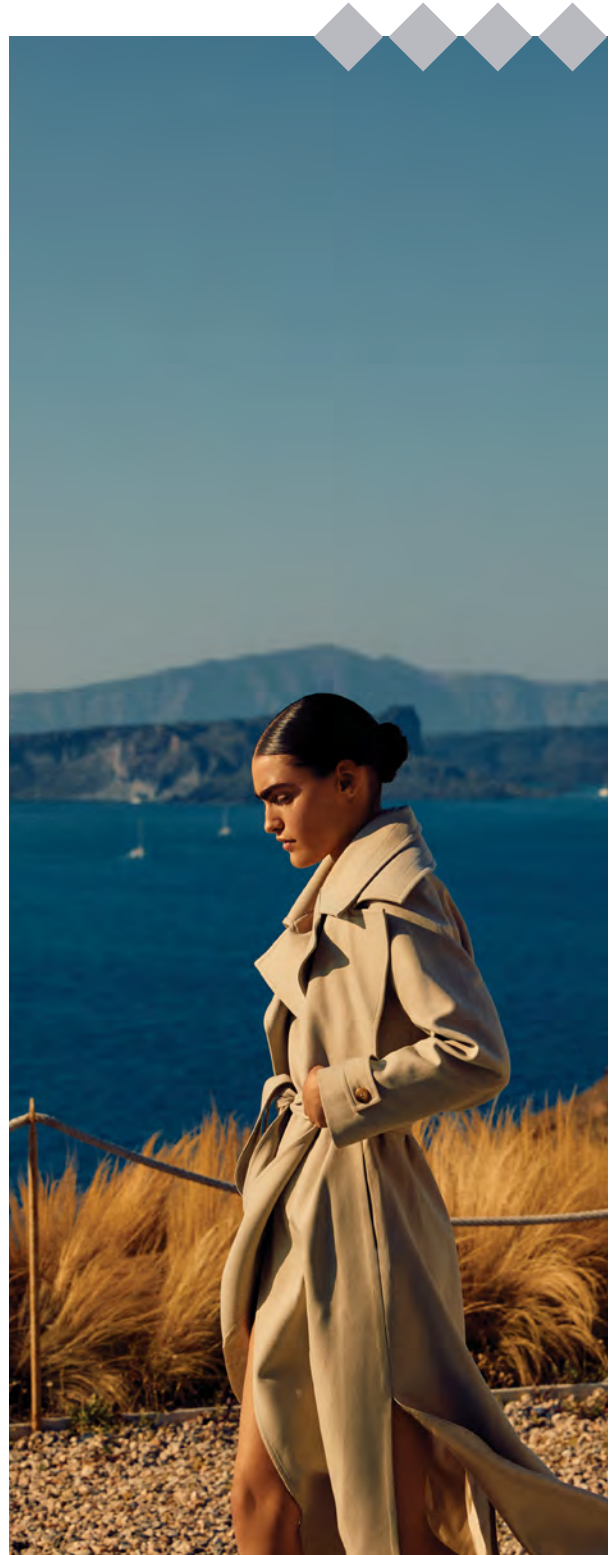


+6.4%
CAGR

56B 2033F



- Domestic growth
- Tourism growth
- Leakage reduction



2/3

of the Saudi F&L market growth fueled by domestic demand growth



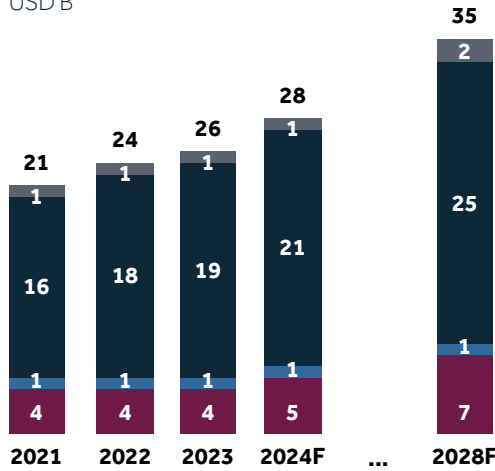
Non-Luxury Fashion Segment: Poised to Benefit from Sizeable Population of Young Saudis

The non-luxury fashion market in Saudi currently stands at USD 25.9 billion, representing approximately 86 percent of the total Fashion and Luxury market in Saudi Arabia as of 2023. A 6.3 percent growth is expected from 2023 to 2028, primarily driven by domestic spending (accounting for *circa* 80 percent of the gain by 2028).²³ This growth is fueled by increased demand from a sizeable young population (i.e., individuals below 30 years old) of around 20 million.²⁴ The rising participation of women in social life further accelerates the market's expansion, benefiting both international and local, homegrown brands.

The supply of mall-based retail space and offerings is evolving to create fertile ground for fueling consumer demand. Historically, retail space per capita in Riyadh and Jeddah has lagged behind regional counterparts like Doha and Dubai. However, mall space in Saudi is set to double by the end of the decade, supported by more than 20 private sector and government-backed development projects implying a significant retail component (over 20,000-250,000 m² of retail GLA each).²⁵

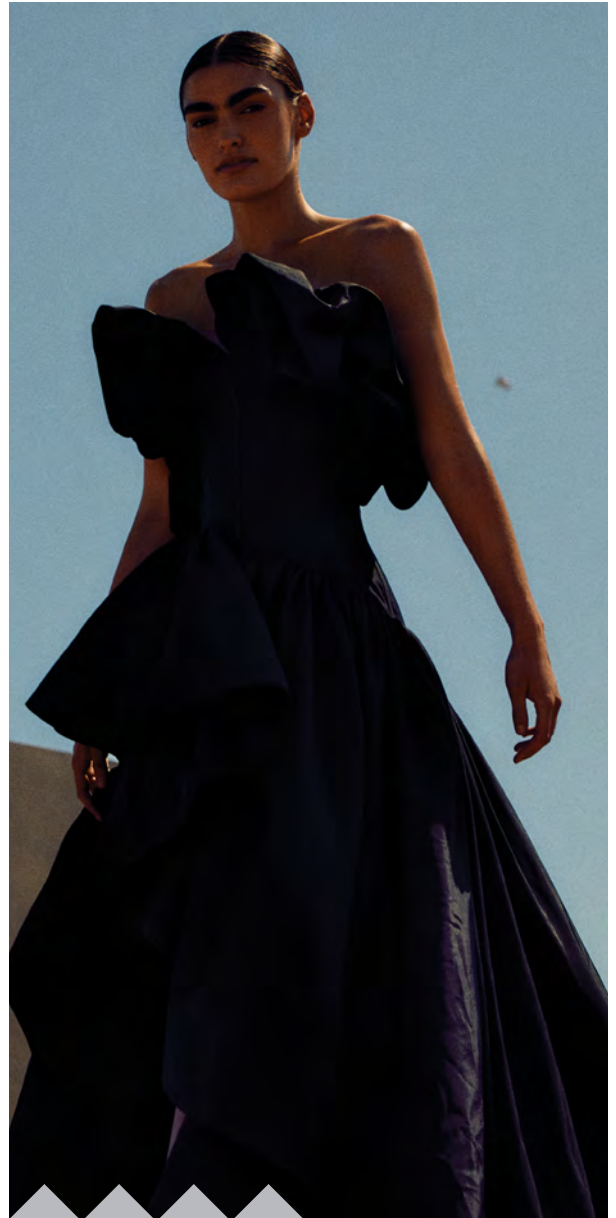
Exhibit 4 – Non-luxury fashion market in Saudi Arabia stands at USD ~26 B, projected growth of ~6% by 2028²⁶

Non-luxury market in Saudi by product segment, USD B



- Sportswear
- Apparel, Footwear, Accessories
- Jewelry and Watches
- Beauty

In terms of product segments, beauty, a longstanding favorite in Saudi Arabia worth USD 4.4 billion in 2023, will continue to experience robust growth (11% CAGR through 2028), fueled by increased disposable income for women, as well as tourism inflow and the trend of gifting Saudi-inspired products, especially fragrances. Apparel (including footwear and accessories) and sportswear are set for accelerated expansion in the coming years. Valued at USD 22 billion in 2023, the apparel and sportswear segments are expected to grow at a five percent CAGR, reaching USD 29 billion by 2028.²⁷ The growth in sportswear is driven by rising health consciousness and interest in sports, supported by government efforts to enhance population wellness and direct investments in sporting infrastructure and events.



Luxury Fashion Segment: Set to Gain from Inbound Tourism and Domestic Spending

The luxury fashion segment²⁸ is set for significant growth, projected to outpace the non-luxury segment with a 9.5 percent CAGR from 2023 to 2028. By 2028, this market is expected to reach a value of USD 6.8 billion, mostly driven by inbound tourism and domestic spending.²⁹

Major giga-projects and flagship developments with high-end retail components are under construction, with partial openings already planned, for most of them, in 2025. For some of these sites, shopping will be a cornerstone of the value proposition, if not one of the main reasons to visit. Elevated retail experiences, alongside an enhanced assortment of international and local brands at key destinations such as Diriyah and Qiddiya, which are expected to account for *circa* 60 percent of retail offering from giga-projects, will drive substantial growth in the mid-term. The over one hundred million visits, both domestic and international, forecasted across these sites by 2030 are expected to contribute an additional USD 0.9 billion to today's USD 4.3 billion market by 2028 and USD 1.5 billion by 2030, once retail offerings at all sites are fully open.³⁰

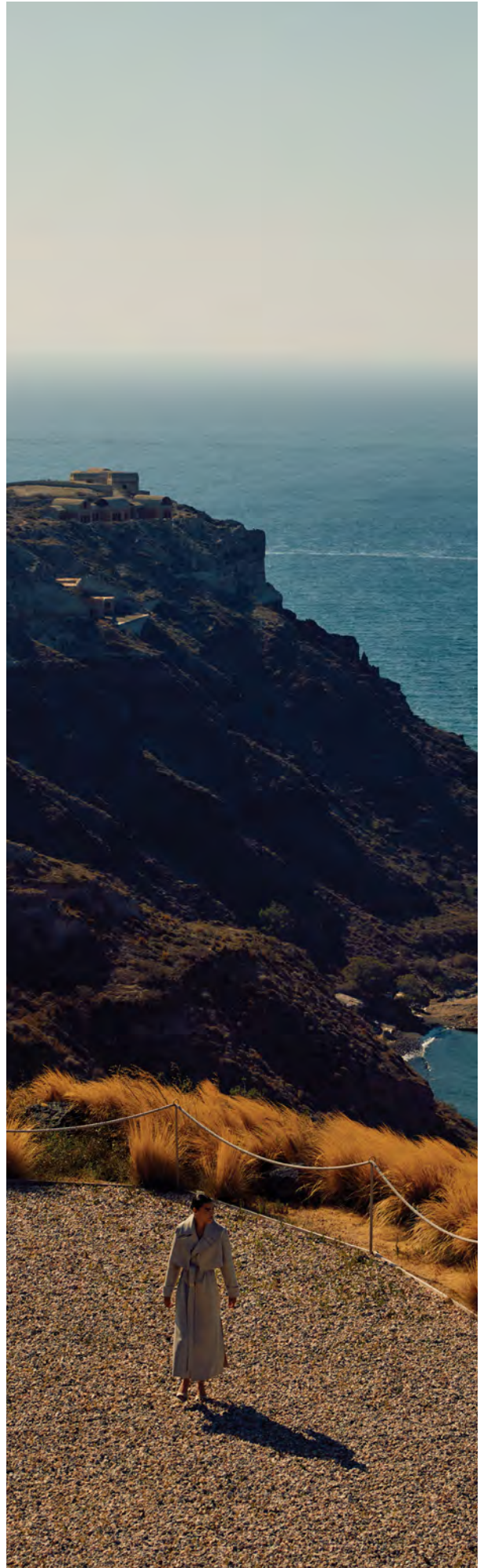
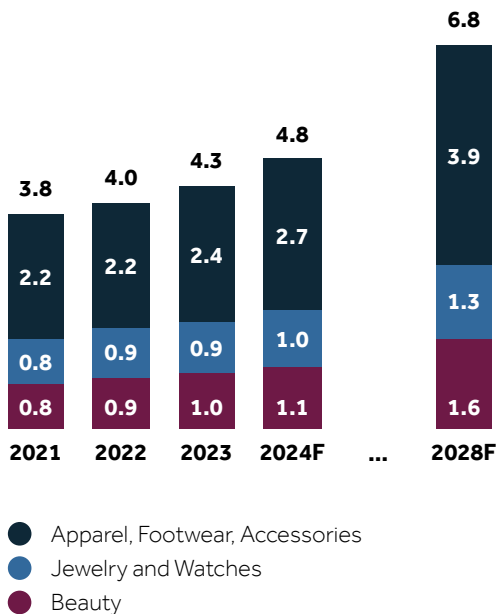
Saudi Arabia is home to nearly 130,000 millionaires (Dubai, in comparison, has approximately 72,000 millionaires).³¹ However, over 60 percent of the luxury spending by this demographic cluster is done abroad in fashion capitals like London, Paris and Dubai. As brand presence and retail experiences improve, affluent Saudis are bound to increase their luxury shopping in Saudi. This leakage is expected to be reduced by seven percentage points by the end of the decade, equating to an additional USD 0.8 billion worth of luxury shopping retained within Saudi Arabia by 2028.³²

Beyond leakage reduction, the overall increase in wealth will bolster the domestic demand for fashion. Estimates project that the number of total millionaires in Saudi Arabia will rise by over 95,000 by 2030 (see further details in Chapter 2).³³ Apparel, footwear, and accessories dominate the luxury market, accounting for 56 percent, followed by premium and prestige beauty at 23 percent, and jewelry and watches at 21 percent. This distribution is expected to remain fairly stable, with all categories projected to grow at a 7-10 percent CAGR from 2023 to 2028.³⁴ The apparel segment is set for substantial growth, as changing lifestyles and an interest in Western brands encourage Saudi consumers to invest more in contemporary ready-to-wear fashion. Meanwhile, the premium and prestige beauty sector will continue to thrive, driven by Saudi consumers' strong passion for fragrances and cosmetics, as well as the planned growth in duty-free channels. Three new airport projects in the pipeline (King Salman International Airport, NEOM International Airport and Jeddah Airport) will imply a duty-free play, with opportunities starting from 2026-2027.

Underpinned by favorable demographics and significant investments enhancing the retail infrastructure, Saudi Arabia's Fashion and Luxury market is on a robust growth trajectory. As Saudi continues to evolve, the market presents lucrative opportunities for both international and local brands to cater to a diverse and growing consumer base.

Exhibit 5 – Luxury market in Saudi Arabia is dominated by the apparel, footwear and accessories category, accounting for 56%³⁵

Luxury market in Saudi by product segment, USD B



Underpinned by favorable demographics and significant investments enhancing the retail infrastructure, Saudi Arabia's Fashion and Luxury market is on a robust growth trajectory.

As Saudi Arabia continues to evolve, the market presents lucrative opportunities for both international and local brands to cater to a diverse and growing consumer base.





02

The Demographic Advantage: Driving Saudi Arabia's Fashion Growth

Saudi Arabia's fashion landscape is harnessing the power of its demographic dividend, fueled by the rising influence of women, youth, high-skilled expatriates, and an expanding base of affluent consumers.

With 60 percent of the population under 30,³⁶ young Saudis are not only digitally savvy and socially engaged but are also reshaping Saudi's fashion preferences, seamlessly blending global trends with a deep respect for cultural heritage. As they expand their presence in the workforce, they are set to drive new fashion demands. Meanwhile, Saudi women are rapidly narrowing the economic gap, with their increasing purchasing power boosting demand for a diverse range of fashion products.

Saudi Arabia's high-skilled expatriate population, expected to rise significantly by 2030, is adding to the cosmopolitan nature of Saudi cities, increasing the demand for sophisticated fashion options. Moreover, with nearly 130,000 millionaires³⁷ (a number expected to nearly double by 2030) the luxury fashion market is poised for substantial growth. These dynamics are creating a perfect storm of opportunity for both local and international brands, positioning Saudi Arabia's fashion industry to emerge as a powerhouse in the global market.



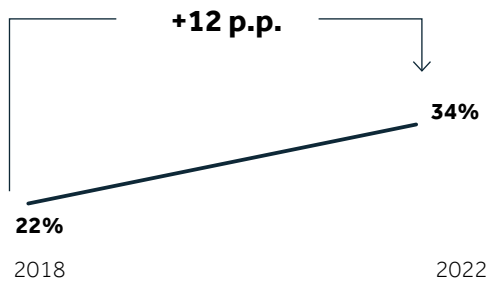


Women and Youth: Driving Forces Behind Saudi Fashion's Rise

Saudi women are growing their relevance as financially independent consumers, actively participating in Saudi Arabia's economy across several industries. Female labor participation rose from 22 percent in 2018 to 34 percent in 2022, rapidly narrowing the gap with male counterparts. In the same timeframe, the proportion of women in managerial positions grew from eight percent to almost 20 percent.³⁸ Women employed in Saudi Arabia are experiencing the strongest momentum, supported by several initiatives from Saudi, including educational programs and leadership trainings. Reality is surpassing expectations, as Vision 2030 goal to achieve 30 percent female participation in the labor force by 2030 is already a fact.

Exhibit 6 – Saudi female labor participation on a steady rising path

Female labor participation, % of working age women in Saudi Arabia



The Saudi fashion sector is bound to benefit from the increased purchasing power of Saudi women, fueling demand for a diverse range of fashion products, from professional attire to luxury and casual wear. A transformed landscape of female consumers is consolidating, with women empowered to dress with different attires, proud to elevate their traditional clothes, and fascinated by global trends on social media (50-60% of Saudi women use Instagram and Snapchat as sources of inspiration). Local and international brands willing to benefit from increased demand will have to cater for Saudi women's unique preferences.

At the same time, the dominant share of Saudi population is young and on the rise of economic well-being. Unlike many European counterparts, where only 30-35 percent of the population is under 30, a substantial 60 percent of Saudis, nearly 20 million people, fall into this age group.³⁹ Recognizing them as the consumers of today and tomorrow, Saudi Arabia has launched initiatives like the Vision 2030 Human Capability Program to equip young Saudis with skills for active economic participation.

Beyond their sheer size, their increase in spending power makes young Saudis pivotal for Saudi fashion sector, as signaled by the 30 percent drop in unemployment rates from 2019 to 2023.⁴⁰ These fashion consumers are also highly digital, connected, educated, and socially engaged, making them key drivers of change in Saudi lifestyle and fashion. Drawn to global trends, they increasingly seek modern, high-quality products, spending around 30 percent of their annual income on international brands. This has resulted in a unique fusion of Western styles and traditional elements at the core of Saudi identity. Despite their embrace of casual styles, young Saudis remain deeply proud of their cultural heritage, a sentiment particularly strong when compared to their counterparts in the UAE, where 45 percent of yearly spending goes to international brands.⁴¹

Reality is surpassing expectations, as Vision 2030 goal to achieve 30% female participation in the labor force by 2030 is already a fact.



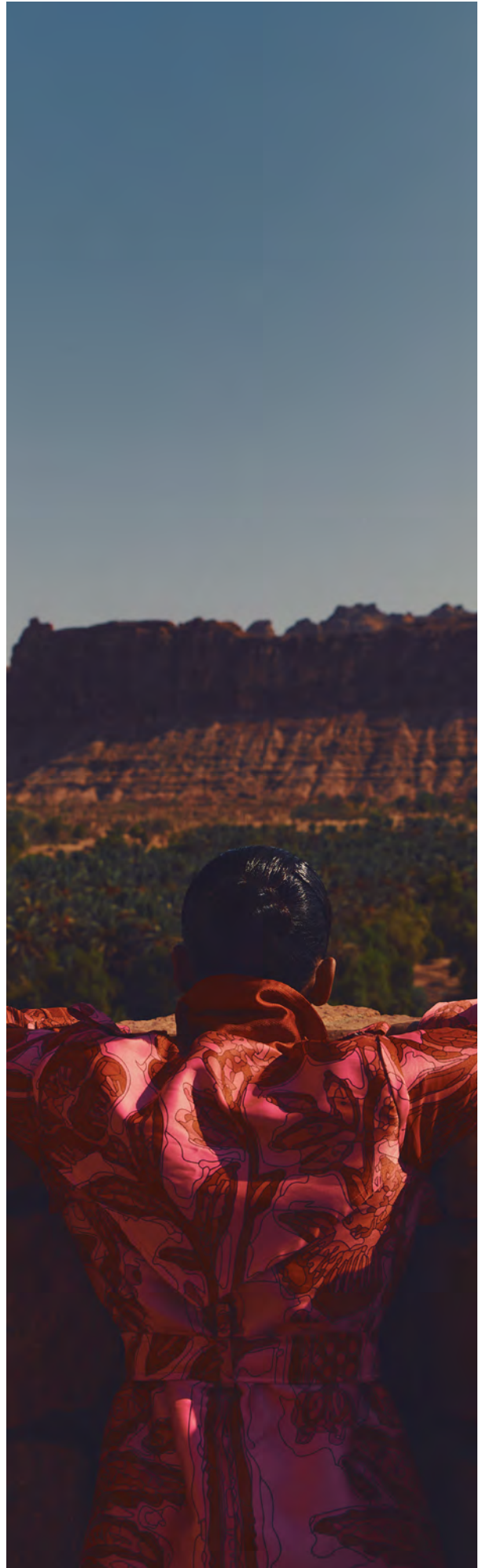


Saudi Arabia's Next Fashion Demographic: Highly Skilled Expats

Representing five percent of the over ten million expats in Saudi Arabia, the growing number of highly skilled expatriates is set to create an expanding consumer base for the fashion market within Saudi. The Labor Market Strategy implemented by the Ministry of Human Resources and Social Development aims to increase the proportion of highly skilled expatriates to seven percent of the total expat population by 2025 and to 15 percent by 2030.⁴² This strategic shift underscores the expected rise in the share of skilled expatriates over the coming years.

As these professionals relocate to Saudi Arabia, often attracted by increasingly competitive expatriate packages and the rapid development of Saudi Arabia's cities, their presence is likely to have a substantial impact on the local fashion market. While they may continue to shop internationally for specific occasions or luxury items, the need for everyday apparel, children's clothing, beauty products, and sportswear will likely drive them to make more purchases locally. The convenience and availability of global and local fashion brands within Saudi Arabia will play a crucial role in encouraging this shift toward domestic spending.

Furthermore, the influx of highly skilled expatriates, accustomed to global standards of fashion and with a preference for high-quality, branded clothing and accessories, contributes to the growing cosmopolitan nature of Saudi cities, driving demand for diverse and sophisticated fashion options. As a result, the fashion industry in Saudi Arabia can expect a sustained increase in sales, fueled by this expanding and affluent customer base.



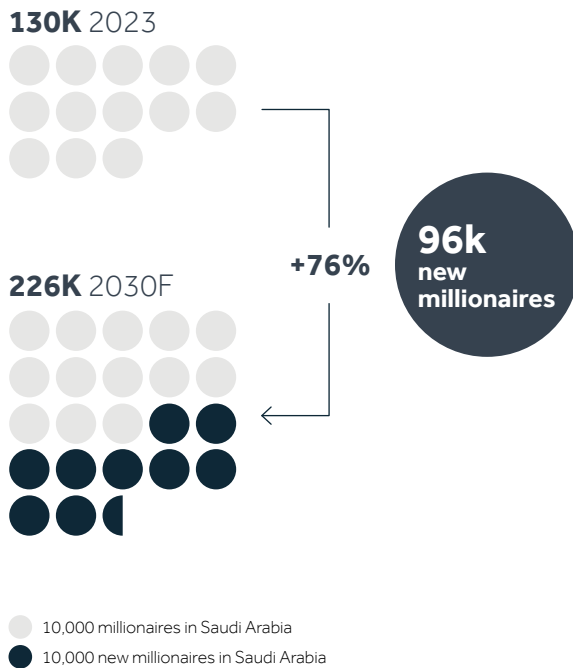


Rising Tide of Millionaires to Fuel Domestic Fashion and Luxury Demand

Home to nearly 130,000 millionaires, a number projected to increase by 96,000 by 2030 (reaching 226,000), Saudi Arabia is an attractive market for luxury fashion.⁴³ These young, luxury-savvy, and well-traveled customers are ready to outspend their counterparts in other countries, both domestically and internationally.

Exhibit 7 – Growing affluent consumer base in Saudi to boost domestic luxury market

Number of millionaires in Saudi Arabia



Notably, 30 percent of them are likely to increase their spending in the future,⁴⁴ a rate that is seven percent higher than the global average and closely follows the spending patterns of affluent consumers in China (34%) and the US (32%). This heightened spending appetite of Saudi affluents is reportedly driven by strong financial confidence, increased time spent browsing luxury brand websites and e-commerce platforms, and most importantly, spending diversification fueled by luxury brands expanding their presence across new retail stores and product offerings in the country (see *Chapter 7 for reference*).

While this affluent demographic is expected to satisfy a larger portion of its fashion demand locally, Saudi consumers will continue to be global players in the luxury market. Therefore, the challenge for international brands operating in Saudi Arabia lies in creating a seamless, interconnected experience across international locations. Ensuring that the enhanced Saudi shopping experience and fashion offering resonate with the global luxury landscape is key, particularly for those high-demand fashion items that cannot wait until the next international trip.





03

The Influence of Young Saudi Shoppers on Luxury Spending Leakage Reduction

During the high-season, Bond Street, Harrods, and Selfridges in London come alive with affluent Saudi shoppers. Together with Dubai, Paris and Milan, these popular shopping destinations attract Saudis who explore opulent luxury boutiques offering personalized service and exclusive collections.

For years, Saudi consumers travelled internationally for shopping, with more than 60 percent of the over USD 7 billion national expenditure of luxury goods occurring abroad, also fueled by their rooted tradition of gifting. Saudi is now poised to capture a greater share of this market domestically, with the percentage of luxury spending abroad expected to decrease from 60 percent to approximately 50 percent by the end of the decade.⁴⁵ Driven by the national pride of the young, luxury-savvy population, demand is set to soar. As consumers' sophistication levels evolve, enhancing local luxury shopping experiences, as well as the quality and variety of assortments, is key in unlocking the full market potential. This will require combined efforts from both international and local brands, alongside the development of new retail spaces.



Key Destinations for Luxury Spending Leakage



Local traditions of gifting and purchasing habits, along with the usually lower availability of exclusive products in local stores, push affluent Saudis to shop internationally, driving demand for ready-to-wear clothing, high-end watches and handbags, and footwear. "Almost 50 percent of Saudi luxury shoppers look for elegant, high-quality and on-trend characteristics in the brands," explains an Executive at a large European retailer. Despite the anticipated growth in local spending, the tradition of gifting will continue to be a central aspect of the Saudi shopping experience, particularly when traveling abroad.

Historically, London has been a prime destination for Saudi luxury shoppers. Shopping in London is about more than acquiring goods; it's a lifestyle choice. Many Saudis, particularly those with substantial wealth, own properties in London and have established business interests there, a city highly welcoming of different cultures. The education system in the UK is another significant factor, as many of their children attend British private schools and prestigious universities. Moreover, the cultural and linguistic familiarity with English and the allure of British traditions, such as high tea and aristocratic culture, contribute to their frequent visits.

"Saudi high-value shoppers in London are the epitome of luxury and exclusivity," says a Sales Manager for Private Shopping at Harvey Nichols in London, and they are often traveling with their entire family. These wealthy clients seek customized services and luxury retail immersion, and, for the ultra-wealthy, it is not uncommon to see groups of as many as 20 people, including personal assistants and security personnel. "No doubt, we put our best efforts into providing exceptional treatments for these clients, including expedited shipment of their purchases back home. They particularly enjoy receiving packages from the UK," the Sales Manager adds. "Mature shoppers flock to timeless icons like Louis Vuitton, Dior, Chanel, and Hermès, while the younger generation is drawn to the bold allure of Celine, Saint Laurent, and Valentino."

The key difference between a Saudi shopper and a European shopper is that they love shopping for shopping's sake and enjoy it as part of their experience in Europe. These clients favor exclusive and up-and-coming collections, relishing the satisfaction of owning pieces that evoke fond memories of their European travels, and are not available in their home country.

Typically, Saudi luxury shoppers visit London during summer, end of year holidays, and Ramadan. "Ramadan and Eid are such an important part of our commercial calendar," points out the Head of Sales of a luxury department store, "We will prepare merchandise according to their [Saudi customers'] taste, sizes, and preferences and it takes up to four months."

Dubai is another top destination for Saudis seeking luxury shopping abroad. Besides the 10 percent lower VAT for the end customer, its cultural and geographical proximity, top-notch customer experience, and extensive shopping malls with a broad selection of brands and products make it highly attractive. Indeed, "The personable and warm approach of its shopping assistants, the implementation of engaging customer experiences utilizing CRM tools comparable to those in Europe, and the presence of larger flagship stores for luxury brands beyond the top five, surpassing even those in Europe, are key factors making UAE a premier destination for Luxury shopping," according to the Retail Manager of a luxury group.

Paris and Milan are also popular destinations, especially after UK forfeited the tax return policy (Saudi shoppers can no longer reclaim the over-16-percent VAT). As a result, many are now opting for Paris or Milan for high-value purchases to benefit from duty-free shopping.

A New Era: Young Luxury Shoppers Going Local

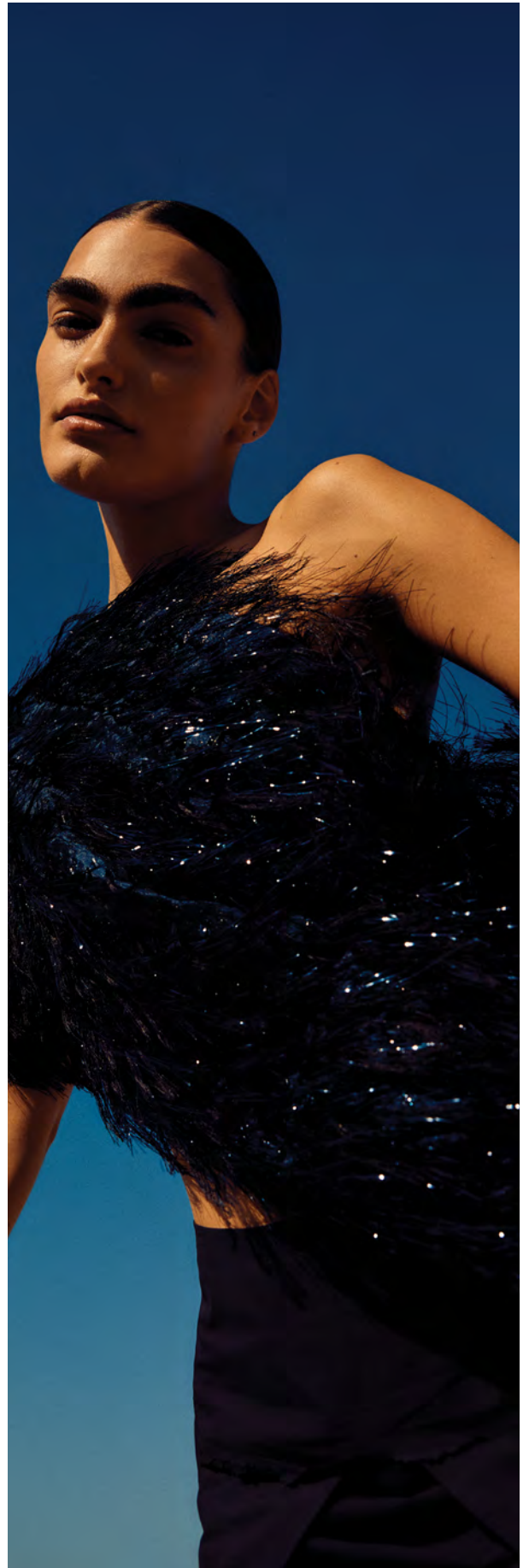
Saudi's luxury market is rapidly expanding, with almost USD 1 billion of the anticipated over USD 2 billion growth from 2023 to 2028 expected to result from an increase in in-country spending.⁴⁶

Spurred by the pandemic, Saudi luxury spenders reverted to their home country to satisfy their interest in fashion and connect with local stores, witnessing the ongoing improvements. Due to the changes in recent years, every aspect of the shopping experience in Saudi Arabia has improved, and the availability of international brands locally and the level of their assortment is growing. "While many people are traveling and shopping on holiday this year, the majority of their Ramadan purchasing is still happening within Saudi Arabia," the expert adds. "We used to have a dedicated shopping occasion for Saudi customers during the back-to-school season. Now it doesn't exist anymore because they can find those brands and products in their country," also says the Merchandising Director of a Dubai-based retailer.

Beyond luxury brands' presence and retail expansion, the maturation of local fashion talent is another factor contributing to the growing interest in local shopping. On the one hand, international brands operating in Saudi Arabia are prioritizing the search and training of local talent to provide an exclusive retail experience comparable to other luxury destinations. "These consumers expect international brands to provide exclusive, region-specific merchandise, personalized VIP services, and exclusive in-store events and experiences that match international standards," says Brand Director at a leading fashion group, "and our first worry when deciding to operate and grow in Saudi, is to find and retain the best talent in our stores," the expert adds.

Alternatively, while the luxury Saudi consumers desire to lead in fashion trends and make bold style choices, they are also becoming increasingly nationalistic and culturally proud, which significantly influences their shopping behaviors. Unlike the previous generation, these young Saudis prefer to shop closer to home and are more inclined to purchase local brands. An impressive 95 percent of affluent Saudis aged 18-34 believe it's important to support and engage with Saudi-first businesses, celebrating local craftsmanship and design.⁴⁷ And the growing pool of rising and established local brands is set to cater to these preferences (see Chapter 11 for reference).

Beyond luxury brands' presence and retail expansion, the maturation of local fashion brands is also contributing to growing interest in local shopping.





04

Consumers Increasingly Engaging with Omni-Channel Experiences



In Saudi Arabia, shopping malls have become bustling microcosms of public life where families and individuals can relax, socialize, and shop in comfort. While offline retail remains strong and is still expected to account for the majority of fashion and luxury sales in the coming years, the digital exposure of the young population is driving the change. A remarkable 98 percent of the population is equipped with smartphones, influencing new preferences in how they engage with brands and the retail space, blending the physical and digital to create a seamless, interconnected lifestyle. Supported by robust government initiatives and a growing digital economy, the future of online fashion retail in Saudi Arabia looks promising. Currently underpenetrated with respect to international standards and valued at almost USD 4 billion in 2023, the Saudi e-commerce market has experienced remarkable growth in recent years and is expected to reach over USD 7 billion in 2028.



Digital-Savvy Youth Embracing the Online World

The young generation of Saudis is increasingly turning to the digital world for entertainment and social interaction. With nearly 98 percent of the population equipped with smartphones, Saudi Arabia boasts a penetration rate higher than most advanced markets: France at about 75 percent, the UK over 80 percent, and the US at 90 percent.⁴⁸

Spending an average of five hours daily on mobile devices, Saudi youth seamlessly transition from physical malls to limitless digital realms. In the eyes of consumers, online and offline are getting more and more intertwined and part of a single experience (e.g., from simple in-store returns of online purchases to more advanced features like virtual try-on). This trend applies everywhere in the world, but considering the Saudi digital engagement, this is taking hold at a faster pace in Saudi.

An interesting 75 percent of their fashion buying behavior is influenced by digital channels. Specifically, 25 percent make pure online purchases, 12 percent research offline and purchase online, while a significant 38 percent research fashion products online and buy offline.⁴⁹ This underscores the relevance of brand websites, social networks, and e-commerce sites as crucial inspirational touchpoints and drivers of sales.

For women in Saudi Arabia, social media comes first when asked about the main source of inspiration in their fashion purchases, followed by friends and family. For men, social media comes second, after family suggestions. The same ranking for social media is observed in the UAE. The rush of fashion brands and retailers to employ the right influencers on the right social platforms is soon explained.

Instagram and Snapchat are particularly influential for Saudi women, with 50-60 percent leveraging these as primary sources of fashion inspiration. YouTube leads as the discovery channel for men, used by more than 50 percent.⁵⁰ This pattern holds true for luxury purchases as well; a survey conducted in 2023 by BCG-Altgamma found that social media predominates as the main source of information for luxury purchases (50%), followed by brand websites (~20%).⁵¹

This level of digital engagement highlights the critical role of an effective online presence for fashion brands aiming to capture the Saudi market. By strategically leveraging digital channels, brands can influence purchasing decisions and expand their reach within this tech-savvy demographic.

Exhibit 8 – Population with a smartphone %

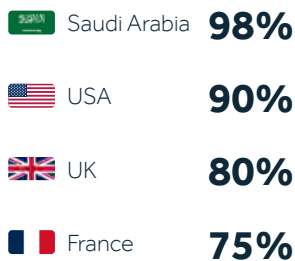


Exhibit 10 – Fashion buying behaviour

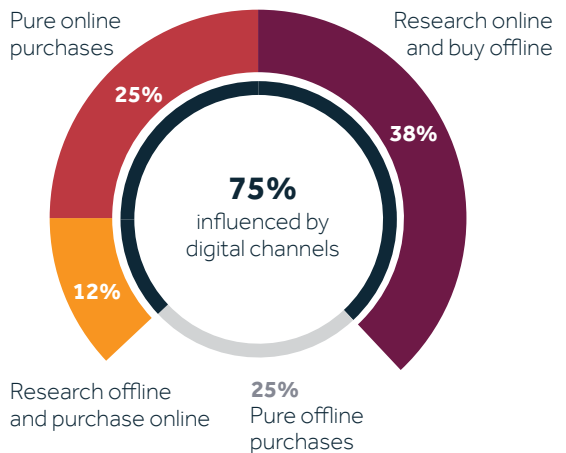


Exhibit 9 – Inspiration sources in fashion purchases

WOMEN

Social Media is the main source of inspiration for women



50-60% use **Instagram** and **Snapchat** as a source of inspiration

MEN

Family is the main source of inspiration for men



50% use **YouTube** as a source of inspiration



E-Commerce: Unlocking Full Market Potential

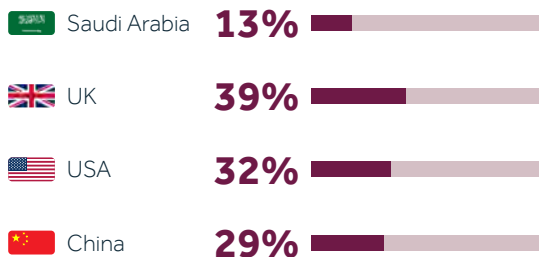
The fashion e-commerce market in Saudi Arabia, valued at almost USD 4 billion in 2023, remains relatively underpenetrated, leaving substantial room for growth. The market has experienced a remarkable growth close to one hundred percent from 2018 to 2023 and is projected to reach over USD 7 billion by 2028, accounting for 17 percent of the total Fashion & Luxury market.⁵² This double-digit growth, estimated at a 14 percent CAGR from 2023 to 2028, will be fueled by combined efforts from the government and retailers to align with international standards in delivery, return services, and digital payment enablement, mirrored by the increased readiness of young consumers to endorse pure online purchases.

E-commerce penetration in Saudi Arabia's Fashion and Luxury sector currently stands at 13 percent, which is significantly lower than international benchmarks: 39 percent in the UK, 32 percent in the US, and 29 percent in China.⁵³ The primary reasons for this lower penetration include customer hesitancy toward online shopping due to concerns about size and fit, a challenging return process, distrust in online payments, and a preference for in-store fashion discovery. "Around 40 percent of Saudi consumers report that not knowing the right size and fit of the purchased product is the main reason discouraging online purchases," comments the Head of E-commerce at a large fashion brand. Despite these challenges, there is clear potential, with over 80 percent of Saudi consumers indicating the importance of being able to shop for fashion products online.⁵⁴

Investment in logistics infrastructure by Saudi and retailers are set to benefit both international and local brands. Key challenges in the e-commerce business in Saudi Arabia include delivery lead times, return process management, and last-mile logistics. Around 30 percent of Saudi consumers expect to receive their online purchase in two or three days,⁵⁵ a demand that can only be met through local fulfillment. Historically, most brands and retailers shipped products from warehouses in the UAE or even from Europe for international retailers, like Net-a-Porter, resulting in over a week of waiting time for customers and high delivery-and-

Exhibit 11 – Saudi Fashion e-commerce market still relatively under-penetrated

Fashion e-commerce market penetration across countries, 2023



40%

of consumers state not knowing right size and fit is the main reason discouraging online purchasing

30%

of Saudi consumers expect to receive their online purchases within 2-3 days

80%

of consumers indicate the importance of shopping for fashion products online

Only 7/30

top e-commerce sites specialize in Fashion & Luxury





The fashion e-commerce market in Saudi Arabia, valued at almost USD 4 billion in 2023, remains relatively underpenetrated, leaving substantial room for growth.

return fees.

As brands come to realize that localized operations stand as a source of competitive advantage, the situation improves thanks to the Saudi government's support. A notable and successful example is the establishment of the Special Integrated Logistics Zone (SILZ) in Riyadh, Saudi Arabia's first Special Economic Zone (SEZ), designed to house fulfillment centers and streamline distribution. Regional retailer Chalhoub has opened a local fulfillment center in this area, alongside other local players, like Mocamilla and Shorages, and international giants, such as Apple and Amazon. Results of these enhancement efforts are clear in the eyes of industry experts: "We have witnessed significant improvements from international e-commerce players like Farfetch, who have managed to reduce delivery times significantly," explains the Brand Director at a European luxury maison.

On the payment front, government efforts led to the creation of a comprehensive regulatory framework to govern e-payments in 2018, with the primary objective of enhancing consumer trust. The target is to increase digital payments to 70 percent in the coming years,⁵⁶ shifting consumers away from the long-prevalent cash-on-delivery toward online payments. This transition is supported by the gradual adoption of services like Buy Now, Pay Later (BNPL) and mobile wallets such as Apple Pay. Tabby and Tamara are two successful BNPL providers, covering the majority of retail stores in Saudi and partnering with prominent brands like Nike, Farfetch, and IKEA, as well as emerging local brands like Jayla.

While the foundations for growth are in place, no clear winners have emerged in Saudi Arabia's e-commerce market yet. The market remains fragmented, with the top three sites accounting for a combined total of approximately 22 percent of traffic share: Shein.com (12%), Namshi.com (7%), and Centrepoint.com (3%).⁵⁷ A noticeable trend is that most online players cater to non-luxury fashion, leaving opportunities for luxury brands to gain market share. Currently, only seven of the top 30 e-commerce sites specialize in luxury fashion, including local and regional players such as Level Shoes and Ounass, and international entrants such as Farfetch, YNAP and StockX.



Brick-and-Mortar Meets Digital: Blending In-Store and Digital Experiences

The rise of e-commerce does not signify the end of the offline shopping experience. Malls are expected to remain the preferred shopping destination and account for over 80 percent of fashion and luxury sales in 2028. However, their format and offerings are continuously evolving to meet consumers' desire for entertainment, blending with digital touchpoints to offer an enhanced experience.

"For people in Saudi Arabia and in the GCC region at large, the mall is a special place for family and friends to get together, and it will always be there," observes a Marketing Director of a local retailer. "Especially for high-end clientele, the tailored service and exclusive treatment, such as personal shoppers and stylists, valet parking, concierge services, and various VIP events, are still going to be at the core of their preferences and cannot be replicated online yet," the expert adds.

With the rise of new advanced retail spaces, interactive experiences and the ambiance of physical stores significantly influence customer purchases. There are new expectations from consumers regarding the integration of their online activities with in-store experiences: 77 percent of Saudi consumers find it crucial for stores to provide interactive and engaging in-store experiences, and over 80 percent of shoppers are more likely to visit stores offering immersive experiences.⁵⁸

80%+

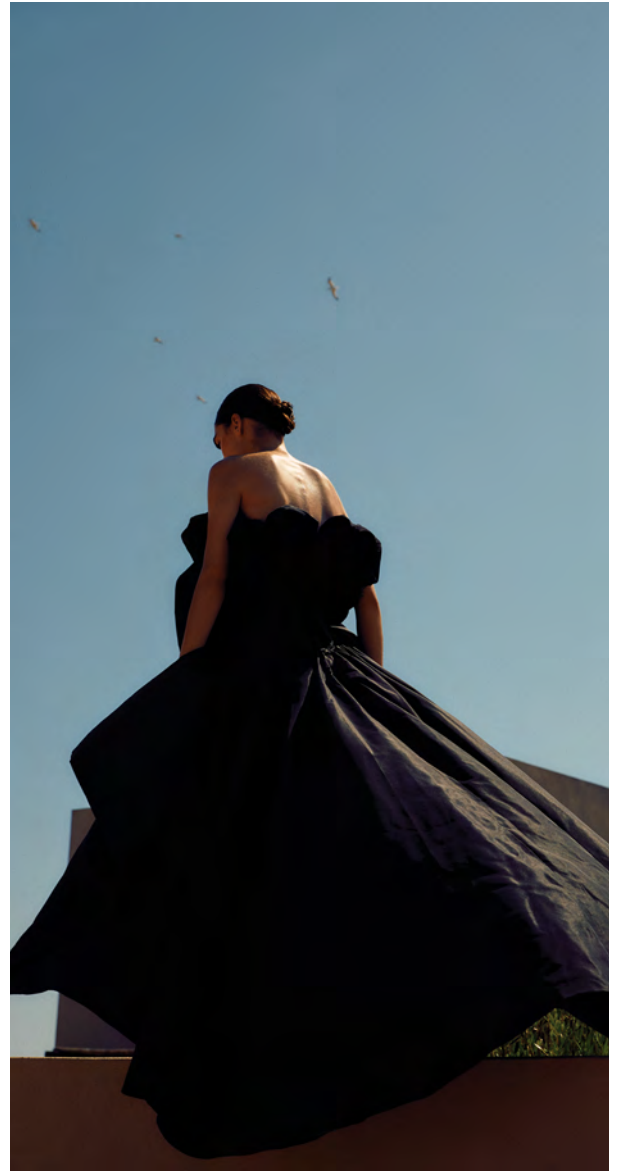
of fashion and luxury sales
will take place in malls in 2028

77%

of Saudi consumers find
interactive and engaging
in-store experiences crucial

80%+

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experiences



To meet evolving consumer demands, stores in Saudi Arabia are gradually adopting new formats and embracing global retail trends, before moving into tech-advanced in-store experiences. Examples include Click-and-Collect services from eXtra and Centrepoin, and innovative apps like Mallers that offer a holistic shopping experience across multiple malls in Saudi Arabia, such as Riyadh Park, Panorama Mall, and Red Sea Mall. Click-and-Collect, in particular, is a key feature of an omnichannel strategy and a potential growth driver of online shopping, as it addresses a few customer concerns. According to the KSA Voice of Consumer Survey conducted by BCG in 2021, 88 percent of interviewed Saudi consumers reported that the ability to check product quality and the speed of availability would encourage the use of such services.

Looking toward truly future-facing shopping experiences, the Mukaab is a proposed cube-shaped skyscraper in downtown Riyadh. By incorporating physical elements of the metaverse, it promises an experiential and digitally enhanced shopping environment with advanced technologies, such as holographic experiences and augmented reality product displays.

These developments highlight how the traditional shopping experience in Saudi Arabia is being transformed, blending the physical with the digital to create enriched and interactive environments that cater to modern consumer expectations.



Malls are expected to remain the preferred shopping destination and account for over 80% of fashion and luxury sales in 2028.



05

Destination Saudi Arabia: Cater to Tourists' Diverse Retail and Entertainment Needs



As part of Vision 2030's ambitious diversification efforts for the Saudi economy, tourism has been identified as a pivotal sector for growth. A dedicated tourism strategy aims to develop this nascent sector into a major economic driver, contributing a substantial 10 percent of GDP by 2030. In alignment with this ambition, Saudi Arabia plans to attract over 75 million international visitors by 2030, with most growth expected from an influx of leisure tourists enjoying new retail and entertainment experiences in the country.⁵⁹

Retail expansion will play an integral role in this transformation, with high-end tourism assets and shopping opportunities expected to flourish. Riyadh aims to become a key shopping destination in the GCC region, with the Diriyah giga-project accelerating this process. Covering 14 km², the project will feature a high-end shopping district and more than 400 stores.⁶⁰

Beyond significant infrastructural investments, strategic marketing campaigns in prominent tourist and shopping destinations worldwide, along with high-profile events, are enhancing Saudi Arabia's global visibility.



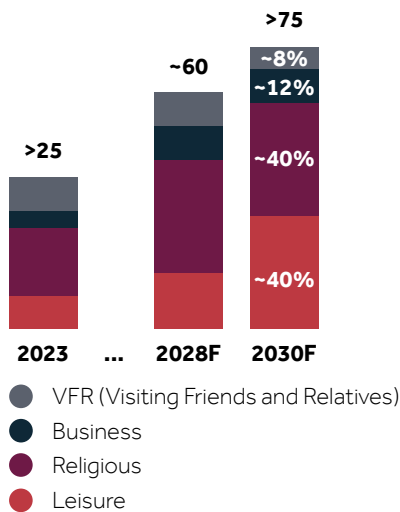
Transforming Saudi's Leisure Tourism with Ambitious Investments

The target of *circa* 75 million international visits will be fueled by both leisure tourism, accounting for about 40 percent, and religious tourism, also at approximately 40 percent.⁶¹ Additionally, as Saudi Arabia's high-skilled expatriate population continues to grow, visits from friends and family are projected to contribute to the tourism base, making up eight percent of the total visits.

Leisure tourism is set to be the primary driver of retail spending during visits, contributing the most significant share. Currently, the average daily spending from inbound tourism in Saudi Arabia is significantly lower than international benchmarks, at USD 117 compared to USD 557 in the UAE.⁶² Recognizing this opportunity, a transformative roadmap has been developed to boost the number of leisure travelers to 30 million by 2030, representing an approximate 27 percent CAGR from an estimated base of five million in 2023, and to double the spending per traveler.

Exhibit 12 – Inbound tourism forecasted to grow from 27 million visits in 2023 to over 75 million visits in 2030⁶³

Saudi inbound tourism visits, Million, 2023-2030F



Over the last half-decade, the Saudi government has been actively removing barriers and easing restrictions to welcome more visitors to Saudi Arabia. Until 2019, non-religious tourist visas were not granted, but now tourist e-visas, applicable to 63 countries,⁶⁴ are issued within minutes. Additionally, the recently launched unified GCC tourist visa is expected to boost tourism by leveraging the substantial inflow of visitors to other markets such as the UAE and Oman.

Beyond policy changes, a landmark USD 800 billion has been allocated and is actively being deployed to build and market the tourism infrastructure across the country.⁶⁵ This investment includes giga-projects, resorts, airports, museums, and restoration projects, all aimed at enhancing travel experiences and allowing visitors to explore Saudi Arabia's rich heritage, culture, and diverse landscapes.

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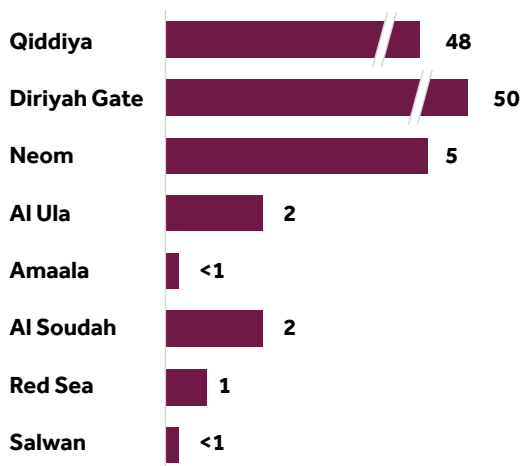


Retail Playing an Integral Role across High-End Tourism Assets

Giga-projects, large-scale and ambitious developments, are central to Saudi Arabia's tourism strategy. Among these tourism-related developments, which aim to attract over a cumulative one hundred million national and international visits by 2030,⁶⁶ Diriyah is expected to be the standout destination for retail tourism. While some sites are anticipated to open by 2025, most of the offerings will be delivered toward the end of the decade.

Exhibit 13 – Tourism-related giga-projects expected to receive >100 million cumulative visits⁶⁷

Visits (domestic and inbound tourism) by 2030, Million



Diriyah Gate, a USD 63 billion cultural restoration project, is targeted to attract approximately 50 million visitors by 2030. Diriyah Square, which is the heart of the retail offering at Diriyah, is set to open by 2028. Featuring an expansive 180,000 m² open-air scheme, the project is set to boast over 400 stores, including flagships for the world's top 50 luxury brands.⁶⁸ Diriyah Square will also house emerging homegrown brands. (See Chapter 7 for more information on the project).

Other high-end destination projects, such as the Red Sea Project and Amaala, target a smaller visitor pool (half a million to two million by 2030) but provide alternate tourism experiences such as sun and sea, and wellness. While fashion retail will be an element at these sites, the offerings will be more niche, focusing on resortwear and lifestyle products offered through smaller boutique stores lining the coast. Eased by their natural terrain, these destinations will also serve as ideal venues for luxury brands to host VIP events and experiential pop-ups and generate traffic in main cities like Riyadh and Jeddah.

Beyond Diriyah and the giga-projects, Riyadh is expanding its offer of emerging best-in-class retail destinations in the region. One example is the recently opened Via Riyadh, a luxury shopping mall, located near the Diplomatic Quarter in Riyadh. The complex houses over 20 boutiques, ranging from renowned fashion houses to local designers, indexing more on jewelry segments, and couture/formal wear. Notable brands include Charles Oudin, Elie Saab, Dolce & Gabbana, David Webb, Artfeeni, Ashi, Bellucci, L'Atelier Nawbar, Sergio Rossi, Westerly, and Zegna.⁶⁹

Tourism-related developments aim to attract over a cumulative 100 million visits by 2030 (from national and international tourists), with Diriyah as the expected standout destination for retail tourism.



Airports will serve as another crucial component of tourism infrastructure incorporating retail elements. Duty-free retail in Saudi today is still marginal, compared to Dubai Duty Free's USD 2 billion revenue.⁷⁰ With three new airport projects, in Riyadh, Neom and Jeddah in the pipeline, and the incoming inflow of international visitors, there will be new opportunities for duty-free shopping starting from 2026 to 2027 to capture visitor spending.



Engaging High-Spending Tourists through Strategic Marketing Initiatives

A key focus of these giga-project developments is attracting high-spending travelers from China, India, and Europe. "We want to focus on countries where the GDP per capita is higher than others and that are within a six-hour flight in a strategic geographic location," says HE Ahmed Al Khateeb, Minister of Tourism.

To increase global visibility on the new offerings, the Ministry of Culture and other government entities are organizing a series of high-profile events throughout the year. For example, the Red Sea Fashion Week features piecework from Saudi designers, establishing the Red Sea as a burgeoning fashion destination. Winter at Tantora, a cultural festival in Al Ula, includes music concerts, art exhibitions, historical tours, and culinary experiences, spotlighting the city as a cultural tourism hub. These events aim to build a robust fashion and cultural ecosystem in Saudi, showcasing local talent to a global clientele from European and Asian markets.

Global marketing campaigns and strategic sponsorships are also being curated to attract leisure tourists. In February, Al Ula launched the Forever Revitalizing campaign, targeting key markets including the UK, France, Germany, Italy, the US, China, India, and the GCC. These markets are notable for their high-spending tourists, with travelers from the UAE, China, and Japan leading in terms of spending per trip.

Banners and campaigns for key assets, such as the Red Sea project, are strategically placed in prominent international shopping destinations, such as La Rinascente in Italy, to attract high-spending tourists visiting key European fashion destinations. The July 2024 Diriyah campaign at Harrods in London is another notable example. This immersive exhibition aims to highlight the 350 luxury residences that are part of the project, capturing the attention of the 450,000 visitors expected at Harrods throughout the month.⁷¹

Beyond fashion-based marketing, Saudi Arabia is broadening its appeal to potential visitors through an array of sports and entertainment events. The annual F1 race in Jeddah, for example, attracts a massive global audience, with the 2022 race drawing over 75 million viewers.⁷² There are even plans to potentially move the event to Qiddiya later in the decade, highlighting Saudi's ongoing developments and







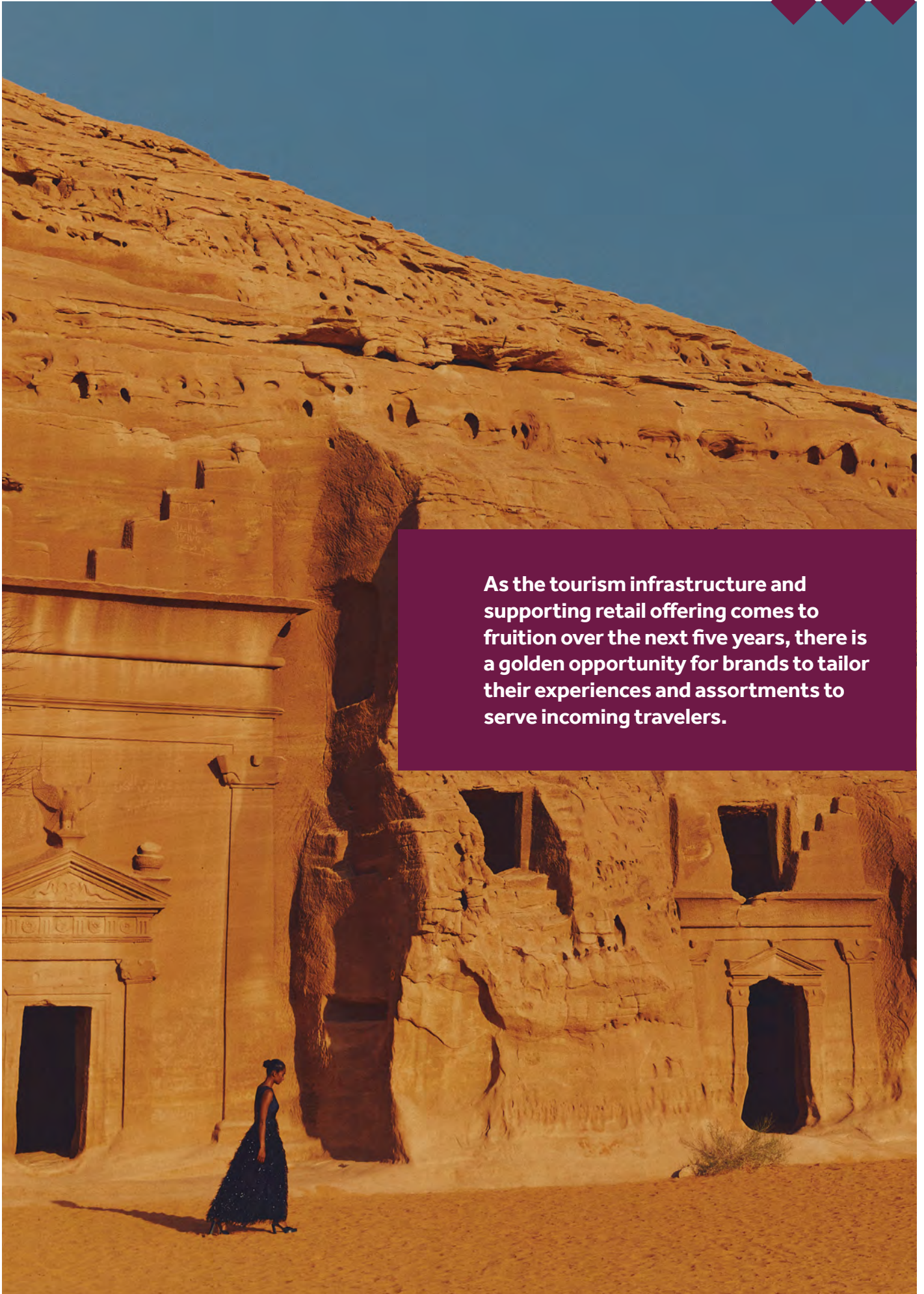
ambitions. The Red Sea Film Festival is another significant attraction, welcoming over 4,000 film professionals and students.⁷⁴ This event not only features participation from international stars but also garners extensive media coverage, showcasing Saudi Arabia as a burgeoning hub for entertainment. Other events like Leap (focused on technology) and Soundstorm (dedicated to music), further enrich Saudi amusement opportunities.

By leveraging high-profile events and targeted campaigns, Saudi Arabia aims to enhance its global presence and welcome a significant inbound of tourists, further contributing to the broader goals of Vision 2030. As the tourism infrastructure and supporting retail offering comes to fruition over the next five years, there is a golden opportunity for brands to tailor their experiences and assortments to serve incoming travelers.

Exhibit 14 – UAE, Chinese, and Japanese travelers are the highest spenders on shopping⁷³

Average spend per tourist by source market, USD

	 Total	 Shopping		 Total	 Shopping
UAE	2,740	673 (25%)	GCC	1,807	606 (34%)
China	2,373	742 (31%)		1,755	368 (21%)
Japan	2,185	372 (17%)		1,207	137 (11%)
India	1,977	381 (19%)			
USA	1,428	287 (20%)			
UK	1,231	129 (10%)			
			Asia Pacific		
			Western Europe		



As the tourism infrastructure and supporting retail offering comes to fruition over the next five years, there is a golden opportunity for brands to tailor their experiences and assortments to serve incoming travelers.



06

Fashion in Saudi: A Mall-Driven Market, Now and Beyond

Saudi Arabia is expansive. Stretching across the Arabian Peninsula, Saudi encompasses 13 provinces, each with its own industrial footprint, architectural makeup and social fabric. Economic activity is led by three cities: Riyadh, the political and commercial heart of the nation; Jeddah, the port city with a flourishing arts scene; Dammam, the fulcrum for oil and gas activity.

Accounting for approximately 40 percent of Saudi Arabia's population and over 50 percent of fashion spending, these cities serve as the main retail centers, supplying close to 7 million m², almost 60 percent of Saudi's total retail GLA (Gross Leasable Area). Riyadh alone accounts for almost 30 percent of the country's organized retail supply, with over 3 million m² of existing GLA.⁷⁵

The top five mall operators, including Cenomi and Al Othaim, account for a third of the organized retail space, focusing their retail offering heavily on global fast fashion brands. Local brands are still limited in number, with many only established post-2010s and yet to establish themselves as anchor tenants at malls. Luxury retail occupies a small three percent portion of the total GLA, with a greater emphasis on mono-brand boutiques, as opposed to multi-brand shopping.⁷⁶ Recognizing the room for growth and modernization, new mall projects are aiming to enhance the overall shopping experience through better design and quality.



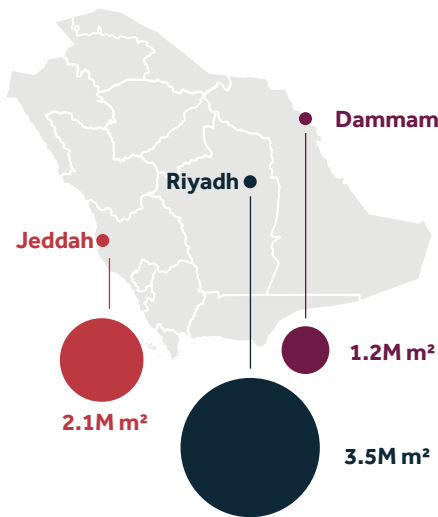


Malls Take the Retail Center Stage in Saudi Arabia

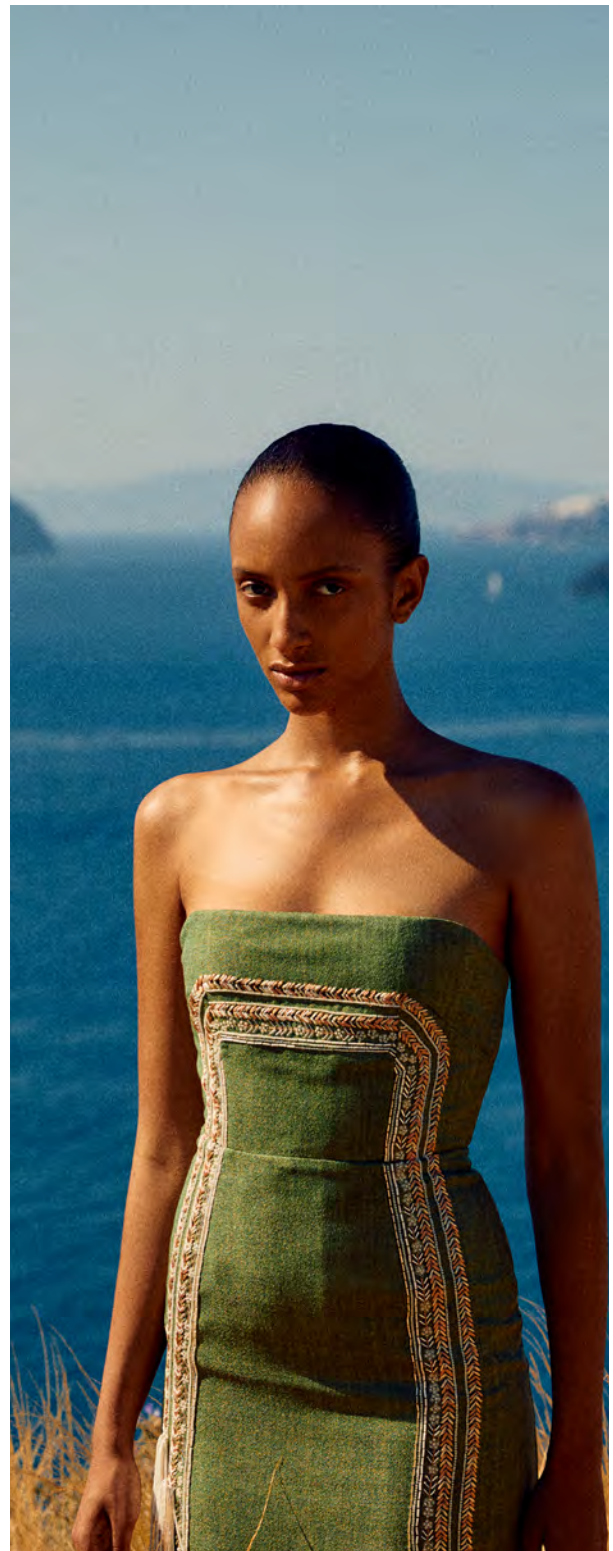
Unlike European capitals, where the majority (~90%) of the retail supply is concentrated in high streets or shopping districts, organized retail infrastructure in Saudi cities is primarily concentrated in malls. Modern retail development had a later start in Saudi Arabia, gaining traction in the 1990s, following the post-oil boom. Malls became the preferred format, aligning with the expansive city planning and serving as a one-stop destination for both shopping, dining, and spending leisure time as families. In more recent projects, malls often take the form of districts, with a combination of outdoor and indoor spaces.

Exhibit 15 – Retail GLA (Gross Leasable Area) supply driven by three cities: Riyadh, Jeddah, and Dammam⁷⁷

Retail GLA per city (Million m²)



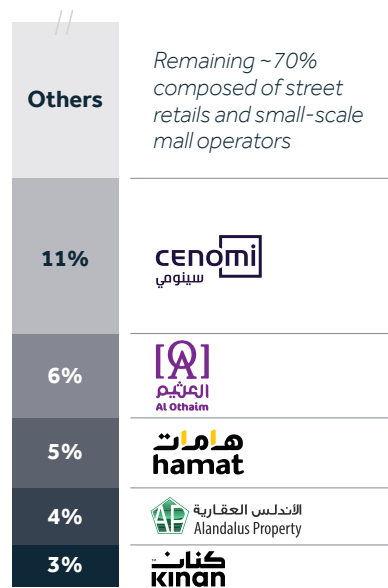
Mall-based retail supply is driven by five main operators (Cenomi, Al Othaim, Hamat, Alandalus and Kinan) who collectively account for a third of the organized GLA in Saudi Arabia. The 50 shopping centers from these operators have a high-street positioning, offering most global fast fashion names such as H&M, Zara, and regional names such as Max Fashion. International brands see high penetration as the expansion of malls in Saudi coincided with a period, in the late 1990s and early 2000s, during which regional retail conglomerates were bringing global names to cater to the expanding middle class. It also helps that the top two mall operators (Cenomi and Al Othaim) are also retail conglomerates, with their own brand's portfolio. Cenomi is the franchise partner for Inditex brands, whilst Al Othaim's portfolio includes a few names such as Parfois, Kiabi, and OVS. Global mass market names will continue to be a staple in malls, as they serve as anchor tenants, bringing the footfall and attracting smaller retailers.



The top 5 mall operators, including Cenomi and Al Othaim, account for 1/3 of the organized retail space, focusing their retail offering heavily on global fast fashion brands.

Exhibit 16 – Top retail developers account for ~29% of retail GLA, with leader Cenomi capturing 11% of share⁷⁸

Commercial GLA share (%) by player, 2023



Local brands are still yet to secure significant representation within malls in Saudi, currently occupying only about five percent of floor space,⁷⁹ and often in areas with lower foot traffic. The limited presence is a function of where Saudi fashion brands are in their growth journeys. Homegrown brands are still few and at the beginning of their journey, with many only emerging post-2010s, as they are not yet able to afford mall rentals. As these brands expand their operations and capabilities, supported by enabler programs, such as Saudi 100 brands, they are anticipated to take up a stronger position in regional as well as community malls targeting specific local catchments.

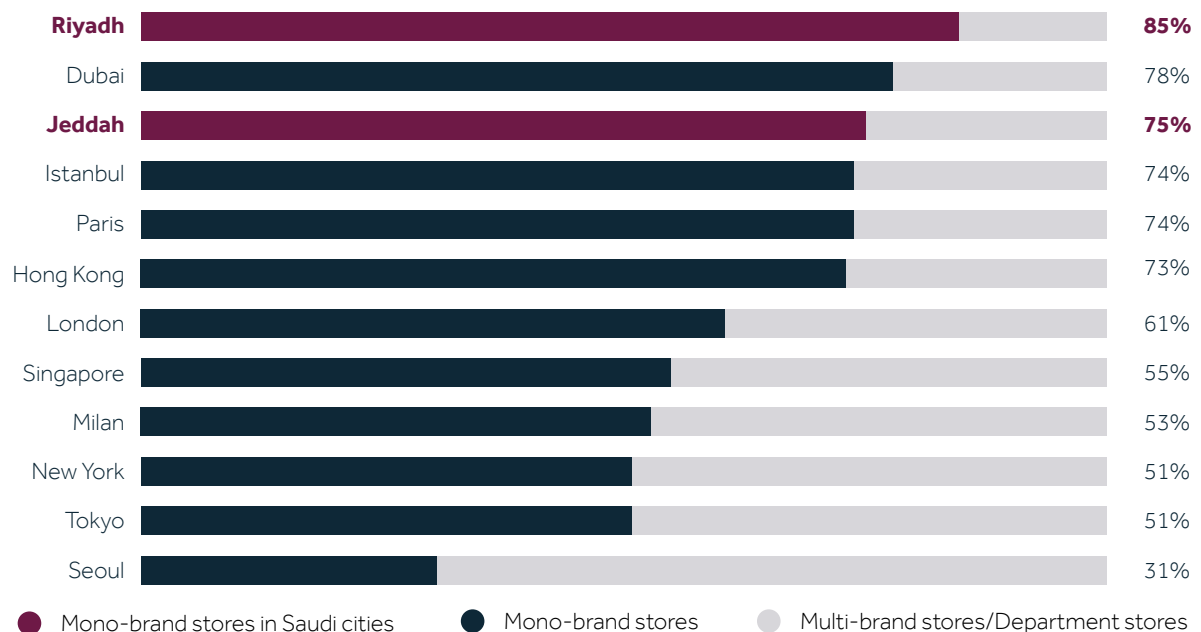
Luxury retail in Saudi Arabia occupies a lower three percent share of total commercial GLA in main cities, equivalent to around 200,000 m². Supply is concentrated in seven premier malls: Kingdom Center, Centria Mall, Mode Mall, and the recently opened Via Riyadh in the capital; Al Khayyat Center and Boulevard Mall in Jeddah; and Avenue at Al Rashid Mall in Dammam. While most mainstays such as Louis Vuitton, Chanel, Burberry, and Tom Ford are represented through mono-brand boutiques in these malls, a few notable brands from the top 50, such as Hermès and Celine, are yet to make their entry, still on the search for the perfect locations that meet internal brand specifications.

Multi-brand retail or department stores are also an integral part of the luxury retail landscape. In mature markets, the share of multi-brand retailers, typically ranges from 40 percent to nearly 70 percent. However, as Saudi Arabia is still a developing retail market, this percentage is currently at 20 percent,⁸¹ with only one international chain, Harvey Nichols, present with its store in Al Faisaliah Mall. Most department stores in Saudi have a relatively stronger presence in the beauty segment, while fashion-focused multi-brand stores remain underrepresented, presenting an opportunity for growth. As Saudi's luxury market evolves, it is reasonable to anticipate a rebalancing in the future.

Alongside serving as fashion shopping destinations for a wide demographic, malls have evolved into social venues for families. Hence floor space allocation within malls reflects their multifaceted role in urban living, with approximately 60-75 percent dedicated to retail stores and 25-40 percent allocated to food and beverage outlets and entertainment offerings.⁸² With fewer alternative entertainment options in the past, malls became the go-to destination for a wide range of needs: enjoying a meal, watching a movie, attending an art class or getting in a workout, to name a few. Looking at the upcoming future, new destinations like Qiddiya Mall and Avenues Riyadh are set to play a central role in Vision 2030 ambition of building a vibrant society. A new pipeline of projects will elevate malls' established role in Saudi social life to major destinations with fantastic architecture and innovative entertainment options (see Chapter 7).

Exhibit 17 – Luxury retail in Saudi driven by mono-brand boutique stores⁸⁰

Retail offering by store typology (% of total commercial GLA)



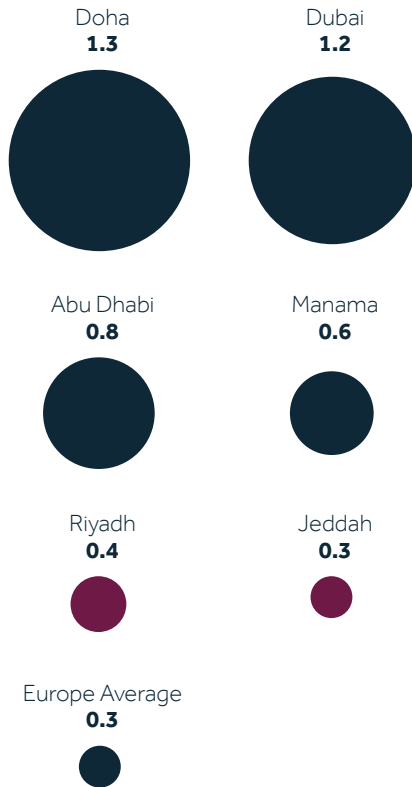


Opportunity for Expansion and Innovation

While Saudi’s mall-based retail share of total GLA surpasses Western counterparts, it still trails behind regional counterparts, indicating room for expansion. The retail space per capita in Riyadh and Jeddah, at roughly 0.35 m², is a third of the 1.2 m² per capita found in Dubai.⁸³ The quality of malls in Dubai, such as Mall of the Emirates and Dubai Mall, is also best-in-class, bringing an extensive assortment of brands, world-class entertainment attractions, and luxurious interiors. Acknowledging the gap, both state-owned and private sector companies are actively developing new projects to align and even surpass benchmarks.

Exhibit 18 – Riyadh and Jeddah are behind comparable GCC cities in terms of supply of mall-based retail space⁸⁴

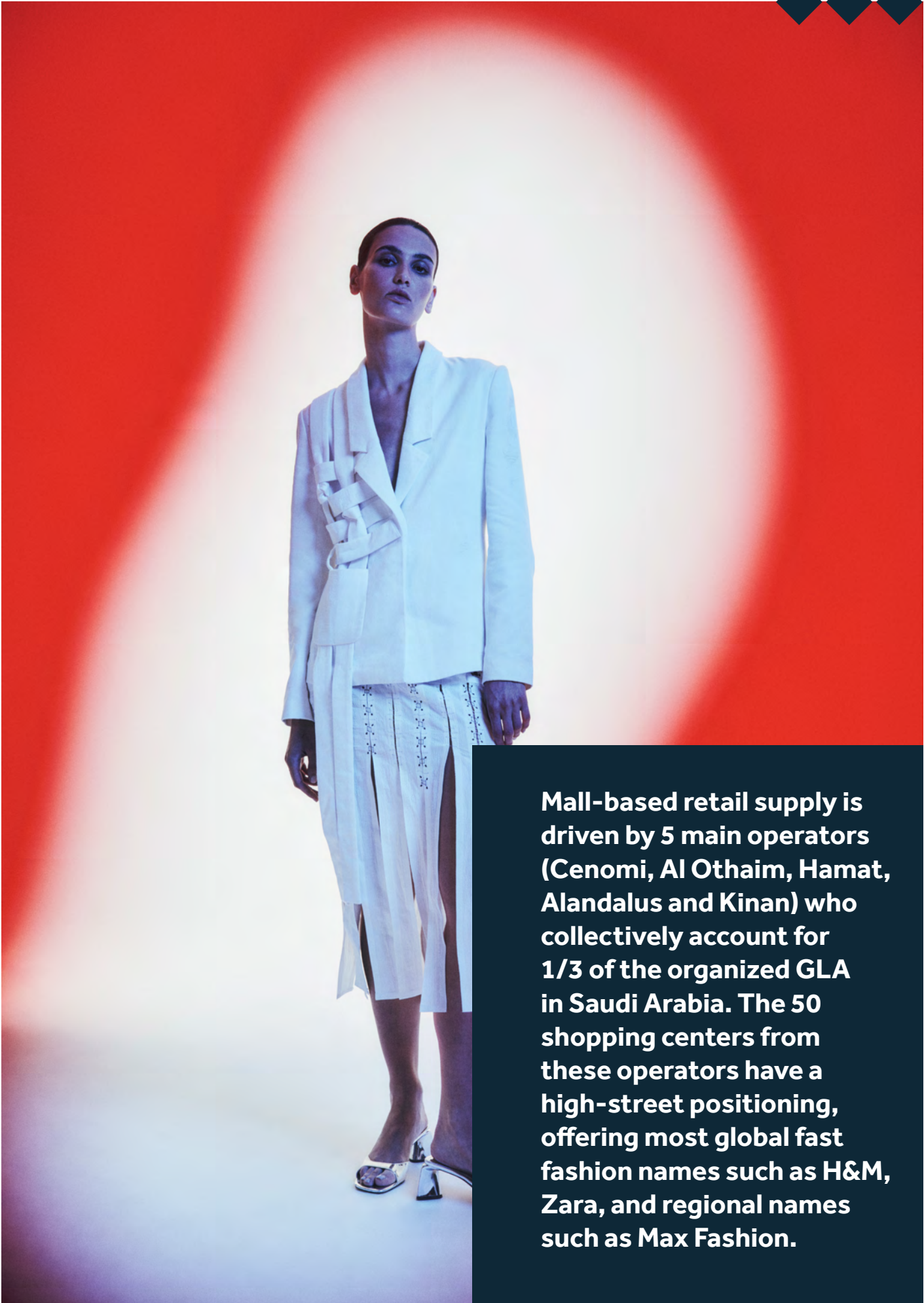
Mall GLA per capita (m²), 2022



The goal is not just to expand the retail space, but also enhance the quality of malls. Projects built in the 1990s and 2000s can feel outdated today, in terms of design and planning. New developments aim to amend this. “Every detail has been accounted for. Right from the parking access to the tenant selection... even the indoor plants,” explains a Real Estate company Director. Al Faisaliah Mall, which completed a major renovation in 2021, featuring a sleek new architectural design, an expanded selection of high-end retail stores, and the addition of modern amenities such as gourmet dining options, a luxury cinema, and interactive digital directories, exemplifies the developer ambition.

Malls are the epicenters of Saudi Arabia’s retail and fashion industry. Offering more than just shopping, they are social and cultural hubs that cater to the wide demographic of the country. As the retail landscape continues to evolve, with ongoing investments in infrastructure and a strategic focus on enhancing the shopping experience, Saudi Arabia’s mall culture is poised for a dynamic future.





Mall-based retail supply is driven by 5 main operators (Cenomi, Al Othaim, Hamat, Alandalus and Kinan) who collectively account for 1/3 of the organized GLA in Saudi Arabia. The 50 shopping centers from these operators have a high-street positioning, offering most global fast fashion names such as H&M, Zara, and regional names such as Max Fashion.



07

Activation of Massive Retail Pipeline: Developers Search Brands to Bring Retail Areas to Life



Saudi Arabia is witnessing a transformative retail expansion, with over 20 new projects set to redefine the shopping landscape and add eight million square meters of GLA. Riyadh and Jeddah are the primary beneficiaries, capturing 55 percent and 25 percent of the new developments, respectively.⁸⁵ The Public Investment Fund (PIF) is a key driver, significantly contributing to the retail pipeline, especially in Riyadh.

Most new projects will cater to the mass-to-mid-market segment, incorporating strong entertainment elements to attract visitors amid the rise of e-commerce. Selected projects will feature luxury offerings, blending high-end and high-street brands. Fashion brands are keenly assessing these developments for flagship stores, with mass-market brands participating broadly and luxury brands taking a more selective approach.

Anchor tenants like LVMH and Kering are crucial for the success of these projects as they would generate traffic and footfall for the whole development, hence putting the malls in the condition to become attractive for smaller brands that may not otherwise be interested. The government is also easing market entry, aiming for Saudi Arabia to host 72 percent of the world's top brands by 2030.⁸⁶



Organized Retail Supply to Double in Main Cities

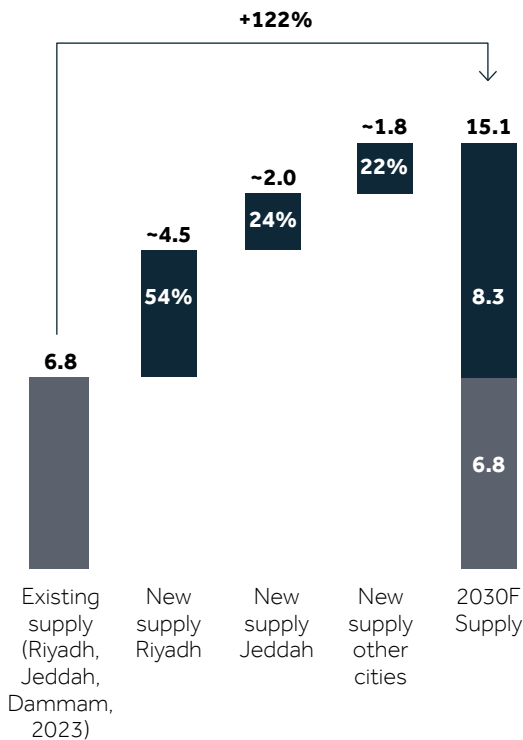
A massive eight million square meters of retail space is estimated to become operational by the end of the decade, doubling the organized retail supply across Riyadh, Jeddah, and Dammam from almost 7 million m² to just above 15 million m² by 2030.⁸⁷ Among the more than 20 new projects publicly announced, the majority of retail space will feature enclosed, modern retail formats. These developments will primarily be in super-regional, regional and community mall formats,⁸⁸ but will also include some street-retail areas with Diriyah and Roshn Front.

Riyadh and Jeddah are set to be the primary beneficiaries, with approximately 55 percent and 25 percent of the new pipeline, respectively. Central to this retail expansion is the significant role played by the state's Public Investment Fund, which is contributing 40-50 percent of the new retail pipeline in Saudi. In Riyadh, the PIF's impact is even more pronounced, accounting for a notable 70-80 percent of the pipeline.⁸⁹



Exhibit 19 – Saudi mall/organized retail supply expected to reach ~15 Million m² by 2030⁹⁰

Saudi mall space pipeline by city, 2023-2030F (Million m²)

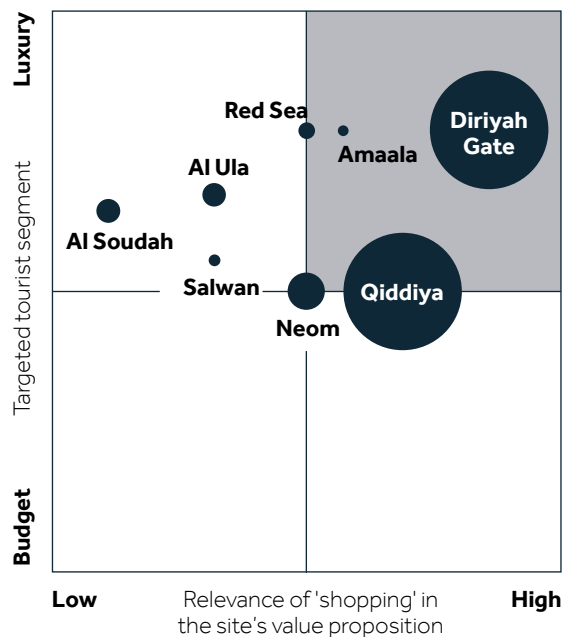


While the eight giga-projects in pipeline are set to cater for a medium to high-end offering in fashion, the majority of other new projects (such as Jeddah City Mall, Roshn) will cater to the mass-to-mid-market segment, aiming to reach the broadest audience. All these new developments will include strong entertainment components to attract footfall, particularly in light of the anticipated growth in e-commerce. Qiddiya City's theme parks assets and Roshn Front's arcade development are examples of developers indexing on entertainment.

In line with the existing GLA split between high-street and luxury retail, less than five percent of incoming GLA supply will be dedicated to luxury retail. A select few projects, such as Diriyah, Solitaire, Avenues, and Jawharat Arriyadh, will bring a strong luxury offering, seeking to attract top brands through high-end developments in prime areas. However, to ensure critical mass of visitor footfall and support incidental shopping, these projects too will feature high-street brands such as H&M and Sephora.

Exhibit 20 – Most Saudi giga-projects in the pipeline have mid/high-end positioning, with a relevant shopping component⁹¹

Saudi giga-projects by tourist segment, shopping relevance and number of visits by 2030



● # of visits by 2030



New Retail Supply: Expanding Flagship Locations

With numerous projects in the pipeline and growing interest in being part of Saudi's retail fabric, fashion brands are carefully assessing in which developments to house their flagship stores. Mass-market brands, often part of regional retail conglomerates and involved in developing malls, will be present in most new projects. Luxury retailers, to maintain exclusivity, will be more selective, and, in line with the global practice, will open a maximum of two to four stores per city. As such, brands are closely monitoring new developments and awaiting the completion of the retail transformation before finalizing long-term flagship locations.

As Saudi Arabia's retail footprint is rapidly evolving, even luxury brands that have entered Saudi are still in the exploratory phase. Many leases for these brands today are short-term (around five years), serving as a potential temporary home while they await the completion of the next generation projects. Whether new projects will represent an opportunity to extend their presence into the Saudi market or move into new exclusive locations, most brands are meeting with developers, and doing roadshows to find the perfect fit for their brand.

While new projects are transformative, in terms of their scale and design, a large part of their success will hinge on the anchor tenants that lend credibility and drive footfall. As such, LVMH which typically rents a significant share of luxury retail complexes, will have first pick on spaces. A clustering effect is likely to follow, with smaller brands gravitating toward malls or projects where anchor tenants, such as LVMH brands and

H&M and Zara, choose to set up shop. Many mall developers may choose to abandon a project if they fail to secure key anchor tenants early in the process. They will only proceed with construction if they are confident that prominent brands will draw significant foot traffic. Without this assurance, they are likely to cancel the project.

"Naturally, it's a pecking order, from Louis Vuitton, Dior, Chanel... they can pick the top locations, and the rest follow," explains an Executive from a mall developer. This dynamic underscores the importance of strategic placements and collaboration over direct competition among brands. As such, the government has dedicated initiatives and targets through entities like the Quality-of-Life Vision Realization Program (QoL VRP), Ministry of Investment, Ministry of Culture to facilitate market entry into Saudi Arabia. By 2030, the QoL VRP is targeting Saudi to house 72 percent of the world's top brands across retail, dining, and entertainment categories.⁹²

Department stores can also play an anchoring role in retail spaces. While their penetration in Saudi has been about half of the 40-50 percent seen across benchmarks like London and New York, there is an opportunity for both global leaders and local upstarts to establish anchor department stores to complement mono-brand boutiques at new projects. Department stores can bring a hyper-curated assortment to the well-traveled Saudi consumers and tourists, while simultaneously providing a testing ground for smaller brands to understand the Saudi market before expanding into mono-brand stores.



**By 2030, the Quality-of-Life
Vision Realization Program
is targeting Saudi Arabia to
house 72% of the world's top
brands across retail, dining,
and entertainment categories.**

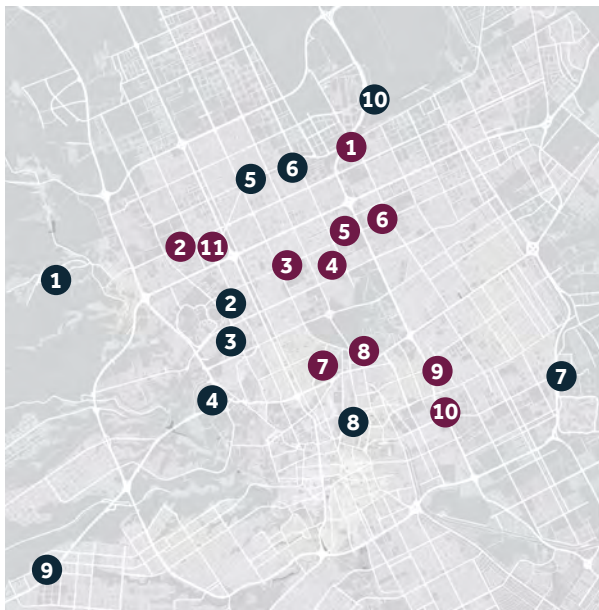
Riyadh: Saudi Arabia's Retail Capital

Riyadh, Saudi Arabia's retail capital, is on the cusp of a major transformation. While existing retail hubs are concentrated in central areas such as Olaya and King Fahd Road, new developments are expanding outward to locations like Diriyah, the King Abdullah Financial District, and the northern and western regions. The development of Diriyah Gate, one of PIF's giga-projects, along with eight new malls (including Avenues Riyadh and Jawharat Arriyadh) and one outdoor retail complex will elevate the city to a premier retail destination in the region.

Diriyah Gate is an expansive restoration and development project set in the birthplace of Saudi and the ancestral home of the Al Saud Royal Family. Once completed, the project will span 14 km², (approximately six-and-a-half times the size of Monaco), featuring premier retail, hospitality, residential and commercial offerings.⁹³

The retail centerpiece, Diriyah Square, is set to open by 2028. This 180,000 m² open-air complex will house over 400 stores, including flagships for the world's top 50 luxury brands and emerging homegrown brands, and also feature an avenue reminiscent of the Champs-Élysées.⁹⁴ While luxury shopping in Saudi Arabia has historically been a mall-based experience, with Diriyah, developers are crafting a leisure experience that integrates street and mall-based retail with dining and entertainment offerings. Brands have already expressed interest, with many committing to open flagships. "There is major interest for brands to be in Diriyah because they see it as a showcase for their brand. The entire pitch with Diriyah is its ability for brands to connect emotionally with the Saudi community. Brands have never before had the opportunity to represent themselves in their true essence. While other locations may have more commercial roles or perform better (per m²), Diriyah will be an emotional home," explains a retail expert.

Exhibit 21 – 10 new retail projects to come online by 2030 in Riyadh (non-exhaustive)⁹⁷



Owned by Cenomi Centres, the leading developer in Saudi, the upcoming Jawharat Arriyadh is another major Riyadh project. Set to open in 2025, the mall will offer 150,000 m² of retail space and will host more than 350 stores. Luxury will also have its own dedicated space, with a dedicated building wing spanning over 25,000 m² and set to host more than 60 high-end stores. The entertainment offering will span across roughly 40,000 m² (circa a quarter of the total planned GLA), including top attractions and concepts from the US, Dubai, and Asia. The mall is expected to create 4,000 jobs, drive tourism, and align with Vision 2030 by attracting over 20 million visitors annually.⁹⁵

Avenues Riyadh, set to open in 2026, will feature an expansive 400,000 m² of retail space and house 1,300 stores. This joint venture between Shomoul and Mabanee, a Kuwait Bourse-listed real estate firm, will also feature four-star and five-star hotels, entertainment options, including cinemas, gaming arcades, indoor amusement parks, and medical facilities, providing a comprehensive experience for visitors. With its extensive offerings, Avenues Riyadh aims to become a premier destination for both shopping and leisure, significantly enhancing the city's retail and entertainment landscape.⁹⁶

New developments

- 1 Diriyah Square
- 2 The Esplanade
- 3 Jawharat Arriyadh
- 4 1364AH
- 5 Solitaire
- 6 Najd Mall
- 7 Capital Mall
- 8 Avenues Mall
- 9 Qiddiya Mall
- 10 Roshn Front

Existing developments

- 1 Cordoba Boulevard
- 2 Riyadh Park
- 3 Hayat Mall
- 4 Sahara Mall
- 5 Cenomi Al Nakheel Mall
- 6 Atyaf Mall
- 7 Localizer Mall
- 8 Cenomi The View Mall
- 9 Othaim Mall
- 10 Rimal Center
- 11 KAFD



08

Global Brands Penetration: Opportunity to Lead the Change

International brands are continuously expanding across the GCC, with varying maturity stages by country and product category. The Saudi Arabian market is attracting increasing attention due to its robust local demand and high growth potential, as the pipeline for new malls, retail spaces, and other infrastructural projects broadens. Despite this, global brands' retail presence in Saudi Arabia remains less saturated compared to neighboring countries, primarily due to delayed market entry, the need for successful partnerships with local distributors, and challenges in accessing high-quality retail spaces. The continuous search for advanced retail offerings also affects brands' store capillarity, which still lags behind the UAE and Qatar. However, the depth and quality of product assortment, particularly among non-luxury brands, are catching up with other GCC and Western countries. Luxury brands are also adjusting their strategies to fully capture Saudi's potential, working to align their assortments with those in the UAE while continuing to cater to the historical preference for accessories.



Catching Up with UAE and Qatar: Luxury Brands Stretching to Saudi Arabia

The retail penetration of the top 50 Brands in Saudi within each Fashion and Luxury product category is around 60-75 percent (except for beauty's 90%).⁹⁸ As an example, famous international brands such as Chanel, Givenchy, Dior are included in the top 50 list in luxury apparel, footwear & accessories, based on their international revenues, and brands like Van Cleef & Arpels and Rolex, are in the top 50 list of luxury jewelry & watches category. Observed penetration levels are slightly behind the rates in the UAE and Qatar, which have historically been the first entry points for international brands willing to enter the region.

With recent notable entries in the beauty segment, such as Aesop and Charlotte Tilbury, Saudi Arabia has surpassed Qatar, now covering 90 percent of the top 50 beauty brands, second only to the UAE at 98 percent.⁹⁹ This highlights Saudi Arabia's enduring allure in the beauty market, and the steady expansion of both international and local multi-brand retailers like Sephora, with 18 stores in Riyadh and 10 in Jeddah.

In the non-luxury apparel, footwear & accessories segment (including sportswear), Saudi Arabia ranks third with a penetration rate of 76 percent, following the UAE at 90 percent and Qatar at 78 percent, while Kuwait trails with 72 percent.¹⁰⁰ Saudi is currently missing 11 of the top 50 non-luxury apparel and sportswear brands, including Patagonia, Lee, and Uniqlo. Beyond individual business choices, this difference may be due to heritage-rooted preferences for formal-wear in Saudi Arabia, differing from Western casual-wear standards. Yet, renowned sportswear brands like Nike, adidas, and Puma are well-represented in Saudi Arabia, aligning with the growing engagement of Saudi consumers in sports and their appeal for international styles.

In the luxury apparel, footwear & accessories segment, Saudi ranks third with a penetration rate of 72 percent, trailing behind the UAE at 88 percent and Qatar at 78 percent. Among the top 50 luxury brands, 14 key players, including iconic names such as Hermès (whose presence is still limited to the beauty



segment), Celine, Chloé, Max Mara, and Roger Vivier, are yet to establish a full presence in Saudi.¹⁰¹ The disparity with the more advanced UAE market widens further when considering store coverage. For instance, Gucci operates 12 stores in the UAE compared to just three in Saudi Arabia, and Dior boasts 15 stores in the UAE versus three in Saudi. This capillarity gap is attributed to delayed market entry and the need for more representative retail spaces in Saudi Arabia, both concurring in signaling the significant potential for growth and expansion in Saudi's luxury market.

The luxury jewelry and watches market in Saudi Arabia is relatively mature, yet it retains a significant presence of local unbranded craftsmanship. Demand for international brands in this sector is lower compared to other product categories, with market penetration in Saudi Arabia at 58 percent, close to the levels in the UAE and Qatar, (64% and 60%, respectively). However, store capillarity is not yet on par: Qatar has slightly more than 60 stores for the top 50 luxury jewelry and watch brands concentrated in Doha, the UAE has circa 170 stores across Dubai and Abu Dhabi, while Saudi Arabia has close to 100 stores spread across three to four cities in the country.¹⁰² Brands like Rolex, Montblanc, Omega, Van Cleef & Arpels and Swarovski are well-represented store-wise in Saudi, each holding between four and 10 stores in Saudi Arabia. High-end brands like Patek Philippe, Mikimoto and Baume & Mercier are still missing from Saudi Arabia as well as from the rest of the GCC region.

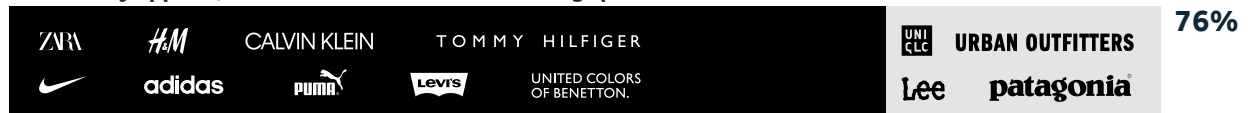
Exhibit 22 – International brands penetration in Saudi Arabia ranging between 60-90%¹⁰³

Share of international brands selling in Saudi out of top 50 for each product segment. Illustrative brands' icons representation

Premium & prestige



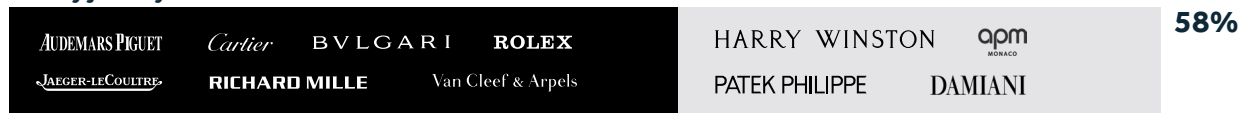
Non-luxury apparel, footwear & accessories (including sportswear)



Luxury apparel, footwear & accessories



Luxury jewelry and watches





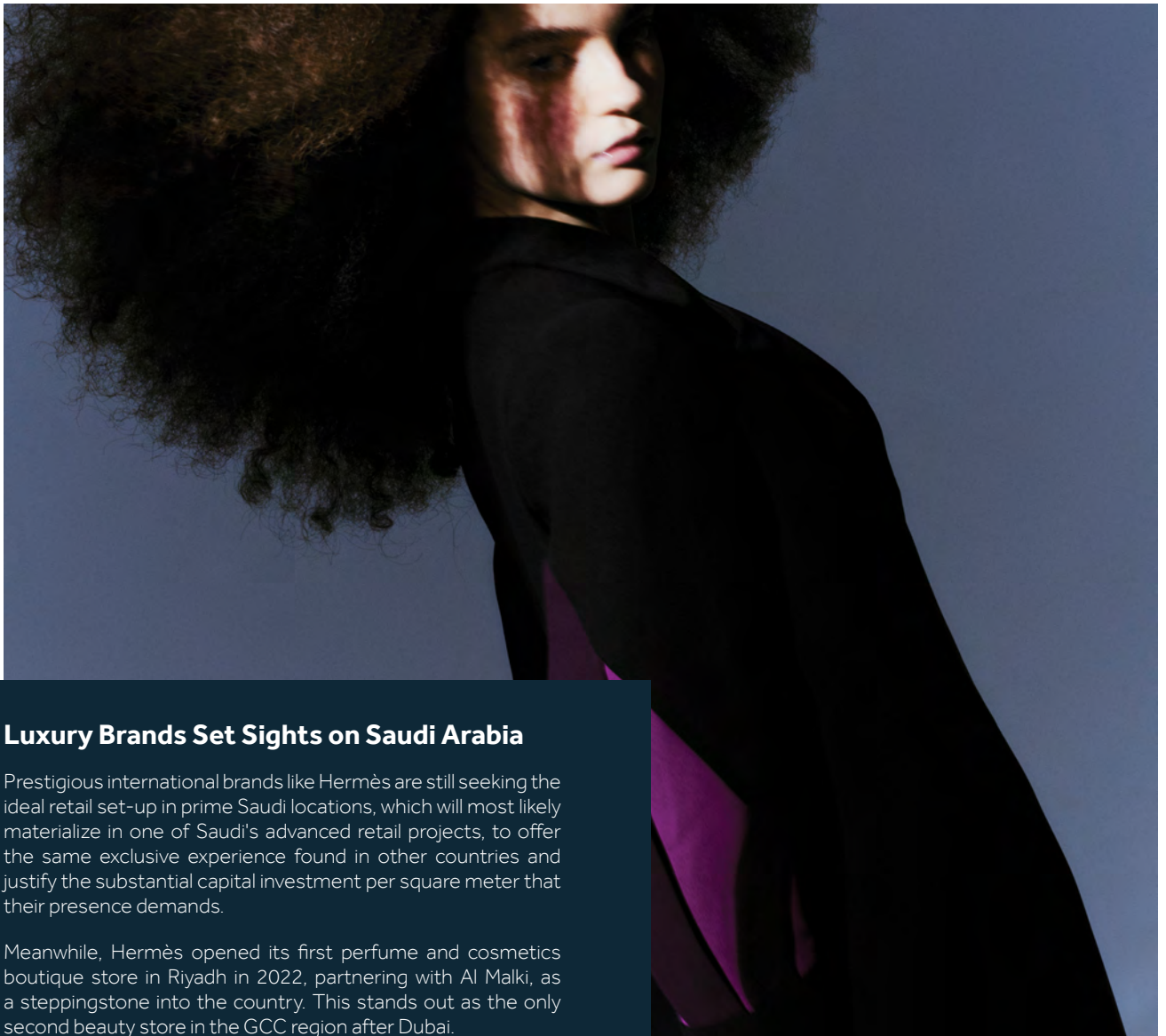
Creating the Right Environment for Global Brands to Thrive

Global brands entering or eyeing the Saudi Arabian market must navigate its unique landscape to achieve success. The end-customer VAT, which is 10 percentage points higher than in the UAE and 15 percentage points higher than Qatar, has potentially led to some hesitation among global brands.¹⁰⁴ Additionally, current regulations in Saudi Arabia require that a business must either have a local partner holding at least 25 percent of the company's shares, or, if opting for full foreign ownership, the foreign investor must commit to investing SAR 300 million (approximately USD 80 million) within the first five years.¹⁰⁵ While these requirements can be subject to negotiation in certain cases, they may influence some companies' decisions when considering entering the Saudi market, like fashion companies that retain full control over their local retail operations as part of their global business strategy. However, these regulations mark an evolution from previous, more restrictive policies. This trend toward a more open business environment is also reflected in recent changes to duty-free laws, which now allow duty-free shops in airport arrivals and potentially in downtown locations, and

in several initiatives launched by the Ministry of Investment in Saudi to ease business entry. The Regional Headquarter Program (RHQ), for example, aims to encourage multinational companies to set up their regional headquarters in Saudi Arabia by offering various incentives from tax deduction to priority access to government contracts.

As social reforms reshape consumer culture and enhance women's participation in social and professional spheres (with 34 percent labour participation in 2023 across sectors and 52 percent in fashion industry only),¹⁰⁶ the main challenge for global brands entering and expanding their retail presence in Saudi Arabia is twofold: managing the current extent and advancement of the retail footprint, and navigating the rapid evolution of the market.

As thoughtfully stated by the Commercial Manager of a French luxury brand: "The key success factor for international fashion brands is to strategically target key doors, ensuring focused growth and avoiding the pitfalls of random expansion."



Luxury Brands Set Sights on Saudi Arabia

Prestigious international brands like Hermès are still seeking the ideal retail set-up in prime Saudi locations, which will most likely materialize in one of Saudi's advanced retail projects, to offer the same exclusive experience found in other countries and justify the substantial capital investment per square meter that their presence demands.

Meanwhile, Hermès opened its first perfume and cosmetics boutique store in Riyadh in 2022, partnering with Al Malki, as a steppingstone into the country. This stands out as the only second beauty store in the GCC region after Dubai.



Beyond Retail Potential, Tapping into Brands' Assortment

On average, luxury brands in the US offer approximately 10-15 percent more variety in womenswear and menswear compared to Saudi Arabia,¹⁰⁷ where luxury offerings still lean more toward accessories than apparel, influenced by dressing habits and climatic conditions. Another historical factor is the partnership model brands used to enter the Saudi market or, in general, the GCC region. Franchise models, which have been the most common for brands' first entry, tend to favor higher profitability levels in accessories over apparel. "We strive to offer the same best-selling pieces across countries, including in Saudi Arabia, even though we know that not all international brands in Saudi have reached this level," explains Merchandising Director at a luxury fashion maison. "As foreseen retail expansion materializes, we see potential to stretch breadth of offering," the expert adds.

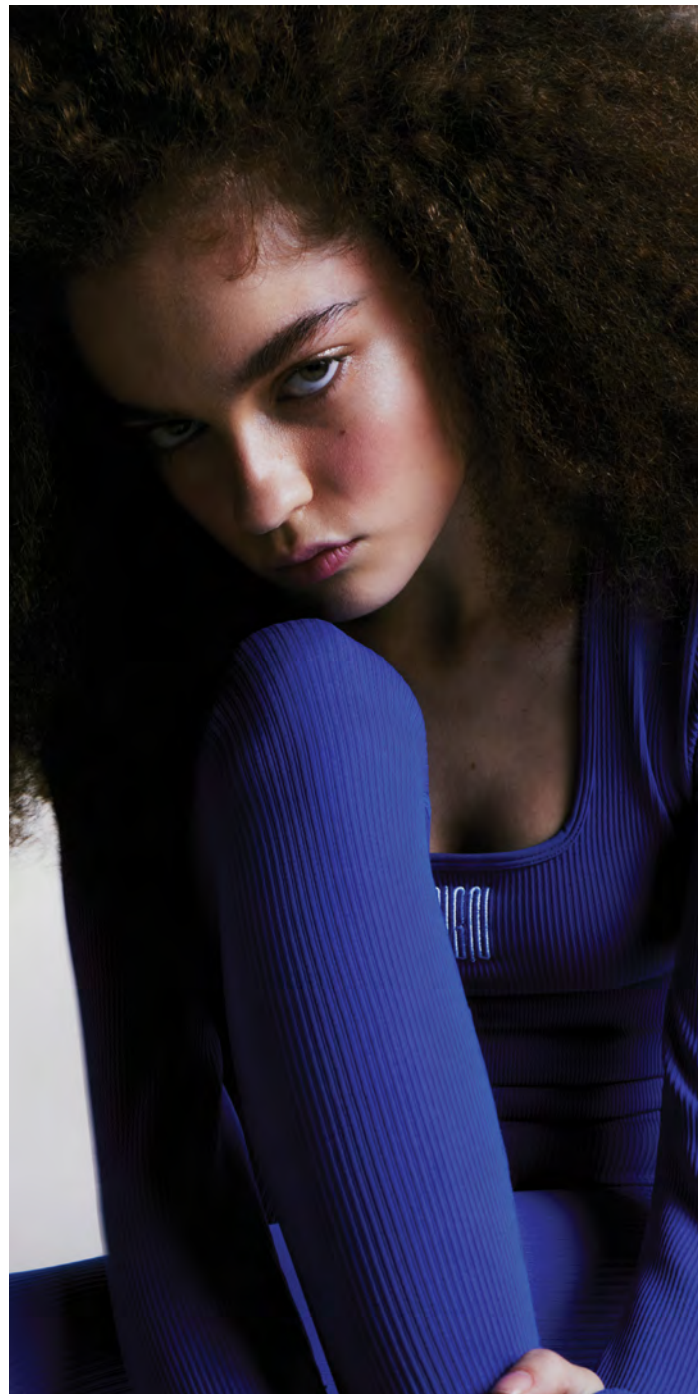
Differences with neighboring UAE are narrowing, at least in terms of product assortment, if not yet fully in the retail experience. While VAT differences might affect end-customer prices, some luxury brands (like Balenciaga, Bottega Veneta, Gucci, and Fendi) showcase an even larger assortment in Saudi compared to the UAE.

However, the in-store assortment can still differ between the two countries and across brands. For example, Prada stores are more numerous and relatively closer to each other in the UAE than in Saudi Arabia. Consequently, large UAE stores offer the full spectrum of women's and men's product categories, alongside stores specializing in footwear and accessories. In Saudi Arabia, both existing Prada stores typically offer a full range of products for women and men, except for men's bags. Louis Vuitton, on the other hand, maintains Saudi's traditional focus on accessories and footwear over apparel, with only one of its two Riyadh stores showcasing women's apparel.

"As social events and occasions diversify and grow, especially among the numerous youth consumers, luxury and non-luxury brands are expected to intensify their focus on apparel, striving to find the right balance between cultural heritage and casual appeal," observes the Head of Buying and Merchandising at a leading GCC retail group.

For non-luxury apparel and sportswear, international mass market brands in Saudi offer *circa* 5-10 percent less assortment in womenswear and menswear compared to the US, mostly due to seasonal variations, such as the limited availability of fall/winter clothing, rather than Saudi clothing preferences.¹⁰⁸

Looking at main non-luxury brands (like Zara, H&M, Mango and Bershka) product assortment is slightly higher in UAE than in Saudi Arabia, both for women and men. Yet, both countries show same split across categories, with apparel accounting for more than 80 percent of offerings for women and men. This should come as less of a surprise, considering that in both countries Zara falls in the top three of consumers' favorite brands.¹⁰⁹



Differences with neighboring UAE are narrowing, at least in terms of product assortment, if not yet fully in the retail experience. Some luxury brands, like Balenciaga and Bottega Veneta showcase even larger assortment in Saudi Arabia.



09

Brands' Big Bet, Direct Entry: Opportunity for Local Facilitators in JVs and Franchises



The Saudi Arabian fashion market is evolving, influenced by new dynamics between local retailer groups, developers, and international brands. Historically, international brands entered through joint ventures (JVs) or franchises due to local regulations and the need for local expertise. Established partners like Chalhoub, Al Malki, Al Tayer, and AlShaya have been instrumental in market entry. While franchise models were initially the standard, as it usually happens in emerging markets, JVs are now preferred, offering brands ownership while leveraging local knowledge. With easing regulations, some brands explore direct entry, but local partnerships remain crucial for navigating specificities of the Saudi market, including its regulations and opportunities.



Local Partners: Traditional Gateway for International Brands in the Saudi Market

International brands entered the Saudi market through joint ventures or franchises, primarily due to local regulation requiring at least 25 percent of local business participation.¹¹⁰ Beyond legislation, Saudi Arabia's market entry and business operations benefit from the unique regional insights that local expertise brings. These include supply chain management (from customs management to efficient logistics and distribution networks), evolving access to retail space and knowledge of significant opportunities, understanding of business etiquette and cultural sensitivities, and access to a developing pool of skilled workforce in the fashion sector.

Indeed, following the typical expansion path of brands entering new markets, international brands established local partnerships to navigate the Saudi market. Well-established regional partners such as Chalhoub, Al Malki, Al Tayer, Alshaya, and Saudi Jawahir have played a crucial role in helping international brands establish their presence first in the UAE and Qatar, and subsequently in other GCC countries. Usually covering the GCC region at large, these Groups are diversified, spanning across fashion, beauty, entertainment and hospitality.

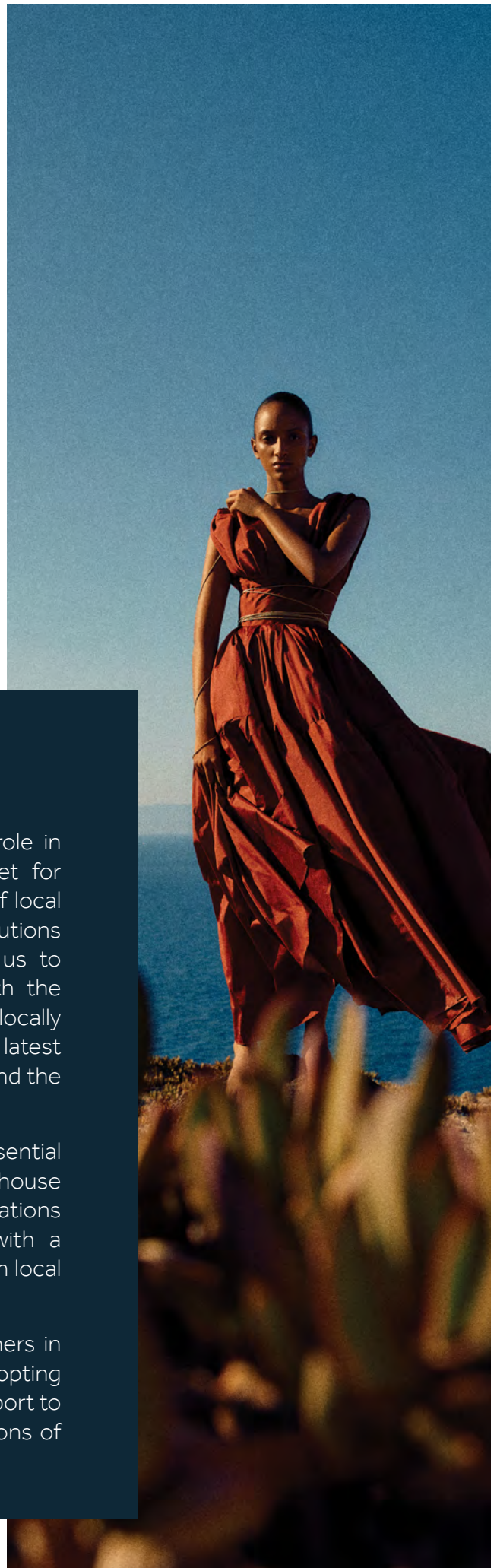
Fashion Executive's Perspective

Faysal Al Malki, CEO of Al Malki

Local distributors and partners play a pivotal role in facilitating the entrance into the Saudi market for international brands. Our in-depth knowledge of local consumer and cultural preferences, market evolutions and legal, administrative requirements allows us to align the needs of international principals with the dynamics of the Saudi market. Additionally, being locally based means the Saudi partner is aware of the latest evolutions of the competition, the retail scene and the real estate projects and can act fast.

Our added value extends to providing essential operational skills, including logistics and warehouse services as well as e-commerce-related operations and back-office services. By joining forces with a Saudi partner, international maisons benefit from local expertise and presence.

One of the key success factors for Saudi partners in their relationships with international brands is adopting a flexible mindset, customizing their level of support to meet each brand's unique needs and expectations of the business in Saudi Arabia.





Joint Ventures Becoming the Standard

With most international brands opting for partnerships with local distributors, brands typically relied on franchise models for a phased entry into the GCC region. Historically, Saudi Arabia was often the third or fourth market of entry, but it is now increasingly common to see Saudi Arabia as the second market after the UAE, reflecting its growing relevance. While isolating brands from the profits and losses of franchises, the franchise model proved to be the safest strategy for international brands in the early 2000s, enabling them to navigate market uncertainties effectively. Examples of franchise models still in place include Azadea working with Gap, Mango, Massimo Dutti, Pull&Bear, Oysho, Quiz, Twist, Bershka, Stradivarius, and Alshaya with American Eagle, Victoria's Secret, H&M, & Other Stories, and New Balance. Luxury brands like Jimmy Choo also follow a franchise model in Saudi.

"We will transition into a joint venture model when we reach significant size, I see it as a two-step approach. But even with franchise model, we still decide on approximately 80 percent of our business and guarantee same brand standards internationally," says the Brand Manager of a large fashion group.

As 2010s kicked in, joint ventures became more popular, and they are the current prevalent form for international brands operating in Saudi Arabia and the GCC in general. For example, Bvlgari entered the UAE with Al Tayer in 1991 and formed a JV in 2014, with which the company then entered Saudi. While retaining majority of ownership of their brand business, international players can still benefit from distributors local knowledge and potential economies of scale generated by the vast brand portfolio across warehouse, delivery services and marketing.¹⁷ Other prominent existing collaborations include Chalhoub (e.g., OTB Group, Louis Vuitton, Dior, Sephora, Fendi, Louboutin, Berluti) and Al Malki (e.g., Prada, Valentino and many others in the beauty segment, brands with the caliber of Alexander McQueen, Saint Laurent, Gianvito Rossi on apparel and footwear).

"We have established a 15-year long partnership with our distributor across GCC countries, guaranteeing access to malls and prime locations we would not be able to enter ourselves," observes the Head of Retail Operations of a notable sportswear brand.



Opportunities for Direct Operations?

Ongoing development of Saudi Fashion market will eventually see an evolution of joint ventures models into direct presence for brands. Luxury brands, in particular, and other giant international companies strive to own thorough control of the customer experience and related data, both leveraged to succeed across countries of presence.

Few brands have so far tried to enter directly in the GCC region and in a dynamic market like Saudi Arabia. Beyond the fashion sector, Apple is one example. Yet, taking advantage of eased regulations, now allowing foreign investors to find solutions to retain one hundred percent of businesses in most sectors, some international fashion brands are assessing the feasibility of a direct go-to-market. adidas, after ceasing an existing partnership and reaching significant size, has started opening owned stores in the GCC, including in Saudi Arabia.

Substantial business scale is indeed a key prerequisite for brands to choose direct operations, along with extensive knowledge of country's business dynamics and access to differentiating retail spots. Such drivers, coupled with the strategic role played by local distributors in recent times, will likely confirm joint ventures as the operating model of choice for a fair share of smaller international brands willing to operate in Saudi Arabia.

As the market continues to grow, we anticipate a diversified landscape, with a balanced mix of brands continuing with distributors, others entering joint ventures, and some opting for direct operations, similar to what we observe in other regions around the world. Those who strategically align their entry and expansion opportunities with local dynamics will be best positioned to thrive.





10

Harnessing Saudi's Passion for Fashion: How Brands Are Engaging Local Consumers

For fashion brands aiming to succeed in Saudi Arabia, understanding and catering to domestic needs and cultural nuances is essential to appeal to local customers and build strong connections. International luxury brands are increasingly embracing Saudi culture, launching exclusive collections for Ramadan and Eid al-Fitr, which contribute up to 15 percent of annual revenue.¹¹¹ These seasons see brands like Prada, Louis Vuitton, Dior, and Gucci creating bespoke offerings that resonate with Saudi consumers' tastes and traditions. As the local fashion sector matures, some brands are seizing other key moments in the fashion calendar to stand out.

While exclusive events and personalized services strive to meet Western standards to attract true luxury spenders, the key challenge for luxury and non-luxury brands is capturing the dominant share of young consumers. To achieve this, they are collaborating with local creators and influencers, blending global fashion with Saudi heritage.

Local Essence: Fashion Brands' Exclusive Collections and Products

Ramadan and Eid al-Fitr (the holiday celebrating the end of Ramadan's month) are pivotal periods for business in Saudi Arabia, historically accounting for up to 20 percent of annual revenue within a single month, especially for traditional wear. Although this figure can now range between 12-15 percent¹¹² for selected product categories, these times remain critical for retail promotions. "In weeks three and four of the holy month, anticipation for Eid builds, and this is the period when we observe a significant increase in shopping activity," comments the Commercial Director at a large international fashion group.

Among the top luxury brands, 70 percent (i.e., 35 out of 50 top international brands in the apparel, footwear & accessory segment) introduced Ramadan collections tailored to local tastes.¹¹³ "Our aim is to make our clients the best dressed people at every iftar and suhoor that they attend," says an interviewed Brand Manager of a fashion maison, referring to the meals consumed before dawn and after sunset during the Muslim holy month of Ramadan. Prada Ramadan and Eid al-Fitr Special Collection, Louis Vuitton Ramadan Capsule collection, Dior OR collection, and Gucci Nojum are just few examples. Also, multi-brand retailers embrace the chance to harmonize their offerings with the rich tapestry of local culture: Yoox Net-a-Porter, Ounass and Farfetch are few examples of Ramadan-dedicated curations and campaigns.

"Ramadan has traditionally been the prime season for brands to launch new collections. However, to truly stand out and increase visibility in today's market, it's essential to target new and diverse opportunities throughout the year," says Marketing Director at a leading luxury brand.

Eid al-Adha, the second of the two major Islamic holidays, marks the culmination of the hajj pilgrimage near Mecca and is celebrated by Muslims worldwide and retailers like Net-a-Porter are already showcasing curated selections featuring prominent content creators from the region. Other festivities like Saudi National Day (celebrated in September 23) are gaining more and more momentum: French jewelry brand Messika released a limited-edition necklace in green and white in commemoration. Fragrance brands often release special packaging in celebration of the day, together with prominent retailers like Sephora and Amazon engaging in ad-hoc campaigns.

As the fashion market expands in Saudi Arabia, international brands are transitioning from broader Middle East-inspired collections to products specifically tailored for the Saudi market, also leveraging events such as the Riyadh Fashion Week to showcase these products. COS, for example, launched a special campaign during 2023 Riyadh Fashion Week and adidas leveraged the timing to launch a local capsule collection. Brands increasingly tailor products for the country, and they are better understanding the subtle differences across generations and customer profiles. In 2024, Asprey launched a Saudi heritage-inspired collection in collaboration with Princess Nourah, while Carolina Herrera teamed up with local artist Aida Alharthy to create an exclusive bag celebrating traditional Saudi art, blending global luxury with local creativity. These collections showcase the cultural legacy of Saudi, appealing to a growing audience interested both in heritage and high fashion.

Fragrance brands are also harnessing the essence of local ingredients. Guerlain, Dior, Jo Malone, YSL, and Creed have all integrated indigenous elements into their products, creating a lasting appeal that resonates with both Saudi consumers and international tourists.



Among the top luxury brands, 70% (i.e., 35 out of 50 top international brands) introduced Ramadan collections tailored to local tastes.

Winning the Top Spenders through Exclusive Events and Treatment

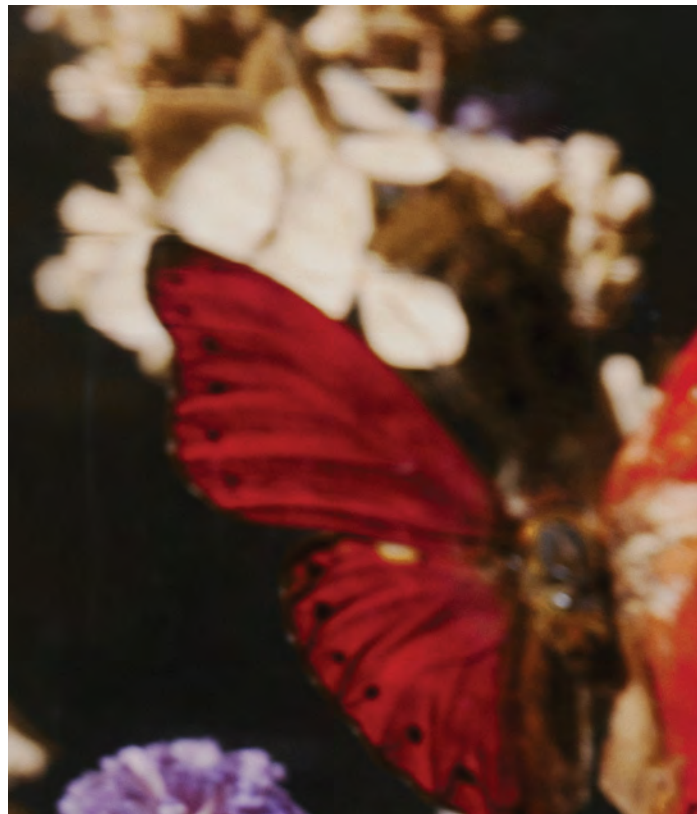
Brands typically enter the GCC countries with a marketing spend ranging from two percent to six percent of their revenues and, to ensure successful activations, it is crucial for them to prioritize emotional attachment. As part of their growth strategy in Saudi Arabia, they are offering their top clients exclusive 'money-can't-buy' experiences to strengthen their presence and build loyalty.

Brands are organizing bespoke events to enhance their image and create deep connections with high-spending customers. As an example, Piaget hosted an open-air concert in the desert of Al Ula for its VICs, featuring the company's chairman, Yves Piaget, and former CEO, Chabi Nouri.

Designer-led exclusive shopping experiences during Ramadan and Eid are on the rise, along with brands hosting iftars and suhoors (early morning meals during the holy month), providing elite touchpoints with their clients. Many brands are increasing their local engagement in Gulf cities such as Riyadh, Abu Dhabi, and Kuwait City, particularly during Ramadan, as the calendar reaches saturation point in Dubai. Fendi, Aigner, Longchamp, Chaumet, and Okhtein are among the brands hosting events in Saudi Arabia.

However, brands looking to enhance their presence in Saudi Arabia should be mindful of the risk of attendance cannibalization posed by an increasingly crowded calendar of Ramadan-dedicated events. For example, in a single evening in 2023, Valentino, MCM, Miu Miu, and Marli each held exclusive gatherings in Dubai for top-tier clients and industry insiders across the city, leaving white spaces in the fashion calendar from fall to spring.

Beyond events, brands invest on exclusive treatments and services. "Up to 15 percent of our sales are made through exclusive treatments offered to our VIP clients," says the Brand Director of a leading luxury maison. Such offering includes private consultations for customization and tailoring, as well as dedicated personal stylist services accessible via WhatsApp and access to bespoke products or collections previews. "We have put a lot of effort in training our local resources to our European standards in customer caring and shopping assistance," the expert also adds. Customers can also enjoy private meeting rooms, salons and the convenience of exclusive shopping in the comfort of their own homes.



Dolce & Gabbana, Doubling Down on Its Bet in Saudi Arabia

Dolce & Gabbana is making significant strides to strengthen its presence in Saudi Arabia through strategic investments and culturally resonant offerings. Since 2016, designers Domenico Dolce and Stefano Gabbana have offered 'modest fashion' collections, including abayas, hijabs, scarves, and accessories tailored for Gulf customers, endorsing Vision 2030 potential since the early stages.

In April 2024, Dolce & Gabbana launched a flagship store in Riyadh's Via Riyadh, a prime luxury destination. In partnership with Diriyah Company, Dolce & Gabbana created a 2,000 m² immersive space at Bujairi Terrace, featuring ready-to-wear, accessories, jewelry, fragrances, makeup, and a Dolce & Gabbana Café. The flagship store is the largest in the GCC region. The brand also plans to open additional stores in Riyadh and maintain a presence in Jeddah. This collaboration with Diriyah Company aims to create a comprehensive brand experience that merges retail with lifestyle elements.

In 2016, Dolce & Gabbana launched its first hijab and abaya collection, demonstrating its early commitment to the region. It was also one of the first international brands to stage a fashion show in Saudi Arabia post-pandemic, showcasing its Alta Moda collections at Al Ula in January 2022. This event included private fittings with master tailors, highlighting the brand's dedication to exclusivity and personalized service.

The brand also launched an exclusive abaya collection at the Bujairi Terrace location, underscoring the brand's dedication to cultural inclusion. Ultimately, there are plans for a hotel project on site, deepening the brand's presence in the country.



Targeting the Consumers of Tomorrow: International Brands' Activations

"Every brand aiming to grow in Saudi Arabia is rethinking its communication strategies as the dominant young population evolves its lifestyle," says the Marketing Director at a large fashion group. "We work really hard to reach them and engage them with the right storytelling," the interviewee adds.

To engage with the local audience, brands are leveraging the role of regional influencers and content creators. Content creators in Saudi, with their deep influence on local markets, can play a more significant role in brands' creative campaign than is typically seen in the US and Europe. With approximately 30-40 percent of Saudi customers seeking inspiration for their fashion purchases on social media, it is evident why many international brands are prioritizing collaborations with local influencers and content creators.¹¹⁴

But interest in resonating with local audience go beyond the world of socials. Aseel Omran, actress and singer, has been featured in Dior Beauty campaigns and serves as a Dior ambassador in the GCC. Alanoud Badr, known as 'Fozaza' has collaborated with Steve Madden. Taleedah Tamer walked for Antonio Grimaldi during Paris Couture Week, and model Roz has appeared in campaigns for Guess and Dolce & Gabbana.

High-resonance local marketing campaigns are another asset brands are leveraging and not only in the luxury segment. Nike launched "What if you can" campaign in Saudi, recalling internationally known marketing campaign and tapping into Saudi's vision to improve health and participation into sports, especially that of women. Nivea partnered with Amazon for an innovative collaboration in Saudi Arabia, driven by a noble purpose. This campaign aims to inspire a skin celebration movement across Saudi Arabia. Utilizing data and skin analysis, Nivea represented the diverse skin tones of Saudi Arabia, creating a unique design to be featured on Amazon boxes together with a message pushing recipients to reflect on the significance of their skin.

"Brands that leverage regional influencers, culturally relevant storytelling, and high-impact local campaigns are seeing the most success. These strategies indeed resonate deeply with the youth, who value authenticity and representation," says the Head of Intelligence at large GCC retail group.



Miral Youssef

Middle East and Africa President at Kering

Miral Youssef is a fashion executive, with over 20 years of experience. She became the President for the Kering Group's Middle East and Africa business in 2023. In this exclusive interview, Miral offers her insights on Saudi Arabia's fashion and luxury market.

As the Vision 2030 transformation progresses, Saudi's international appeal continues to evolve. What is reshaping the fashion market's appeal? How are fashion & luxury brands engaging with the ongoing change?

Saudi Arabia's growing and increasingly affluent youth population, that currently accounts for more than 60 percent (under 30 years old), is a significant driver of demand for fashion and luxury products.

The surge in tourism, fueled by high-profile projects and attractions such as Al Ula, Neom, and the Red Sea Project, is elevating Saudi Arabia's appeal on the global stage. These developments are drawing international tourists and expatriates, creating new opportunities for fashion and luxury houses such as pop-up stores, exclusive collections, and immersive retail experiences. Saudi has also emerged as a major player in the global events landscape with successful bids for Expo 2030, the Asian Winter Games 2029, and the 2034 FIFA World Cup.

Saudi Arabia's substantial investments in infrastructure and cultural initiatives are transforming the country into a hub for international events and activities. From hosting major sporting events to cultural festivals, these investments allow for opportunities for us to collaborate and engage locally.

With the increase of brand penetration, there is a greater access to luxury with wider variety and offerings locally. This dynamic environment presents an unprecedented opportunity for Kering to establish a strong foothold and build lasting relationships with a new generation of consumers.

How are local luxury consumers' preferences changing?

There is a strong desire for ultra-localized personalization, yet with global recognition. There is a growing preference for experiential luxury among Saudi consumers. Exclusive events, personalized experiences, and unique products are highly sought after. As such Kering's houses have integrated experiential services into some of our key flagships.

Luxury consumers in Saudi Arabia are also placing high value on a sense of community and belonging. This has led to the development of bespoke clientele from global show and event attendance to local activations that foster a deeper connection.

Kering has dedicated teams in the region to closely monitor and analyze consumer trends and behaviors. This aids the curation of product offerings that resonate with local tastes and preferences. In addition to having a sound understanding of the unique cultural nuances and preferences of the Saudi consumers.

What about the interaction between offline retail shopping and online shopping? How is the omni-channel experience for Saudi Arabia's consumers taking shape?

The Saudi consumers are emerging as significant players on the global luxury stage. The shift toward repatriation of spending and the encouraging local expenditure rather than international shopping is driven by enhanced in retail landscape that has subsequently increased the local width and depth of offering that seamlessly blend online and offline experiences.

Fashion e-commerce CAGR is expected to be high, albeit from a low base of luxury online sales. This opportunity appears to be well understood by the Saudi commercial ecosystem. Many have made investments and established partnerships to broaden their e-commerce reach and deepen AI capabilities. Ramadan is a period during which we see a notable increase in online engagement among Saudi consumers.

And finally, how do you see the expanding retail footprint impacting the market?

The evolution of the retail landscape will play a pivotal role in the market's growth. We are witnessing significant developments, including the introduction of innovative retail formats and the integration of experiential retail. This includes blending art, elevated food and drink proposals, and lifestyle elements to create unique and engaging shopping experiences. Furthermore, the development of eco-friendly retail spaces and practices is becoming increasingly important. Aligning with global sustainability requirements, these initiatives are not only reducing environmental impact but also attracting a growing segment of environmentally conscious consumers. By prioritizing sustainability, the fashion and luxury sectors in Saudi Arabia can further enhance their appeal and build stronger, more loyal customer bases.





11

The Rise of Vibrant Saudi Homegrown Fashion



Saudi Arabia's fashion industry has historically focused on craftsmanship and traditional garments. However, this artisanal approach limited both scalability and global reach. In the late 20th century, spurred by globalization and government scholarships, the industry began to modernize. Returning students brought fresh perspectives, merging traditional techniques with contemporary trends.

The early 2000s saw the rise of local brands such as Ashi Studio and Honayda Serafi, elevating Saudi embroidery to couture levels and gaining praise from international celebrities. Yet, emerging local brands continue to seek greater representation in key categories like luxury, non-luxury apparel, and sportswear, which are largely dominated by international brands. An exception is the fragrance sector, where brands like Arabian Oud resonate with both local and foreign customers.

By the late 2010s, small local brands in Saudi Arabia began to flourish, expanding beyond traditional and couture wear into contemporary categories while preserving their unique cultural heritage and traditions. Most recently, supported by initiatives like the Saudi 100 brands program, these brands are gaining greater access to mentorship, investment, and visibility opportunities. Some are achieving international recognition, being featured in major fashion shows like Paris Fashion Week, showcased by world-class retailers such as Selfridges, Galeries Lafayette and Net-a-Porter, and attracting international investments. Leading the way are streetwear and elegant fashion brands like Abadia and The Dropped Collection.

Transforming Tradition: Saudi Arabia's Homegrown Brands Evolution

The Saudi fashion industry has long been rooted in tradition and craftsmanship, relying on home-owned workshops and small-scale artisans. These workshops produced traditional garments like the abaya, thobe, and bisht, featuring hand embroidery and intricate beadwork that reflect Saudi's rich cultural heritage. Custom-made garments tailored to individual preferences were the norm. However, this focus on bespoke, handcrafted pieces limited scalability, and the industry lacked the infrastructure for large-scale production. While preserving cultural authenticity, this artisanal approach restricted the growth of local brands on both local and international stages.

In the late 20th century, Saudi Arabia's fashion industry began to transform as the country opened to global influences. Driven by globalization and exposure to international fashion trends through media, travel, and the internet, a modernization movement took shape.

The Saudi government played a crucial role in this shift by providing full scholarships for students to study at top international institutions. These students returned with advanced skills and knowledge, infusing the local fashion scene with new ideas and techniques. This blend of traditional craftsmanship and contemporary trends marked the beginning of a dynamic fusion, paving the way for the industry's growth.

The first decade of the 2000s witnessed the emergence of local brands that elevated Saudi Arabia's rich tradition of craftsmanship in embroidery to the level of design dressing and wedding collections. Brands like Ashi Studio and Honayda Serafi have now become established names in the design world, praised by international celebrities such as Beyoncé and Priyanka Chopra. Just very recently, in June 2024, Princess Rajwa showed off a custom-made Honayda Serafi gown at King's silver jubilee celebrations in Jordan.

Despite Saudi's fashion industry dynamism, emerging local brands have yet to secure significant representation across key categories such as luxury, non-luxury apparel, and sportswear. These segments remain largely dominated by international brands (as highlighted in Chapters 14, 15, and 16). This trend is largely driven by the allure of globally recognized brands and the Saudi consumers' preferences to integrate international fashion trends with their cultural identity. However, an exception exists in the fragrance sector, a cultural staple for Saudis. The fondness for unisex and oud-based scents has enabled legacy brands such as Arabian Oud and Abdul Samad Al Qurashi to capture over 30 percent of the market share. These brands not only resonate strongly with local customers but also captivate the attention of foreign customers intrigued by Saudi traditions.



The first decade of the 2000s witnessed the emergence of local brands that elevated Saudi Arabia's rich tradition of craftsmanship in embroidery to the level of design dressing and wedding collections. Brands like Ashi Studio and Honayda Serafi have now become internationally recognized brands.

Ashi Studio: Exquisite Design and High-Quality Craftsmanship

Notable examples include the Paris-based Ashi Studio, founded by the eponymous designer Mohammed Ashi. After studying in Lebanon and working at Givenchy and Elie Saab, Ashi returned to Saudi Arabia to establish his brand in 2007, later relocating the *atelier* to Paris in 2018.

Ashi Studio currently operates a showroom in Paris and another in the luxurious VIA Riyadh shopping mall. According to informed sources, the clientele is predominantly international at the Paris showroom, while 80 percent of the customers in Riyadh are from Saudi Arabia, with the remaining 20 percent hailing from other GCC countries. The brand boasts top-notch patrons, including celebrities like Beyoncé and Lady Gaga, and royalties such as Queen Rania and Princess Iman of Jordan.

In 2023, Ashi Studio became the first brand from the Gulf area to present at Paris Couture Week, propelling the maison onto the global stage of *haute couture*. Furthermore, Mohammed Ashi became the first Saudi member of the French Fédération de la Haute Couture et de la Mode (FHCM), signaling the brand's international recognition.

Couturiers like Ashi Studio have garnered international acclaim for their exquisite designs and high-quality craftsmanship, firmly positioning Saudi couture on the global fashion map.

L'azurde: From Jewelry Workshop to Publicly Listed Company

L'azurde exemplifies the evolution from a small jewelry workshop to a publicly listed company encompassing manufacturing, wholesale, and retail operations of an internationally recognized brand. In the early 1980s, the business began as a modest 16 m², one-room workshop with six employees. By 1987, the Company had established its first manufacturing unit, the Saudi Gold & Pearl Factory. The brand name L'azurde was adopted in 1993. Now operating in Saudi Arabia and other Middle Eastern countries such as Egypt, Qatar, Oman, and the UAE, L'azurde has its headquarters in Riyadh and jewelry production facilities in Egypt and Saudi Arabia. The company went public in 2016 on the Saudi Stock Exchange (Tadawul).

The brand offers a diverse range of gold, diamond, and silver products, including necklaces, bracelets, rings, and earrings. Its extensive and skilled team of in-house designers creates over 3,000 unique jewelry designs annually, catering to a wide customer base that spans various ethnicities, age groups, and purchasing power levels. L'azurde's business structure is divided into wholesale and retail segments, with most of its revenue derived from wholesale. The company operates a retail network of over one hundred stores and maintains a robust online presence.



Rise of Streetwear and Modest Fashion

By the late 2010s, small local brands in Saudi Arabia began to flourish and mark their first steps in the industry. Beyond the long-established product categories, emerging brands are diversifying into contemporary product segments, particularly modern menswear and streetwear. Leading this trend are prominent names like 1886 and Mazrood, showcasing the dynamic evolution of the Saudi fashion scene.

These brands usually position themselves as designer brands, typically target the premium market segment, and follow a similar path to that of their international counterparts. They maintain a robust online presence and are strong on social media platforms like Instagram, TikTok, and Snapchat, to engage with their audience. In line with typical start-up approach, these brands mainly distribute online through their own websites or in the multi-brand stores, like Urbn Lot, instead of being in the big malls like the international brands.

Positioning as designer brands, they naturally command higher prices than international high-street brands. A Brand Founder commented on their pricing strategy: "For instance, a Saudi brand might charge at least USD 50 for a t-shirt and USD 120 for a pair of pants, which is more expensive than international fast fashion brands. But people still buy them, especially the young generation, because of their desire for self-expression and individuality. The rise of social media and the influence of international fashion trends have fueled this popularity, as local brands blend traditional and modern elements to cater to their unique cultural and fashion preferences."

In addition to modern streetwear brands, other local labels are embracing modest fashion, transforming traditional garments like abayas and thobes into symbols of emancipation and autonomy while preserving their elegance. Notable examples include Chador and Moja Majka, which have adeptly blended traditional designs with contemporary aesthetics to create unique and culturally significant pieces. These brands are redefining modest fashion by infusing it with modern elements, offering a fresh perspective that resonates with both heritage and innovation.

Razan Alazzouni: Modernity and Elegance Design

Established over 16 years ago, Razan Alazzouni's homegrown brand has garnered recognition from global celebrities and fashion insiders, including Kendall Jenner, Emma Roberts, and Elizabeth Banks. Her hand-beaded creations, signature floral designs, and sculptural silhouettes have attracted over half a million Instagram followers.

Razan draws inspiration from the natural grace and elegance of women, designing each piece to accentuate their beauty while maintaining a playful spirit. The collection's soft, luxurious textures allow for fluid movement, adding a whimsical touch to each garment. The intricate hand-beading highlights the meticulous craftsmanship behind her signature floral motifs, ensuring each piece retains its sculptural and artistic integrity. Razan's designs transport the wearer into a world of glamour and sophistication, blending premium materials like silk and chiffon with delicate embellishments that enhance femininity.

Like several other Saudi homegrown brands, Alazzouni's business remains as local as possible, believing in the opportunities of a fast-moving country. While the label sources fabrics from Europe and Japan, all manufacturing and operations are based in her two studios in Khobar and Riyadh.



Advancing Local Brands through Saudi 100 Brands Program

The Fashion Commission, established in February 2020, is one of 11 cultural commissions under the Ministry of Culture aiming to empower and support the fashion sector by driving investment, building regulatory frameworks, and supporting the fashion community through all stages of the value chain. It plays a crucial role in supporting local brands by bringing them into the international spotlight, attracting media exposure and investment, and organizing local events, primarily through its Saudi 100 brands program.

Launched in 2021, the program is a long-term strategic initiative by the Fashion Commission, designed to empower the next generation of Saudi brands, hosting over 100 carefully curated brands across ready-to-wear, eveningwear, streetwear, jewelry, accessories and beauty. In just its first year, Saudi 100 brands initiative delivered more than 5000 hours of specialized mentoring. More practically, this program is tailored to meet the diverse needs of individuals seeking to expand their brands, offering comprehensive support across both design and business disciplines. At its core, the program provides a broad spectrum of opportunities, covering essential topics such as branding, conceptualization, sales strategy, public relations and marketing, innovation and technology, and leadership skills. Learning experiences are offered in various formats, including one-on-one mentorship, masterclasses, and workshops, with the added benefit of insights from international experts from leading fashion houses.

The success of the Saudi 100 brands initiative is measured by the number of brands securing investments, increasing annual revenue, and gaining traction with retailers. Hence the Fashion Commission is dedicated to increase the appeal of the brands and expose them to a larger audience in the industry. Launched initiatives so far have led to notable results. Selected local brands from the program appeared at major fashion events, including Paris Fashion Week (2023 and 2024), Paris Couture Week, White Milano, taking place during Milano Fashion Week (2022 and 2023), and Mexico Fashion Week (2024).

Apart from international appearances, the Fashion Commission also helps local brands to go back to the roots in Saudi. In October 2023, the inaugural Riyadh Fashion Week made history by showcasing Saudi brands on a local runway for the first time. Buyers and media were introduced to the collections of 29 Saudi brands.¹¹⁵ A few months later, in May 2024, Red Sea Fashion Week also marked a significant milestone for Saudi Arabia's fashion industry and its integration into the global market, featuring luxury fashion, jewelry, ready-to-wear, and resort wear collections from both Saudi and international designers.



Initiatives launched by the Fashion Commission so far have led to notable results. Selected local brands from the Saudi 100 brands program appeared at major fashion events, including Paris Fashion Week (2023 and 2024), Paris Couture Week, White Milano (2022 and 2023), and Mexico Fashion Week (2024).

Saudi Brands Making their Mark Globally

A wave of emerging Saudi brands is capturing the global stage, seamlessly blending Saudi culture with national pride. These brands are not only forging strong emotional connections with local consumers but also piquing international interest, leading to remarkable global success.

A prime example of this success is the pioneer brand 1886. Founded in 2016 as one of the first streetwear brands in Saudi Arabia, 1886's growth journey has been supported by its participation to Saudi 100 brands program, which opened the doors to most prestigious fashion stages like Paris Fashion Week. In 2022, the brand launched a special collection called Unity, a capsule designed for the Qatar World Cup, available at Al Hazm, Doha's most luxurious destination. This milestone was followed by the opening of a new pop-up in King Abdullah Financial District (KAFD) in 2023, where 1886 collaborated with Italian street artist Gioele Corradengo, who personalized items for customers during the event.

Other Saudi brands also have recently joined the international stage. Modest-wear brand Leem joined Selfridges.com and launched a new store at Westfield in London in 2023. Supported by the Fashion Commission, Abadia and The Dropped Collection showcased their collection in pop-up events held at Galeries Lafayette in Paris, offering exclusive shopping experiences to fashion enthusiasts. These accomplishments underscore the expanding recognition of Saudi fashion brands worldwide.

Abadia: Crafting Timeless Ethical Fashion

Co-founded by Shahd Al-Shehail and her aunt Naeema Al-Shehail, Abadia is celebrated for its fusion of traditional Arabian craftsmanship with modern, minimalist aesthetics. The brand seamlessly merges traditional crafts like sadu weaving and naqda threading with contemporary, elegant, and modest designs.

Abadia, which focuses on sustainability by using luxury deadstock materials and traceable leather, also stands out from its peers for its commitment to making use of local artisans, who are mostly women, to contribute to the crafting of their ready-to-wear pieces. Standing at the forefront of reimagining fashion for the contemporary woman, the brand debuted its first collection at Paris Fashion Week in 2018. Since then, it has been worn by notable figures such as Queen Rania of Jordan and US singer-songwriter Alicia Keys.

In 2023, Abadia secured funding from Singaporean private equity firm Tumeric Capital during a New York roadshow hosted by the Saudi Fashion Commission. This strategic investment has empowered Abadia to scale its operations while maintaining its commitment to sustainability and cultural authenticity.





12

Tap into Saudi Potential: Unlocking Capacity and Nurturing Talent



Aligning with Vision 2030, Saudi Arabia aims to unlock its full potential as a player in the global fashion market by evolving the entire fashion value chain to meet increasing demand. While potential for growth exists across all steps of the value chain, nurturing a new class of fashion talents and enhancing local manufacturing are key priorities.

Saudi Arabia's fashion industry is on a promising trajectory, fueled by significant efforts to develop local talent through government initiatives and international educational partnerships. The Fashion Commission is at the forefront, offering intensive courses, and mentorship programs. The upcoming establishment of Istituto Marangoni's Riyadh campus will place the Saudi city on par with prime fashion locations like Milan, Florence, Paris, New York and London, enhancing chances for local talent to aim for the global stage.

As the local fashion market expands and reliance on imports of finished products deepens, local manufacturing opportunities are emerging, offering competitive advantages in supply-chain efficiency and sustainability. Government initiatives like the Made in Saudi program, and The Lab, launched by the Fashion Commission, are dedicated to supporting local businesses and attracting foreign investments.

With robust government backing and strategic investments, Saudi Arabia is poised to transform its fashion industry, fostering a thriving sustainable sector that meets international standards.



Elevating Saudi Fashion Value Chain to Catch-Up with Rising Demand

Four key stages can summarize the fashion value chain of the country: raw material and semi-finished products procurement, design and product development, production and manufacturing, and retail and consumer engagement. To elevate the Saudi fashion value chain and meet local demand, it is essential to continue developing each step of the value chain, as each stage contributes to the success of the next ones. This includes addressing challenges in raw material imports, enhancing design and product development skills, and strengthening domestic manufacturing capabilities.



Exhibit 23 – Fashion value chain at a glance¹¹⁶



Cotton, the most imported raw material, is the largest input in Saudi fashion manufacturing, widely used in both traditional and contemporary Saudi clothing for its versatility and comfort.

Step 1:
Raw Material and Semi-Finished Products Procurement

The procurement of raw materials and semi-finished products is a foundational step in the fashion value chain. Saudi Arabia relies significantly on imports for these resources due to the limited domestic production of key materials like cotton, wool, and silk, and a need to develop the infrastructure for processing them. This dependency has been further driven by Saudi Arabia's historical economic focus on oil and gas, rather than textiles and fashion.

Cotton, the most imported raw material, is the largest input in Saudi fashion manufacturing, widely used in both traditional and contemporary Saudi clothing for its versatility and comfort. In 2022, cotton imports generated a trade deficit of approximately USD 37.1 million, a 56 percent increase from 2021. Knitted and woven fabrics are the second most imported category, with a trade deficit of USD 36.9 million in 2022, up 12 percent from 2021, as local producers prioritize quality of products and cost-efficiency.¹¹⁷ The import volume is expected to grow further with the expansion of the manufacturing sector.

Trade data show that Saudi Arabia has established a robust presence in raw hides, skins, and leather production, importing minimal quantities from 2012 to 2022. In 2022, Saudi Arabia exported USD 50 million worth of these products, securing a positive trade balance of USD 48 million, up six percent from 2021's USD 45 million.¹¹⁸ This strong export performance and deep-rooted tradition underscore Saudi Arabia's opportunity in the global camel leather value chain, with the potential to generate annual revenue of almost USD 99 million.¹¹⁹ Traditionally, Saudi bishts were crafted using Arabian camel hair and sheep wool, a practice that continues today with camel fiber.

On the other hand, Saudi Arabia's rich resources of oil can be utilized to produce synthetic fibers like polyester, acrylic, and nylon. The main local players include United Saudi Company (subsidiary of AlShair Group) and SABIC (Saudi Basic Industries Corporation, owned by Saudi Aramco). The local production of these materials is still in its nascent stages but holds significant potential for future international export.

Step 2:
Design and Product Development

The design and product development phases are crucial for elevating Saudi Arabia's local fashion market, aiming to reach new standards and capture Saudi's unique cultural attributes. There is a growing need for enhanced design and craftsmanship skills to improve the quality and distinctiveness of Saudi fashion products.

To foster a class of advanced professionals in design, Saudi Arabia, particularly the Fashion Commission, has made significant investments in education, enhancing access to internationally recognized institutions like Polimoda in Florence and Istituto Marangoni and improving local offerings across 12 different public institutions. A key priority is advancing technical skills in areas such as pattern making, grading, garment technology, and fabric technology. Saudi Arabia is committed to equipping designers with the skills needed to excel in today's fashion industry.

Step 3:
Production and Manufacturing

Saudi Arabia nurtures a long tradition of garment craftsmanship, utilizing locally sourced materials and featuring intricate embroidery and embellishments that reflect the country's heritage. However, the recent acceleration of the Saudi fashion sector and the smooth access to foreign trades has increased the country's reliance on imported finished goods in apparel and other fashion categories, favoring the cost efficiency and innovation available in other countries. From 2020 to 2022, this reliance on imports grew by over 63 percent, resulting in a trade deficit of over USD 6 billion.¹²⁰ This trend highlights the potential to boost domestic manufacturing capabilities and convert even a small portion of imports into a flourishing domestic business.

Step 4:
Retail and Consumer Engagement

The retail sector in Saudi Arabia has experienced significant growth, currently dominating the fashion value chain with expansive and entertaining malls. This growth is driven by increasing consumer spending, improved infrastructure, and the influx of international brands. These factors have enhanced the physical retail channel, enabling consumers to access a diverse range of brands, (see details in Chapters 7 and 8). To fully unlock the potential of the growing fashion market, it is essential to have access to a substantial pool of trained retail talent. Key skills such as visual merchandising, store management, and customer service are fundamental to the in-store customer experience, which international brands aim to align with their global standards. As a result, brands like Zara, Louis Vuitton, and Cartier often have their international staff directly train new talent in Saudi Arabia and visit periodically to ensure these high standards are maintained.

In addition to targeted initiatives across various value chain steps, the creation of the Fashion Futures platform underscores the Fashion Commission's dedication to raising awareness about ongoing industry improvements and attracting new investments. This strategic data hub is designed to showcase data, key insights, and trends in the fashion industry, enabling informed decisions for all stakeholders, from brands to investors.

The Fashion Commission has made significant investments in education, enhancing access to internationally recognized institutions like Polimoda in Florence and Istituto Marangoni, and improving local offerings across 12 different public institutions.





Nurturing the Future of Fashion: Talent in Design and Product Development

Saudi Arabia's fashion industry is on a promising trajectory, with substantial efforts underway to cultivate local talent. Through government initiatives, educational collaborations, and new international investments, Saudi Arabia is building a robust talent pipeline poised to compete on the global stage. Initially focusing on design, educational opportunities are becoming richer, and the new generation of talent is expected to be adept not only in creativity but also in business acumen.

"Saudi designers possess a powerful creative vision. The crucial aspect is to maintain consistency in quality, product development, and brand messaging. When a designer's or brand's vision is clearly established, it will naturally appeal to both local and international audiences," says the Founder of an established local brand.

Education has always been paramount for Saudi. Now, the local educational system is advancing, offering 22 university-level degrees across 12 public institutions, including King Khalid University and Jeddah University. In 2021, 1,615 students enrolled in fashion design degrees, encompassing fashion, jewelry, and textiles, preparing to mark their steps in the fashion industry.¹²¹

In recent times, the educational focus in Saudi Arabia has expanded to encompass new skills required to compete in the fashion ecosystem. Acknowledging the need to underpin creativity with product development capabilities to drive excellence and innovation, the Fashion Commission offers intensive courses on design-related techniques such as pattern making, enhanced luxury garments techniques and draping. These courses, conducted through separate tracks in Riyadh and Paris, culminate in a final project presented to a jury of industry professionals within the Parisian fashion ecosystem.

In addition to technical training, the Fashion Commission emphasizes the importance of commercial aspects for fashion brands to grow and establish themselves in the increasingly competitive fashion scene, both locally and globally. Its education department has developed the Executive Certificate in Fashion Business program. This course aims to equip fashion and luxury professionals with practical skills to enhance their nascent companies and products. Blending online and in-person elements between Riyadh and Paris, the program offers a comprehensive learning experience. Key focus areas include business strategy and planning, financial management, visual merchandising and retailing, digital marketing, branding, and product development. The Fashion Commission has also established a Memorandum of Understanding with Institut Français de la Mode (IFM), creating a collaborative partnership aimed at developing programs for local talent. As part of this partnership, IFM's programs will be localized in Saudi Arabia starting from 2025.

Brighter prospects lie ahead for Saudi talent. The ongoing evolution of the fashion scene in the country has also attracted significant attention and foreign direct investment in fashion education. Notably, international institutions like Istituto Marangoni will open a higher training institute in Riyadh in 2025, following the success of the online course Digital Fashion Program offered in collaboration with the Fashion Commission.

This new campus, established in partnership with the Saudi Fashion Commission, will join Istituto Marangoni's global campus network in Milan, Florence, Paris, London, Dubai, Mumbai, Miami, Shanghai, and Shenzhen. The primary academic program provided will be a three-year Advanced Diploma focusing on specific areas such as: fashion design and accessories; fashion management, digital communication and media; fashion product, and fashion styling, granting students the opportunity to complete the bachelor's degree in any Marangoni campus in the world. It will also offer specialized courses in fragrance and cosmetics management and interior design. This investment underscores the commitment to developing world-class fashion talent within Saudi Arabia, providing advanced training and education that will empower the next generation of designers and industry leaders.

Saudi educational dynamism is also taking shape beyond the school desks and embracing a wider audience of fashion enthusiasts. Mansooj is an Arabic fashion publication agency established in January 2021. It develops and offers digital articles, research, and courses to an audience of over 40,000 fashion readers.¹²² The company's ambition is bigger than building fashion awareness through engaging and enjoyable content. It focuses on shedding light and sparking discourse on key cultural topics like sustainability and the celebration of cultural diversity.



In 2021, 1,615 students enrolled in fashion design degrees, encompassing fashion, jewelry, and textiles, preparing to mark their steps in the fashion industry.



Driving Made in Saudi by Growing Local Manufacturing

As the fashion market in Saudi Arabia continues to expand, significant opportunities for local manufacturing arise, particularly through converting local brands' production locally. Localization of production can serve as a competitive advantage for Saudi homegrown brands, as producing internally enhances supply-chain efficiency, promotes ethical practices, and achieves their sustainability vision.

The observed growth of imports to meet the surging domestic demand hints at the hidden potential of local manufacturing and partial import substitution. In 2022, the apparel trade deficit stood at more than USD 4 billion, footwear at close to USD 1 billion, and jewelry at USD 1 billion. From 2021 to 2022, footwear imports grew by 14 percent, five percentage points higher than the overall footwear market growth of nine percent, and apparel imports grew by 10 percent, slightly lower than the overall apparel market growth of 13 percent.¹²³ Saudi Arabia imports footwear and apparel extensively, not only due to higher demand and frequent changes in fashion trends, but also because of existing challenges in the local production capacity for these products.

Favorable existing trade agreements, including recent bilateral ones with India and China, also fueled the observed rise in imports. Indeed, China, India, and the UAE were the top three countries from which Saudi Arabia imported finished fashion goods in 2022, accounting for 42 percent, 11 percent, and 10 percent of total imports, respectively.¹²⁴ Saudi's demand for imports from China and India primarily lies in their status as 'world factories', known for cost-effective production and a high-quality, innovative product range. The UAE, on the other hand, serves as a re-export hub for international companies in the GCC region, benefiting from well-developed logistics, distribution networks, and efficient customs processes.

Local manufacturing remains predominantly small-scale, with approximately 30,000 apparel manufacturers operating mainly in cities like Riyadh and Jeddah. Of these, 93 percent employ fewer than 20 people and produce in small quantities.¹²⁵ Private label manufacturing is still in its early stages but is developing,



reflecting the need for local brands to establish a stable supply chain, access advanced production technologies and facilities, and cultivate a larger, skilled workforce to meet their demands.

Prominent examples of brands successfully producing locally are particularly evident in the high-end segment. These brands excel in combining craftsmanship heritage with superior product quality and advanced manufacturing technologies. Lomar, for example, is a brand revolutionizing traditional Saudi thobes by incorporating contemporary designs and high-quality fabrics, Sondos is a manufacturer known for its military uniforms featuring intricate embroidery, and Al-Fakhra Company holds 40 years of history, specializing in the field of high-end men's tailoring and leveraging the largest factory in Middle East for detailing.

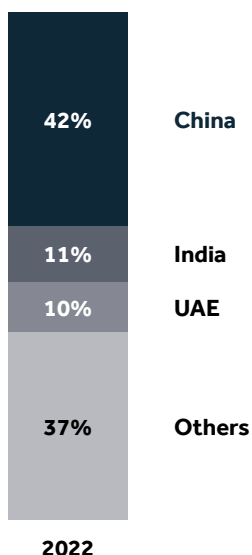
As the fashion industry aims to play a more significant role in Saudi Arabia's economy, entities like the Fashion Commission are committed to supporting fashion entrepreneurs at every stage of their journey, starting with enabling larger-scale operations. The opportunity ahead for Saudi Arabia is to enhance its fashion manufacturing capabilities and reduce the gap with leading countries. According to the World Bank, the fashion manufacturing in Saudi Arabia currently sets at 0.4 percent of GDP in 2023, while China reasonably peaks at 2.6 percent, India at one percent and Italy reaches 1.3 percent.¹²⁷

Several initiatives are already underway to fulfill this potential. Saudi has launched the Made in Saudi program, designed to empower local fashion and non-fashion businesses and accelerate their growth. The vision is to build a collaborative community of government agencies and private sector entities, facilitating the exchange of knowledge, funds, and other business capabilities. Small local brands are also provided with tax and marketing incentives to expand their reach and promote their products both locally and internationally.

The Fashion Commission has also established several initiatives to bolster the fashion industry. One of them is The Lab, launched in 2024 to support the upstream and manufacturing activities of brands and help them realize their creative vision. The initiative consists of a state-of-the-art product development studio located in Mohammed bin Salman Nonprofit City (Misk City), which offers local designers access to top manufacturing facilities and technologies.

Exhibit 24 – China, India and UAE, top three countries of finished fashion import for Saudi Arabia¹²⁶

Source of imported finished fashion goods for Saudi (%)





The Lab: Harnessing the Creative Vision of Saudi Designers

Serving as a premier hub for the product development of fashion brands, The Lab, based in Misk city, provides comprehensive services that cover every stage from inception to final delivery, ensuring premium quality and adherence to international industry standards. These services include pattern development, grading, tech pack creation, fabric and trim sourcing, costing, and prototyping, with membership packages tailored to different design needs. Additionally, The Lab offers tailored B2B services such as bespoke design and development, sustainable sourcing and production, advanced technological manufacturing capabilities.

Unique in the country, The Lab's permanent sourcing showroom also enables the connection between brands and state of the art suppliers and enables access to a wide variety of high-quality and sustainable textiles, trims, accessories, and a strong network of endorsed premium garment suppliers. It also provides manufacturing and product development services for categories not available in-house, such as shoes, bags, accessories, leather goods, evening wear, *haute couture*, and fragrances, through its network in Italy, France, and Portugal. The Lab features state-of-the-art equipment, available for the first time in both Saudi Arabia and the region, supporting both high-volume and precise, lower-volume manufacturing. These facilities are designed to support the manufacturing needs of the fashion industry in Saudi Arabia, aiming to produce premium quality products with the Made in Saudi label.

Further exploiting the potential to become a regional manufacturing hub, the Fashion Commission also facilitates interactions between governmental entities to help foreign investors navigate the administrative ecosystem and legislative changes. This initiative will eventually attract foreign brands to establish their offshore or nearshore production in Saudi Arabia, further integrating the country into the global fashion value chain.

As Saudi Arabia's fashion market expands, the development of local manufacturing and the leveraging of domestic demand become increasingly crucial. With robust government support, strategic initiatives from the Fashion Commission and foreign investment, Saudi is well-positioned to enhance its manufacturing capabilities with a strong local talent pipeline. These efforts collectively pave the way for a thriving and sustainable fashion industry.

Looking ahead, the production of local brands, particularly in the premium segment, has the potential to become selectively localized in Saudi Arabia. While mass products will continue to compete with imports from China and India, Saudi manufacturing can elevate its market position by focusing on high-end craftsmanship, leveraging cutting-edge technologies for precise manufacturing, and achieving the Fashion Commission's targets for a circular manufacturing stream.





13

Designing a Sustainable Future for Saudi Fashion

The fashion industry's environmental impact is significant, with global production responsible for eight percent of greenhouse gas emissions, largely driven by fast fashion.¹²⁸ In response, Saudi Arabia is taking decisive steps toward sustainability, integrating ambitious goals into its Vision 2030. The Saudi Green Initiative (SGI) and the National Center for Waste Management are leading efforts to promote circularity, reduce emissions, and support local communities. The Fashion Commission is also driving innovation and shifting consumer mindsets, while the new Sustainability Index provides a critical measure of progress for the future. Despite these advances, challenges remain, particularly for brands needing to improve in circularity and governance. However, with pioneering designers and retailers setting new standards, Saudi's fashion industry can strive for meaningful changes, fostering a more sustainable and ethical future.



Saudi Green Initiatives and Charitable Efforts Toward Sustainability

Global fashion production is responsible for eight percent of global greenhouse gas emissions, with fast fashion being the largest contributor to environmental costs in the fashion industry.¹²⁹ As a response, Saudi Arabia has set achieving net zero emissions by 2060 as an essential part of its 2030 Vision and created national schemes to take tangible actions, within and beyond fashion.

Launched in 2021 by Crown Prince Mohammed bin Salman, the Saudi Green Initiative (SGI) is a pivotal effort to combat climate change by unifying Saudi's sustainability initiatives. SGI sets ambitious targets, including reducing carbon emissions by 278 million tons annually by 2030, planting 10 billion trees, and protecting 30 percent of Saudi's land and sea. With over 77 initiatives and a USD 186 billion investment, SGI promotes collaboration between the government and private sector to drive sustainable growth.¹³⁰

Complementing these efforts, the National Center for Waste Management plays a crucial role in regulating waste management activities, encouraging investment, and promoting a circular economy. The Center is responsible for granting licenses, organizing training programs, and fostering research and innovation through collaborations with universities and research institutions, all aimed at achieving sustainable development goals. In 2022, the Center announced an initiative to recycle the ihrams used by Hajj pilgrims, with the goal of reusing them rather than disposing of them. The initiative involves collecting, sorting, sterilizing, washing, and repairing the ihrams for reuse.

In alignment with Vision 2030, Saudi charitable organizations have also taken steps toward upcycling. Since 2018, the Saudi recycling service Kiswa has been addressing the issue of surplus clothing, inspired by the Islamic concept of Kiswat Al-Eid. The project reduces the burden and cost of collecting spare clothes by having Kiswa's team collect, sort, prepare, and deliver these items to charitable associations. This initiative not only encourages youth volunteering but has also successfully completed 40 distribution efforts to date. Well-preserved clothes are distributed to those in need, while damaged items are recycled.

Saudi Arabia has set achieving net zero emissions by 2060 as an essential part of its 2030 Vision.

Saudi Green Initiative (SGI)

USD 186 billion investment

278 million tons of carbon emissions annually reduced by 2030

Planting 10 B trees

Protecting 30% of Saudi's land and sea





Fashion Commission Advances Sustainable Fashion

The Fashion Commission is dedicated to cultivating a sustainable, inclusive, and integrated Saudi fashion sector by embedding sustainability throughout the entire value chain and empowering the industry to flourish. Innovation is the key, therefore, the Fashion Commission is heavily investing in innovation in the realm of sustainability, including research for recycled and alternative materials. In 2022, a partnership between Fashion Commission and King Abdullah University of Science and Technology Center (KAUST) was announced to establish a sustainable material research center. Apart from that, Fashion Commission's The Lab initiative also enables local designers to sample and produce in small scale locally.

The Fashion Commission is also shifting consumers' mindsets toward sustainable consumption by hosting events like the 2021 GFX Fashion Swap in Riyadh, called 'Swapshop', which promotes recycling, upcycling, and the use of high-quality, long-lasting fashion apparel. Participants can donate and exchange items, fostering a culture of sustainability. Additionally, the GFX Fashion Swap featured workshops, creator stations, and educational installations, providing a comprehensive exploration of sustainable fashion practices.

To evaluate and track the sustainability in Saudi's fashion sector, the Fashion Commission launched the Sustainability Index in 2023. The index surveys fashion stakeholders, namely brands and retailers, on their efforts in circularity, social impact, and leadership and governance, to identify major enhancement opportunities in sustainability practices. By setting a baseline and a periodical tracking process, the initiative aims to establish a strong foundation for sustainable and ethical fashion.

Retailers and Brands Embrace Sustainability, but More Progress Awaits

The 2024 edition of the Sustainability index has seen the collaboration with industry stakeholders, to conduct an assessment across the three main pillars of the index (circularity, social impact, and leadership & governance). Their performance has been assessed through 45 questions, covering essential topics of each pillar, such as supply chain transparency, product lifecycle management, and climate and carbon emissions awareness. It also addressed consumer and employee engagement, along with governance and policies. Survey participants received a performance rating based on their overall percentage score (from 0 to 100 points).¹³¹

In the circularity pillar, retailers have achieved a moderately high score of 52 percent, demonstrating notable strengths in supply chain transparency, product lifecycle management, water and chemical management, and climate and carbon emission awareness. Social impact is another area where retailers are relatively well-developed, scoring 69 percent, with a strong focus on diversity, workplace safety, and community welfare. However, there is room for improvement in leadership and governance, where retailers scored 49 percent. Brands, on the other hand, currently score 34 percent in circularity practices, highlighting significant opportunities for improvement in this area. They have shown relative strength in social impact with a score of 50 percent. However, their performance in leadership and governance (33%) indicates that this area is still in the early stages of development, presenting clear opportunities for growth in governance and stakeholder engagement. Overall, the industry scored an average of 44 percent, scoring 41 percent in Circularity, 57 percent in Social Impact and 39 percent in Leadership & Governance. While overall results highlight significant opportunities for advancing sustainability in the fashion sector, establishing the KSA Sustainability Index as an annual initiative will be key for progressive monitoring, recognizing sustainability leaders, and enabling informed decision making for fashion stakeholders.



Exhibit 25 – Retailers performing slightly higher than brands in 2024 Sustainability Index

Average % score for retailers and brands across sustainability pillars

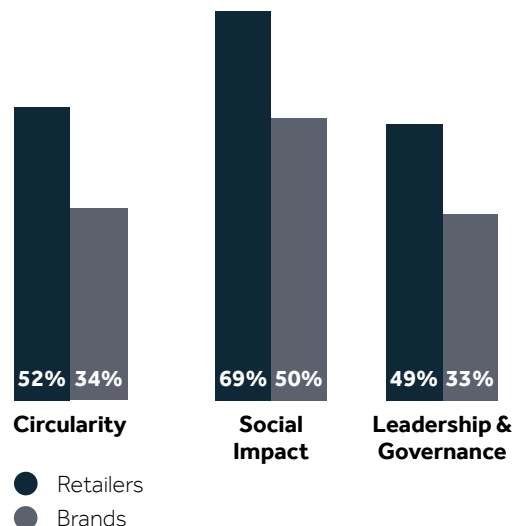
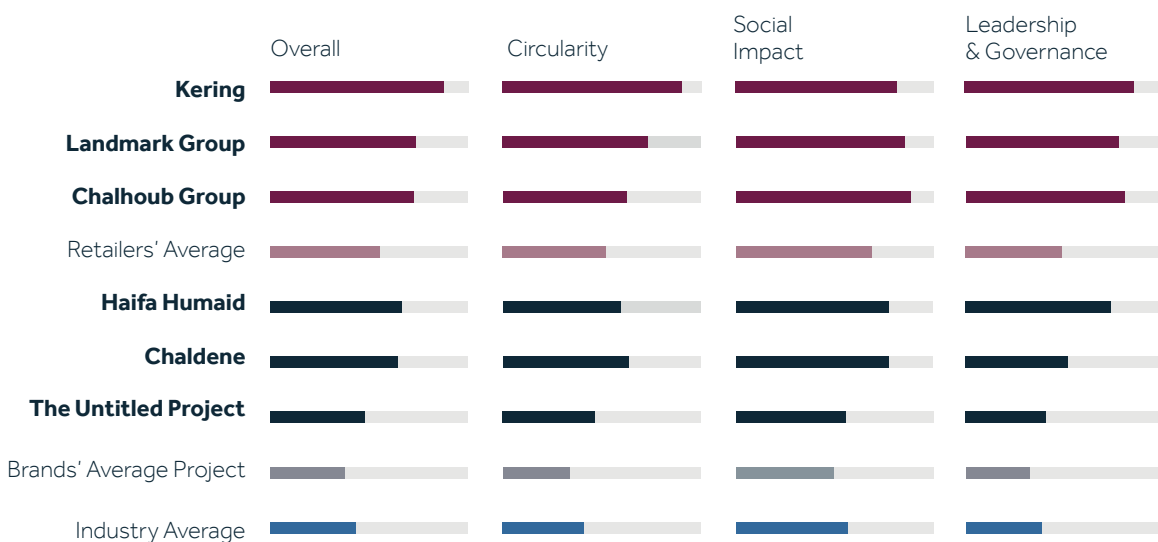


Exhibit 26 – Kering achieving 'Sustainability Champion' status, Landmark Group with strong performance in Social impact

Top performing retailers and brands



Of the stakeholders surveyed in the Sustainability index, Kering, Landmark Group and Chalhoub Group emerged as sustainability pioneers, scoring above 70 percent, much higher than the retailers' average of 56 percent. Kering stands out as the only surveyed retailer receiving 'Sustainability Champion' status. The retailer excelled in Circularity and showed strong Leadership & Governance. Landmark Group followed as a 'Rising Star' in the retail category, marked by a strong performance in Social Impact. Chalhoub Group also performed impressively with its strongest areas being Social Impact and Leadership & Governance. These retailers demonstrate leadership in sustainability practices, making significant strides in their respective areas. On the brands side, three brands well exceeded the brands' overall average score of 38 percent. Haifa Humaid emerged as the leading entity showing strong performance in Social Impact and Leadership & Governance. Following closely, Chaldene also performed well, demonstrating significant strengths in Circularity and Social Impact. The Untitled Project ranked third among brands, showing potential as a 'Confident Climber'.

Although their performance is not yet on par with retailers across several dimensions, some Saudi fashion designers are making notable strides in integrating sustainability into their practices, each bringing unique approaches to advancing the fashion industry. For example, Ghaydaa Majdaly leverages cutting-edge technology and repurposed materials to drive circularity. She uses 3D technology to design and produce clothing, transforming plastic water bottles into eco-friendly fabrics. Majdaly's zero-waste strategy not only reduces environmental impact but also highlights the transformative potential of technology in sustainable fashion.

On another front, designers like Nasiba Hafiz, Zakiya Attar, and Honayda Serafi have partnered with the Al-Oula Women's Charitable Society to create new garments from discarded materials. The profits from these sales support the organization's charitable activities, demonstrating a powerful blend of sustainability and social responsibility.

Among retailers, prime examples include initiatives aimed at reducing emissions and water usage, transitioning to renewable energy for malls and fulfillment centers, and incorporating green building designs in new developments

to optimize utility consumption. All major retailers in Saudi couple such initiatives with a formalized governance structure that prioritizes sustainability, setting targets and tracking emissions reduction. To mention a few examples, Cenomi has initiated a project to install solar panels across its properties, significantly reducing reliance on non-renewable energy sources. Meanwhile, Shomoul's sustainability-first design has earned the Leadership in Energy and Environmental Design (LEED) certification, underscoring its commitment to green building standards and energy efficiency.

These noble and essential sustainability initiatives are likely to spark a wave of change among industry peers. Only through collective action can the industry truly push forward toward a more sustainable future, both environmentally and socially.

Yasmina Q: Shaping the Landscape of Sustainable Fashion

As part of the Saudi 100 brands program, Yasmina Q, founded by Saudi designer Yasmina Qanzal, stands out as a sustainable and ethical fashion brand. The brand is committed to the concept of 'thoughtful dressing', utilizing low-impact and sustainably-sourced materials such as organic cotton, recycled polyester, FSC-certified EcoVero viscose, and deadstock fabrics, all paired with fully sustainable packaging. From her debut capsule collection, Enchanted Meadows, Yasmina focuses on longevity and wearability, creating timeless styles designed to avoid the need for frequent disposal.

In terms of manufacturing, the brand collaborates with community-based facilities, which helps reduce transportation emissions and supports local communities. By maintaining low production volumes, Yasmina Q prevents waste and avoids the fast-fashion model, thereby minimizing its carbon footprint while supporting skilled artisans through the use of locally sourced materials.

**Only through collective action
can the fashion industry truly
push forward toward a more
sustainable future, both
environmentally and socially.**





14

Apparel, Footwear & Accessories: Mirroring Saudi's Dynamism



The non-luxury apparel, footwear, and accessories market in Saudi Arabia is valued at over USD 19 billion in 2023, accounting for about 45 percent of the total GCC market. The sector is set for a solid growth trajectory, with a projected CAGR of over five percent through 2028. This growth is driven by Saudi Arabia's favorable demographics (its young, affluent population spending more) as Saudi Arabia enhances its offerings and lifestyles evolve.

Consumers are blending Western styles and products with their cherished traditional staples, with just above USD 17 billion apparel segment maintaining a stable 89 percent share of the broader apparel, footwear, and accessories market over the years. This fashion fusion is fueled by the powerful influence of social media, which democratizes access to global fashion trends. As leisure offerings evolve, both local and international brands are witnessing a noticeable shift toward casual attire, reflecting broader lifestyle changes in Saudi.

The apparel category in Saudi Arabia is highly fragmented, with hundreds of brands competing. Max Fashion, a regional fast fashion brand, is leading the market with approximately five percent share, followed by global names such as Zara, H&M, and Shein. While very few local brands like Nayomi, Red Tag, and AlShiaka are currently among the top 50 brands, new homegrown brands continue to emerge as the ecosystem develops.

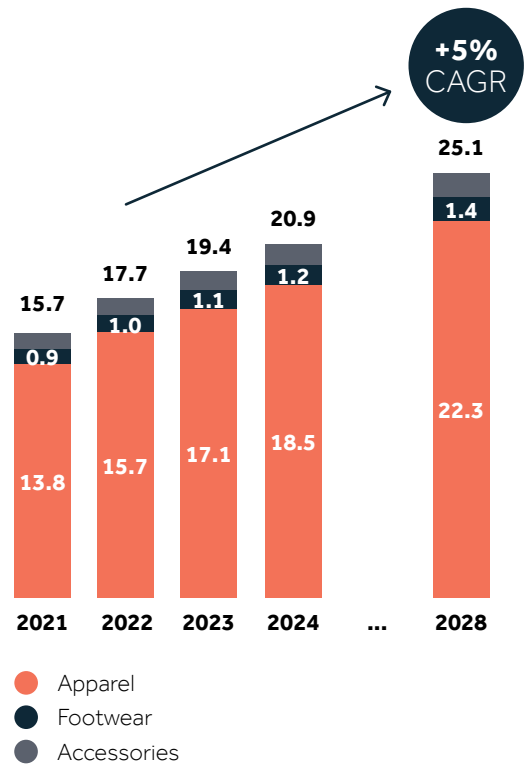


Apparel Leads, Primarily through Physical Retail

Consumers in Saudi Arabia are experiencing an increased desire to update their wardrobes in response to evolving fashion trends, changing work norms, and expanding leisure opportunities. This shift will drive higher growth in the apparel and footwear segments, which together account for a substantial 95 percent of the broader apparel, footwear, and accessories category.¹³² In contrast, growth in accessories is expected to be slightly lower due to higher market saturation.

Physical stores and malls continue to dominate, capturing almost 90 percent of the market share. However, online sales have gained significant traction post-pandemic, growing their penetration from just three percent in 2018 to more than seven percent today.¹³³ The rise of fintech offerings, such as Buy Now, Pay Later (BNPL) services and mobile wallets, has supported this growth, particularly among Gen Z and working professionals. Historically, Saudi Arabia has been a predominantly Cash-on-Delivery (COD) market due to lower trust and cultural norms. However, consumers are increasingly adopting BNPL services as they allow for returns without requiring full upfront payment. According to a Marketing Director at a local online platform: "Apple Pay [launched in 2017 in the UAE and only in 2019 in Saudi] now matches credit cards in transaction volume, while BNPL services have surged to approximately 15 percent of sales."¹³⁴

Exhibit 27 – Saudi apparel, footwear and accessories represent a USD 19.4 billion market, projected to grow at 5% CAGR by 2028¹³⁵





Saudis Embrace Fashion Trends whilst Honoring Traditions

Saudis are becoming discerning shoppers, holding higher expectations for fashion apparel and shopping experiences. Quality is the most sought-after attribute for Saudi shoppers. With increased travel and global exposure, there is a growing expectation that the shopping environment and assortment in Saudi's main cities should reflect the standards available abroad.¹³⁶

Along with quality, staying fashionable is important to Saudi consumers. The younger generations have a strong appetite for experimenting and incorporating new trends. Also, as women grow their presence in the workforce, there is rising demand for contemporary and professional interpretations to traditional clothing. "They enjoy exploring different aesthetics and trends, observing what resonates with their sense of style. Their main objective is to understand what makes them feel confident and comfortable," explains a Store Manager in Riyadh.

The shift toward casualization in Saudi fashion is also noteworthy. As entertainment and leisure options increase, there is a growing demand for everyday apparel and footwear. This trend is set to continue as Saudi Arabia expands its entertainment offerings, such as cinemas, theme parks, and children's play spaces. The PIF is investing USD 13 billion to develop over 20 entertainment destinations, featuring more than 150 attractions across 14 Saudi cities by the end of the decade.¹³⁷

Fashion apparel in Saudi is an evolving balance between what's trending and what is core to the Saudi identity. It mirrors the broader societal shift of embracing modern concepts while steadfastly preserving Saudi's rich heritage.

As entertainment and leisure options increase, there is a growing demand for everyday apparel and footwear.



International Fast Fashion Brands Take the Lead

ZARA: Global Brand Leveraging Local Partner for Expansion

Zara ventured into the Saudi Arabian market 25 years ago through a franchise model with Cenomi, a prominent retail conglomerate and mall operator in Saudi Arabia. This franchising model enabled Zara to leverage Cenomi's network and expertise, facilitating rapid store expansion across cities. Today, Zara boasts approximately 30 stores in Saudi Arabia. This wide distribution can be attributed to Cenomi's market leadership as a mall operator and a retail group leasing a substantial share of floorspace, providing Zara with the flexibility to select, design and layout stores to match its global standards.

Beyond widespread expansion, the brand has also brought its trend-based assortment and operational know-how to Saudi Arabia. The brand's business model of introducing new assortments every two weeks resonates well with trend-seeking customers, without forgetting to cater to local preferences in modest styles and fabrics. Higher quality garments are included in the collections, coming from factories in Morocco and Portugal and featuring design elements that are highly valued by Saudi customers.

The brand places a strong emphasis on training its staff to ensure consistency and excellence in customer service. Teams from Zara's headquarters in Spain regularly visit Saudi Arabia to train staff for new store openings and conduct monthly checks to maintain high standards. To attract and retain top talent, Zara offers higher pay than the market average, ensuring a motivated and skilled workforce dedicated to providing superior customer experiences.

Looking ahead, Zara is strategically consolidating its stores amidst the rapidly evolving retail dynamic, aiming to establish a more premium market positioning and target higher-spending consumers. New stores will be considerably larger in size (~3,000 m², from the average 2,000 m²), incorporating new entertainment elements such as cafes, which could occupy about 15 percent of floorspace in select stores. This expansion aligns with Zara's vision of creating a holistic shopping experience that combines fashion with lifestyle.¹⁴¹

The Saudi fashion market remains highly fragmented, with the top 70 brands accounting for just 24 percent of the market. Max Fashion, a regional value-based retail brand, leads with a market share of approximately five percent, followed by international giants like Zara, H&M and Shein, each holding between one and two percent of the market. Analyzing by group portfolios, the Landmark Group commands a seven percent market share through its seven portfolio brands, while Inditex holds a three percent share with its seven brands in Saudi.¹³⁸

Interestingly, among the top 70 brands, only three are from Saudi Arabia: RedTag (1.3%), Nayomi (0.4%), and AlShiaka (0.1%). This highlights the dominance of international brands over local ones, with a 65:35 split between international and local brands,¹³⁹ also including Saudi homegrown names like Mihyar, Femi9, Blue age, Rina, Blooming and Johrh. The landscape, however, is gradually changing with the emergence of new local brands like 1886 and Hindamme, nurtured by initiatives such as the Saudi 100 brands program.

Market share trends clearly indicate the increasing fragmentation, with the top 70 brands collectively losing six percent of their market share over the past five years.¹⁴⁰ As new brands mark their steps into the market, some of the brands that historically hold stronger shares are now experiencing a decrease.





15

Sportswear: A Bright Spot in the Fashion Market



In the wake of transformative social reforms, sportswear has emerged as a bright spot in Saudi Arabia's fashion sector. Vision 2030's Quality of Life Program, alongside investments from the Public Investment Fund (PIF), is driving increased participation in sporting activities. Additionally, the energetic lifestyle of Gen Z is fueling demand for athleisure clothing. Valued at over USD 1 billion in 2023, the sportswear market is projected to reach almost USD 2 billion by 2028, resulting in a five percent CAGR.¹⁴²

The Saudi sportswear market is dominated by global brands, with adidas, Nike, and Puma consolidating their position in recent years and accounting for nearly 60 percent of the total market in 2023.¹⁴³ Emerging local brands like Kayanee are gaining traction among local consumers and are poised to seize more opportunities in the coming years.



Active Lifestyles and Athleisure Demand Propel Sportswear Market Growth

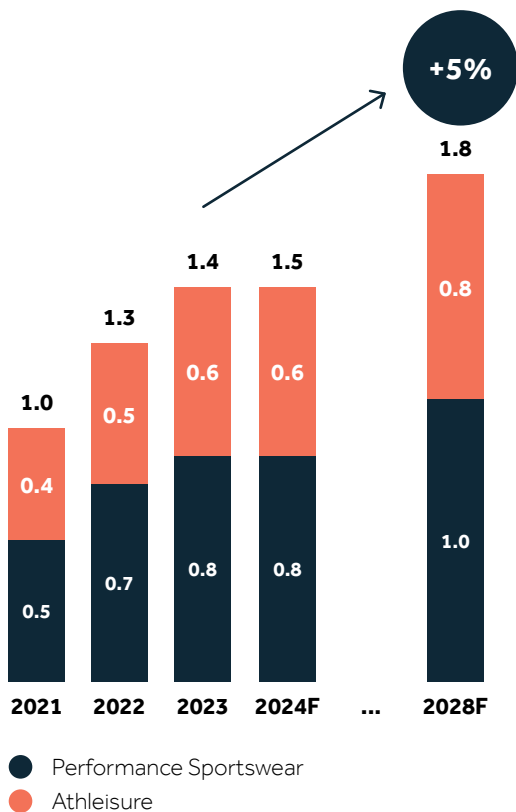
Performance sportswear represents 56 percent of the over USD 1 billion sportswear market in 2023 and creates a market worth USD 800 million. This segment is anticipated to grow at a six percent CAGR from 2023 to 2028, bolstered by the impactful initiatives of Vision 2030 and PIF, as well as the rising popularity of sports activities like padel and football across all genders and age groups. Athleisure makes up the remaining 44 percent of the market and is expected to retain its share through 2028, as evolving Gen Z lifestyles and interests continue to drive its appeal.¹⁴⁴

Vision 2030's Sports for All (SFA) initiative,¹⁴⁵ supported by the Ministry of Sport and part of the broader Quality-of-Life Program, aims to improve the overall health and well-being of the population by increasing participation in sports and physical activities. This includes developing infrastructure like new gyms, sports facilities, and vibrant public spaces to encourage active lifestyles. Additionally, educational and training programs are designed to foster a love for sports from a young age. Collaborations with international partners serve as powerful accelerators in this mission: high-resonance partners such as the World Health Organization (WHO), Global Sports Innovation Center (GSIC), and international sports federations like FIFA are working with SFA to innovate and boost participation. Beyond individual well-being, growth in sports will inculcate discipline and motivation amongst the youth as well as create a new segment of economic growth and employment.

The Public Investment Fund has played a key role in expanding Saudi Arabia's sports infrastructure, including new facilities and summer camps, while integrating sports into the nation's culture. The launch of SRJ Sports Investments by the PIF has been instrumental to this, supporting various sports-related projects. Notably, it has invested in the top four teams of the Saudi football league and brought in European football legends like Ronaldo, Neymar, and Karim Benzema, as well as high-caliber coaches and trainers, significantly growing interest and fan engagement. Golf, sailing, tennis and boxing are other sports that Saudi Arabia is committed to develop, with approximately 85 sports events hosted in a span of few years, including an Americas Cup sailing regatta and ATP tennis event in Jeddah, in 2023.

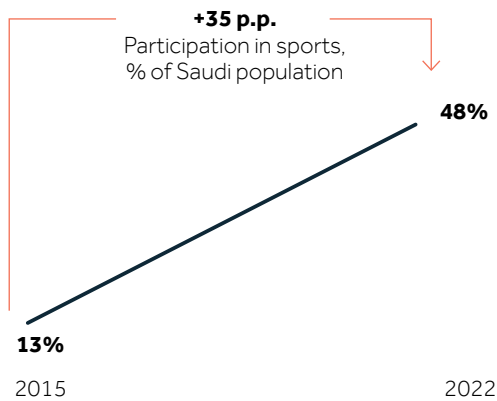
Investments are already yielding impressive results: mass participation in sports at least once a week rose dramatically from 13 percent in 2015 to nearly 50 percent in 2022, almost at par with countries with more favorable weather conditions like USA, UK and France (all above 60% of mass participation). While frequency in physical activity will still have margins for improvement, events like the Riyadh and Jeddah marathons have become flagship events, encouraging widespread participation across different age groups and genders. In February 2024, the Riyadh Marathon saw twenty thousand competitors, while the Jeddah Half Marathon attracted over three thousand participants.

Exhibit 28 – Saudi sportswear represents a USD 1.4 billion market, projected to grow at 5% CAGR by 2028¹⁴⁶



Investments are already yielding impressive results: mass participation in sports rose dramatically from 13% in 2015 to nearly 50% in 2022.

Exhibit 29 – Saudi participation into sports has rapidly increased since 2015¹⁴⁷



Yet, there are still growth opportunities in women's involvement in sports, a clear target of SFA initiatives. Starting from approximately 12 percent of women practicing sports, the potential is to reach participation levels seen in Western countries, averaging above 30 percent across the USA, France, Italy, and Spain.¹⁴⁸

Alongside performance sportswear, Saudi Gen Z exhibits a growing preference for athleisure clothing, which has grown by approximately 23 percent from 2021 to 2023 and now accounts for 44 percent of the market.¹⁴⁹ "Nike and adidas consistently rank among the top three favorite brands mentioned by Saudi young consumers in our recent surveys," says the Marketing Director of a leading fashion group.

This growth is supported by new entertainment and leisure options, such as food and retail outlets, theme parks, cultural festivals like Riyadh Season, and international concerts. These activities influence how people dress, increasing the demand for comfortable and versatile clothing. Indeed, there exists a fine line between sportswear and activewear, also used in normal recreation activities and not only sports.

Sneaker culture is also flourishing in Saudi, with the success of the adidas Samba shoes in Saudi Arabia mirroring the global sneaker phenomenon. "Influencers and athletes on social platforms like Instagram and Snapchat, largely used by Saudi young consumers, have significantly popularized sports and athleisure products among the younger population," comments a Sportswear Brand Manager.

The athleisure segment is expected to continue growing at approximately four percent CAGR through 2028¹⁵⁰, driven by Gen Z's demand for stylish yet functional fashion that supports their dynamic lifestyles.



Starting from approximately 12% of women practicing sports, the potential is to reach participation levels seen in Western countries, averaging above 30%.



Global Sportswear Giants Take the Major Share

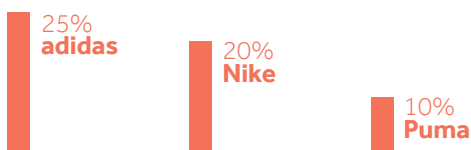
In Saudi Arabia's sportswear market, brand names play a pivotal role in driving consumer spending, with international brands at the forefront. adidas holds top position, capturing over a quarter of the market share. Close on its heels is Nike, with a significant 20 percent share. Puma is the only other brand to achieve double-digit shares, holding 10 percent of the market. In total, these brands now constitute nearly 60 percent of the sportswear market in Saudi Arabia, up from approximately 53 percent in 2021.¹⁵¹

The market is consolidating with adidas, Nike and Puma significantly investing in Saudi Arabia through locally-inspired and sports-inclusive campaigns, sports club sponsorships, and high-impact local activations. This trend is expected to continue unless other brands significantly increase their investments to enhance their visibility in the sports scene. The exception is the rise of local brands, which can differentiate themselves through product localization, such as women's collections specifically designed for Saudi customs, and by appealing to a sense of national pride.

Nike has experienced the largest gain in market share, gaining four percentage points from 2021 to 2023, driven by online and offline retail expansion and successful local activations. From the sponsorship of Saudi Arabia Football Team to the takeover of Riyadh Boulevard with the Sport is Never Done campaign. As part of the campaign, the brand took over Riyadh Boulevard to screen a 90-second promotional film titled *Rise of the Kids* which challenges parental misconceptions about children's active engagement in sports. A few other internationally known brands complete the Saudi sportswear market, like Under Armour, Converse and Reebok.

Local brands are yet to make a substantial impact. Kayanee, launched in 2023, focuses on women's health and lifestyle in Saudi Arabia and represents one of the few emerging local brands. Other notable local brands include Hadeed and N8. Overall, the success of homegrown brands is still on the horizon and expected to develop in the coming years (see *Chapter 11 dedicated to local brands*).

~60%
of Saudi Arabia's sportswear market
is captured by international brands



Local brands can differentiate themselves through product localization, such as women's collections specifically designed for Saudi customs, and by appealing to a sense of national pride.



adidas: Global Brand Building Ties with the Locals

The German brand made its entry into the Kingdom of Saudi Arabia in 2009, opening its first store in Jeddah. Since then, the brand has been on a rapid expansion trajectory, aiming to open over one hundred stores by 2025. Beyond its early market entry and wide distribution, adidas' leadership in Saudi can be attributed to two key factors: its brand name and its integration with the Saudi cultural landscape.

The brand is well recognized and respected by Saudi consumers. According to a Kantar study, adidas leads with a top-of-mind awareness rate of 84 percent among consumers. "The brand name plays a role. Wearing something from adidas is different than wearing something from a brand no one knows since it's established and has history," notes a consumer from Riyadh.¹⁵²

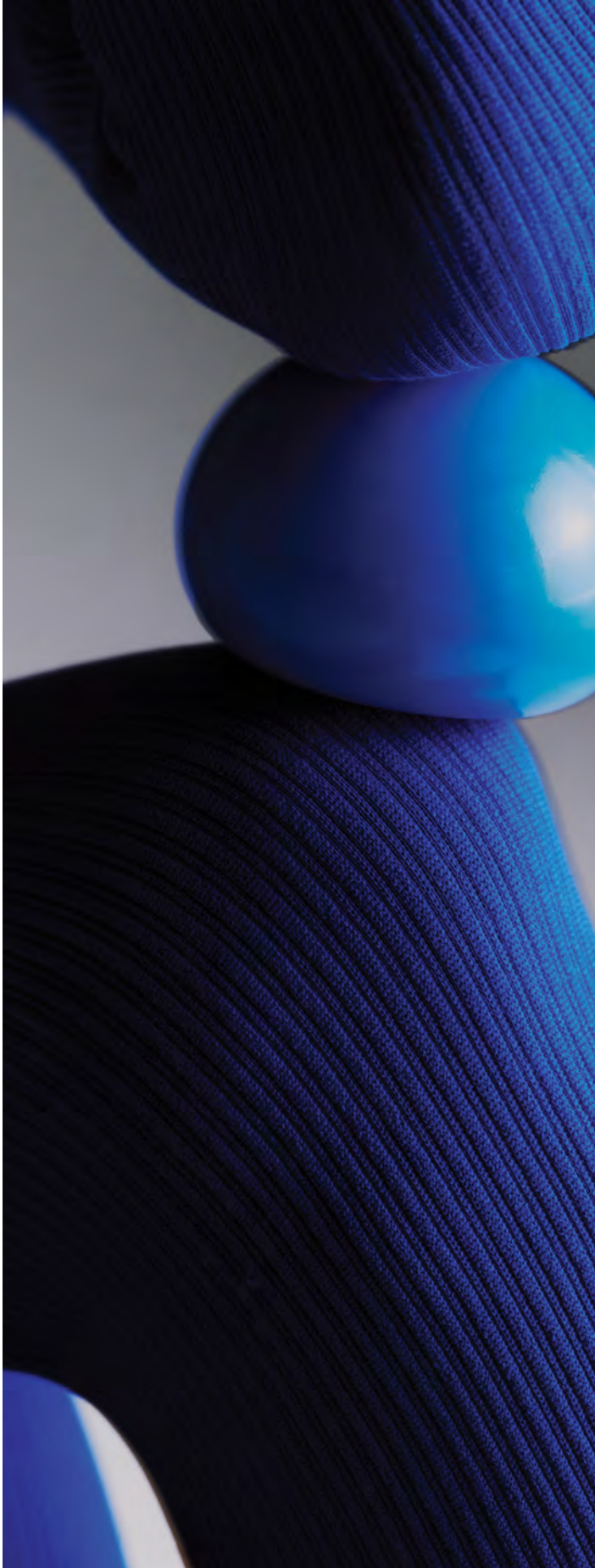
The global brand recognition has been further bolstered by strategic partnerships in Saudi Arabia. adidas has entered a landmark partnership with the likes of Al Ahli, AlNassr and the Saudi Arabian Football Federation (SAFF) in 2022, to be the exclusive supplier of all training and match wear for the Federation's men's, women's, and youth teams. It is also the official match ball partner for the Saudi Pro League in Saudi Arabia.

Alongside establishing itself as the partner for professional teams and Saudi athletes, adidas is also investing in meeting the needs of everyday Saudi youth. This includes integrating modest wear fashion into sports apparel. "Our commitment to integrating modest wear fashion into sports goes beyond mere apparel, it's a catalyst for societal transformation," states Alexandre Mahieux, adidas Saudi Arabia Country Lead.¹⁵³

Saudi women have particularly appreciated these efforts. "If you compare adidas with other brands, adidas provides feminine smooth shapes such as Ozelia. It looks very nice when you're wearing it with the Abaya for university, for example. It's very feminine. adidas understands women," comments a female consumer from Riyadh.¹⁵⁴ This statement is further cemented by the 1st adidas women's store in Saudi that is dedicated exclusively to women that opened in Riyadh Park in September 2024.

The brand has embraced key cultural moments, supported emerging talent and collaborating with home-grown brands. A notable example includes the Arwa Al Banawi x adidas collaboration, which presented a new edition of the beloved Forum 84 Low sneakers, featuring a Saudi inspired print and embossed gold lettering, and the FW24 KSA National Day Pack entitled 'سما الورد' featuring a localized design collection by Jeddah artist, Raghad Alahmad as well as an upcoming partnership with a brand within the Saudi 100 program network.¹⁵⁵

Through these efforts which celebrate Saudi culture, adidas has not only strengthened its market position but also fostered a deeper connection with Saudi consumers, setting a benchmark for how other global brands can successfully integrate into the local market.



Kayanee: A Saudi Brand with a Vision to Inspire and Enable a Complete Fitness Lifestyle for All Women

Kayanee represents a cultural shift originating in Saudi Arabia, devoted to supporting women's holistic fitness throughout Saudi. As a PIF portfolio company¹⁵⁶ and chaired by HRH Princess Reema Bint Bandar, Kayanee is pioneering elevated standards of well-being in a dynamic and prosperous society. Kayanee has created a space where movement meets joy by addressing the full spectrum of well-being as defined by the brand: physical, mental, social, financial and environmental.

Driven by extensive research, Kayanee set out to resolve the fit issues encountered by Saudi women when purchasing activewear. One of the key pain points outlined from first-hand interviews was the disregard of European and American international brands for the body shape of women in the Arabian Peninsula. Utilizing state-of-the-art 3D body scanning technology, the brand has gathered and analyzed data to create their own proprietary sizing blocks, catering to the diverse body shapes and sizes to ensure a perfect fit. This process involved capturing and calibrating thousands of key data points, including measurements, heights, and proportions, to accurately size apparel for the region. Kayanee's size grading has a range of seven blocks (2XS-2XL), ensuring that up to 98 percent of Saudi women are accommodated for.¹⁵⁷

In addition to their sportswear line, Kayanee goes beyond by providing exclusive dance fitness classes developed in collaboration with Zumba, the renowned dance fitness organization. These classes are crafted to captivate women on various fronts: mentally, physically, and socially. Moreover, Kayanee offers an extensive selection of beauty and wellness products, ranging from nutritional supplements to healthy eating options and diagnostic consultations, establishing a holistic platform dedicated to women's well-being.

As Saudi Arabia accelerates its sports initiatives, Kayanee plans to expand both locally and regionally by employing a successful mix of strategies: understanding local preferences, leveraging social media, and creating connections with Saudi women and youth in sports.



16

Luxury Jewelry: A Staple for Affluent Saudi Women

Sized at almost USD 1 billion, Saudi's luxury jewelry and watches market is projected to grow at near seven percent CAGR, exceeding USD 1 billion by 2028.¹⁵⁸ Growth will primarily be driven by affluent Saudi women increasing their spending as disposable incomes rise, and international brands expand their offering in the country. Women in Saudi Arabia typically favor gold, viewing the precious metal as an investment, and opting for demi-fine jewelry from prestigious luxury brands, such as Cartier and Van Cleef & Arpels, worn for both everyday use and special occasions.



From Distributors to Mono-Brand Boutiques

Historically, the Saudi Arabian jewelry market had been driven by local, non-branded craftsmen who worked with gold. The late 20th century, marked by globalization and significant wealth creation in Saudi Arabia, saw the introduction and importation of European luxury brands to cater to wealthy clients who sought these products as a status symbol. These were the years in which distributors such as Mouawad, Saddik & Mohamed Attar, and Al-Hussaini Trading established multi-brand stores on the high street, selling brands like Cartier and Rolex.

Post-2005, there was a notable shift as brands started recognizing the appetite for jewelry in Saudi and started opting to open their mono-brand boutiques in malls, with their own dedicated management. While brands still enter with local or regional partners (e.g., Al Malki for Richemont brands, Trafalgar for Piaget, Jaeger-LeCoultre, IDWC), the luxury jewelry houses today have operational control in terms of the curation of products and the in-store experience.

The luxury jewelry and watches market in Saudi Arabia is valued at close to USD 1 billion in 2023, representing 25 percent of the nearly USD 4 billion GCC market. Saudi Arabia is expected to grow at almost seven percent CAGR through 2028, while the UAE is projected to achieve a slightly higher growth rate of over seven percent, maintaining its majority share of the market.¹⁵⁹ Growth is driven by favorable demographics, especially young, affluent women with increasing disposable incomes, spending on everyday lifestyle and demi-fine jewelry. Additionally, improvements in supply, through growing brand penetration and capillary and enhanced store experiences, will also increase the share of luxury jewelry shopping done in Saudi versus the shopping done abroad whilst on holiday.



Iconic Luxury Lines for Everyday Jewelry

Gold, long regarded as an investment, remains the preferred metal in the Saudi jewelry market, with 22K traditional jewelry favored for weddings and special occasions, especially among the older generations. Meanwhile, younger generations are open to, and predominantly purchase 18K yellow or rose gold.

Women empowerment in Saudi Arabia has transformed the consumer landscape for luxury jewelry. With disposable incomes further supplemented through their own earning power, affluent women are purchasing jewelry more frequently, with spending ranging from SAR 10,000 to SAR 40,000 per purchase.¹⁶⁰

There is a significant inclination toward well-known international luxury brands among affluent younger consumers. "High-net-worth Saudi women are very aware of brands. They know everything about brands, new trends...They are regular shoppers and returning shoppers," explains an Executive at a luxury jewelry house. Luxury brands like Cartier, Van Cleef & Arpels and Chaumet are highly coveted, and women enjoy mixing jewelry from iconic lines such as Cartier's LOVE and Van Cleef & Arpels' Alhambra collections. As such, international brands in Saudi Arabia focus their marketing and product assortments on these iconic designs in the lifestyle¹⁶¹ or demi-fine¹⁶² jewelry segments.

"Let's take a women's wrist as an example, a 24-year-old, coming from a wealthy background. She has graduated. She started her new job. She probably has on her wrist a LOVE bangle, and a mix and match of Van Cleef," observes an Executive at a luxury jewelry brand.

With growing national pride, however, there has also been increasing support for local jewelry brands that celebrate Saudi culture and design inspirations. International brands are also increasingly integrating elements that resonate with Saudi culture into their designs. A notable example of this is Messika's limited edition Saudi necklace, which paid tribute to Vision 2030 and the Saudi National Day on September 23. Limited to just 203 pieces, the necklace featured deep green aventurine crystals, along with diamonds, to honor Saudi Arabia.¹⁶³



Gold, long regarded as an investment, remains the preferred metal in the Saudi jewelry market.

European Luxury Houses Take Top Luxury Spots

Establishing a foothold early in the Saudi market and leveraging their global brand recognition, Cartier, Van Cleef & Arpels, and Bvlgari are market leaders in Saudi Arabia's jewelry segment, while Rolex, Omega, and Cartier lead in watches. A notable local player with significant presence is L'azurde, primarily offering lifestyle jewelry in the entry level price range. Beyond branded luxury jewelry, there is a much larger market comprised of hundreds of small scale local shops.¹⁶⁴

The market's strong appetite continues to attract international names, with Davidor, Jacob & Co, Pasquale Bruni opening their first boutiques in Saudi last year. "The jewelry market in Saudi attracts new brands... [consumers] want to see new brands, new comers. There is still a predominance and preference for international brands," reports a luxury jewelry expert.

The emergence of small local jewelry brands, supported by the Saudi 100 brands program, includes names like Yataghan, Charmaleena, Lillian Ismail, Luda Fine Jewelry, Youra Jewelry, Rutana Jewelry, Zayan Gemstones, Loomer, Jimar, Samen, APOA, and Dalal Jewelry. While these brands are championed by Gen Z Saudis, they are yet to establish leadership.



CHAUMET: Later Entrant in Saudi, Experiencing Double Digit Growth

Chaumet, operating in partnership with Attar, has made a significant mark in the Saudi Arabian luxury market over the past decade.

Absent from the Saudi market in the 2000s and early 2010s, the brand only entered Saudi Arabia post-2015. It now operates across three stores (two in Riyadh and one in Jeddah). While luxury jewelry brands average around six to seven percent growth, Chaumet saw upwards of 15 percent following its entry.¹⁶⁵

The brand has successfully established itself in the consideration set of high-net-worth clients by strategically onboarding a high-profile ambassador from Saudi, hosting exclusive VIP events, and focusing on product lines and categories that resonate with Saudi consumers.

Chaumet has carefully chosen an influential ambassador, Saudi figure Yara AlNamlah, as the face of the brand. A multifaceted entrepreneur and likely a buyer of the brand herself, AlNamlah yields influence, exemplifying the modern Saudi woman, both in her immediate local circle as well as her broader audience of one and a half million followers on Instagram. She represents Chaumet at prestigious events such as the Cannes Film Festival, fostering a sense of national pride associated with the brand. In the same vein, the brand regularly sponsors Vogue cover stories featuring Saudi women, such as the tennis star Yara Alhogbani, who are breaking barriers in their respective professional fields.

"Saudis specifically are very proud of their country, their values, tradition... and when they see an international brand select a Saudi face to represent them, they love it," explains a luxury Consultant in Saudi Arabia.

To further entrench itself in the region, Chaumet commissioned regional calligrapher Zainab Al Shibani to design an Arabic logo for the jewelry maison. The logo will be present in all flagship stores across the Middle East, underscoring the brand's commitment to cultural integration and local relevance.

As a staple for luxury brands, Chaumet regularly hosts exclusive private gatherings and events with its ambassadors, further solidifying its elite status. For example, the Tiara Dream exhibition at the King Fahd National Library in 2022 featured a blend of historical and modern Chaumet pieces. This installation showcased the maison's evolution from accessorizing French royalty in the 1700s to designing contemporary bridal pieces, emphasizing themes that resonate with the region and affirming Chaumet's relevance in Saudi Arabia.¹⁶⁶

Beyond marketing and VIP events, Chaumet has most crucially perfected its product-market fit, catering to Saudi consumer preferences. In line with the local preference for iconic lines for everyday wear, Chaumet focuses on marketing its Bee My Love, Josephine and Liens collection through media placements. The focus is on demi-fine jewelry, paved with diamonds, appealing to affluent younger clients such as recent graduates and working professionals. In the high-end segment, Chaumet also offers custom made diamond jewelry sets, typically priced at EUR 100,000 and above, catering to Saudi wedding traditions such as the Shabka, and other special occasions gifting.



17

Beauty: A Growth Accelerator in the Fashion Market



While always rooted in a rich tradition of beauty practices and a strong emphasis on personal grooming, the Saudi beauty market has flourished with the entry of global brands, especially within the cosmetic and skincare segment, and with growing exposure to global beauty trends. Valued at over USD 5 billion in 2023, the Saudi beauty market commands 55 percent share of the GCC market.¹⁶⁷

Saudi Arabia is poised to maintain its leadership, with forecasted growth rates of 11 percent CAGR through 2028, far exceeding the GCC average of eight percent.¹⁵⁸ Favorable demographic factors, namely the large, growing, and increasingly affluent population will drive demand for the sector. Factors such as social media use and inbound tourism will also provide an uplift.

Local incumbents, like Arabian Oud will lead the charge in the fragrance category, while global names such as Nivea, Make Up For Ever, and Dior are set to lead in cosmetics and skincare categories.



Saudi Takes the Lead in GCC Beauty Market, Focus on Fragrances

The entire GCC has a strong tradition and inclination toward beauty and Saudi Arabia holds the lion's share, due to its sizeable local population of approximately 20 million people (not considering the expats).¹⁶⁸ To highlight the scale of difference, the UAE's local population is one and a half million.

Entry of major global beauty brands such as L'Oréal and Estée Lauder, and retailers such as Sephora offering a multitude of high-quality products to the Saudi market has significantly accelerated growth in the sector. Additionally, exposure to beauty looks and trends through global and local artists and influencers, such as Huda Kattan, Waad Altarki and Yara AlNamlah, to name a few, continue to shape consumer preferences.

Offline retail remains dominant in Saudi Arabia's beauty segment, with beauty-focused department stores and mono-brand stores accounting for approximately 80 percent of the market share. Key players continue to expand their offline presence, with Care Outlet, Outlet Pharmacy Makhazen Al Enaya, Multqa Alenayah, Al Assali, Shelves Beauty, Faces, and Sheglam opening new stores across Saudi Arabia.¹⁶⁹ Global beauty retailer Sephora has also significantly expanded its presence in Saudi, growing its store count to over 40 stores since their entry in 2007. International brands are also expanding their presence with the likes of Charlotte Tilbury opening stores across flagship locations, such as the Red Sea Mall, Riyadh Park Mall, and Granada Mall.¹⁷⁰

Exhibit 31 – Fragrance, cosmetics and skincare represent two-thirds of Saudi beauty market¹⁷²

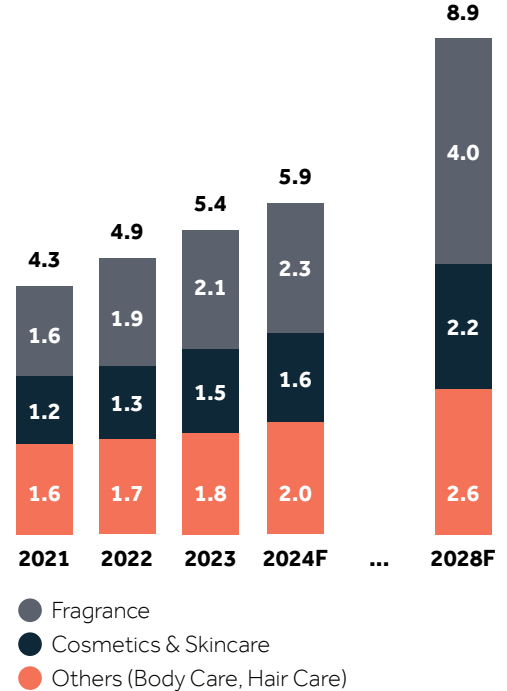
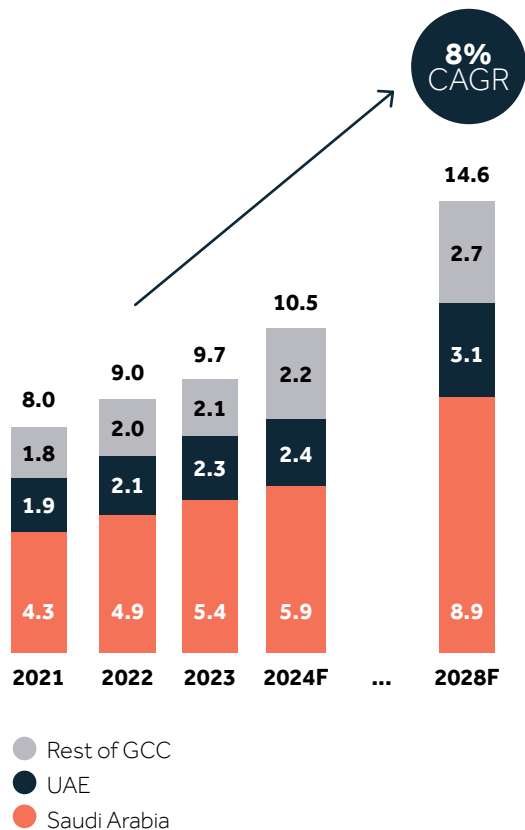


Exhibit 30 – GCC beauty represents a USD 10 billion market, of which Saudi accounts for ~55% share¹⁷¹



Within beauty, fragrance, valued at over USD 2 billion and accounting for 40 percent of the market, alongside cosmetics and skincare, valued at over USD 1 billion and accounting for 26 percent of the market, represent robust, high-growth segments. Fragrance is projected to grow at ~14 percent CAGR through 2028, while skincare and cosmetics will grow at nine percent CAGR through 2028.

Growth in the premium and prestige market is driven by cultural preferences, with Saudi women highly engaged in makeup, especially eye makeup, which is central to Saudi beauty ideals. Inspired largely by social media, the rising awareness of personal care is fueling further expansion. Fragrances, revered for their cultural and symbolic significance, are integral to personal care rituals for both men and women in the GCC. Scents featuring oud and amber reflect the region's rich heritage in perfumery.



“Rising purchasing power, growing media influence, tourism driven retail, and an increasing expat population are the future growth levers of the market going forward,” said Shana Randhava, Senior Vice President, New Incubation Ventures at The Estée Lauder Companies. “A dynamic and engaged consumer base benefiting from access to more global brands alongside innovative local start-ups makes Saudi Arabia one of the most exciting markets globally.”

Local Brands Crown the Fragrance Market

As a cultural staple for the Saudis, 14 percent growth in fragrances for 2023-2028 period will primarily be driven by increasing disposable income (2% growth) and population growth, reaching USD 4 billion in 2028.¹⁷³ However, inbound tourism will also play a role as fragrances are popular for gift purchases and Saudi brands are renowned for their quality.

The fragrance market is dominated by unisex scents, which account for 60 percent of the market, compared to 23 percent for women's fragrances and 17 percent for men's. This preference for unisex oud-based fragrances is deeply rooted in cultural traditions, where the use of oud is cherished by both men and women. These unisex, oud-based fragrances are projected to grow at a 14 percent CAGR,¹⁷⁴ driven by their versatility and the shared cultural appreciation. There is also an increasing interest in mixing Arabic oud with Western notes, resulting in unique and sophisticated blends. Products like Arabian Oud's Resala, Creed Royal Oud, and Audela's Musk Perfume exemplify this fusion, reflecting the growing trend and enhancing the market's appeal.

Saudi Arabia's market is predominantly led by luxury or premium local and regional brands, which hold approximately an 80 percent market share. Leading local brands in Saudi Arabia, such as Arabian Oud, which holds a commanding 24 percent market share, and Abdul Samad Al Qurashi with seven and a half percent market share, boast rich legacies that span hundreds of years.¹⁷⁵ Market leaders such as Arabian Oud continue to expand their distribution (both offline and online), product development and promotions to maintain shares. Their wide reach, coupled with their deep-rooted legacies continue to captivate consumers, making them cornerstones in Saudi's fragrance market.

As more Saudis seek unique fragrances, beauty specialists like Beauti by Laure have responded by onboarding a wider range of niche scents from brands such as Boucheron, Frederic Malle, Creed, Kilian, among others. International brands reaching higher market presence include Dior (2% share) and Chanel (1%). Other premium brands like Lancôme, YSL, Carolina Herrera, and Tom Ford each hold less than one percent share.¹⁷⁶ The enduring appeal of local brand names, coupled with the lower penetration of luxury department stores, have hindered growth for international fragrance brands in Saudi Arabia. However, as the retail network improves with new giga-projects and duty-free offerings, international brands are expected to seize the opportunity.

Saudi Arabia's market is predominantly led by luxury or premium local and regional brands, which hold ~80% market share.



Global Brands Dominate within the Cosmetics and Skincare Category

Cosmetics and skincare are also set to benefit from favorable demographics in Saudi, with the category projected to grow at nine percent over the next five years, reaching over USD 2 billion by 2028.¹⁷⁷

Demand for the category is driven by the sizable, digitally connected Gen Z women in Saudi Arabia, spending increasing time on social media and influenced by the latest beauty trends. Rising disposable income (2% growth in 2023-2028)¹⁷⁸ and increased female workforce participation, which rose from 22 percent in 2018 to 34 percent in 2022¹⁷⁹ and contributes to more frequent 'make-up occasions', will also support market growth.

Eye make-up products account for the highest revenue share at 34 percent, but face makeup products are expected to grow at a higher rate (~12% CAGR), as consumers demand performing textures and bright finishes (inspired by influencers' looks) and companies introduce new foundation formulations, highlighters and blush. Hair care, body care, and niche beauty products are also on the rise, although at a slower growth rate of seven percent CAGR.¹⁸⁰

Saudi consumers' cosmetics and skincare product preferences are increasingly aligning with global beauty trends, creating a dynamic and evolving market. There is a strong preference for 'clean' beauty products that are vegan, certified organic, natural, and cruelty-free, as well as products that incorporate local ingredients, such as Moringa oil, which not only resonate culturally but also offer multiple benefits (from nutrients to antioxidants). Products infused with nutraceutical ingredients, celebrated for their scientifically backed efficacy, are also gaining popularity.

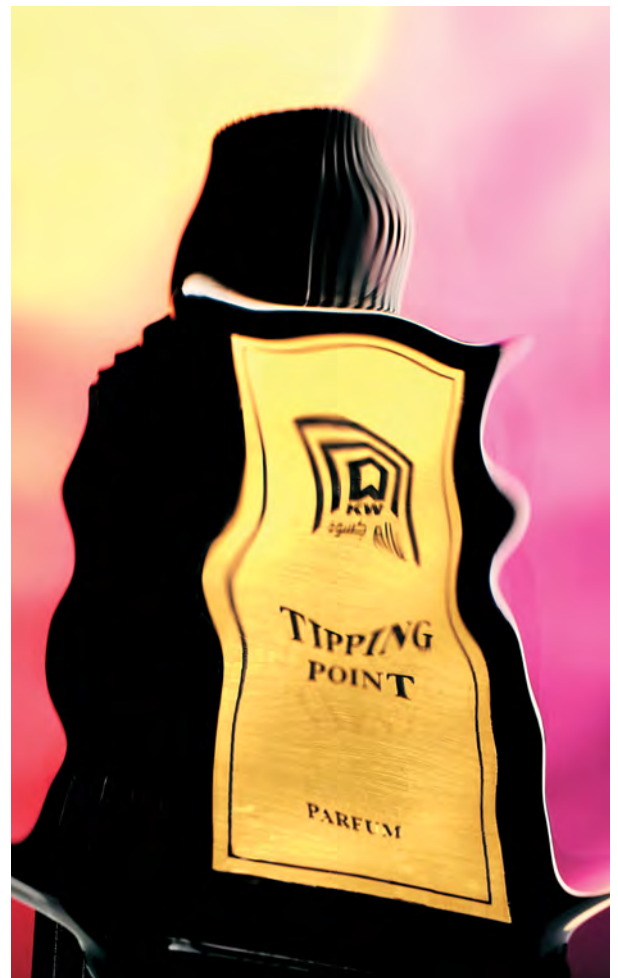
Global brands dominate the cosmetics and skincare market in Saudi Arabia, with luxury and premium makeup brands holding a 61 percent market share, while high-street brands account for 39 percent. Leading the premium segment are Make Up For Ever, with a 13 percent market share, and Benefit, at 11 percent. Both brands have achieved success through strategic digital marketing campaigns and local store activations, such as Benefit's Brow Bars and Make Up For Ever's professional workshops. Additionally, they are recognized for their high-performance products, which further solidifies their market presence. Luxury brands hold a more fragmented position, with no clear winner emerging yet. Dior and Lancôme each have a three percent market share, while YSL, Guerlain, and Chanel each hold two percent.¹⁸¹

Top skincare brands include Nivea, which is the market leader with a 13 percent market share, mostly due to its brand recognition and wide product range. It is followed by Olay at six percent, Jergens at four percent, and L'Oreal at four percent.¹⁸²

The influence of international trends is undeniable, particularly with the rising interest in K-beauty brands like Dear Dahlia and celebrity brands such as Kylie Cosmetics and Fenty Beauty. These brands are especially popular among Saudi Gen Z, who are avid followers of social media and global beauty influencers.

While cosmetics and skincare segment in Saudi Arabia currently has a limited presence of local brands, largely due to the developing know-how and technical expertise, the Ministry of Culture, alongside global leaders, are initiating supportive programs to help local startups. One notable initiative is BEAUTY&YOU Arabia, established by Estée Lauder's New Incubation Venture.

BEAUTY&YOU Arabia is partnering with local companies to identify and promote young, mission-driven founders who represent the future of Saudi beauty. Shortlisted local beauty brands will have access to masterclasses, while program winners will receive financial resources and mentorship from Estée Lauder Companies to help grow their business.¹⁸³ This initiative represents a significant step toward fostering a vibrant and innovative local beauty industry in Saudi Arabia.



Global brands dominate the cosmetics and skincare market in Saudi Arabia, with luxury and premium makeup brands holding a 61% market share.



Appendix





Glossary

ATP	Association of Tennis Professionals
BCG	Boston Consulting Group
BNPL	Buy Now, Pay Later
CAGR	Compound Annual Growth Rate
COD	Cash-on-delivery
CRM	Customer Relationship Management
ELC	Estée Lauder Companies
FHCM	Fédération de la Haute Couture et de la Mode
FIFA	Fédération Internationale de Football Association (International Federation of Association Football)
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GLA	Gross Leasable Area
GSIC	Global Sports Innovation Center
HRH	Her/His Royal Highness
JV	Joint Venture
PIF	Public Investment Fund
QoL VRP	Quality-of-Life Vision Realization Program
SABIC	Saudi Basic Industries Corporation
SAFF	Saudi Arabian Football Federation
SEZ	Special Economic Zone
SFA	Sports for All
SGI	Saudi Green Initiative
SILZ	Special Integrated Logistics Zone
UAE	United Arab Emirates
USD	United States Dollar
VAT	Value-Added Tax
VFR	Visiting Friends and Relatives
VIC	Very Important Client
WHO	World Health Organization



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