



## TFWA ANNOUNCEMENT

1 DECEMBER 2015

### CHALLENGING AND VOLATILE TIMES BUT OPTIMISM REMAINS HIGH FOR FUTURE OF MEADFA REGION

The magnificent Dead Sea, Jordan, was the backdrop for this year's MEADFA Conference, managed by TFWA on behalf of The Middle East & Africa Duty Free Association. Taking place at the King Hussein Bin Talal Convention Centre on 23-24 November, the 342 delegates attending the event enjoyed an action-packed two days with lively presentations, workshops and panel discussions covering all aspects of the region. In a time of particular regional turbulence, instability and uncertainties ranging from terrorism to the weak Russian ruble to falling oil prices, the overall aim of the two days – said MEADFA President Sean Staunton – was “to give delegates a real opportunity to discuss these challenges”.

Host country Jordan remains an island of stability in a troubled region, and the opening keynote address by **H.E. Akel Biltaji, Mayor of Amman**, painted a highly optimistic and upbeat picture. He explained how the country has faced a significant downturn in its traditional tourist market by targeting Arab nations, particularly in the Gulf, through the development of medical and wellness tourism, focusing on faith, youth and health. Jordan continues to invest in top quality facilities – both infrastructure and superstructure - that make it not just a experiential tourist destination with incomparable historical sites and natural wonders, but a safe place for top-level political meetings. “Jordan is on the radar of every country” he said “holding onto peace when everybody around us is dropping it”.

The majority of delegates entered Jordan via the new award winning Queen Alia International Airport. **CEO Airport International Group Kjeld Binger** updated the audience on the progress of the new terminal since AIG won the rebuild contract in 2007. The extended facility, which should be finished mid-2016, will be able to handle 12m passengers – over three times the original 3.5m capacity – with potential for 16m if necessary and A380 capability. With the airport now handling around 7m passengers, Binger said the commercial offer would form an important part of the extended terminal and the current walk-through shop is working well. “We know that happy passengers are happy spenders,” he said. Binger added that while passenger traffic is increasing at 9-10% annually, the passenger profile is changing. Growth is coming from within the region with increased traffic from Dubai, Kuwait, Istanbul etc. through carriers such as Emirates, Fly Dubai and Air Arabia Jordan-Petra. Conversely, a downturn in passenger traffic is seen from Tripoli, Delhi, London, Athens and other longer-haul destinations.

A key regional development has been the introduction of duty free in Saudi Arabia – one of the world's top 20 visited countries and a regional oil powerhouse – with the first five stores opened at three airports by World Duty Free Group in partnership with Al Musbah Group (Saudi Duty Free) since 2013. **Pedro Castro, WDFG International Operations Director**, told the audience that whilst still in its infancy, duty free in Saudi Arabia offers huge potential for brands as the country invests in its infrastructure to accommodate a growing number of visitors. “It is better to be a pioneer than a follower,” he said. “You (brands) need to be there because those that are already are really enjoying the performance.” With a \$26.6bn Mecca mosque expansion planned for 2016 which will hold 1.6m worshippers at one time, a new rail network linking Jeddah airport to Madinah, and new terminals at King Abdul Aziz International airport in Jeddah (increasing capacity

from 13 to 80m passengers) and at King Khaled International Airport, Riyadh (12 to 35m), Castro said that Saudi Arabia “deserves to be paid attention”.

But challenges in the region cannot be ignored and the Euro and regional pricing issues is felt to be one of the most crucial for the Middle East. In a retailer panel discussion entitled Trading in a Volatile World, Castro was joined by **Sharon Beecham, Manager – Purchasing & Vendor Support Dubai Duty Free; Keith Hunter, Senior VP Qatar Duty Free/Qatar Airways Inflight Duty Free; and Gerry Crawford, COO Aer Rianta International** in a candid and frank discussion on how these issues are affecting business. In general, while more price sensitive categories have seen a dip in sales, business has remained on a par or continues to show growth. Said Hunter: “We’ve had a very good year but it’s been a tough fight to get to this point.”

Beecham said that while categories such as technology and cosmetics were still increasing, various factors had seen DDF’s usual growth slow down – budget airline passenger growth with the associated luggage restrictions are “costing us around \$9m a month”, she said while the weak Euro is costing the retailer almost as much. “It’s a huge amount of money and has crossed many categories,” said Beecham. Indeed the Euro and resulting pricing issues was clearly seen as a thorny problem – notably within the perfume & cosmetics category. Crawford said there was a reluctance by suppliers to discuss the issue while Hunter confirmed that it was affecting relationships with brand partners. “Some have stepped up and helped us out, addressing prices, but in the PC&S category we are seeing little action. The Middle East region has been taken for granted by many of the perfume brands,” he said, adding, “We are close to having to rethink the space mix within duty free. We will always support the brands who support us but there will be some products we just can’t afford to do.” Beecham agreed, adding: “The US dollar and Euro are now equal, so we need action and we need it quickly.”

The industry has no doubt of the growing importance of understanding the connected traveller. **Head of Auto, Finance Telco and Travel for the MENA region at Facebook, Terry Kane** gave a fascinating insight into the most successful social media platform of all time. The challenges of low passenger footfall and spend continue to provide the industry with a huge challenge, yet the ‘hyper-connective’ traveller is now consuming more information on digital devices than anything else. With reference points from comparison sites and friends & family, the industry has to stay relevant to the social world. With WIFI so readily available and lower roaming charges, travellers are able to get advice from friends and family no matter where they are. With this kind of accessibility, “we must not view mobile as just a technology anymore but as a part of consumer behaviour,” said Kane.

Mobile spend continues to be very low in duty free, which is something that the industry “must catch up on”, explained Kane. With 3.1 million applications now available on mobile devices, he showcased a new personal concierge service available on Facebook Messenger, which allows retailers to sell products on a one to one basis to consumers who can then pick up their purchases when they are at the airport. Another new service available is ‘M’, an artificial intelligence programme that gives consumers access to a personal assistant that will assist with purchasing decisions. Kane also stressed the important of “personal relevance”. ‘How do you make the message personally relevant to the passenger?’ he asked. “Creativity is the key, you have three seconds to capture a traveller’s attention.”

This theme was continued in one of two simultaneous workshops: Technology: the future of retail, which saw **Alan Glasby, Product Manager at SITA** and **Michiel Munneke, General Manager** at aviation app developer **M2Mobi** discuss the future use of beacons (battery powered small devices that transmit unique identifiers every 100m) in airports. Not only can beacons send promotional offers to travellers, they can also show where passengers have been in the airport, who they are, their flight itinerary, their final destination, gate number, and time available before flight – making them a valuable device to both the airport and retailers. Of course, “location is only part of the story” said Glasby; other factors have to be taken into account such as available time, destination, where they have already been and what they have previously bought.

Munneke told delegates his mission is to make airports less stressful for travellers. With the average traveller spending over 70 minutes waiting at the gate for fear of missing their flight, Munneke said reducing



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stress could help encourage more shopping time. Giving passengers direct access to airport services through beacons and targeted personalised offers, along with artificial intelligence in the form of a digital guide, door to door travel support, screens with specific personalised flight information and location technology were all ideas for the future. Voted the best application in the world, the Schiphol Airport App, created by M2Mobi, was given as an example of how technology can help to reduce traveller stress. Munneke explained how the app – already downloaded by 2 million travellers – can assist a traveller throughout their time in the airport, allowing the reservation of products, location services, directions, special offers, parking reservations and flight information.

The second workshop looked at Inflight and the over-riding message was a familiar one: airlines have to offer products that passengers will not find in the airports in order to survive. **Joe Harvey, Head Of New Business Development Tourvest Inflight Retail Services; Eoin Martin Cox, Manager Inflight Operations Qatar Airways; and Baptiste Duguit, Marketing & Commercial Director Dutyfly Solutions** all agreed that airlines must improve the offer – and how they communicate it to the passenger. “We must adapt and change. Inflight duty free will not exist in 5 years time otherwise,” said Cox. All three panelists highlighted better use of digital technology and social media to engage travellers before and during departure; crew incentivisation; pre-ordering and home delivery as essential. “We must think more like retailers and less like airlines,” said Cox, referring to low-cost airlines that increasingly recruit crew for their sales ability.

Harvey picked up on this point: “For many major legacy carriers, in the scope of ancillary revenue, inflight is quite low on the list of priorities. We have to get airlines to see duty free as a priority. For airlines like easyJet it’s a completely different story.”. But data sharing by airlines to concessionaires was highlighted as key to future success, enabling inflight offers to be customized by route, market and cabin. “Airlines have more qualitative data than airports will ever get, said Duguit. “We need to better know and recognize the passenger to improve sales and customer experience. “

Harvey also outlined the opportunity for inflight retail sales in Africa, which he said was “huge” although beset with problems and with regional contrasts. 80% of airlines flying into Africa are non-African carriers and in many cases the offer has no regional theme. But with new African airlines emerging such as FastJet, Med-View and Mango, plus the East Africa Open Skies agreement from January 2016, Harvey said there was a great opportunity to develop duty free sales.

Africa returned to the agenda on Day 2 with **Hotels.ng Founder & CEO Mark Essien** giving delegates an interesting perspective on how to measure the potential within the continent. Official data about Africa, he said, is “generally unreliable” with surveys reporting conflicting figures. As an example, Essien said official figures for hotels in Nigeria were around 3,000 but the real total is closer to 10-11,000. Measuring an African nation’s potential by GDP, population and Internet users could be “a wild mistake” he said. Essien said a simple and accurate gauge of sophistication and income – both relevant to any travel retail development in Africa – was the number of Facebook users, online hotel bookings and growth in airport travel. In Nigeria, for example, the growth in Facebook users is 30% annually; “it’s hard to grow faster than Facebook in any new country,” he said. “Nigeria now has 15m Facebook users which is a much better measure than the official 93m internet users,” Nigeria - the biggest market in west Africa is nevertheless still very young in its development – around 10 years behind India and Brazil. Essien warned that Nigeria is facing challenges with falling oil income and little interest from Government in developing tourism; however other markets show potential for development, including Ghana, Senegal, and Ivory Coast.

No Middle East conference currently can pass without comment on the region's worrying political climate and a hard-hitting keynote address by **author, journalist and commentator Tim Sebastian** on Day 2 painted a frank picture of the region's instability.

Aside from the political and economic challenges, **European Travel Retail Confederation President Sarah Branquinho** and **MEADFA President Sean Staunton** outlined other equally problematic regulatory and labelling issues facing the industry. Branquinho reminded delegates that, unlike most industries, duty-free is affected by all economic, political and social issues. With the increasing demand globally for the provision of more product information to consumers, and the need for multiple languages on already cluttered packaging, the industry is facing a growing burden.

With food, confectionery and alcohol the primary target for NGOs, Branquinho warned that the beauty category would be next. Creating alternatives to legislation on packaging is a must. "Everyone is talking about rights but not responsibility," Branquinho added. "Why should we assume everything should be on paper? We must look at finding a solution." ETRC is currently working on alternatives to on-product labelling through innovative technology solutions. Branquinho also highlighted the growing problem of inflight luggage restrictions. With baggage congestion getting worse worldwide, and 20-30% of airline ancillary revenue coming from baggage charges, Branquinho stressed that "the right of passengers to carry airport shopping on board free of charge is strategically vital to the future of airport duty free and travel retail."

The continuing challenges to duty free tobacco sales were also discussed, including attempts to ban sales in some African countries. Display bans, self-service access restrictions, larger national language health warnings, standardised packaging and inbound allowance restrictions - all issues that the industry is facing. Stressing the urgent need for the industry to work together, Branquinho expressed concerns over new legislation for tobacco standardised packaging. "The duty free and travel retail market is known for its authentic products; standardised packaging could damage the reputation of the industry if fake tobacco was somehow smuggled in," she said.

The final session saw an airport, retailer and brand discussing how to connect with the traveller of the future. **QAIA Commercial Director Deema Anani** said that travellers would continue to value the things they had always valued – but "airport patrons cannot continue to deliver those values in the same way". It was vital, she said, to do everything with the traveller in mind. "The airport is the starting point for the trip so we have to make it enjoyable and exciting. This will have positive effects which will extend over the whole experience." In a highly entertaining end to her presentation, Anani introduced a talking, life-sized robot on stage in a light-hearted bid to show how customer service of the future might evolve.

**ATÜ Duty Free Chief Strategy Officer Ahmet Kötehne** summarised how the retailer is maintaining growth at Atatürk Istanbul and applying the lessons learned in its operations in North Africa and the Middle East. As Atatürk Airport increases its importance as a major hub between east and west, so the diversity of passengers grows. "Different cultures mean different buying habits, so it is important that we understand our customers," said Kötehne. In 2009 departing transfer passengers accounted for 27% of the total at 2.3m; now it's 35% at 6m. Between 2010 and 2014 the number of African passengers increased by 73%, Middle Eastern by 70% and Chinese by 39%. Constantly adapting to this changing profile – including implementing store designs that can be changed around quickly and easily - was described as essential to maintain future growth.

**Pernod Ricard Gulf Managing Director David Freeborn** confirmed that the Gulf region continues to offer brands a robust base from which to build its business. He highlighted the growing middle classes from China (1bn by 2030) and India (525m) whose growing disposable incomes and propensity to travel would provide significant opportunities for brands. Africa is also expected to show phenomenal growth as GDP increases across the continent. Freeborn also cited Iran as an opportunity that would help retailers and brands in the Gulf to kick-start growth. All panellists agreed that the future would be heavily dependent on technology and social media interactivity, with a more diverse retail offer that would have to cater to an ever more diverse passenger profile.



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**Sean Staunton** closed the Conference thanking all those involved for their contribution in making it a success, and confirmed that next year's event will return to Dubai.

**MEADFA** would like to thank the event sponsors:

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Bahrain Duty Free, Qatar Duty Free and Dubai Duty Free provided raffle draws. Delegates could also use a dedicated MEADFA app to take part in real time voting, ask questions and give feedback. After lunch on the first day industry ladies gathered for an informal Women in Travel Retail meeting where they enjoyed live oriental music, henna tattoos and were given personalized sand art bottles.

The conference was moderated by **Dermot Davitt, President, The Moodie Report** and **John Rimmer, Conference, Research and Corporate Affairs Director, TFWA**

Presentations from the MEADFA Conference will be available shortly via [www.tfwacom](http://www.tfwacom).

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