

2003 4th Quarter Travel Retail Industry Poll

“The Future as We See It”

Analysis of Poll Results

Graphs 1-3

A TFWA poll conducted industry wide in mid-October revealed that the damage of the war and SARS crisis in the first two quarters was relatively contained. Half of retailers reported that sales for this period were on par with or above the same period for 2002. Just over half of suppliers reported the same, while distributors and agents to the trade seem to have been slightly harder hit....53% reported that sales were below the same period in the previous year.

Graph 4

Despite the sharp and drastic downturn in travel in the first two quarters and sluggish economies globally, the end of the current fiscal year is expected to end with a surprisingly healthy performance for the majority of the industry. On average, less than one-third expect to end the year with sales below last year, while just under half expects to end the year with sales above last year and more than a quarter expect sales to be in line with last year.

Graph 5

We've heard this morning from some players in Latin America and East Asia whose sheer determination speak volumes about the future for the business. The poll queried the trade on how they would react if they had to sustain another blow to the business such as what happened during the SARS crisis. To their credit, more than one-third of retailers and over half of airports say they have now developed an action plan to mitigate any sharp downturn in business. What I find encouraging, however, is that suppliers and distributors are so confident in the future of the business that well over half would be prepared to absorb the losses rather than get out of the business. Just under half of retailers and airports say the same. Five percent or less of any group would divest or get out of the business. Why are they so bullish?

Graph 6

Ongoing airport expansion and development, is one reason. Almost three quarters of the industry sees this as a decisive or significant issue for the future.

The increasing number of Chinese travellers is another reason. The burgeoning number of outbound travellers from the People's Republic will take a significant toll on the fortunes of the business, according to 63% of the industry.

Graph 7

Aside from Chinese travellers and airport expansion, the industry does believe that some developments will have a negative effect on the business. Terrorist threats rank as the top concern for the industry's future, according to 75% of respondents. Two thirds or more identify anti-tobacco lobbies and the imminent enlargement of the EU as developments which will have a decisive or significant impact. To a large extent the trade is also mindful of the impact that consolidation of retail operators and brand owners will have on the business.

Graph 8

Just under 60% of suppliers believe that among all major travel groups, the Chinese will be responsible for the most significant growth in their duty-free and travel retail business over the next five years. Almost half of retailers and airports put S. Koreans among the most important travel groups in the near future.

Graphs 9-10

We obviously have no control over developments such as terrorism and EU enlargement. But the trade has expressed a great deal of pessimism over issues that it can control. Less than one third of the industry believes we can ever see the problem of parallel goods addressed—whether those goods are being supplied by suppliers or by retailers.

Graph 11

And how about the much debated issue of overbidding for airport contracts? Entire conferences have been dedicated to the topic, yet only 41% are optimistic that this scenario can be reversed.

Graph 12

Retail design is the one area where the trade seems to believe that improvements are in reach. Well over half are optimistic that we can eventually create environments with “theatre” and excitement.

Graph 13

And almost two-thirds are optimistic that the trade will eventually be successful in communicating to the intra-EU travelling public the difference between “duty free” and “travel retail”.