
ARRIVAL DUTY FREE IN EEU

Market Watch: Russia workshop

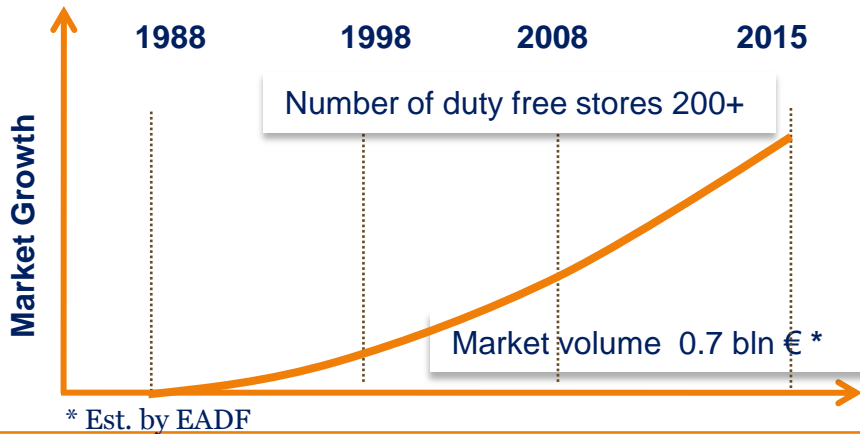
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CANNES October 2016



Russian Duty Free Market Overview: 1988-2015



1988
First DF shop of AerRianta&Aeroflot, followed by Lenrianta in St.Peterburg

1994-1997
Arrival DF store opens at Sheremetievo in 1994, and under new legislation is cancelled in 1997

1999
New Duty Free retailers appear:Port Alliance, Regstaer, Uran-M – still in the market today. Total number of DF shops exceeds 15

2001-2004
Duty Free expands into regions of Russia. G.Heinemann and DUFRY come to Russia. Total number of shops exceeds 60

2012-2013
Eurasia Duty Free association is formed by key DF shop owners. DF opens at railway stations. The Nuance Group comes to Russia. Total number of shops exceeds 200

2014-2020
Russia becomes the scene to world events

2011-2020
Government Programs to fuel the development of regional airports, travel infrastructure, inbound tourism. New EEU Customs Code allows Arrival DF and sales to intra-EEU passengers

Key international events in Russia up to 2020:



Eurasian Association of Duty Free



formed in 2012

- DF association BORT merged with EADF in Oct 2013
- applies consolidated approach to issues in Duty Free and Travel Retail in the markets of EEU countries
- unites leading DF shop owners and DF shop suppliers in EEU

- 15 members
- represents about 65% of Russian DF market (number of DF stores) and about 75% of DF market (in money terms)
- builds effective communication with DF retailers and official bodies and regulators in EEU countries



РЕТСТАЭР



ООО
"ДЕРА-Владивосток"



Eurasian Association of Duty Free



EADF is a member at:

- 1. Federal Customs Consultancy Council,**
- 2. Expert Council of Federal Antimonopoly Service,**
- 3. Working and Expert Groups at Eurasian Economic Commission,**
- 4. Expert Council at Federal Agency on Alcohol Market Regulation**
- 5. Working Group at Upper Chamber of State Duma on Regional Aviation Development**
- 6. Working Group on Alcohol Market Regulation at Government Commission**

- EADF effectively works with official bodies and gets results in improvement of regulatory environment**
- Builds effective relations with airports and trade associations in order to have consolidated voice in legislative initiatives**
- Eurasian Duty free retailers move forward to consolidate efforts with suppliers and brand owners to mobilize industry growth**

Development of Transport & Infrastructure Program

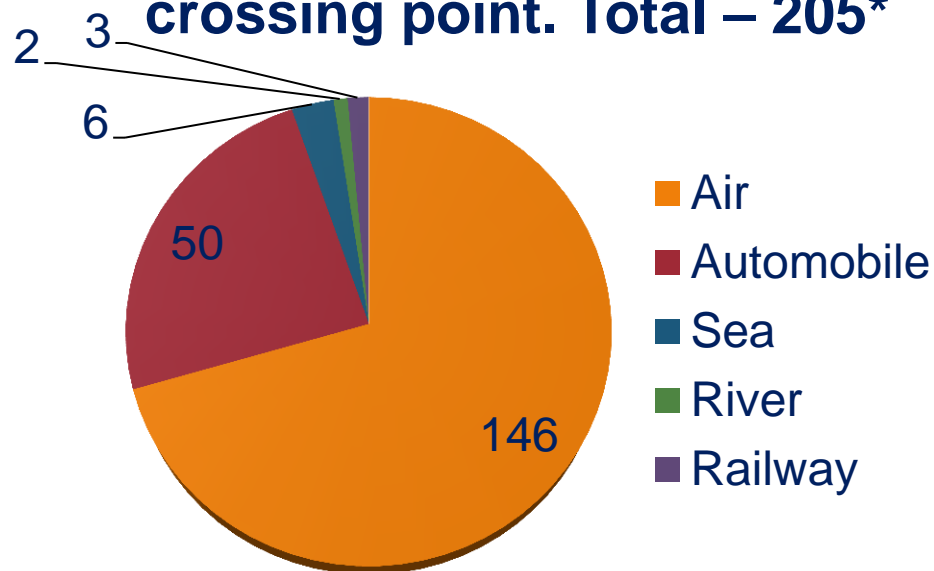
Russian government forwarded 10 bln euro investments into transport infrastructure development

- Airports and roads reconstruction
- Reconstruction of existing and construction of new border crossing points
- New duty free shops should be opened at airports by the end of 2017 – beginning of 2018

Border crossing points with DF shop. Total – 87*

Air	Automobile	Sea	River	Railway
41	38	4	1	3

DF shops by type of border crossing point. Total – 205*



Map of Duty Free stores location in Russia



New channels for duty free sales

Implementation of new norms to the coming EEU Customs Code: Arrival Duty Free as well as sales to intra-EEU passengers will be allowed not only in Russia but in all EEU countries. DF retailer will be obliged to pay duty and excise tax within 10 days after the goods are sold at Departure and Arrival Duty Free to intra-EEU travelers



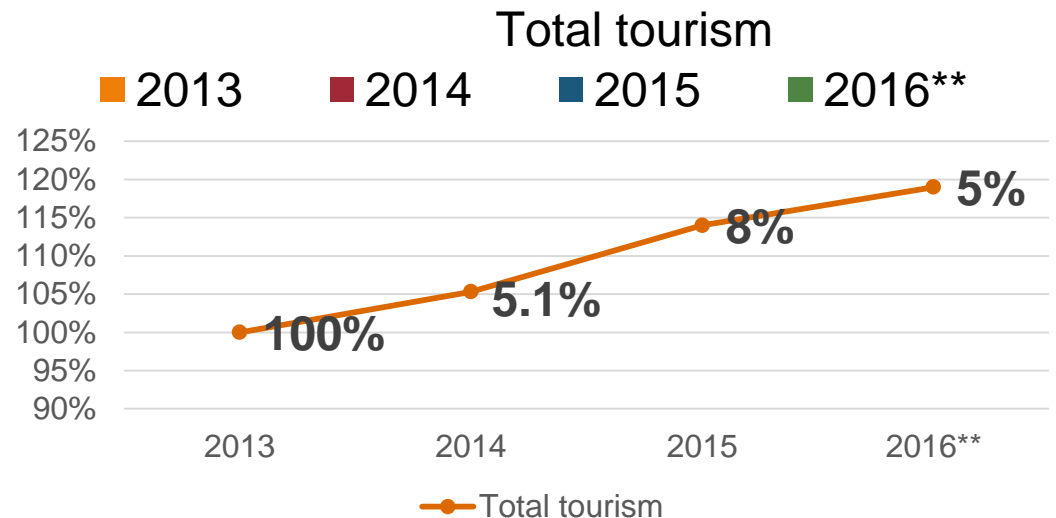
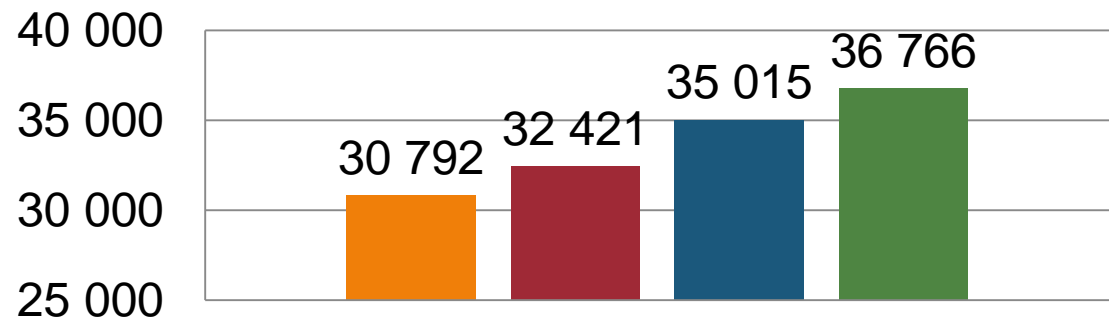
Travelers will get best Arrival Duty Free practice service in Russia, Belorussia, Armenia, Kazakhstan and Kyrgyzstan

Arrival Duty Free: new challenges

Dynamics of Russian inbound tourism demonstrates steady growth



Inbound tourism growth, ths*



* Russian Tourist Operators Association, thousands

** Forecast of Russian Federal Tourism Agency

Arrival Duty Free: Benefits for Travelers

No more heavy hand luggage – no extra payment if travelling at a low cost tariff

Traveler is secured from introduction of additional measures on aviation security on transportation of liquids, sprays and gels

No more problems of duty free purchases placement on board

Possibility to buy 24/7 at Russian Arrival Duty Free compared to time restrictions at European DF shops



Better catering for growth of tourism and travel

Arrival Duty Free: Benefits for EEU countries

Repatriation of duty free expenditures

Boost to the development of airports related commercial activities and infrastructure

Increase of airport commercial attractiveness and non-aviation revenues

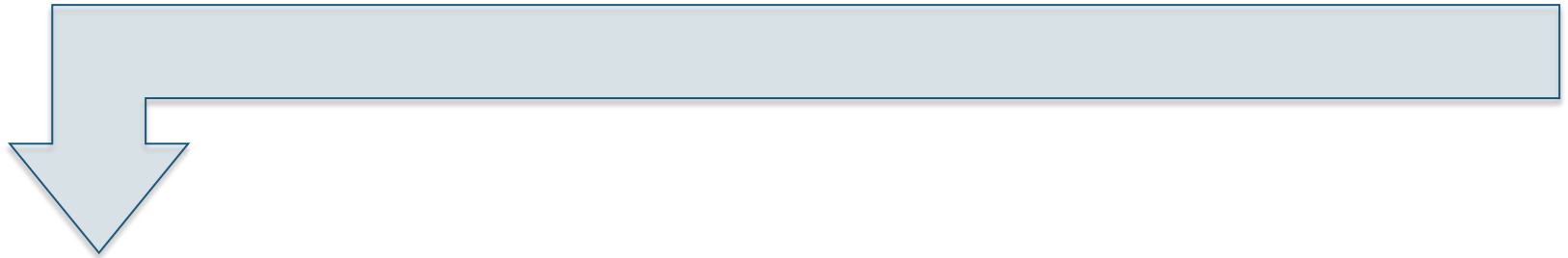


New jobs related to organization of Arrival duty free shops

More precise compliance with needs of travelers and airlines

ECO-effects: less aviation fuel – less pollution

New challenges for airports and duty free retailers



- Development of new approaches to reconstruction of arrival zones with possibilities to organize new commercial areas
- Analysis of travelers behavior, travel and purchasing patterns
- Airports and duty free retailers need to join efforts for ensuring passenger involvement into new travel and purchasing patterns

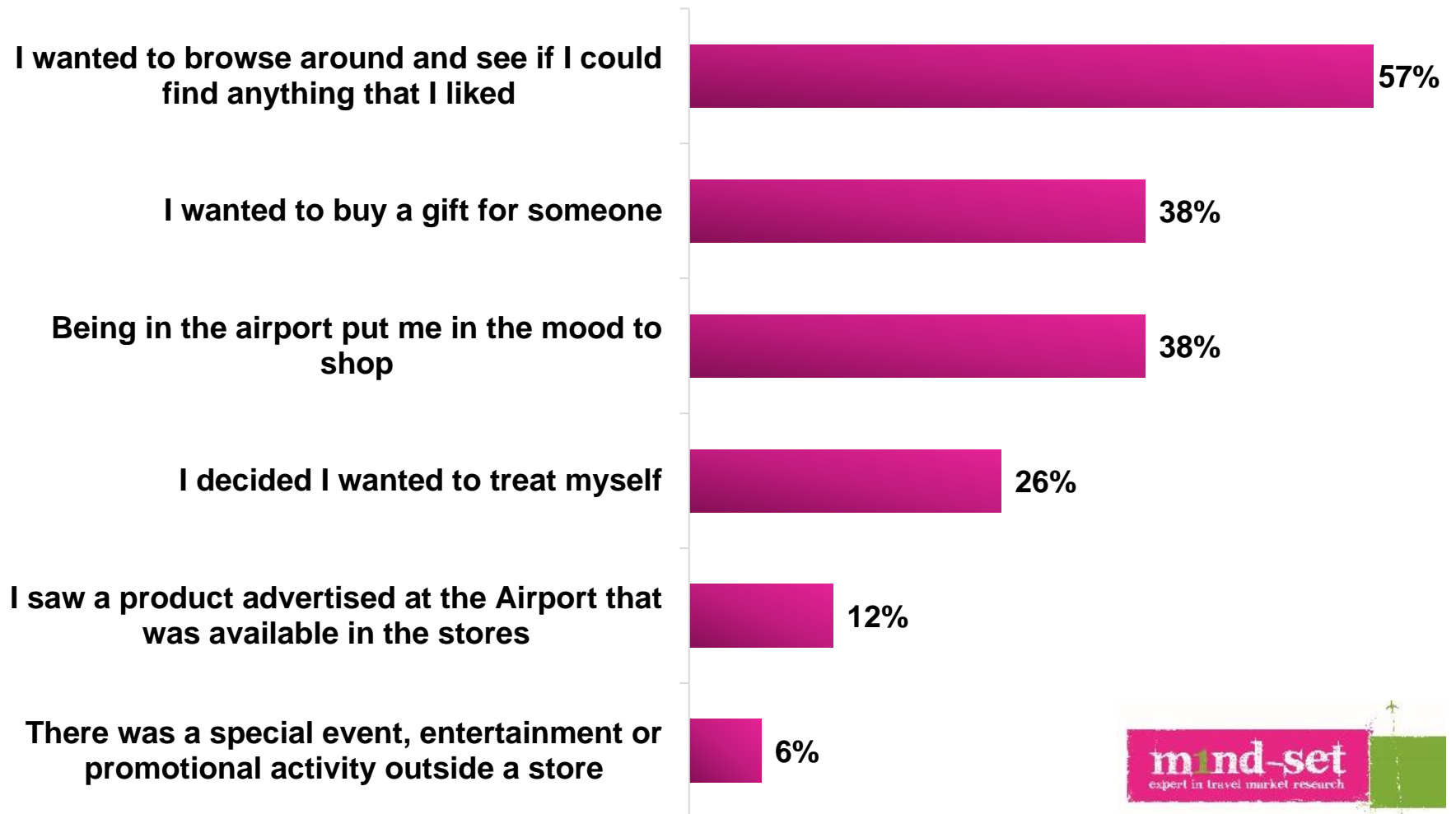
Motivations to Visit Airport Stores

I would be encouraged to visit the stores in the Airport by...

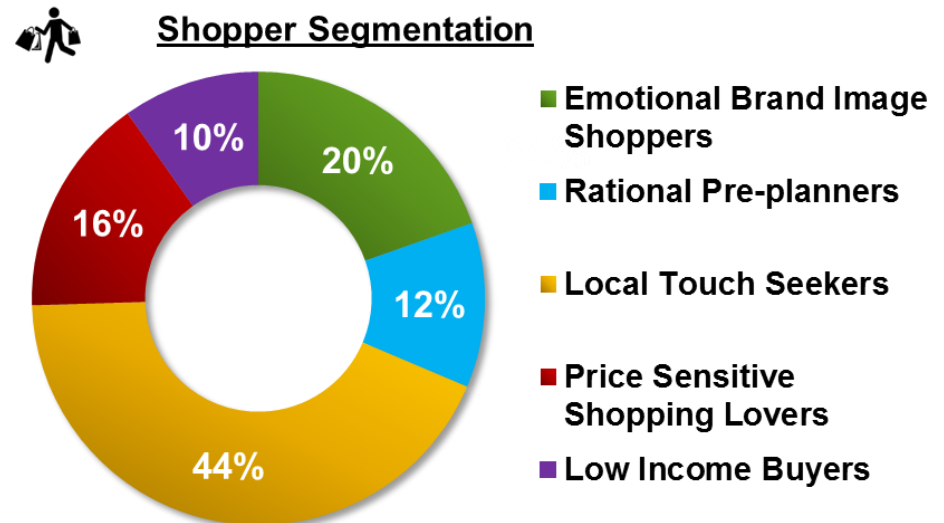
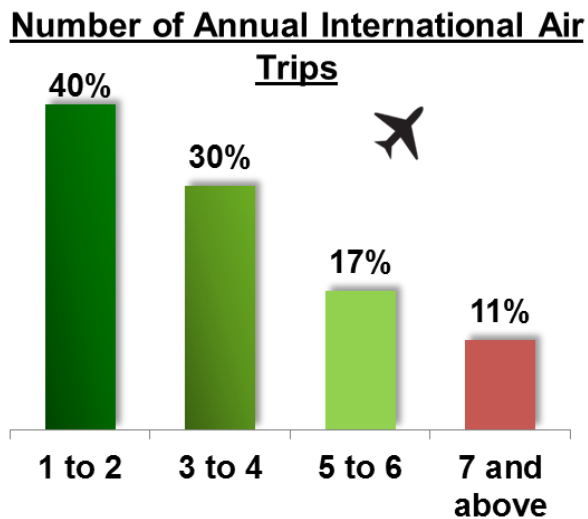
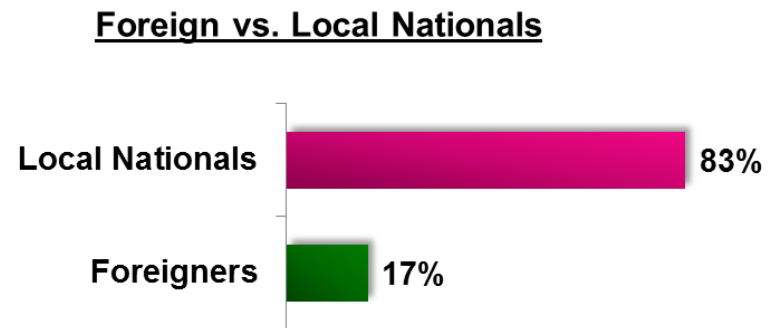
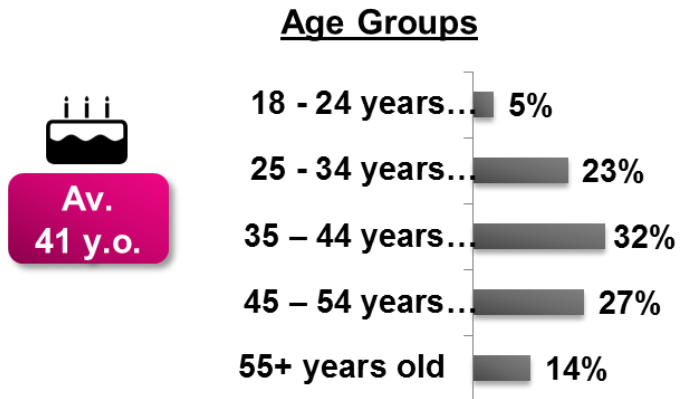
■ Definitely Agree ■ Tend to agree



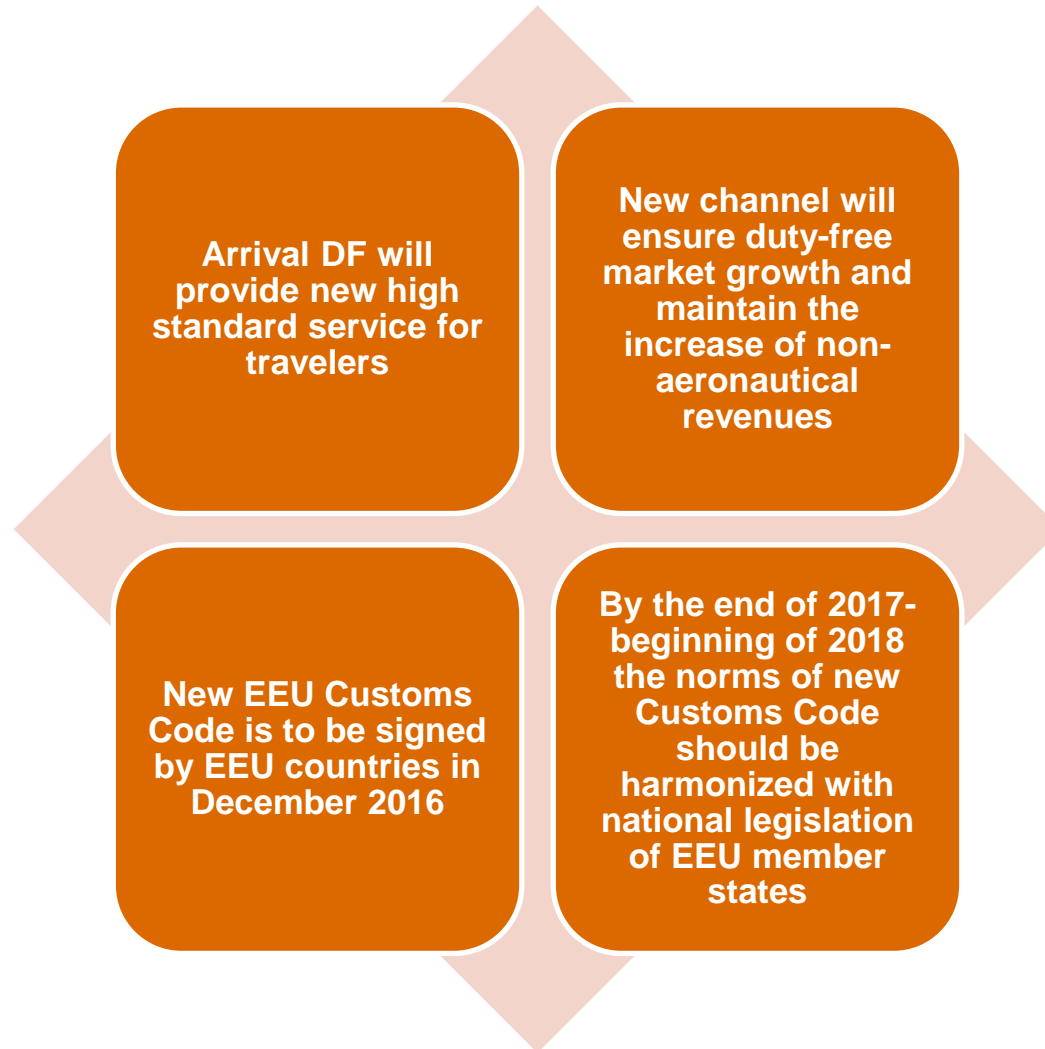
Reasons for Visiting Airport Stores on Impulse



Profile of Russian DF Shoppers



Arrival Duty Free: bright future



THANK YOU!

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