

TFWA ANNOUNCEMENT

FOR IMMEDIATE PUBLICATION
NOVEMBER 2011

RECORD ATTENDANCE FOR 10TH MEDFA CONFERENCE

Celebrating its 10th Anniversary with a record delegate number of 470, the 2011 MEDFA Conference on the theme 'Creating A Future', took place at the Al Murooj Rotana Dubai on November 21 and 22.

Jointly moderated by **Dermot Davitt**, Executive Director and Deputy Publisher, The Moodie Report, and **John Sutcliffe**, Consultant Director ARIME, the conference set out to examine the development and potential for the Middle East, particularly in light of the seismic political, economic and social unrest experienced in the region during 2011.

After a warm welcome by **John Sime**, MEDFA President and VP Retail Services Emirates Airline & General Manager Emirates High Street, the first day kicked off with a summary of the region's phenomenal aviation growth by **Gary Chapman**, President Group Services & dnta Emirates Group.

Despite the volatile geo-political challenges, Chapman confirmed that the growth opportunities for aviation within the Middle East region are 'phenomenal'. He pointed to key expansion projects at airports Doha, Abu Dhabi, Muscat, King Abdul Aziz, Dubai International and Dubai World Centre where a total passenger capacity now of 100m will increase to well over 500m in the next ten years. The region's fleet is expected to treble by 2030 to nearly 2,500 aircraft worth \$450bn, he said, to meet passenger growth that is expected to well exceed the global average.

Clearly, however, political unrest this year has had a negative impact on parts of the Middle East and the future continues to hold a question-mark. After a summary of the region's problems by BBC Presenter **Nima Abu-Wardeh**, two panel discussions involving key retailers and Airport Authorities analysed the year's performances and explored how business could be improved for the future.

Ignacio Salcedo, Aldeasa, said despite big falls in arrivals at Amman Duty Free in Jordan, Jordanians had travelled more and overall sales are expected to increase 10% this year. There were clear regional differences, but common to all was that recovery had been quick in the last few months. The dynamic future plans for Queen Alia International Airport were then outlined by **Isabelle Dubois**, Commercial & Customer Service Director AIG. Cautious recovery reports came from **Sherif Toulan**, Business Development Manager IDF Cairo who said he expected to finish the year 25-30% down on 2010 after a strong second half year. But with elections looming and more signs of unrest, the future was uncertain.

In Bahrain the repercussions had also been felt with a 'big drop in March/April across all categories' said **Garrett Coogan**, General Manager Bahrain Duty Free. However, he maintained the approach had been 'business as usual. While sales overall would be down in 2011, Coogan expected a good rebound in 2012 with business back to 2010 levels by 2013/14 and no delays to the airport's expansion plans. Muscat Duty Free in Oman had weathered well, thanks to socio-economic protests leading to better wages and working

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conditions, said General Manager **Tom Byrne**, while Kuwait Duty Free was again showing year to date growth after a tough February and March.

In contrast, **Colm McLoughlin**, Executive Vice Chairman Dubai Duty Free, and **Keith Hunter**, Senior Vice President Qatar Duty Free, both reported excellent years in 2011. Hunter said there had been minimal impact over a short period of time. Passengers were still arriving, he said, but not spending for a while; but that had changed and QDF is back to +21% growth rate year on year and could reach 24% target. 'We're gearing up for continued growth and expansion,' he said.

Dan Cappell, Senior Vice President Commercial Abu Dhabi Airports Company, explained that its challenges were due to the ongoing refurbishment of T1 which represents 45% of business. Overall, growth would be around 10.5-11% this year against passenger traffic increases of 13%. The increases had primarily been in the luxury/high end categories where there was 'phenomenal growth', added **Glen Morgan**, Vice President Retail Operations DFS Duty Free Abu Dhabi.

Paul Griffiths, Chief Executive Officer Dubai Airports, pointed to nothing but a redistribution of traffic with the airport now approaching 51m passengers this year while McLoughlin said the challenge was how to sell to more passengers and to increase spend per head.

So how does the industry do that? Presentations from **Uwe Faber**, Global Category Manager P&G Prestige, and **Alan Brennan**, Customer Marketing Manager/**Roland Stieger**, Head of Sales Nestle International Retail revealed how category management and store layout can optimise sales and build basket size.

Faber said retailers could benefit from reducing choice, offering a smaller, tailor made assortment based on the needs of the particular shopper profile with a selection of complementary rather than competitive brands. 35% fewer skus could increase profits by as much as 40% thanks to reduced costs.

Brennan and Stieger introduced Nestle's Perfect Store concept to delegates, explaining how eye tracking research has shown the limitations of current range choice, merchandising and display systems in use. Brennan explained that the key learnings from the research have allowed Nestlé to better understand the shopper journey and associated behaviour enabling it to develop a more shopper centric retail solution program based on a three building block process.

None of these solutions will work, however, if customer service is lacking. Day two began with a panel discussion on the importance of people within an organisation. Contributions from **Gunnar Heinemann**, Co-Owner Gebr Heinemann, **Erik Van Der Veen**, Deputy Chief Operating Office ME Dufry Sharjah and **Helena Malfait**, Sales Manager Duty Free Markets African & Eastern, all outlined the importance of defined values within a company, training schemes and rewarding employees when they have achieved goals. A specific example – Gotcha – was explained by **Rachel Green**, Recruitment & Employee Development Manager Dubai Duty Free. This internally branded program has already seen a 170% improvement in positive customer comments relating to service levels.

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There are many factors that influence whether a passenger shops in travel retail – or not. **Dr Peter Mohn**, Partner & Co-founder m1nd-set revealed the findings of research carried out with 1000 business and leisure travellers living in the Middle East region covering overall satisfaction with duty free shops, how shopping fits in with other activities at airports, time spent in shops and likelihood of purchasing, the influence of promotions, and the actual products bought. Critically, said Mohn, some 50% of purchasing is on impulse – eg unplanned – particularly in perfume/cosmetics and fine food/confectionery. Promotions also strongly influenced purchasing, again particularly in the perfume/cosmetics category (55%) and electronics (24%) – price savings over local markets and secondary purchase discounts being key motivational factors.

The myths of travel retail shopping behaviour were ‘blown apart’ by **Garry Stasiulevicus**, Managing Director Counter Intelligence Retail. The company’s work with ShopperPATH technology, which uses instore cameras to track every movement of every shopper entering a store had thrown up interesting results. A single category store project revealed that only three in every 100 passengers entered the duty free store and only one in 100 actually selected an item. However, those who did not select spent over two minutes in the store – ‘long enough to influence their buying behaviour’. Stasiulevicus told the audience that acting upon this type of information could, by making simple changes, turn passengers into shoppers and shoppers into buyers.

Technology is clearly the way forward and **David Maddison**, Head of Retail Partnerships Initium Onboard along with **Steve O’Connor**, CEO Delhi Duty Free, explored the various ways in which travel retail can benefit from the great advances in this arena.

Maddison outlined the growth of VIPs – Virtual Inventory Products – sold inflight, expanding the retail opportunity with items such as transportation tickets, city attractions, mobile phone top ups, airport lounge access and – in time – hotel bookings and car hire. O’Connor looked at the massive growth of social media and online purchasing and asked – in light of this - whether duty free has reached the peak of its life cycle. Innovation is a key strategy to keeping travel retail alive, he said, and the industry has to look at ways to differentiate itself, improve the offer and sustain the business for the future.

Lewis Allen, Director of Environments Portland, highlighted airports and retail examples of how the offer can be differentiated. Creating sense of space and putting the passenger into a recreational mind were both important tools and he gave examples such as Kypriaka at Larnaca airport in Cyprus, the Holland Boulevard at Schiphol, and Angelenos Market at LAX. Product innovation and excitement were equally important. Allen gave examples such as Diageo’s malt whisky decode mat at Sydney which saw sales rise 19% and Diageo’s Pick Your Mix selection, offering 4 x 250ml spirits choices for £20. Aimed at holiday travellers, the promotion saw incremental purchases up 67% with females increasing their average liquor spend by 40%.

The final session saw John Sutcliffe bring together current MEDFA president John Sime plus previous presidents Colm McLoughlin, **Anthony Chalhoub**, CE Chalhoub Group, (and John himself) to give their thoughts on how the Association has developed over the past ten years – and how it should develop in the future. They were joined by **Sarah Branquinho**, Business Relations & External Affairs Director World Duty Free Group &

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President Delegate ETRC, and **Sunil Tuli**, President APTRA and Managing Director King Power Group Hong Kong. The audience was also encouraged to participate.

The growth and success of the Conference were highlighted, along with the part that MEDFA has played in cementing relationships between the region's operators and with suppliers and other associations across the globe. Sime said MEDFA has reached a new level of maturity and now needs to consolidate and build towards a better future.

For the future, Branquinho suggested that MEDFA should consider developing a lobbying role looking at global challenges such as the WHO tobacco ban; while Tuli outlined the work undertaken by APTRA such as training, research and lobbying which could be adopted by MEDFA. General discussion then followed on whether MEDFA should open up its membership to suppliers- a subject currently on the board agenda – along with suggestions on how the conference could be improved. These included more contributions from Arabic speakers, more involvement from MEDFA members, and a greater emphasis on Africa.

It was also announced by John Sime that next year's event will again take place in Dubai with a 'new look and feel' that will see an associated exhibition. Sime also used the opportunity to present the Emirates Airline Foundation with a cheque donation from MEDFA for AED100,000.

Ends

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Sponsors of the amazing networking opportunities were: Dufry for the Welcome Cocktail, Nestle, Imperial Tobacco and IDF for business networking breaks, Traveller Ltd and Qatar Duty Free for luncheons and Dubai Duty Free for the stunning gala dinner. The conference media partners were The Moodie Report, Duty Free News International, Travel Retail & Duty Free Markets, Frontier, Travel Retail Business, Travel Retailer International, Gulf Africa Duty Free Magazine and the Decision Makers.

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