

“The State of the Industry and the Moments and Issues Defining Its Future”

Erik Juul-Mortensen, President, TFWA

Good morning Ladies and Gentlemen.

A very warm welcome to Singapore and to the 8th TFWA Asia Pacific Conference - which, year after year, manages to set new standards for industry meetings!

I am delighted to see such a strong turnout of Global and Regional players for what I know is going to be a stimulating, lively - and enjoyable programme.

Ladies and Gentlemen, we are living in "*Remarkable Times*"...when a single economy can determine the course of the Global Marketplace - and the act of a non-state power is able to change our world over night - and suspend the normal functioning of the international system.

These are "*Remarkable Times*" - with Unprecedented Developments happening at incredible Speed.

- Technology has removed distance and lessened differences between people in every part of the world.
- Medical Advances are enabling us to live longer, live better and look better.
- And when the Pace of Change sometimes runs ahead of our ability to adapt and cope.

Like other industries, the international Duty Free & Travel Retail Trade took a giant, confident leap into the 21st century - despite the important loss of intra-EU Duty Free in mid-1999 and a slow decline in global Duty Free Sales. If we could plot our course over the last 10 years, the graph would show two steps forward for every step back.

That is the legacy of our Industry. We have become accustomed not only to coping with change, but to travelling positively through the changes - whether they are forced upon us by Regulatory Bodies, Economic Developments, Military Activity -or the ongoing evolution of the Consumer.

These changes have provided some of the defining moments of our Business.

- The unexpected Asian Economic Crises of 1997 threatened to bring the Travel Business in the Region to its knees. But we recognised our industry's exposure to a particular profile of traveller and we adapted with dedicated Duty Free Products and Programmes.
- And throughout the last decade, we have witnessed the continuous evolution of our Consumer Base. Significant changes in the profile of the Travelling Public have been brought on by growth in International Travel and natural shifts in Demographics. Again, we quickly adapted to an increase of independent Female Travellers for example - and to notable shifts in Lifestyle.

- In the wake of the EU Duty Free Abolition, the "*Travel Retail*" Concept was born - and Retailers and Suppliers began catering to the aspirations and habits of all Travellers - wherever they were - in an Airport, on a Ferry or Downtown - and regardless of whether they were eligible to shop in "*Duty Free*". The industry triumphed over its loss, with Innovative New Products and Promotions.
- Out of the rubble of September 11th Global Tourism has emerged shaken - but not broken. Investment in Tourism Infrastructure has slowed down - but not stopped, in the important emerging markets. The World Travel and Tourism Council, says that Tourism already is showing signs of stabilizing - and worldwide growth will reach a healthy 6% in 2003.
- In the wake of those terrible attacks in New York and Washington, the Rules of Air Travel have been rewritten. "*Security*" has taken on a whole new meaning - and is now in the hands of Regulatory Bodies that may prove a threat to our Business.

So, these are indeed "*Remarkable Times*", ladies and gentlemen. But as I said to you at the opening of TFWA World Exhibition in Cannes, and still believe today, we are a Remarkable, Resourceful Industry, that has learned not only to adapt to change - but also to anticipate and even drive Change for the good of our business.

Our Conference Theme and Programme reflect the current state of our industry. We have weathered so many Storms over the last decade that we felt it was time to take inventory of how we have coped and what we have gained. Equally important, we wanted to examine current developments—both Opportune and Threatening—to Travel Retail.

Our Keynote Speaker to-day is the editor in chief of "*The Economist*" - which makes Bill Emmott one of the most widely read and respected economists in the world! We are delighted to have him with us.

Bill will put some perspective on the geo-political and economic developments that will shape the future environment for our business. He will no doubt also address one of the truly worrisome trends for our business—the economic malaise in Japan. We are all eager to know the prospects and timetable for recovery in Japan - and of course for Europe and beyond.

We have all felt the impact of changes in the Japanese Traveller, and this has prompted TFWA to invest in a joint research project with the Japan Tourism Marketing Co. Mr. Masato Takamatsu of JTM is here to share some of the fascinating insights into Japanese Travellers and their spending habits which were discovered in the study. Linda Hopkins of TFWA, who was involved in the project, will follow with some additional brief observations.

With one eye on Japan, our industry continues to monitor the important growth of other Asia-Pacific travellers and destinations.

Throughout this first decade of the new Century, worldwide Travel and Tourism will continue to grow annually at a rate of four and a half percent - and Asia-Pacific destinations will lead that growth.

India's tourism, for example - is expected to increase at a rate of almost 10% over the next ten years. And China's forecast growth per annum of 8.5% puts it in third place amongst the world's fastest growing Tourism Markets!

The projection for outbound international travel from China is equally impressive. The current 12 million outbound travellers from China will grow to 16 million in 2005 and to a staggering 100 million by 2020. China's recent entry into the World Trade Organisation may well be the next defining moment in our trade's history. While the Country promises to open its doors to international firms, liberalization is allowing its nationals to enjoy international travel for leisure. This projected boom in outbound travel, combined with China's savings rate at 40%, makes these travellers one of the key developments to watch in the next few years.

What other issues will likely define our future? Young Consumers - particularly here in Asia Pacific - will no doubt be a real challenge to an industry led by Luxury and Premium Brands - which themselves are trading in a whole new environment in Travel Retail. Price differentials and availability are not always in our favour. And in this particular Industry, we compete not only against domestic retail channels, but against Food and Beverage Outlets, a growing range of passenger services and the Airline Lounges.

As you know, of key concern to our industry right now is the World Health Organisation proposal to ban the world-wide sale of Tobacco in Duty Free shops.

We know – and research bears it out – that a ban on tobacco will severely impact the sales of every category in Duty Free, simply because tobacco attracts many people, who would not otherwise enter the store, to purchase Fragrance, Luxury Goods, Confectionary or gifts.

This is a critical issue that needs the support and participation of every company in this industry.

The "*Freedom of Choice*" is essential to every part of our Business. We have set aside Thursday Morning at 9:00 in Room 208 to hear an update from the Lobbyists and to discuss the industry's Strategy in this matter.

I urge you to join us.

Part of our industry's "*coping mechanism*" for all of these Issues - has been to band together to look for Solutions – Landlord to Operator.... Operator to Retailer.... And... Retailer to Supplier.

Challenging times like these, require Partnership, "*Out of the box*" thinking, and "*Innovation*".

Partnership will be a key part of taking this industry forward and I am delighted to confirm last week's announcement that MEDFA – The Middle East Duty Free Association--has appointed TFWA to organise its high-level conference in December in Dubai. We are pleased also to have the help of Martin Moodie for this conference. And TFWA is proud to have been chosen as the conference organiser for such a major event in the industry's calendar.

Other cornerstones of this industry's development are Innovation and Collaboration and I am delighted to be able to announce to you that the TFWA partnership with

Airport Council International (ACI) will bear further fruit with the launch next year of a major New Exhibition.

The first "*Global Airport Trade Exhibition*", or "*GATE ONE*", will take place right here at the Suntec Centre in May 2003 running parallel to our own TFWA Asia Pacific show.

"*GATE ONE*" will be aimed at all the Commercial Sectors of the Airport Operation - with the exception of direct Aeronautical revenues. It will culminate in an Airport Business Conference organised by ACI.

Airport Retailing is a vital source of revenue for Airport Authorities and Operators - but it is far from being the only Revenue Stream. This new Exhibition will provide a platform for suppliers in categories as diverse as Car Rental, Shop Design and Food and Beverages, to showcase their products and services.

"*TFWA Asia Pacific*" and "*GATE ONE*" will remain as separate Exhibitions but there are strong synergies between their target markets, so we are running the two events in parallel, so that Visitors can cover both of them in a single week.

With these exciting developments underway, and given the popularity of Singapore as an international business center, you will not be surprised to hear that we have chosen to stage TFWA Asia Pacific here in the Suntec Centre again in 2003 and 2004 with an option on 2005.

Well, Ladies and Gentlemen - I think it is fair to say there is never a dull moment in this industry. We have become Resourceful out of necessity, and Innovative out of our drive to survive! We have faced a number of defining moments in our history - and emerged stronger and more determined than ever!

So I invite you all - Customers, Colleagues, Competitors and Friends - to participate wholeheartedly in our Programme - and in shaping the future of this great Industry.

Now. . . let us proceed with this morning's Programme.

As I mentioned earlier, TFWA has collaborated with the Japan Tourism Marketing Company to produce exclusive research on the travelling and spending habits of the Japanese.

Mr. Masato Takamatsu, Vice President of JTM, has lent his expertise as a researcher and travel and tourism specialist, to lead the research project. He is a dynamic person helping to lead a new and dynamic subsidiary of the Japan Travel Bureau.

Ladies and Gentlemen, thank you for your attention and please welcome Masato Takamatsu.

Thank you.