

## TFWA ANNOUNCEMENT

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### MEADFA CONFERENCE UNDERLINES REGIONAL CONFIDENCE AND GROWTH

Over 500 delegates from across the globe attended the 12th **Middle East & Africa Duty Free Association Conference** held at the Ritz Carlton Hotel, Doha, Qatar on 25<sup>th</sup> and 26<sup>th</sup> November. Over two mornings of presentations, panel discussions and workshops, the 510 delegates heard of the relentless growth of the duty free and travel retail business in the region, through ongoing investment in airport infrastructure, impressive retail development and the ambitious plans of airlines such as Qatar Airways, Emirates, FlyDubai and Etihad.

Figures, such as Dubai's new Al Maktoum International Airport having capacity for 160m passengers a year and retail space of 64,000 sq m, confirmed that regional growth looks set to continue for many years, driven by unabated tourism and travel growth. Presentations looked at the rapid development and positive potential of Africa for future duty free and travel retail business and examined the challenges that face the industry, both locally and globally, including political unrest, economic instability and regulatory threats. Audience participation was encouraged with interactive voting pads used at the event for the first time.

After a welcome and regional round-up by **MEADFA President Sean Staunton**, who unveiled MEADFA's new website [www.meadfa.com](http://www.meadfa.com), **Keith Hunter, Senior VP Qatar Duty Free & Qatar Airways Inflight Duty Free**, gave the opening keynote speech on behalf of CEO Akbar Al Baker, outlining the incredible rise of this aviation and retailing powerhouse in just 13 years. Today Qatar Airways serves more than 130 destinations in 70 countries with 130 aircraft (plus more than 300 on order) and has recently entered the OneWorld global alliance. Prior to and after the conference many delegates toured the new Hamad International Airport and Hunter promised a retail experience when the airport opens early in 2014 that will set new standards in terms of design, service and offer. He highlighted the importance of the 'Trinity' approach – in this case the integration between airline, airport and retailer, and the need to give the consumer 'one face, one image, one impression'.

Hunter was joined on stage by **Paul Griffiths, CEO Dubai Airports** and **Kjeld Binger, CEO Airport International Group (Jordan)**, for a powerful round table discussion on the general future of airport retail in the Middle East. Griffiths said that 'putting retail at the centre is absolutely core to our strategy' with 'subtle' walk-through experiences being key to future retail design - something which Binger said had had a positive effect on sales at Queen Alia airport in Amman, Jordan. Hunter confirmed that 'the commercial viability of retail space is vital' with a need to 'work with brands and share a common goal'. The challenge was to find a way to improve operational efficiency, particularly minimising walking distances, thus increasing commercial dwell times. Griffiths' future vision included 'drive-thru' check-in, train transport to gates, and better flight clustering in order to create a more attuned retail product offer. Binger said he felt security hold-ups and delays had not improved in 20 years but Hunter remained positive, citing future developments such as

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airport hotels, spas, cinemas, and squash courts all as having potential commercial rationale.

Two workshops followed. The panel for the **"Making Airports Special"** discussion consisted of **Keith Hunter, Andrew Day, CEO MMI and Emirates Leisure Group, and Tim Young, Assistant Vice President and Marketing Director, Brown-Forman Global Travel Retail/IMEA**. Day cited Le Clos, MMI's fine wine and spirits store at Dubai International, as an example of the company's concentration on service, authenticity and value while Young discussed Brown-Forman's business in the Middle East, emphasising that stories and experiences are two key ingredients to creating an engaging, differentiated airport environment. 'Really good brands have unique experiences and stories. It's our job as brand owners to choose the best stories and tell them in a compelling way,' he said.

A lively **Innovation Inflight** workshop saw **John Sime, VP Retail Services Emirates Airline, Anthony Fletorides, Chief Merchandising Officer Tourvest Duty Free, and Frank Passmann, President International Travel Retail Montblanc**, discuss ways to improve inflight sales and communicate the offer better to passengers. Suggestions included pre-travel emails, better use of advertising via tablets and smart-phones, special offer leaflets onboard, improved use of the inflight trolley as an advertising/communication tool, brands being allowed more say in catalogue design and layout, and a more interesting product offer. Sime discussed a number of new retail initiatives onboard Emirates, including new exclusive product from Montblanc.

Passmann said there was missed opportunity for luxury brands inflight, also highlighting the business Montblanc enjoys with Emirates, particularly through promotions such as the charity bid for an exclusive watch which raised \$250,000. Fletorides appealed for more data to be shared by airlines with concessionaires in order to create a more aligned product offer and emphasised the need to get the assortment right. As an example, he said sales on African routing airlines are much stronger for electronics and watches and jewellery than in the UK, whereas tobacco sales are much lower. Part of this reason is the lack of product availability on the ground.

In a broad-based presentation, **Dr Grant Hatch, Partner Griffin Advisors South Africa**, looked at the consumer growth opportunities and potential for travel retail in Sub-Saharan Africa. With the population expected to double to 2bn by 2050, and with consumer spending increasing from \$600m in 2010 to an anticipated \$1 trillion by 2020, Africa is set to become one of the world's biggest consumer retail markets.

Rapid urbanisation, rising incomes, changing consumer behaviour – with a growing interest in brands, the use of mobile phones, and easing trade conditions, are all contributing to a changing landscape moving from resource to consumer driven. Hatch pointed to the growing consumer groups of 'Rising Strivers and Cosmopolitan Professionals as offering most potential to travel retail. With greater disposable income, a desire to travel and brand interest, these consumer groups will buy abroad if genuine product is not available at home. Hatch said the time is now for brands to build a presence in Africa, though moving from investment to profit may take time.

The first morning closed with a short round up on Egypt's current trading environment by **Sherif Toulan, Director International Duty Free Trading & Agencies**, who stated that

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the country is slowly returning to stability. Tourism has suffered significantly this year with travel bans from Russia, Germany and the UK resulting in a 50% drop off and Toulon said that suppliers would be doing well if sales were down by less than 20-25%. While 2013 has been a difficult year, the future does look better with the government committed to invest in new airports, terminals and retail opportunities.

The \$14.5bn project to redevelop Cairo Airport was mentioned specifically on Day Two which started with **Philip Eckles, Managing Director Aer Rianta International-Middle East**, **Iain Forrest, Deputy COO Dufry Middle East & India**, and **John Reynolds General Manager Travel Retail Chalhoub Group** discussing how retailers are adapting commercial strategies to fast changing trading conditions. The region's resilience was underlined with Reynolds sure that business in Egypt will shortly return to 2010 levels. On the plus side, the downturn in Egypt has bolstered sales in Cyprus where, said Eckles, ARI has enjoyed a record year thanks to increased tourism – particularly from Russians. Eckles also highlighted a strong performance from Bahrain Duty Free despite a reduction in passenger numbers with development still planned for both arrivals and departure stores; while Beirut Duty Free enjoyed a record August and overall sales this year. Dufry, meanwhile, is planning to become more active in the region with countries like Iran, Iraq and Bangladesh all offering potential. Forrest emphasised that 'finding a strong partner is key to any emerging market entry'.

The growing move by regional low cost carriers such as Air Arabia towards the one bag rule was mentioned as a challenge, a subject also touched on by **ETRC President Sarah Branquinho** who described it as one of the single biggest problems for airport retailers and brands in the EU.

Branquinho updated the audience on the new screening procedures (using x-ray, laser and ultrasonic machines in combination) for liquids and gels (LAGs) from next February which will enable passengers from the Middle East (or elsewhere outside the EU) to transfer within the EU with LAGS in their hand-baggage, provided that product is carried in ICAO-approved STEB bags. The ruling also has application in the USA, but with some modifications. Although a positive step, Branquinho outlined the potential problem with retail products that may be rejected by the new machinery designed to detect liquid explosives. Trials carried out by ETRC in cooperation with Heathrow and WDFG had shown problems with liquor and beauty products related both to the product inside and the packaging. Premium packaging, for example, greatly increased the risk of the product failing on one or more machines. Retailers outside the EU, who have been unable to sell to passengers transferring in the EU since 2006 were urged to hold off promoting the new regulations too strongly until systems have bedded down.

As part of the same session, tobacco restrictions were raised by Sean Staunton, who said duty free operators in the region are under pressure to follow GCC domestic-imposed health warnings which could seriously affect the number of skus carried. MEADFA is lobbying for the right to use the international version of health warnings. From the audience, ETRC's Keith Spinks urged all Associations present to focus on the argument that duty free is a very different channel to any other in retail.

A lighter session followed with **Robin Goh, Assistant Vice President (Corporate Communications) Changi Airport Group** and **Nisreen Shocair, President Virgin**

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**Megastore Middle East** explaining how both organisations use social media effectively to engage with customers. Both speakers cited the value of media such as Facebook, Twitter, Instagram, and YouTube to build customer loyalty, reach new customers, gain valuable feedback, and build sales. At Changi, social media are used not just to promote the airport but airlines, travel in general, and specific brands. Goh mentioned its use for promotions, special offers, travel tips, etc. Shocair emphasised the importance of companies moving into social media to agree concrete objectives and ensure there are sufficient dedicated resources.

Social media certainly did not exist in the early days of Dubai Duty Free when, 30 years ago, **Executive Vice Chairman Colm McLoughlin** and his team arrived from Ireland to open the Emirate's first duty free shop. In a touching recap of DDF's massive rise to fame, McLoughlin spoke of his continuing love for the business and the people within it. DDF is on target for a turnover this year of US\$1.8bn, up 11% on 2012 and predictions are that this will reach US\$3bn by 2018, thanks to expansion at the existing Dubai International Airport. With a further 64,000 sq m of retail space planned for the new Dubai World Central airport, the sky is the limit! McLoughlin was particularly proud that of the 100 original set-up staff, 44 still work for the company. 'The most important brand we have is Dubai Duty Free,' he said.

**Jose Maria Palencia, CEO World Duty Free Group** rounded off the conference with a look at how the retail group approaches duty free and travel retail. His main message was that the industry needs to remember that 2/3 of passengers are flying for fun; flying is a special moment for customers. They do not consider airports as shopping malls so the need is for 'stores to be like theatres and the people who work in them to be like actors'.

In closing the conference, Sean Staunton said he was very encouraged by the continuing energy, opportunity and 'yes we can' attitude of the region. 'MEADFA represents a powerful region within the duty free industry that has achieved so much, with so much more to come. There has been a real sense of unity here that we can face both the challenges and opportunities together.' he said.

Organised by TFWA on behalf of MEADFA, the conference was jointly moderated by Michael Barrett, Executive Officer APTRA and Dermot Davitt, Vice Chairman and Editorial Director The Moodie Report.

Sponsors: Official Carrier: Qatar Airways; Diamond: Qatar Duty Free; Welcome cocktail: Dufry; Platinum: Dubai Duty Free, AirStyle, Pernod Ricard Gulf, ARI, Heinemann, Imperial Tobacco, Bahrain Duty Free, LeSportsac; Gold: LS travel retail; Tourvest Inflight Retail Services, Tic Tac, Diageo; Coffee Breaks: Nestle, Patron Spirits International; Workshop session: Scorpio Worldwide; Conference portfolio: Travel Retail & Duty Free Markets; Lanyards: The Moodie Report; Gift bag: Cactimedia, Selective Fragrances, Oilily, Cadbury, Storck; Hostess uniforms: Clarins. Raffle draws were held on behalf of MEADFA, Qatar Duty Free, Dubai Duty Free, Bahrain Duty Free and Imperial Tobacco giving delegates the chance to win shopping vouchers.

Next year's MEADFA conference will return to Dubai – dates to be confirmed.

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