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Consolidation: Now and next



What a month it has been! It all started with Shilla. The South Korean retailer swooped to scoop a 44% stake in DFASS. Then, Germany's Gebr. Heinemann entered into an agreement to purchase 60% of Schiphol Group. If that wasn't enough M&A activity for March, Dufry announced it was to take binding control of World Duty Free Group.

On the one hand, industry consolidation to this extent makes perfect sense. Yes, the travel retail and duty free market certainly has space to grow as global middle classes continue to grow and purchasing power increases. But the market is

maturing and growth is trickier to come by. Factor in the operational efficiencies there for the taking through consolidation and the ease of access to new regions and you have a grand version of that classic board game, Risk.

For me, this redrawing of the retailer boundary lines poses three questions. Firstly, what does it all mean for the people that really matter in retail: the customer? Research from the excellent MInd-set, shared by CEO Peter Mohn at the recent TFWA China's Century Conference, found that the Chinese shoppers surveyed value authenticity, brand choice, local products and exclusivity when they find themselves in store. Now imagine a quarter of all the world's airport stores being effectively controlled by one purchasing team (the Dufry-World Duty Free Group deal will see the newly formed

company control around 24% of the market, including Nuance). It will take a talented team of senior buyers to keep both a global perspective and an array of authentic, local, diversified and tailored offers passengers demand. Add in the inevitable squeeze on suppliers as purchasing power comes into play and an intensified dynamic emerges. Can the customer really benefit as a result?

The second concerns future acquisition targets: who could be next? Investors the world over will be eyeing up opportunities on stirred up speculation. LS travel retail and Shilla were both named as potential bidders for World Duty Free Group and will almost certainly be looking at other opportunities. At a recent press conference, Gebr. Heinemann was adamant it would remain independent and confirmed its belief in long term partnerships. Yet owner Gunnar Heinemann also stated that the company "does not rule out looking into the possibility of acquiring smaller competitors in certain cases". It is interesting indeed to speculate.

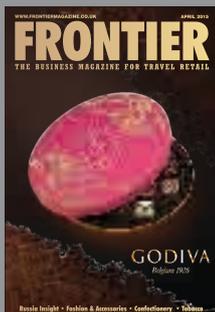
The final question for now involves sustainability. Can the pace of consolidation and the power weighting remain long term? I feel the answer in both cases is no. While consolidation is a natural process in the course of an industry's development, it will eventually run out of steam as a market becomes less fragmented, more mature, and, inevitably, as competition regulators get involved. What is more interesting is whether or not Dufry – or other 'mega-retailers' yet to be formed – can hang on to their power. In a tender-based business, fortunes can be made or lost on a handful of decisions. What if incumbents lose their contracts? Zurich and Luton are just two examples of contracts soon set to expire, currently operated by Nuance and World Duty Free respectively.

Times are certainly changing and I can't help but feel there is much more to come, be it full M&A activity or fresh joint ventures.

Enjoy the issue!

Kristiane Sherry - Editor

This month's cover



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also offers gourmet coffees, hot cocoa and other indulgences. Godiva operates in more than 500 boutiques in over 80 countries. It also boasts a presence in global travel retail, at department and speciality stores, and online.

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EDITOR'S CHOICE

Innovation is a mainstay of global travel retail. Every month, *Kristiane Sherry* explores all categories in search of the latest and most exciting products to be launched into the channel...



1. Exceptionally rare, **Glen Grant 50 Year Old** is now available at Le Clos, its exclusive retailer for the Middle East market. The limited edition bottle is borne from one special cask, bottled at the peak of its maturity. The whisky, in its hand-blown crystal decanter, is priced at US\$13,900 and is available at Dubai International Airport. **2.** **Tumi** has recently introduced the Peterson Wheeled Backpack in Baltic, a rich, sea-inspired shade of blue, which will be sold exclusively in travel retail locations worldwide. Its compact, versatile design allows it to be carried on the back or wheeled down aircraft aisles and city streets. **3.** **Leonidas** has created a charming assortment of delicious chocolate eggs to mark the Easter holiday season. The collection showcases a fresh, modern look in a variety of bright colours and delicious flavours. **4.** In 2015, thanks to 25 years' expertise in formulating sun care products, **Sisley** has taken the fight against photo-ageing one step further by creating Super Soins Solaires Youth Protectors Water-resistant, a new range of four face and body sun care products that help prevent photo-ageing, said to be ideal for protecting the skin's youthfulness. **5.** **Frederique Constant** and **Alpina** have announced the arrival of the



Swiss Horological Smartwatch, powered by MotionX. More than 10 Horological Smartwatch models, capable of bi-directional communication with iPhone and Android apps, will be released in 2015 for both ladies and gentlemen. Features include Sleeptracker sleep monitoring and MotionX activity tracking, with laser cut hands on the watch dial displaying digital information in analogue form. **6.** Revealed at last month's IAADFS Duty Free Show of the Americas, Imperial Tobacco's exciting new Gauloises design represents a complete brand image rejuvenation, while staying true to its original personality. **7.** New from L'Oréal Travel Retail's Lancôme brand, La Nuit Trésor is a feminine fragrance celebrating rose and vanilla tahitensis orchid. The bottle shape is inspired by 1952's original Trésor, a raw diamond chiselled into 75 facets. **8.** Following the success of its 2013 Johnnie Walker Blue Label Skyline Collection, Diageo GTME has announced a partnership with internationally renowned artist, Jeff Nishinaka, to release a new series of limited edition travel exclusives for 2015 featuring handcrafted designs of some of the world's most famous cityscapes: the Johnnie Walker Blue Label Cities Collection.



Knowledge *is power*

As one of the newly-crowned duty free operators at Auckland Airport New Zealand, Aer Rianta International has the world at its feet. In a candid interview with CEO Jack MacGowan, coinciding with the unveiling of the retailer's impressive, revamped 'The Loop' walkthrough area at Dublin Airport T1, *Luke Barras-Hill* learns that the formula for trans-Tasman retail success has its roots in strategic insight closer to home

The air in the Dublin Airport Authority [DAA] boardroom was tinged with a palpable sense of joy and relief, tangible as I sat with Aer Rianta International's [ARI] CEO Jack MacGowan and retail director Paul Neeson [pictured below].

Celebrations marking the official launch of 'The Loop' walkthrough area in T1 – an event I was fortunate enough to witness earlier in the day – were about to kick off, and passions were running high. The €8m project was officially open and champagne corks were set to fly. Together with partners DAA, travel retailer ARI has a healthy knowledge of the commercial aspects of the airport in its arsenal and this has played a key role in its ongoing success, evident today. A period of nostalgic reflection then, was well in order.

"Going back to probably 2008

to 2009 when we started 'The Loop', Terminal 1 was a standalone building. We didn't have Terminal 2 at all, we had 22-23 million passengers coming through Terminal 1 and it wasn't a great experience for passengers, to be perfectly honest," said Neeson.

Going back to basics, crucial in the formulation of the new retail space was spending time with the airport and understanding how to improve the overall passenger experience. "Allowing the passenger to get a really good retail experience, getting their tax back, finding their orientation, all those things – get that out the way first so when they go into the stores we have the opportunity to treat them to something really special."

Identifying airports in general as "intensely frustrating" places, Neeson earmarked the ARI retail journey as the first enjoyable part of the customer journey. However he is nonetheless frank on the daily challenge of being an operator.

"We have to give people a rationale behind buying," he stressed, emphasising the importance of telling the story behind the brand so consumers can enjoy it.



Main: The Irish Memories outlet at Dublin Airport's T1; left: ARI CEO Jack MacGowan; below: ARI and DAA partners at the ribbon cutting of the new T1 walkthrough area



“We’ve got a long established history in beauty, all the major brands have come to us either early or first and we have delivered for them consistently over a large number of years. So we have a history and we find it relatively easy to open doors with brands and companies. But when we opened The Loop in 2007 to 2008, what we were trying to do there was pull together that entire experience.”

Creating synergies ultimately relies on bottom-line figures and increased customer spend. Neeson says ARI would be looking for a targeted uplift in passenger spending of approximately 15-20% across the categories – predominantly due to the increased footprint of 8,673 sqm including 1,787 sqm of duty free.

“Beauty is absolutely core for us – we do about 53-54% of our business [from] beauty so that has to work. The shift towards premiumisation on the likes of Armani Prive, Elie Saab, Tom Ford is a customer demand and we’re very confident on beauty,” he asserted.

“When you go into the likes of liquor, the sky’s the limit. If you see what we’ve moved from on whisk[e]ly to what we’re moving to, we’re looking at about a 40% uplift on our whisk[e]ly category. We’ve moved from less than 200 to 415 different skus.” This increased portfolio covers everything from bourbon, Scotch, American, Nordic and even Japanese variants.

Greater customer penetration is arguably linked to freedom of movement, and the old Terminal 1 was reportedly not exploiting its full potential. “Customers rammed through T1 in the past, getting to their gates as quickly as possible - today they are veering left and

right and going into the shops” Neeson explained.

New concession opportunities are top of the agenda for every travel retailer and ARI is no different, as I turn to CEO Jack MacGowan to discuss the wider business. A significant milestone was achieved in February when ARI was selected to operate one of the two duty free concessions at Auckland Airport, New Zealand [alongside LS travel retail]. The seven-year concession agreement covers 2,300 sqm of retail space across arrival and departure areas and gets under way from 1 July. Setting the scene, MacGowan began by outlining ‘the ARI way’: the importance of a decentralised management structure and teams on the ground to make decisions quickly and efficiently. He described this strategy as “the glue that keeps all ARI people [together] whether they’re in Auckland, Winnipeg, Barbados or Bahrain”. An example of this, MacGowan said, is the use of an ARI iPad app, which allows staff in store to ask 25 questions of the shop to assess whether it’s “fit-for-purpose”. “We may never be the biggest operator in the world but we aim to be the best where we do operate,” MacGowan added.

Unlocking data

As the conversation moves to the newly-won Auckland contract, MacGowan is quick to relay the importance of access to quality data. This, he says, allows the retailer to identify if there are holes in their strategy and to adopt a solution.

“We listen to our customers better with data and we hear what they say, but the most important thing about data is it actually gives us, as a team, the confidence to change things,” he explained.

“What we do with the data and insight is cut through personal opinion so that we can actually see the answer more clearly. It doesn’t always give us the answer, but it brings an awful lot of clarity to the thinking – it’s a very important thing that’s really appreciated by our shareholders who trust us with their money, and that allows us to take bets and calculated risks that they

support us on.”

Tying this back to the retailer’s plans for Auckland is something ripe for further exploration. When asked how ARI would address the demands of a new trans-Tasman passenger group, MacGowan was unequivocal in his response.

“If Auckland didn’t have the data or didn’t have an attitude that says ‘we’ll share our data with you’ we would have passed that opportunity by.” He cited elements that fit the ARI business glove: shareable data, a culture synonymous with ARI, and a customer-centric attitude to business.

MacGowan again reiterates the importance of calculated risk-taking on the basis of access to quality data. “There are 50 to 60 airports out there at the moment that are in our pipeline,” he confirmed. “I would bet that we would bid for somewhere between five and ten airports this year; not every airport is the sort of airport we want to work with.”

When asked to elaborate further on potential targets, MacGowan simply stated: “We are actively assessing concession opportunities with airports with whom we have a good cultural fit, who value a bespoke versus mass approach and for whom a spirit of partnership in serving our mutual customer is important.” Returning to the partnership with Auckland, “it allows us to use the data, to make calculated risks together, so we’re not blindly taking risks. We can work out what we can take a risk on and what we can’t,” he continued.

“The final strategy element is what I would call a ruthless focus on passenger overspend: it is the key thing that drives us and will differentiate us from the other operators.”

As previously alluded to, Neeson told me ARI anticipates an uplift in passenger spend per head of between 15-20% across the core duty free categories over the course of a six month period. For Auckland, it’s a similar story.

“There might well be a little more to play for there – it [the 15-20% passenger spend uplift] is of that order,” revealed MacGowan. “We do have very strong sales growth targets there. We have to. If we can’t grow the passenger average spend, my feeling is why are we bothering to be in the business? I’m not in the business of just doing the same thing as other people do.

“There are 230 to 240 people who are going to work in Auckland; they don’t get up everyday to be the same as everyone

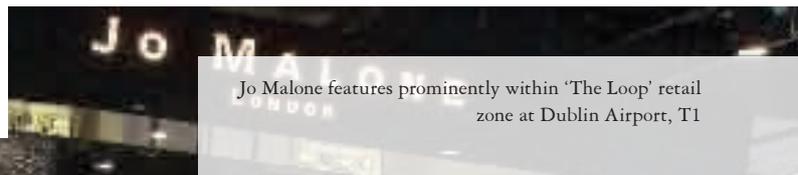
one. They, like the All Blacks, are going to be better than everyone else and we are going to make sure of that.”

Re-investing in Europe and the Middle East

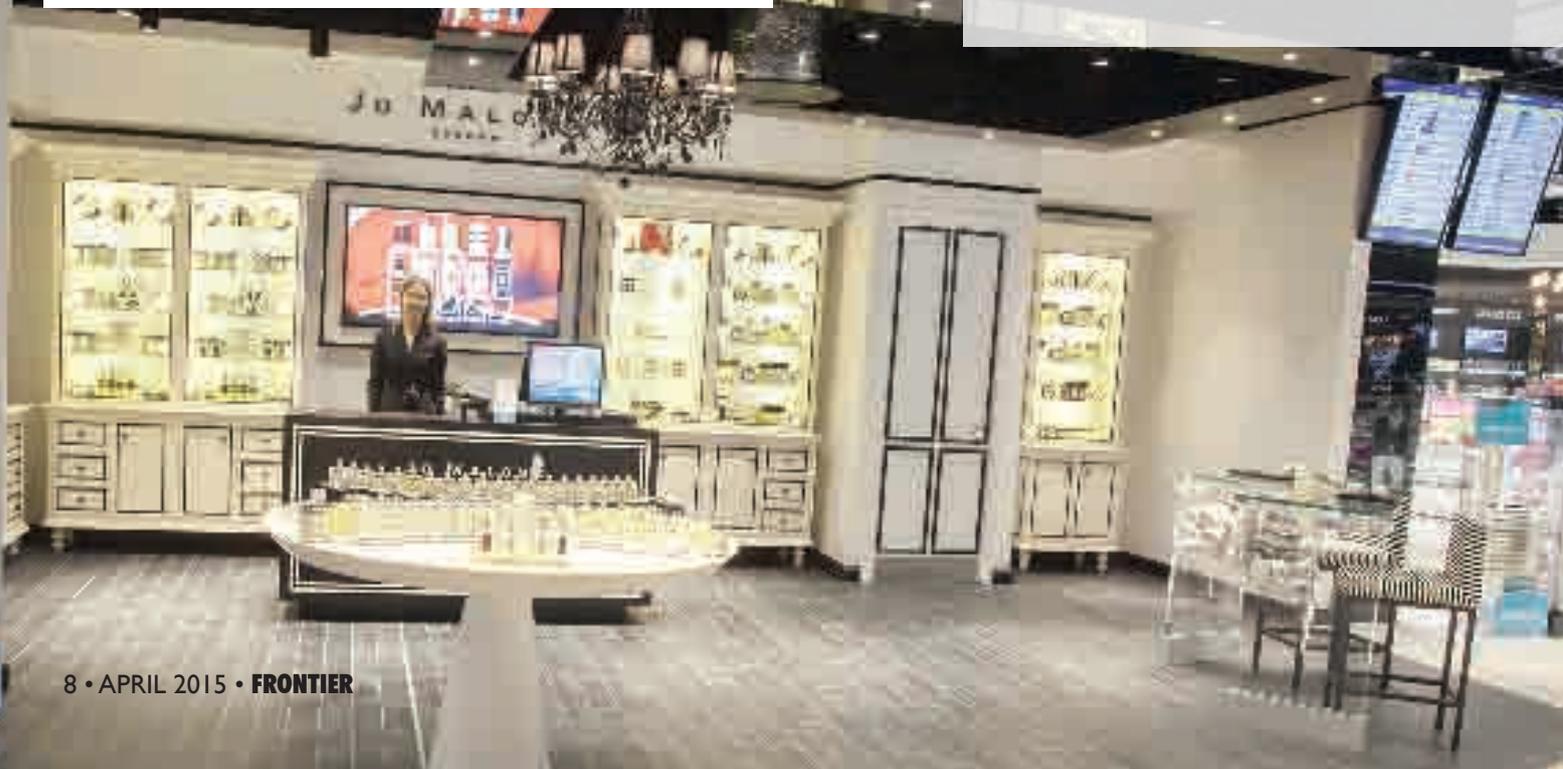
Moving away from the Australasia business and a general European economic malaise has been pronounced – notwithstanding the recent plummet in global oil prices which could spell good news for airlines. ARI’s influence in Russia effectively ended with the sale of its 33.3% shareholding in travel retailer Aerofirst a few years ago – well before the current spell of political unrest between Russia and Ukraine. However, the decline in the Russian rouble has been well documented in recent months and is “affecting our operations in Cyprus where Russians are the highest spending nationality passing through Larnaca and Paphos airports,” says MacGowan.

“Cyprus is a great example. Russians are still travelling, going on holidays, but they’re not spending as much because they earn in roubles and the rouble is not worth as much now. But conversely we have a lot of people from the UK going there and they currently benefit from a strong currency, so it’s swings and roundabouts,” he elaborated. In the same breath he also flagged the importance of a flexible retail approach. “Russians were coming in two or three years ago looking for the most expensive products in the range; we have it. But today, they may be looking for a bit more value so dialling up the value and making sure our sales staff really understand the value in the fragrances or skincare category is very important. So that’s what we’ve done effectively - we’ve just nuanced, refined and slightly changed our offer to fit in with what the customer is looking for.”

In fact, the Cyprus business continues to be a key feature in the retailer’s European growth plans. Last year’s increase in ARI’s shareholding in CTC Cyprus [CTC-ARI Airports Limited operates the duty free and duty paid outlets at Larnaca and Paphos Airports] was deemed by MacGowan at the time as a “significant investment for ARI in a high priority market”, and the move is beginning to bear fruit.



Jo Malone features prominently within ‘The Loop’ retail zone at Dublin Airport, T1



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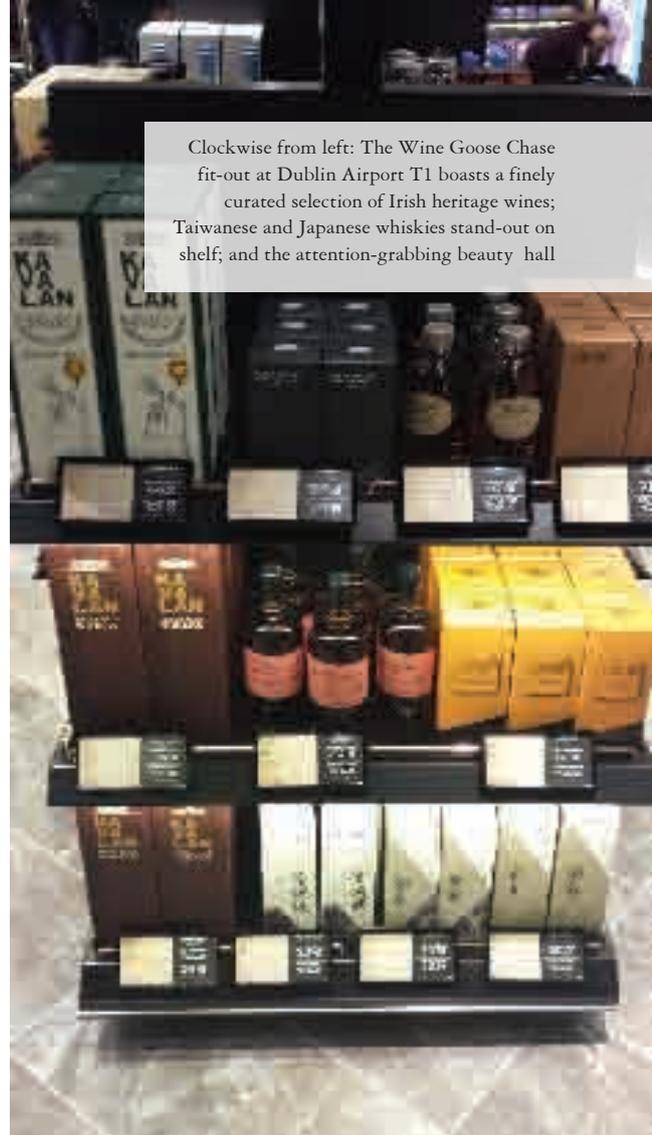
“That was the biggest investment ever for ARI, in fact for DAA,” he said. “We’re very confident that the fundamentals of Cyprus are sound.” And potential comes in the form of capitalising on increased passenger movements from nearby Turkey’s southern airports, including Antalya, which handles over 20 million passengers per year. “If Cyprus can’t attract two million of those, then it should be pretty low hanging fruit.”

Other reasons for his confidence in the partnership include the resilience of the Cypriot people in the face of economic challenges and ARI’s “very professional airport partner” Hermes, which he says is open to sharing data. “We’ve had a very successful seven to eight years down there so I can’t see anything that would have stopped us taking the investment when we were offered it,” MacGowan continued.

“We would say the same thing about the proceeds that we got from selling out in Russia where our partnership was not working so well. So I think the re-investment of those [proceeds] into new regions with higher growth prospects such as Cyprus [and] the Middle East is paying dividends. We’ve got a lot of hard work to do in Cyprus yet to continue to deliver for ourselves and our partners there but I think it is coming good.” With industrial combination and consolidation a major talking point in the industry at present [at the time of the interview Dufry’s move for World Duty Free had yet to occur - Editor], riding the storm of uncertainty while responding to the discerning demands of the travel savvy customer presents a fundamental challenge to retail operators.

“The recent consolidation of the market through mergers and acquisitions is likely to present both challenges and opportunities for all industry stakeholders,” MacGowan admitted.

“There will certainly be opportunities for standardisation and economies of scale, but there is a risk that the offer can become more commoditised. This is at odds with what we know customers



Clockwise from left: The Wine Goose Chase fit-out at Dublin Airport T1 boasts a finely curated selection of Irish heritage wines; Taiwanese and Japanese whiskeys stand-out on shelf; and the attention-grabbing beauty hall

and airports want, which is a bespoke, tailored offering by location. We have addressed this need in T1 through exciting new concepts, retail theatre and an authentic sense of place.”

Authenticity represents the ARI retail way, and it is clear the retailer is in no hurry to stray far from this tried and tested formula. **F**

Executive update

In the week prior to *Frontier* going to press, ARI announced a restructure of its senior executive team in a move designed to ‘drive functional excellence in operations and buying’. According to CEO Jack MacGowan the restructure is also part of plan to double the retailer’s profits by 2017.

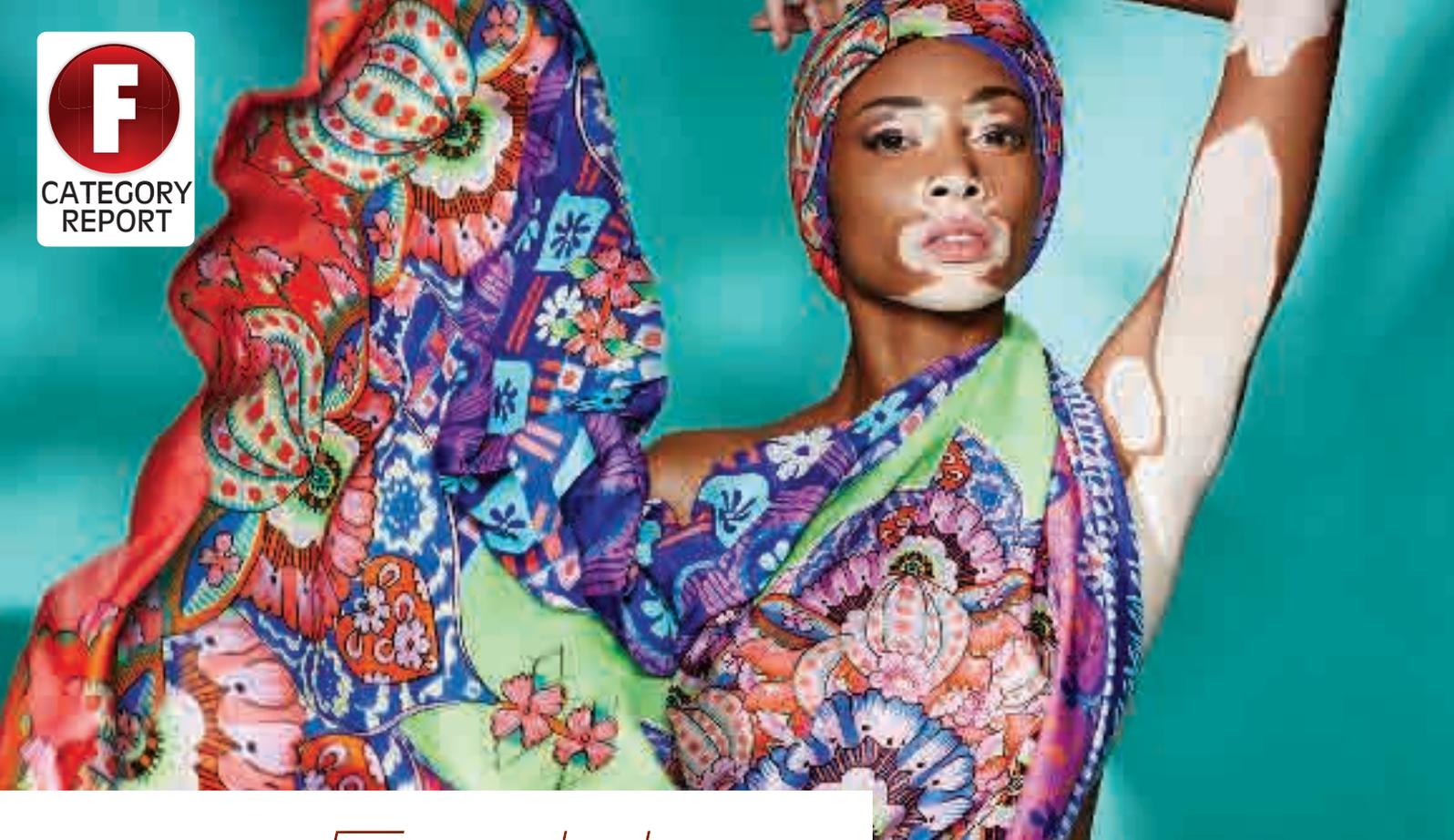
New ARI COO Gerry Crawford will lead a single operations team replacing the retailer’s strategic, regional based operations.

Philip Eckles takes on a new role as global implementation and corporate affairs director to develop business projects in new locations.

In other high profile changes, Pat McKenna has been appointed managing director of Aer Rianta Middle East [ARIME], and Paul Neeson [interviewed above] becomes global buying and merchandising director.

See www.frontiermagazine.co.uk for more detailed information on the executive team restructure

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our digital edition for legal reasons



Fashion forward ▶

Asian expansion, updated silhouettes and innovative materials are the phrases on everybody's lips this spring. *Sophie Watson* investigates the unrelenting optimism within the fashion and accessories category

Life in the fashion fast lane might just be slowing down. Gone are the days where consumers slavishly followed the new trends. Now they are looking for quality, longevity and durability – fast fashion is phasing out. Sales of investment pieces are on the rise and the ever-conscious consumer is eager to spend wisely.

Good news for brands, but what impact will these trends have in the travel retail channel?

Bric's is looking to grow its presence in the Asian market in the coming year. Michele Maccapani, Bric's travel retail manager says the brand is making "big efforts" to grow its presence and this "will bring important results and increase the market penetration". One method for increasing engagement is Bric's new merchandising units: special furniture with integrated digital screens. Customers can watch promotional videos and view collections onscreen, including Bric's Spring/Summer 2015 line.

This new collection is full of colour and whimsy and features two ranges: Life and XBag. Life marries innovation with style and features a selection of bags including holdalls, briefcases and iPad cases. The XBag range has been designed for the everyday traveller and includes backpacks, trolleys and shoulder bags [left] in saturated sunset tones.

Innovative foldable shoe brand **Butterfly Twists** has developed a range of new colours and shapes for 2015. Its SS15 collection uses a pretty palette of tan, pink and white accented with touches of gold, whereas its AW15 goes deeper with rich reds, blues and metallics [above right]. The brand is pleased to report a number of recent expansions, specifically in Asia, the UK, Northern Europe and the Americas. For the coming year, Butterfly Twists has set its sights on China, as well as consumers in Europe, South America and the US.

Codello has reported success in the Scandinavian market with its playful collection of patterned accessories. As a result, the company has signed contracts with a number of Scandinavian inflight services, which will come into effect from April





Amber ambition

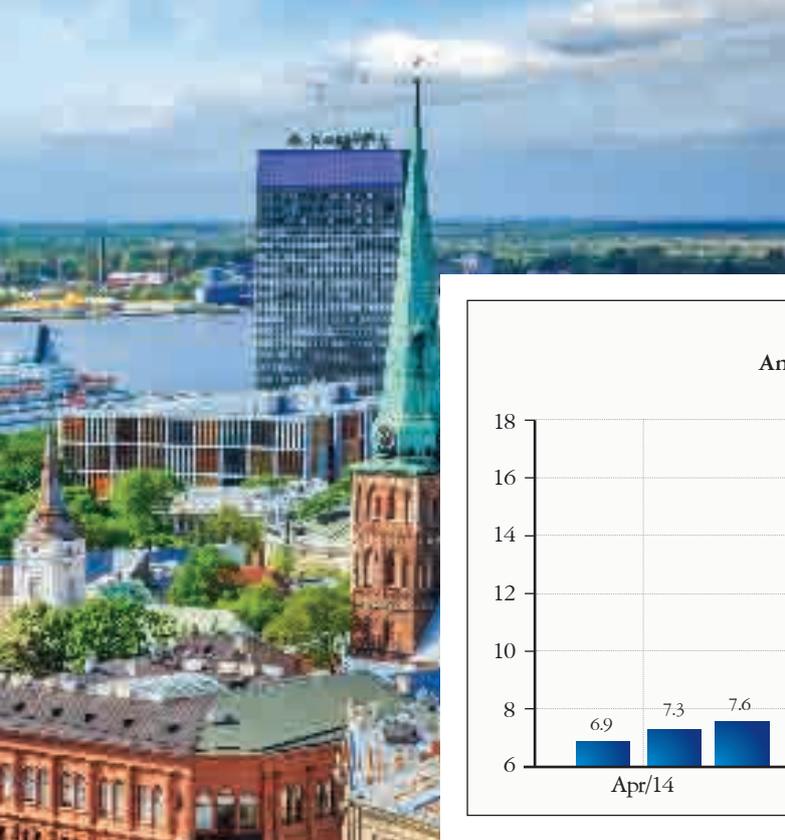
February 2015 saw the birth of Amber Sky, an event dedicated to developing inflight travel retail across Russia, Eastern Europe and CIS countries. This might be a region fraught with complex geopolitical tensions and economic challenges, but airlines and brands alike are operating with a sense of optimism, discovers *Kristiane Sherry*

Riga in February: chilly, dark and grey. But in the Radisson Blu Hotel Latvija, the winter afternoon is brought alive with vibrant colour. Cabin crew from regional airlines move through the building in their delegations: the citric green of airBaltic, the vermilion brilliance of Aeroflot and the zingy blue and yellow of Ukraine International Airlines. They are here for four days of intensive sales training; seminars and practical sessions will cover on board product merchandising, effective passenger announcements, service and emotional intelligence. These culminate in an awards ceremony, crowning the Amber Sky sales people of the year. Simultaneously, their crew management teams, airline buyers, concessionaires and brands will meet, network and learn through a full-day conference, a two-day trade show-style exhibition and evening networking events. What makes this event unique is the regional, localised setting: every

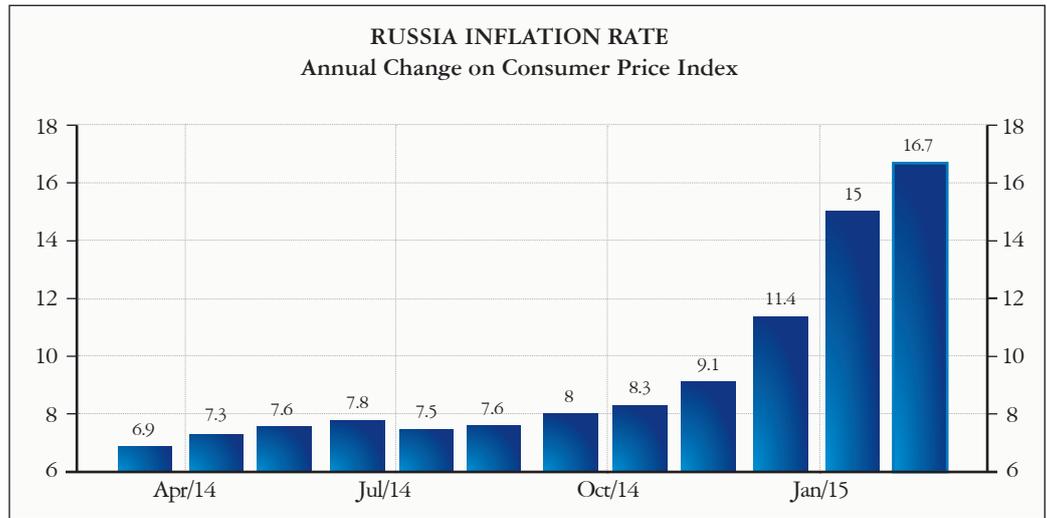
airline is based either in Russia, Eastern Europe or a CIS country. The excitement and energy at the inaugural Amber Sky event is palpable.

Amber Sky is the brainchild of Zigmars Valujevs, Lighthouse Media, and Aleksejs Romanovs, LSG Sky Chefs. Ambitious, energetic and incredibly professional, the two late twentysomethings have a vision to 'open borders for travel retail' in a region they clearly love.

With their combined backgrounds in airline retail and catering, Valujevs and Romanovs identified potential in the largely untapped inflight retail category across Eastern Europe, Russia and CIS markets. So they teamed up for change, determined to promote the sector and be catalysts for the development and growth of the industry. Their proactivity and enthusiasm is remarkably focused, ultimately bearing fruit in the form of the Amber Sky event. Against an incredibly challenging backdrop, the pair and their equally young, dedicated and



Source: Trading Economics



Inflight Sales Group – CEO and founder Jean-Marcel Rouff presented on the first day – and suppliers L'Oréal Travel Retail, SPI Group, LSG Sky Chefs and Clarins.

Flying the flag for travel retail

The Amber Sky team started planning the 2015 event long before the current situation in Russia catapulted the region into the global headlines for all the wrong reasons. The passion behind Valujevs' and Romanovs' vision has not changed: to raise the profile and potential of inflight in the region. A noble cause, and one many suppliers present are eager to get behind.

"People underestimate these markets," said Anna Berezhnaya [pictured below], sales director, Hanse Distribution, an exhibitor at Amber Sky. "Kazakhstan, Azerbaijan... there is just so much potential." She added that some of the airlines she'd spoken to that don't yet have an inflight retail programme are also beginning to understand its possibilities.

"The Eastern European market is a boundless resource for inspiration and development," Chzhan continued. "Historically we have had lots in common with the Eastern European participants of Amber Sky 2015. We have a similar mentality, similar end-user portraits. Therefore, in terms of business potential, [the event] is opening before us new opportunities for cooperation and development."

It seems, in fact, that long term the biggest challenges to growing travel retail in the region will have nothing to do with any political escalation. In a new region, companies "first need to identify the key people within the key companies, as everywhere," said SPI Group global duty free and travel retail director, Jean-Philippe Aucher. "Once you have done that, logistics and regulation are big constraints which need to be anticipated."

Axis of turmoil or potential?

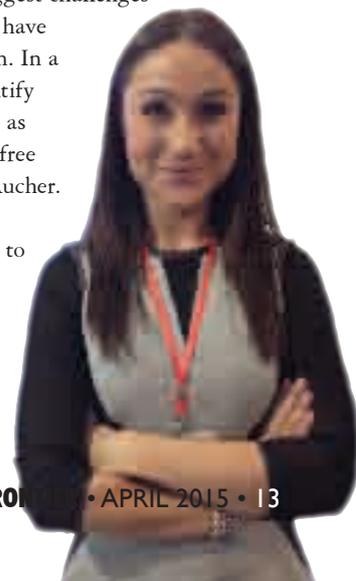
But that's not to minimise the very real uncertainty felt by those in many

accomplished team attracted more than 100 delegates, 30 suppliers and 20 cabin crew delegations to Riga for the four-day event.

"Initial feedback has been superb," Valujevs said after the opening day's conference programme. He seemed almost stunned, amazed at his team's achievement in managing to host such an event in light of regional tensions. Yet was not yet ready to sit back and relish in the successes yet. "We wanted to have the biggest players," added Romanovs, ambitious and humble in equal measure.

This regional focus of Amber Sky means the sales techniques taught, the conference presentations and negotiation styles are intensely focused on a distinct set of passenger groups. With the collapse of the Russian rouble, a West versus East Cold War heating up and acute legislative requirements – plus the fact that many airlines don't currently offer a travel retail/buy on board programme at all – the need for an event such as Amber Sky becomes crystal clear.

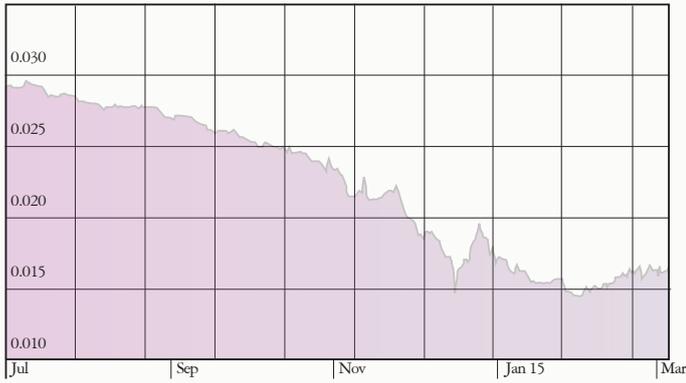
"[We] could not possibly have missed out on the chance to participate," CJSC Aeromar's head of marketing Alina Chzhan explained. "Amber Sky 2015 marks a unique event for Eastern Europe. There are no other such events and this was its first edition ever." Aeromar, as the largest catering company within the Russian Federation, is a big name to have on board. Other participants included



Source: xe.com

USD per 1 RUB

1 July 2014 00:00 UTC - 5 March 2015 14:52 UTC
 RUB/USD close: 0.01644 low: 0.1436 high: 0.02958



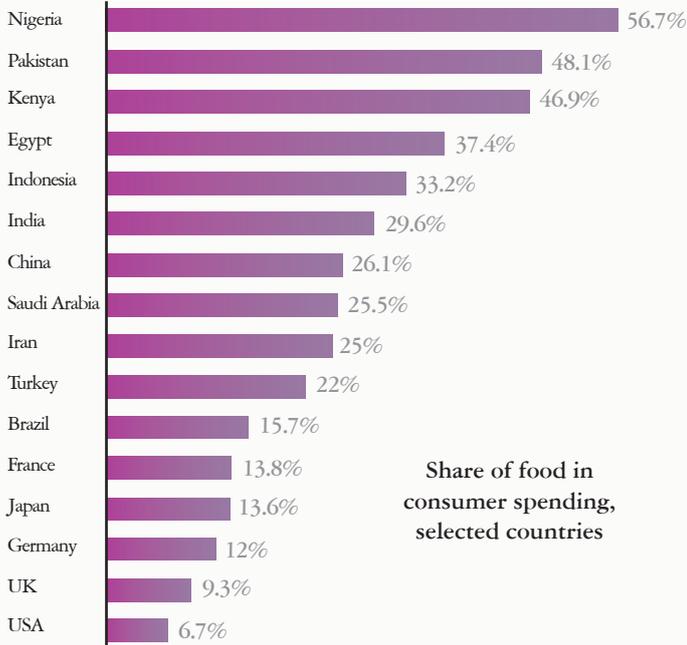
EUR per 1 RUB

1 July 2014 00:00 UTC - 5 March 2015 14:52 UTC
 RUB/EUR close: 0.01494 low: 0.01167 high: 0.02168



Source: Quartz

2013



Share of food in consumer spending, selected countries

industries across Eastern Europe. The quaint city of Riga, with its cobbled streets and colourful houses, feels a world away from the conflict zones in Eastern Ukraine. Yet the ripple effects of the war and subsequent economic sanctions can be felt even here. Latvia does a good proportion of its trade with Russia: in 2014, the country was its third biggest export market, according to the Central Statistical Bureau of Latvia, accounting for 11%. This is largely thanks to its strategic location: a proud part of the European Union yet sharing a land border with the former Soviet state. While Amber Sky was under way, UK defence secretary Michael Fallon warned of the “real and present danger” that Russian president Vladimir Putin could try to destabilise the Baltic States. At the event, the geopolitical tension felt very much like the proverbial elephant in the room – everyone seemed to acknowledge it without directly referencing the situation.

A topic of conversation very much on the agenda, however, is the impact EU sanctions – coupled with tumbling oil prices – have had on the Russian economy. At the time of the event, the rouble had fallen as much as 69% and 60% against the dollar and euro respectively in a matter of weeks. Inflation in the country reached

a 13 year high in February 2015 and was running at 16.7%. Trading Economics forecasts the pace to increase even further to 20.9% in Q2 2015. A recent report from Quartz put the economic hardship and volatility into starkly human context: in 2015, the average Russian household will spend 50% of its income on food, a greater proportion than those in Pakistan and Kenya [see chart]. It's challenging to talk about disposable income among a passenger group once cited in travel retail circles as one of the most liquid.

Valujevs and Romanovs were caught in the rip tides of the crumbling Russian economy. More airline delegations, especially from Russian-based carriers, had registered their attendance but later had to withdraw, citing economic issues.

“Politically-wise, it's finally normalising,” Valujevs is optimistic when he shared his closing assessment after the event. He cited the Minsk peace treaties as a key point in ending the open conflict in Eastern Ukraine. “There's going to be the recovery process... If we look at the economy, it already impacted a lot. But the drop was in winter time in 2014. The airlines [initially] didn't respond, saying ‘no, no, it's not much of a problem’, but then [business] started to drop and it was horrible.” He sounded genuinely dismayed by the downturn in his industry. “But, that's basically what the experts say: the economy can't go any lower anymore and it can only expand – so that's a great opportunity for everyone to come into the market.”

With Russia very much the axis of influence across Eastern European and CIS travel, on-the-ground insight into both the aviation and retail industries was just one very valuable take-away from Amber Sky. Many media outlets paint a bleak picture, yet major travel retail players are choosing to invest. The stakes in the risk versus reward game have rarely been higher.

“Though we are all aware of the difficult economic situation in Russia and some of the CIS countries, I believe that there is very big potential in these markets and it will only increase this year,” said Berezhnaya, echoing Valujevs.

Those that take the long-term view will win seems to be the collective attitude from across the Amber Sky exhibition floor. The same sentiment resounds further afield in travel retail: at the end of March, retailer Gebr. Heinemann revealed in its annual press conference that it was very much looking to expand its presence in Russia. Although acknowledging that the market is “likely to remain a tough environment this year”, the company expects its earnings to remain constant or even increase marginally. “We believe in the Russian market, we believe in the future, and... we continue to invest,” confirmed Peter Irion, executive director distribution, Heinemann.

Amber Sky 2015 Winners

Congratulations to the winners of the inaugural Amber Sky awards!

Sales Person of Amber Sky 2015

Ganna Bevza, Ukrainian International Airlines

Best Product

Jägermeister

Courage and Adaptability Award

Vera Ivanova and Pavels Saruls from L-Ekspresis

Great Teamwork Performance

Yulia Orel and Oleksandr Senyk, Ukraine International Airlines

Selling with Emotional Intelligence

Oksana Dyomina, Azerbaijan Airlines & Azal

Effective Application of Selling Techniques

Daria Merkulova, Aeroflot

Product Knowledge & Brand Awareness

Anna Avdejeva, airBaltic

Inflight Product Merchandising

Kristers Samburs and Leila Abasova, Smartlynx

Sales Generating PA

Alina Ulevic, Small Planet Airlines

Rules of the region

Back to Riga: another topic on the agenda was the level of regulation inflight retail is exposed to, particularly in Russia. Valujevs and Romanovs, through creative networking and structured meetings, managed to deftly curate an event that genuinely nurtured knowledge sharing – a rare element in today’s jam packed events schedule. One very basic takeaway for this correspondent is that Russian carriers are not legally allowed to retail alcohol on board their aircraft, although a pouring service is permitted. While discussions are already under way to implement change, this one piece of legislation demonstrates just how different the business landscape of inflight retail is to international stakeholders. The opportunity to share on-the-ground insight was valued by airlines and exhibitors alike.

“What I found especially attractive was that the meetings with the airline management and concessionaires and cabin crews were organised by the event team. This made the whole communication process easier for us as a supplier,” said Berezhnaya. The candidness of the participants also set the event apart: “All of the airlines were very open about sharing passenger profile information with us and it helped us understand a lot better what product portfolio we should be focusing on when making our proposals to purchasing teams.”

Inflight Sales Group’s managing director Tony Detter was similarly positive: “I was impressed with the crew training and airline management sessions, as well as the creativity for the social events. The overall environment was one that fostered networking and conversation.”

Almost every exhibitor I spoke to (approximately the 20 or so) was pleased with the event, and just one supplier felt the level of footfall was “disappointing”. But others, like SPI’s Aucher, were convinced that “key decision makers from Russian airlines and catering



Above: Amber Sky co-founder, Zigmar Valujevs; Main: the winners celebrate on stage

ISG, Aeroflot and Aeromar – a case study

Think inflight in Russia is over complicated and under rewarding? Last year, Inflight Sales Group (ISG) teamed up with Aeromar and Aeroflot to develop and implement a brand new inflight retail offer, Skyshop. Tony Detter, ISG managing director, and Alina Cobzban, Aeromar head of marketing, tell the story...

Frontier: ISG announced it had won the concession for Aeroflot's inflight duty free in March last year. What have you learned about working in the region during this time?

TD: Aeroflot has truly been an amazing opportunity. From our quick start, where we put the programme together in three weeks, we have come a long way. We have learned rapidly about the preferences of consumers in those markets, how to work operationally and how to train crew in a more targeted manner. I would say the business is two-thirds similar to our work in Asia and the remaining third had to be learned quickly. Luckily Aeromar was very solid and our partnership made everything possible for both parties.

How do you view CIS/Eastern European markets in terms of business potential?

TD: We believe the region has strong potential for growth. Many airlines in the region seem quite keen on inflight sales and on improving the performance of ancillary revenue. Definitely we will continue our activity in the region along with our key activity in Asia and Europe.

What have you identified as the biggest challenges in the region and how are you working to overcome them?

TD: Learning the preferences and tastes of the region is key along with understanding the much tougher rules governing import and movement of many categories of product. ISG has hired more Russian speaking staff, both in our Paris office as well as on the ground closer to our customers and partners. Working closely with strong partners, particularly our catering partner Aeromar has helped us acclimatise quickly to the rules of the game in the region.

AC: Russia is a large country with various categories of passengers with very different needs. Its geopolitical position allows the country to carry out passenger transportation to virtually any corner of the world. Our passengers are Russian and foreign citizens with different financial opportunities. The Skyshop project is being implemented on short and long flights. For example, passengers can acquire Skyshop products on flights from Moscow to St. Petersburg that last slightly over one hour. We try to choose bestsellers – new or unique and unusual products for our catalogue. This is hard work. As we select our products, we assess not only their look, price and quality but also other characteristics that are important for onboard sales (compact size, durability, and quality packaging; the products must also be easy to unpack and display).

A recent report from Air4cast claims that Russian airline passenger traffic was down considerably in 2014. What has your experience been?

AC: This isn't really so. In 2014, Aeroflot and its affiliated companies carried a total of 34.7 million passengers, which represents a year-on-year gain of 10.7%. There was a noticeable decline in the number of transported passengers on international airlines, mostly due to the decline in the number of charter flights. These fluctuations are not critical for CJSC Aeromar as a catering company or Skyshop as a provider of on-board services. We are happy to say that the demand for Skyshop products remains stable and high.

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Conference calling

In addition to the interactions between suppliers, airlines and concessionaires, EU funding – it was “very helpful,” said Valujevs – meant that a group of around 100 students were also able to hear from a raft of speakers in the full-day conference. Highlights included an address from ISG's Rouff, who championed cabin crew: “The crew has to be proud of the inflight programme – and we have to bring them the tools.”

L'Oréal Travel Retail's Andréa Terroni also flew the flag for the sector, announcing that the company has now established its own inflight division that he will head up. “I have one single message to keep in mind: we believe in airlines and we have identified your channel as a strategic one.”

And so to the future: will Amber Sky be back in 2016? From Valujevs, it is an emphatic yes. “Our interest is definitely going to grow in the region and we want to sign up the airlines and grow into Eastern Europe as well, like Poland, Moldova and Serbia. That region is quite unknown and everyone has shown an interest.”

That Amber Sky focused ambition of course prevails: “We want to make something different – to have a lot more airlines and attract more of the suppliers as well. The event will be at least three times bigger than it was this time. Those are the kind of targets we are going for.”

Sign us up for 2016 now. 



ISG's Tony Detter addresses Amber Sky delegates in the full-day conference.

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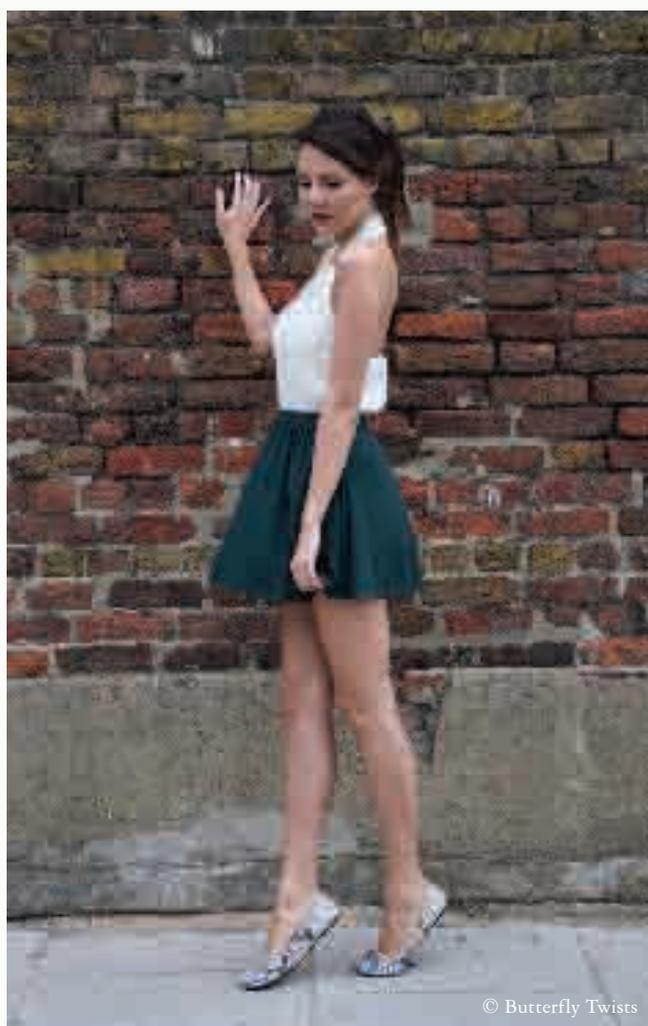
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Main: Desigual's Happy Tour is influenced by the clothing and climate of Sub-Saharan Africa, Southern Europe and Hawaii; Inset: Butterfly Twists has developed a range of new colours and shapes for 2015

and modern fabrics. Slick, calfskin leather and sumptuous suede unite to create a timeless piece, while python and crocodile-effect leather deliver the aforementioned glamour.

Head of travel retail at Coccinelle, Emanuele Mazziotta, says, "We are now working on new openings which will follow during the year in Europe and Asia."

'Say Something Nice' is at the heart of **Desigual's** Spring/Summer 2015 campaign. The Spanish clothing brand has created a vibrant collection of clothes that evokes joy in the wearer. The company has named the collection 'Happy Casual', which is split into three styles, Galactic, Desigual and Happy Tour. These light-hearted garments have been designed for comfort and every day wear.

Kaleidoscope florals mix with psychedelic gemstones to embody Desigual's youthful spirit in the Galactic collection. Desigual goes back to the brand's roots, with bold geometric shapes and pop art inspired prints. Fruit designs add a hint of fun, with watermelon and kiwi prints at the fore. Happy Tour is influenced by the clothing and climes of Sub-Saharan Africa, Southern Europe and Hawaii. Hibiscus plants, tropical birds and dip dye all feature in this eclectic collection.

Marco Gadola, travel retail manager worldwide at Desigual, believes customers are attracted to "affordable garments from aspirational brands". This customer is at the heart of Desigual's strategy. Expansion is also on the brand's mind. Gadola explains: "Europe is by far our largest market, and continues to perform strongly – there are still plenty of expansion opportunities in this region in the near to mid-term. The Americas has been a star performer in terms of growth in the last year, with new store openings in São Paulo, Dallas, Detroit and Pittsburgh in 2014 and several more in 2015. These two regions are our key priorities."

Performance in all of **Furla's** travel retail locations was "excellent" according to Gerry Munday, global travel retail director. She continues: "We saw annual sales grow in travel retail last year by 28% from €11.6 million to €14.8 million and we now have 177 locations worldwide. The success is in line with Furla's growing popularity globally as a premium lifestyle brand and this is set to continue in 2015."

Asia is a particularly strong region for the brand, and Munday anticipates that this trend will continue into 2015. However, Furla are also committed to developing business in Europe, Middle East and the Americas. Africa is currently less of a focus, but Munday is optimistic that this "will develop over time".

Furla recently launched a travel retail exclusive line [below], which has proven to be very successful and will consequently become a regular feature of future collections. Looking to the



onwards. Aside from Scandinavia, Codello is hoping to expand into Southern European airports, following recent openings at Athens and Tenerife airports. The company successfully implemented a new concept at Tenerife Airport, where its 'Codello Loves Italy' line was presented alongside the main Codello collection.

A spokesperson for the brand says "the inflight sector is still a very important topic for Codello with great growth rates and the acquisition of new partners". Subsequently, Codello has secured contracts with China Airlines and Malaysia Airlines to expand its inflight retail holdings into Asia, following the success of its 'Codello Loves Peanuts' line in the region. The company also sees huge potential for its 'Codello Loves Disney' collection [opposite page], which features scarves, bags and phone cases emblazoned with classic Disney images.

Taking a new direction of sorts is accessories brand **Coccinelle**. Earlier this year, it opened new locations in Asia and Russia, including a second opening in Taiwan's Taoyuan International Airport T2 and its first at Sheremetyevo International Airport TE in Russia. It also opened a 'personalised corner' within the duty paid area of Vnukovo International Airport Terminal D, Russia.

The new locations featured Coccinelle's Spring/Summer 2015 collections, including its chic B14 line. The bag comes in three sizes with a number of colour variations. The brand describes the range as 'elegant, modern and with the right touch of Italian glamour'.

Coccinelle achieved this elegance through the use of soft leather



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Right: Hanro's AW15 collection has been influenced by the seductive elegance of Paris: satin, silk and cashmere are paired with opulent lace and embroidery for chic, timeless sophistication.



© Hanro

rest of the year, the company will continue to work closely with SKYlink, which handles its inflight business, and with retailers in order to further strengthen Furla's presence in travel retail.

New kid on the block, **Hanro** is looking to boost its travel retail turnover this year. Last year the brand saw successes at Zurich Airport through multibrand retail partner Grieder and at the Hanro corner for Emirates Dubai staff. Hanro global sales director Brigitte Hardt outlines the company's plans for expansion: "Our main focus in 2015 for [the] travel retail business is on Asia with a special eye to Hong Kong and Japan. The passenger demographics we are targeting for the travel retail business are matching to the profile of the typical Hanro customer: business travellers with a high international orientation, well-educated, affluent, quality lovers and quality-driven when spending money on clothing."

Asia is not the only location on Hanro's radar. The brand has recently partnered with LS travel retail to sell 'travel fashion' at three of the 'Buy Paris' shops at Charles de Gaulle Airport. The brand has also closed a deal with Hong Kong Plaza Cruise Terminal, which will retail their luxurious yet affordable underwear.

The brand's AW15 collection has been influenced by the seductive elegance of Paris: satin, silk and cashmere are paired with opulent lace and embroidery for chic, timeless sophistication.



Sporting elegance has inspired the latest SS15 collection from **Lacoste**. The brand has revamped its classic garments to give them a modern twist with powerful graphic designs as part of the 'Modern Heritage' collection. Lacoste has reworked its classic nautical design [left], with stripes adorning sleeves, trims and collars in subtle burgundy, granite and sandy shades.

This collection follows the successful AW14 line, which performed well in Asia Pacific and EMEA, particularly in Singapore, Hong Kong, Bangkok and Hainan Bay. Lacoste is working on specific collections targeting Chinese consumers, taking into account "heightened brand competition and market share for increasingly savvy Chinese travellers", according to Michelle Cheung, marketing and communications director.

Marcolin Eyewear's broad brand portfolio is going from strength to strength with a number of strong Spring/Summer 2015 releases. Guess

Eyewear's most recent women's collection has been influenced by top fashion trends, with rhinestone adornments, crystallised colours and pyramid stud detailing. These elements combine for a bold, yet feminine look in shades of grey, pink, blue and purple. Guess' collection for men is more modern, with bold metallic frames and subtle logo detailing.

Ermenegildo Zegna has launched its first eyewear collection this year, which has been exclusively produced and distributed by Marcolin. The new eyewear collection embodies the brand's ethos of excellence and innovation, underpinned by quality and progress. The glasses have been crafted in a sophisticated range of materials – leather, wood and titanium – and come in a range of refined colour schemes for the sophisticated, modern man. Each set of glasses comes with top quality Zeiss lenses housed in sturdy frames.

The SS15 collection from Roberto Cavalli [pictured below] has been designed with 'sensuousness and glamour' in mind. The brand has created an elegant range of sunglasses that blend function with fashion to reflect the House's signature style. The standout model, RC883S, has a pilot-influenced frame, with snake head hinges and polarised mirror lenses. The glasses have a double bridge, adorned with the RC monogram, for a unique, yet feminine effect.

Diesel has created a SS15 collection that embodies the brand's modern and unique spirit. Diesel's lenses are designed for young, urban consumers who constantly reinvent their look, with bold shapes and colours. The brand's signature use of denim is prevalent in the collection, which includes a variety of shapes, styles and colours, including grey, black, green, pink and crystal.

Hawaiian sunglasses brand **Maui Jim** has seen "strong double-digit growth across our travel retail markets," says Giles





Marks, director travel retail. He continues: "Airports all over the world are expanding their retail space and

although the sunglasses suppliers still struggle to convince some of them to allocate sufficient space, the figures are pretty convincing: sunglasses is the fastest growing category in travel retail."

Maui Jim's sunglasses have been designed to flatter every face shape. The brand's USP is its high quality polarised lenses, which feature in every pair. Maui Jim's most recent releases are influenced by the geography of Hawaii, with marbled stone, sandstone and wood grain finishes. The brand has updated its range of classics, including the full-metal Castaway aviators and Free Dive chunky nylon aviators, which are available in gloss black, matte tortoise or translucent grey.

Looking to the coming year, Marks adds: "We are very excited about the growing strength of the Americas market, and the ongoing expansion of airports and downtown locations in Asia and the Middle East which will offer exciting potential for the future."

Pashma has recorded record growth in the Asia Pacific region this year and hopes to further develop its regional presence. One avenue for growth is the brand's recently launched partnership with Bluebell for the Korean market, which is in effect at Dongwha and Walkerhill duty free stores. Pashma is also looking



© Pashma

forward to making its debut at the upcoming concourse D at Dubai Airport with Dubai Duty Free.

The company aims to attract a diverse profile of customers with its new collections that have been designed to appeal to a wider age range. Its collection of cashmere printed scarves [below left] have been designed for the ready-to-wear consumer and merchandised for travel retail markets. Bohemian style dominates the collection, with whimsical paisley and floral patterns adorning its luxe scarves.

Italian lifestyle brand Paul & Shark is hoping to build its travel retail distribution this year, with a specific emphasis on China, Europe, Middle East and South America. Last year, the company achieved great success across its 45 points of sale in travel retail, including a 250 sqm boutique at Haitang Bay. In March this year, Paul & Shark opened a 32 sqm shop-in-shop concept at Larnaca Airport, where "sales are exceeding all our expectations", says Catherine Bonelli, worldwide travel retail director

She continues: "April sees the opening of an improved location at Istanbul and we have many other projects under negotiation. In addition, at sea we are now with Tallink & Silja Line on Silja Serenade and Silja Symphony, plus we are onboard seven wonderful cruise ships with Starboard including two from Crystal Cruises and five from Silverseas. Again we have been delighted with our performance in these locations."

Paul & Shark has gone back to its roots for its AW15 collection by reinterpreting the brand's heritage. Classic meets cool with luxurious fabrics and a focus on quality for its Smart Casual, Luxury Collection, Sportswear [pictured below] and Typhoon 20000 collections. The Smart Casual line, which was recently launched as part of the SS15 collection, has been given an autumnal makeover for the last quarter. Tweed, flannel and quilting have been used to embody the collection's casual, yet sophisticated style. A key item in the collection is a fully reversible coat, which transforms from an elegant cashmere coat to a water- and windproof jacket.

Radley has added new shapes, detailing, colour and finishes to its AW15 range. Key shapes include the bestselling Pocket Bag – now available in 13 different colours – and backpacks, which are available in five different styles. New ranges include Portman, a bold, boxy bag and Columbia Road, a simple silhouette with contemporary detailing and Maltby Street, an everyday range.



© Paul & Shark

Right: One of Radley's new ranges includes Portman, a bold, boxy bag; Below: Salvatore Ferragamo has extended its licencing agreement with Marchon for the design, distribution, marketing and sale of Salvatore Ferragamo branded sunglasses



London Heathrow and Gatwick were the top performing locations for Radley in 2014, with the addition of new branded travel retail units making an impact in Gatwick South. The Qatar Duty Free location at the Boulevard store in the new Hamad International Airport has also been a success for Radley. For 2015, the brand hopes to use location targeting to refine its selection of products in international locations. Radley is also focusing on inflight, with the launch of travel exclusive products onboard Virgin and Emirates flights.

Italian fashion house **Salvatore Ferragamo** has extended its licencing agreement with Marchon for the design, distribution, marketing and sale of Salvatore Ferragamo branded sunglasses and frames for men and women. Marchon and Ferragamo's licencing agreement first went into operation on 1 January 2012 and has now been extended until December 2021.

Claudio Gottardi, president and CEO of Marchon Eyewear comments: "Our partnership with Salvatore Ferragamo is a source of great pride and satisfaction for us. The task of interpreting the brand's history, heritage and integrity is a constant challenge, one that spurs us on to create top-quality glasses capable of combining style with refinement."

The partnership between the two companies has resulted in an increase in sales volume over the last three years of just below 30% per annum.

Michele Norsa, CEO of the Ferragamo Group is "confident that we'll see more growth in the medium term."

According to French accessories brand **Tintamar's** CEO Edith Petit, "Asia is the fastest growing market for Tintamar" and the brand is excited by its regional growth prospects. Tintamar's products, with its quirky, whimsical designs and rich colours, are well suited to the market. They have been particularly successful across South East Asia, especially in Malaysia, Taiwan and Thailand, both in airports and at downtown duty free malls.

The brand's AW15 collection features its signature 'intelligent daily bags' in updated autumnal colours. Recurring motifs include owls [pictured right] and sheep, which are complemented by the use of texture with feathers, furs and sheepskin. Tintamar is offering a new Mini Vanity cosmetic bag for the season, which is available in either a black or tan owl print, or black, red, fuchsia or taupe.

Tintamar will continue to develop specific products for airlines this year; its last was a VIP bag organiser with a panda design. 





Press refresh

The recent Autumn/Winter 2015 show season demonstrated fresh new fashion trends – and an opportunity for suppliers and retailers to tap into the new.

Sarah Allen and Rachel Wynter present a sartorial trend round-up

From Donna Summer to Stevie Nicks, the AW 2015 collections have the influence of the greats written all over them. When perusing the look books and runway shows of the season, there is a distinct sense of reinvention – while still referencing the past.

There's always a shock announcement every season and this time round, Milan provided the drama. Emilio Pucci's creative director of more than six years, Peter Dundas, announced that his AW15 show would be his last with the fashion house. His farewell was a moving nod to the label's 1950s beginnings: full of vivid, psychedelic prints, before skipping forward 20 years with Donna Summer-esque disco faux furs and wide leg trousers. The label said: "The dandyism of Jimmy Page and the glam goth of Stevie Nicks electrify the looks and set the vibe." But Pucci wasn't the only benefactor of Nicks' muse-like inspiration.

Burberry's Christopher Bailey dedicated the brand's heritage collection to the 1970s, while simultaneously employing a number of tactics to keep models chicly warm. From floaty silhouettes to elaborate draping and layers, the runway didn't want for detail: luxurious appliqué, quilting and fringing created an air of prestige. Much like Burberry, Fendi, Stella McCartney and Prada referenced the 1970s, incorporating earthy tones including burnt orange, browns and olive greens. In addition, Nina Ricci and Ralph Lauren showed fringing as a key motif.

Some designers, however, took a darker, more serious tone. Giles and Alexander McQueen drew influences from the Victorian era: think shadowy palettes, high-necks and silk blouses. Alexander Wang took Victoriana one step further, attempting to evolve the brand's previously sporty identity. Wang told *Elle.com* that he wanted to represent a 'harder edge', so he drew inspiration from heavy metal performers – such as Marilyn Manson – for leather, metal stud work and an all-black colour palette. Wang also moved to create a Victorian 'new romanticism' through plush velvets, silk and delicate patterns enveloped by heavy finishes.

Accessories du jour

Big news followed from the world of handbags: premium accessories brand Furla teamed up with legendary photographer Mario Testino to shoot its latest campaign. Testino is perhaps most noted for his iconic portraits of the late Diana, Princess of Wales, in 2005.

A press representative revealed: "The lively and dynamic images will be reflected in the ad campaign for media and outdoor, in window displays, in store and web catalogues, as well as in videos for the website, social media platforms and PR purposes."

Testino said of the partnership: "It's a great journey we are beginning together." Furla's chief executive officer, Eraldo Poletto, added: "This is

Main: Alexander Wang Fall 2015; Clockwise from left: Stella McCartney, Giles' Victorian theme, Fendi fur shoes, Burberry



a very exciting and positive time for the brand. We are proud to begin this partnership with such an artist like Mario Testino. His creativity will project Furla to the next level of its international growth.”

The addition of a travel retail exclusive line, unveiled at the recent IAADFS Duty Free Show of the Americas, is also big news for Furla. Heading up the collection, the Piper Medium Dome is a modern bag designed to inspire women everywhere. For travel retail, the exclusive ‘Limited Edition’ will be available in soft Ares leather in Rose and the new Stucco and Storm colours. A special Furla charm not found within the main line has also been added to further differentiate the collection. The colourways will be featured within the main A/W 2015 line up, but are exclusive to travel retail within the Piper line.

“I am extremely pleased that Furla has the confidence and trust in travel retail to warrant the development of this exclusive line,” said Furla global travel retail director, Gerry Munday. “The travel retail business continues to grow steadily for the brand on a global basis on the ground, in the air and at sea. I am very confident that the addition of this exclusive Piper bag will give further appeal to the Furla brand and become a compelling offer for travellers looking for something a little different to the high street.”

Elsewhere, fur was a key material and used across a variety of different

accessories. Both real and faux scurried across wrist bands at Burberry, collars at Dries Van Noten and shoes at Fendi. Animal rights activist and designer Stella McCartney has in previous years steered away from faux fur, instead creating non-leather accessories and garments for her eco-aware clients. This season she embraced faux fur with long-haired oversized coats crafted with ribbed detail to accentuate the female form. This may be her first faux season, but with reports of annual profits of over £3m the lack of the texture doesn't seem to have put off buyers.

Oversized is back with large bags featuring heavily with quilted rucksacks at Moschino and fluorescent fur clutches at Roksanda. Burberry interestingly moved its bags forward to become a main feature. The collection included bucket bags, oversized clutches, fringing, suede and even camouflage patterns to accommodate every kind of Burberry woman. Bags have not so far been big for the brand. Perhaps it is an increasing demand for high-end handbags from emerging markets that is spurring on designer Christopher Bailey? After all, Mintel reported that in the UK alone handbags account for the largest share of the fashion accessories market, up 11% year-on-year to reach £1.2 billion in 2013.

Key design cues to note: the 70s wild child, Victoriana, fur and outsized shapes. Four trends so diverse and trans-seasonal that perhaps what consumers are really buying into after all is individuality. 



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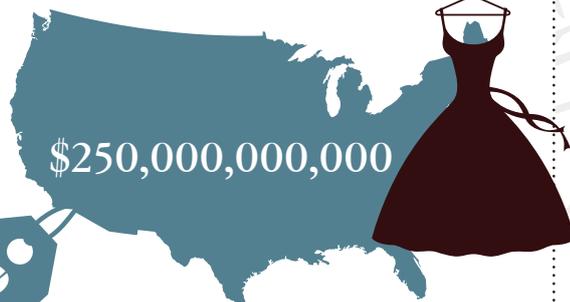
BRAND	ANNUAL REVENUE
LVMH Moët Hennessy – Louis Vuitton S.A	\$37,140,000,000
H&M	\$18,820,000,000
Kering (previously Pinault-Printemps-Redoute)	\$15,650,000,000
The Gap	\$15,650,000,000
Christian Dior	\$11,910,000,000
Richemont	\$11,830,000,000
Phillips-Van Heusen Corp	\$6,040,000,000
Coach, Inc.	\$4,760,000,000
Levi Strauss	\$4,670,000,000
Abercrombie & Fitch	\$4,510,000,000
Jones Group	\$3,800,000,000
Tiffany & Co	\$3,790,000,000
Hermès	\$3,680,000,000

FASHION INDUSTRY BY NUMBERS



4,200,000

Number of people employed in the fashion industry



\$250,000,000,000

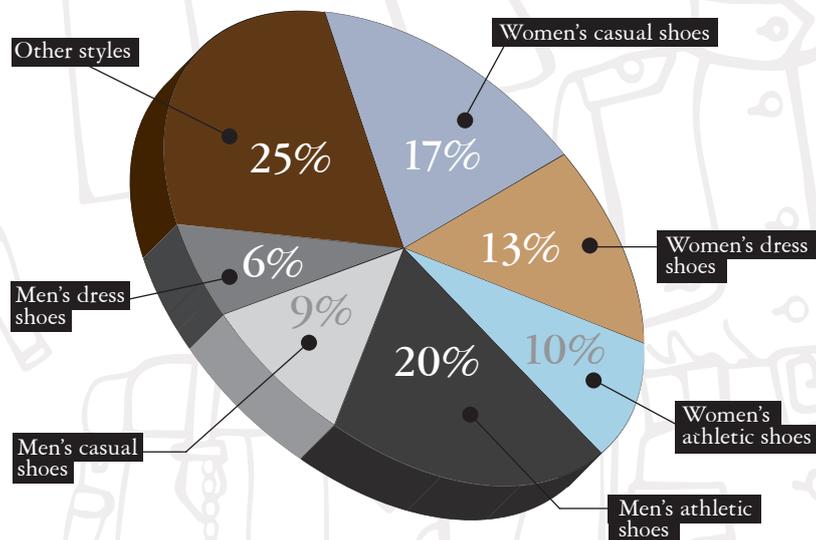
Amount spent on fashion in the US each year

Footwear Statistics



Annual global fashion industry revenue

SHOE CATEGORY MARKET SHARE [\$20 BILLION]



SHOE STORE [BRICK & MORTAR] SALES STATISTICS

YEAR	STORE SALES [in billions]
2014	\$31.315
2013	\$29.550
2012	\$28.210
2009	\$24.990
2008	\$26.683
2007	\$26.828
2006	\$26.701
2005	\$25.281
2004	\$23.686
2003	\$23.192
2002	\$23.215
2001	\$22.897
2000	\$22.888
1999	\$22.704

Source: Statisticbrain

Image credit: @Shutterstock/Tatiana Kost



Inspirations & initiatives

The travel retail confectionery category has experienced phenomenal growth over the last 10 years – and no wonder when suppliers are creating innovative products and sales initiatives in abundance. But could external factors be about to intervene? *David Davies* investigates

There are categories that we can all think of whose travel retail presence can betray a weariness and a creativity deficit – sometimes even bordering on complacency. But it really isn't an accusation to be levelled at confectionery at any point over the last decade as the category's status as a primary driver of TR sales has become ever more secure.

In short, everyone involved has comprehensively raised their game. In addition to bringing more seasonally-oriented specials and enhanced packaging to the market, suppliers have also been increasingly willing to harvest the category's long-term potential through in-depth customer research. Meanwhile, retailers have both allocated more space to the category in the first place, and then worked more consistently to show products off to the advantage of suppliers.

Competition for store space is only heading in one direction, but *Frontier's* recent conversations with a quintet of eminent suppliers – Godiva, Lindt, Leonidas, Mars International Travel Retail [MITR] and Perfetti Van Melle – suggest there is no immediate cause for concern about confectionery's creativity. But with increased obesity

awareness and packaging reform in prospect, could there be a few clouds on the horizon?

After an exciting 2014...

Indicating the present robust health of the category, it is worth pointing out that 2014 was anything but a quiet year for our featured suppliers. Many celebrated major new listings or store installations. To name just two instances, Godiva and Leonidas both announced new counters and listings with Qatar Duty Free.

A steady stream of new products were also brought to market: for example, Perfetti Van Melle introduced Mentos in resealable pouch bags [pictured below] for the till point in response to the growing need



Below: Peter Zehnder, head of the Lindt & Sprüngli global duty free division



Image: ©Shutterstock / Katerinaserova Stuchelova

of activations and promotions throughout 2015, focusing on M&Ms, Celebrations, Galaxy, Snickers, Extra, Skittles and Maltesers,” says Sargeant. “We are also introducing a number of exciting new travel retail exclusive packs this year in our bars range, both with full-sized as well as snack-size bars.”

Godiva has already unveiled a new TR exclusive, the luxury-oriented Tendresses, and later on in the year customers “can expect to see our Coeur Iconique Limited Edition, comprising six Godiva chocolate hearts available in milk and dark chocolate variations,” says Godiva senior manager marketing and business development for global travel retail, Leen Baeten. “The vibrant colours of the packaging tap into the current pop art trend, appealing to young adults.” Baeten



for more confectionery ‘on the go’, while Lindt undertook a number of steps to build its Lindor mono brand and launched the Lindt Diva range [right] – which with ‘its elegant monochrome packaging is taking elegance in presentation of confectionery to a totally new level,’ says the company.

MITR, meanwhile, put the emphasis on an ambitious new vision to double the confectionery category by 2020. One result of engaging with 5,000 travellers over a four-month period was a five channel delineation of shopper needs, described as Home Sweet Home, Travel Treats, Celebrating Parenthood, Showing Thought and Trip Memories.

“We can unlock the full potential of the confectionery category by harnessing the correct areas for growth, and with the brands that we have we will be able to do that,” says Craig Sargeant, general manager, MITR. “By continuing to attract passengers with compelling activations and promotions we can build basket size and convert more browsers into shoppers.”

...an even busier 2015?

Well, it certainly looks that way if the plans revealed by our featured suppliers are anything to go by. In addition to more work expounding its category vision, MITR will “continue to have a fantastic programme



also highlights the summer launch of a new Sablés fine butter biscuits collection and – uniting “the world of pastry with our classic chocolates” – Mousse Meringue [above right].

In addition to a new character for its backpack collection, Perfetti Van Melle will be “launching the first gum gifting packaging, exclusive for travel retail, with a cute nano bottle that cannot be found anywhere in the local markets: a real want-to-have,” declares Susan de Vree, global travel retail manager at Perfetti Van Melle.

For Lindt, 2015 highlights will include the launch of the Lindor Fashion range as well as the arrival of Spring and Autumn Lindor Limited Edition tubes. Peter Zehnder, head of the Lindt & Sprüngli global duty free division, also picks out the Lindt Napolitain Travel Edition 750g, which combines “two much-loved concepts – Lindt Napolitains made by the Lindt Swiss Master Chocolatiers, and the thrill of travel. This original collection, which is exclusive to the travel retail sector, makes an ideal souvenir of a special voyage, a treat to enjoy on the flight, or a novel gift,” he says.

Meanwhile, Leonidas says that it will undergo nothing less than “a full range review in 2015, which will be split into two phases:



INSIGHT
#1

24%

of travelers do not enjoy shopping, and do not enter duty free stores.

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- HELPS TO INCREASE THE CONVERSION RATE.



TFWA Asia Pacific, Singapore and TFWA World Exhibition, Cannes. In addition to the revamp of the existing range, we will present to the industry new products and chocolates which are travel retail firsts. Further to that, we are aiming to introduce more limited editions such as our Summer Fruit Praline Selection [right], which will be available just after Easter for the summer months,” says Nelly Sannwald, travel retail manager, Leonidas.



Trouble ahead?

All of this activity across different fronts can only be a good thing. But it would be wrong to think that the confectionery supplier’s lot is an entirely happy one given increasing concerns about, for example, the sustainability of raw materials.

As expected, there is a general consensus about the desirability of sustainability programmes that deliver benefits throughout the supply chain. “Godiva continues to support sustainable practices and programmes across our supply chain,” says Baeten. “As an example, we are committed to sustainable sourcing of 100% of our cocoa supply by 2020 and are actively working towards this goal. Godiva also believes that protecting children is a shared responsibility across the cocoa industry, and while Godiva does not own any cocoa farms we strongly condemn forced labour or any practice that exploits, endangers or harms children. We have a long-standing policy that requires all of our suppliers to be in compliance with all labour laws and regulations.”

MITR, says Sargeant, strives “to make cocoa a vibrant, environmentally-sound industry from farm to factory, but we realise that the demand for cocoa is rising and unless something is done, supply will soon not keep pace. We are helping farmers produce better crops, which results in them making more money for their families and giving them the power to reinvest in their business and communities, which ultimately results in us securing a sustainable supply of quality cocoa.”

If the ability to deliver product in the future is one concern, then the freedom to sell it without restriction is another. With problems relating to obesity that have long been an issue in the Western world now starting to cross over to developing nations (leading UK medical journal The Lancet recently published a six-part series claiming that the global obesity response was ‘unacceptably slow’) it is to be expected that portion sizes, promotion and packaging are now facing greater scrutiny.

Once again, suppliers point to a raft of activity in this area. For example, Sannwald reports that Leonidas is “aware of increasing health concerns and the need to inform the customer accordingly. We have adapted our packaging with the required nutritional information and will not gear promotions towards children, but instead to adults who are able to make educated purchasing decisions”.

But there is no doubt that an uncertain outlook – and one that varies from territory to territory – is an enduring source of concern. For Perfetti Van Melle, de Vree reports that “in terms of legislation, we follow all local rules and we try to include as many languages as possible. I need to admit that for some products it is quite difficult, especially with the many varied local requirements in terms of nutrition table layout. A global layout for such a table would be extremely helpful and more clear for the consumer. Over-declaration

is also confusing for consumers, and adding 15 languages on one small confectionery product is a huge challenge. Shouldn’t three or four global languages be sufficient for labelling within travel retail, considering the international character of the category?”

Enduring potential

For now, that question – and quite a few others pertaining to the future mechanics of confectionery sales – will have to be left hanging. But judging by the current dynamism of the category, one is tempted to suggest that it is considerably more well-equipped to deal with them than might have been the case 10 or 15 years ago.

“As competition for space increases, we believe that the product offering towards the customer will improve considerably and that brands will not only deliver on the product front, but also in regards to in-store entertainment,” says Sannwald. “In addition, positive trends are noticeable, giving confectionery a more prominent role to play in store structures, which benefit the category as a whole in the years to come.”

Last word to Baeten, whose sentiments would surely be echoed across the board: “We see a bright future for confectionery in travel retail, but as brands we cannot be complacent – putting boxes of chocolates on the shelf is simply not enough”. □

Butlers looks to luxe and limited editions

Butlers Chocolates’ Aisling Walsh future gazes for Frontier...

Limited Editions: We have found that frequent travellers are always on the look-out for something a bit different and special that differentiates their gift from those available on the high street. Limited editions work well in this regard and they are becoming increasingly popular in the category.

Deluxe Gift Boxes: Especially in the Middle East and Asia [there is] an increasing demand for larger deluxe gift boxes. Customers are looking for more ornate finishes and luxurious materials. The consumer experience when receiving and opening a gift has never been more important. Customers are looking for gifts that are beautiful and special both inside and out and the confectionery category is well positioned to cater for this need.

Butlers has introduced a rose gold match box collection, rigid gift boxes with a metallic rose gold finish, tied in luxurious ribbon with a signature Purveyors of Happiness device. In addition, Butlers Fruit Truffles was launched in Dubai Duty Free last year.



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International Travel Retail



Trends • Tasting

Newness is always top of the menu at ISM, the world's largest confectionery trade show. *Kristiane Sherry* travelled to Germany for the event and rounds up some of the top category trends set to tickle global taste buds

Against a slate grey sky the signature hot pink ISM flags light up a chilly February in Cologne, Germany. Thousands of buyers from around the world have gathered at Koelnmesse for the 45th International Süßwarenmesse Messe – or ISM – and, despite the snow threatening to fall outside, the exhibition halls are packed full of both energy and innovation.

It's the fourth time I've attended the exhibition. As in previous years, country 'pavilions' display sugar confectionery, chocolate-based products and sweet biscuits from around the world. But for 2015 alongside the expected sweet contingent, savoury snacks are making headway in the category, as is a focus on breakfast foods and even coffee.

New production methods also seem to be shaking up the norm – and not just because sister fair ProSweets, with its processing and packaging equipment, is taking place in tandem this year. Fruit gum products are having a moment; shapes quirkier and colours even more vivid than before, thanks to a boom in 3D technology. Today, crafted gummy and foam products can be relatively inexpensively modelled on almost anything, appealing to children and adults alike. Separating fad from future trend is always a challenge, but when surrounded by brightly coloured shapes from candy pizzas and cupcakes, to jungle creatures and even ironic incarnations of consumer goods, expect some traction. "I expect to see trends emerge in markets perhaps one year on from ISM," one visitor said to me.

Experiential and functional

Texture innovation in confectionery has made headlines for years. But

genuine advances in the development of what can be termed 'experiential' ingredients seem set to propel the trend further.

Tingly granules, 'exploding' candies and crackling chocolates are on-shelf now, but suppliers are waking up the added sensorial properties when consumption is combined with another product – most notably, hot and cold beverages.

The encapsulation technology utilised in the novelty sphere also has applications in the growing functional confectionery bracket. Products at the show tapped into all sorts of health claims from added magnesium for heightened concentration to folic acid delivery for pregnant women. In the beauty category, collagen-infused launches – first seen circa 2010 – are now widely spotted across the exhibition floor. Eat these, suppliers say, and skin may appear firmer, clearer and more radiant.

Clean eating

Perhaps the most persistent – and still evolving – trend to take from the show is the rise of all things natural. Consumers want 'clean' products, and the free-from movement is truly taking hold. Sugar, gluten, gelatine and more continue to make way for vitamins and real fruit juices. 'Stevia' has been a buzzword for some time, but don't overlook its cousins glucose and fructose. Yet the jury is still out as to how consumers will respond to occasional negative press surrounding sugar replacers like xylitol and maltitol.

Formulation developments are coming through in the world of chocolate production, too. The rise of vegan eating, along with lactose-free diets, mean that cow's milk is losing its appeal: think rice, millet or even

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almond milk alternatives instead.

Interest in food products that provide antioxidant benefits has bubbled up around the world, with dark chocolate often cited as a good source. However after further investigation, consumers rightly realise that the high temperature conching used in most production processes effectively kills off the claim. Step forward high percentage raw chocolate: products manufactured from unroasted beans conched at lower temperatures. Cocoa beans themselves – in their purest form or chocolate coated – also seem to be making ground. Premiumisation seems to be shifting to high-end inclusions for finished products with superior taste, texture and functionality. Ground maca root, matcha tea and even ancient crop amaranth are growing in popularity.

Custom-made confectionery

The likes of Anthon Berg and Chocolat Frey are already tapping into the trend for all things individual, and if the ISM show floor is anything to go by, expect more to come. Packaging is the obvious opportunity for personalisation, but gift sets, where the chocolate itself can be customised, are also entering the market. For truly couture confectionery, don't overlook the potential offered by 3D printing – with the 'ink' being molten chocolate. Imagine a confectionery store where consumers can walk in, design, produce and take away their own chocolate creations. The mood across ISM was that it is only a matter of time before genuine production innovation enables this kind of personalisation.

What does this all mean for confectionery companies in travel retail? Primarily that the need to stay close to consumers as their expectations rise is greater than ever. With domestic market offerings becoming simultaneously both more innovative and tailored, it's crucial that a travel retail assortment meets increasingly heightened demands. With the likes of free-from products becoming commonplace, is travel retail accommodating those with specialist diets? What about functional products? It's certainly food for thought. 

New Product Showcase

Innovation is celebrated at ISM, with 110 new products entered into this year's New Product Showcase. The competition sees launches voted for by visitors, with the three favourites crowned best in show:

1. SoundyCandy® - Toller Gida San. ve Tic.A.S.
2. Cho'Clair - Fairy
3. Secrets Dried Beetroots - Zweifel Pomy-Chips AG



The three favourites crowned best in show in this year's New Product Showcase

Image: ©Koelnmesse

Image: ©Koelnmesse

ISM by numbers...

- 1-4** February 2015
- 1,513** exhibitors from **65** countries
- 85%** from outside Germany
- 110,000** sqm exhibition space
- 37,000** trade visitors from **141** countries

RUSSIA

Tobacco's *road ahead*

Plunging oil prices, the collapse of the rouble and Western sanctions over Ukraine paint a bleak picture for Russia, but how are the domestic and travel retail cigarette and cigar markets faring? *Luke Barras-Hill* explores the issue. Meanwhile, the European Travel Retail Confederation advises of the threat of plain packaging to travel retail

Are the signs of an economic jumpstart in Russia occurring? In March, the Bank of Russia decreased its interest rate from 15% to 14% per annum in reaction to a slowing in the rate of inflation. Governor Elvira Nabiullina notes in a recent statement: “the latest data on the economic situation show that the balance of risks remains shifted towards the weakening of the economy rather than an acceleration of inflation. January data and February leading indicators, primarily business sentiment indices, indicate that the economic situation continues to deteriorate and this trend may persist until 2016 Q1.”

However, the governor forecasts a gradual decrease in inflation expectations as “monthly inflation slowed down considerably in February following the surge in late December-January”. The current high level of annual price growth in Russia, she says, is due to the downturn in the rouble exchange rate and imposed trade restrictions.

“These are one-time factors, and in case there are no new considerable shocks, their impact on monthly and quarterly

inflation will decrease over the next months.

“The annual inflation, which to a large extent reflects past price dynamics, can keep rising up to the middle of the year. However, in a year, say, in March 2016, inflation will slow down to the level of about 9% amid the decrease in the monthly and quarterly price growth.”

A welcome boost no doubt, but what has been the word from the domestic tobacco markets? According to a 2008-2013 market report from Euromonitor International released in January, cigarettes witnessed a slowdown in volume growth even prior to the introduction of Russia’s anti-smoking laws in 2013. The slowdown, it says, is predominantly due to higher taxation, increased health awareness and changing attitudes to smoking.

Russian state-funded media network RT reported last June – at the time when the most aggressive form of the ban on cigarette consumption in cafes and restaurants came in – that the sale of cigarettes in the country fell by 6-12% in Q1 2014 as per an announcement in May from Nikolay Gerasimenko, first deputy chairman of the Russian Parliament’s Healthcare Committee. The

Left: Agio BDS Collection 12 Year of the Goat edition; Below: ETRC secretary general Keith Spinks

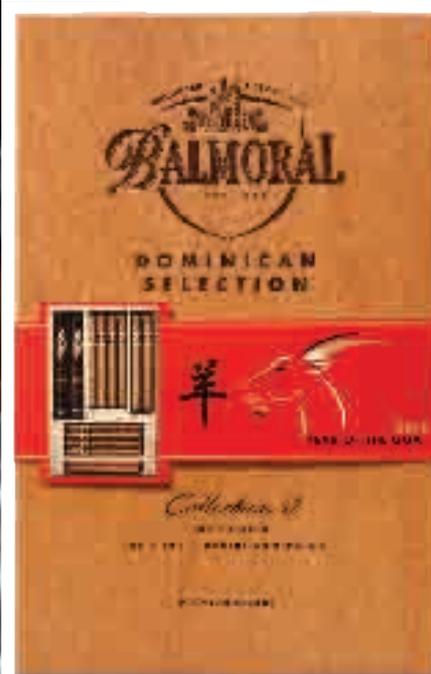


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“It is obvious with the huge crisis in Russia [that] we see an impact on our domestic sales,” one cigar supplier source told *Frontier*, although they were not able to elaborate on how a fall in Russian passenger travel or spending may have impacted its travel retail operations.

For Gertrude Stormink, global travel retail manager at Agio Cigars, the answer is more clear cut: “We do not see [the economic situation and slowdown in traveller spending] as an important impact on our travel retail business. We know that Russian travellers like – and buy – our cigars, especially the Balmoral Dominican cigars.

“As far as we can judge, they continue buying our cigars. Maybe it is an advantage that our premium quality Balmoral cigars are sold at an affordable price, even if you take the decline of the rouble into consideration.”

Learn more about how the global travel retail industry is weathering the decline in the value of the rouble on page 12.

Comment

Challenging Plain Packaging in Duty Free

The UK government's decision to vote in favour of introducing standardised cigarette packaging from May 2016 once again draws into focus the importance of product and market differentiation in travel retail. European Travel Retail Confederation (ETRC) secretary general Keith Spinks describes why plain packaging proposals represent 'a very real threat to duty free'.

“In the past month, Ireland became the second country in the world, after Australia, to introduce legislation on



RT report also alluded to an earlier announcement made by Russia's Health Ministry that the anti-tobacco law “was working”, with the number of smokers in Russia decreasing by 16-17% since its introduction.

‘The new legislation with a ban on tobacco advertising, cigarette displays in retail outlets, smoking in public places and minimum price may have a significant impact on cigarettes' future development,’ Euromonitor International said in a report summary.

‘However, it is expected that all the restrictions that are not related to [an] increase in the price of cigarettes will significantly affect consumption of tobacco in the future, but will only reduce the number of new smokers. The greatest influence on cigarette consumption in the country will be the planned tax increase.’

But has the economic situation in Russia had a marked impact on traveller spending on cigarettes and cigars in travel retail?

A number of tobacco suppliers either declined or were unavailable to comment on the issue when contacted by *Frontier*.

On cigars in Russia - the practice of which is considered a ‘ritual’ and ‘not very common’ in Russia - Euromonitor International notes, is set to see future volume growth, including larger cigar variants as a result of increased purchasing power and the growing number of cigar aficionados in the market. ‘However, increasing taxation will not allow growth rates to accelerate,’ the report summary continues.

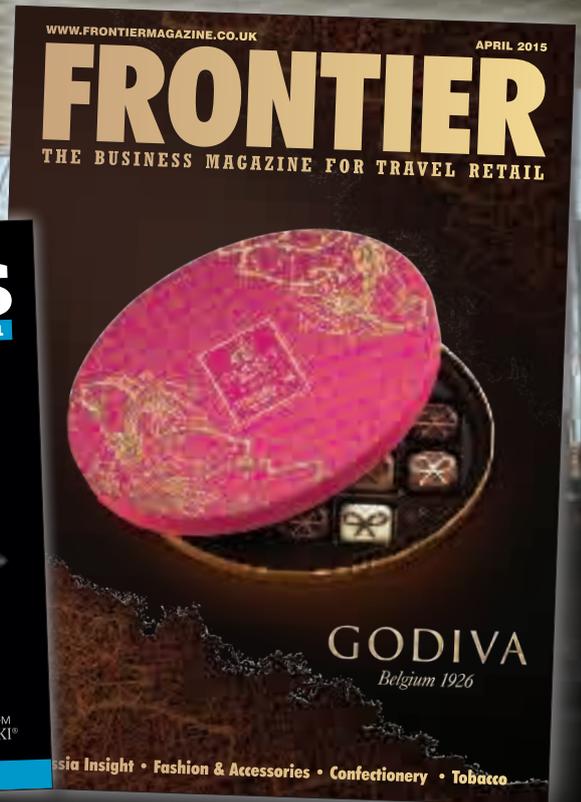
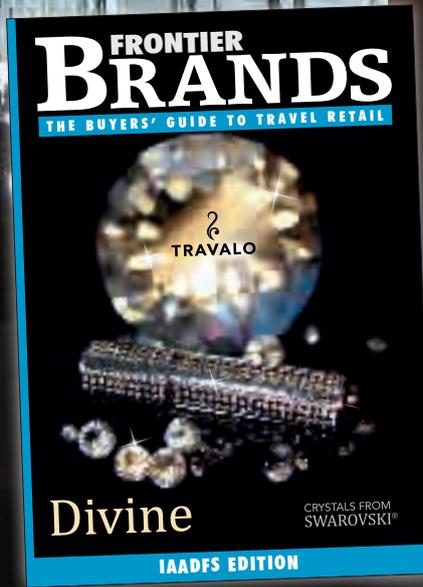
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plain packaging of tobacco products. They were closely followed by the United Kingdom. A number of other countries are also now considering similar proposals and it is important for the duty free industry to acknowledge the impact this will have on our business and work to defend ourselves from this threat.

“Plain packaging, also called standardised packaging, is an aggressive policy measure which seeks to ban the use of branding on tobacco products sold in a particular market. First introduced in Australia in 2012, this policy measure has gained favour among those pursuing an anti-tobacco agenda. However, it is notable that New Zealand – which was keen to follow Australia’s lead initially and has already followed its move to reduce in-bound tobacco allowances to 50 cigarettes – has since stepped back. They have said they would wait to see how legal challenges on the question of sequestering brands’ intellectual property rights against Australia’s initiative are resolved before deciding whether to move forward with plain packaging.

The focus of plain packaging initiatives is to remove branding from tobacco packaging and use ‘plain’ or ‘standardised’ packs. However the term is misleading as it does not really describe what these products would look like. So far, proposed measures result in all trademarks, logos, non-prescribed colours and graphics being removed from the packaging and substituted with large graphic health warnings with a dull unattractive colour covering the rest of the packaging, such as a drab green in Australia, and limiting the presentation of the brand name to a small standard font and font size.

The seizing of intellectual property, including removing branding from consumer products, is a serious concern for the wider business community. This has been voiced by major business groups in markets where these proposals have emerged, and this development is being fought by the tobacco brand owners. But

plain packaging policies also raise very serious business concerns for retailers in the duty free industry.

The primary concern is the availability of brands to be sold in our channel. Our customers are drawn from a wide range of international locations and our product offering must cater to such a varied customer base. It is well established that duty free retail typically offers a number of products that are not necessarily available in the domestic market. Brands are selected based on market analysis of the nationalities of passengers passing through duty free in order to provide them with a targeted selection of products that they would be looking for.

It is for this very reason that plain packaging proposals are of major concern to duty free retailers in countries where such measures are introduced. Tobacco purchasers are extremely brand loyal and generally if they do not find or are unable to identify their brand of choice, they will defer their purchase to a later point in their journey. It is not the case where they will simply switch to another brand that is available. Even where their brand is available in the duty free channel, if the packaging is unfamiliar to them they may not recognise their brand of choice and again will defer their purchase.

This has been shown to have knock-on effects to other categories, as studies have demonstrated that legislation that restricts duty free tobacco sales also leads to reductions in sales of other categories such as alcohol, fragrances and cosmetics. This is the case for travellers en-route to Australia from some parts of Asia and the Middle East. As a result, the retailer suffers more than just the loss of tobacco sales and [plain packaging] can result in an overall downturn in the duty free retail performance in a particular country. This is why it is vital that retailers work with other stakeholders to argue against the application of such legislation to the duty free channel.

Protecting airports’ non-aeronautical revenues was the key theme that I addressed at the recent ACI Economics and Finance Conference in London. Defending against legislation that impacts on the ability of airports to generate commercial revenues, helping to finance infrastructure developments, and keep travel costs down should resonate with our business partners. We as an industry must work closely with these stakeholders in order to effectively engage and argue our case.

Plain packaging proposals represent a very real threat to duty free retail and airport revenues, not only in Europe, but across the world. What is clear is that the duty free industry must work alongside airports and other key stakeholders to engage with Governments whenever, and wherever, these proposals emerge. We have the arguments, strategies and the skills to effectively oppose any move towards plain packaging but these must be employed effectively and timely by all industry partners if we are to be successful in defending this latest challenge to our unique retail channel.” 



Liquid — leaders



Diverse and fragmented, the travel retail liqueurs category could arguably be described as the trickiest to navigate for consumers. From drinking occasions to flavour profiles, the possibilities are almost endless – as are both the challenges and opportunities for brands in the channel, writes *Richard Woodard*

Summing up the highly fragmented and varied world of liqueurs in a sentence or two is all but impossible, but let's allow Bacardi-owned Bénédictine sales and marketing director Philippe Jouhaud to have a go: "The liqueurs category is highly diversified, reflecting a wide range of brand propositions, providing a notably wide range of flavours and suited for different drinking occasions and increasingly popular in cocktails," he says. "As such, there is little overlap and category commonality – so shoppers may well choose to purchase several different brands."

That diversity can translate into a lack of focus and consumer understanding, especially when compared to relatively defined spirits categories such as whisky or cognac. And, if consumers struggle to understand the world of liqueurs, retailers may be understandably wary of the category's products.

All of this is well understood by most savvy liqueur brands – and they have a series of answers to the problem: back stories, brand equity, and limited edition products and travel retail exclusives.

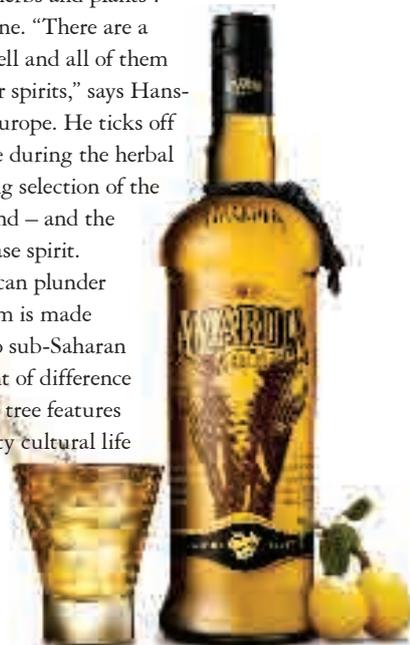
Stories first. Some of the world's most successful liqueur brands were the product of a long marketing lunch in the 1970s, but many more have centuries of history to call upon in their marketing. Take Bénédictine for instance: there's that Norman heritage and what Jouhaud describes as

"the allure of its secret recipe of 27 herbs and plants".

Jägermeister can sing a similar tune. "There are a lot of stories about Jägermeister to tell and all of them differentiate Jägermeister from other spirits," says Hans-Manuel Vogt, head of travel retail Europe. He ticks off the 383 quality control checks made during the herbal digestif's production, the painstaking selection of the herbs involved – still checked by hand – and the one-year barrel maturation of the base spirit.

But even modern liqueur brands can plunder provenance. Distell's Amarula Cream is made from the marula fruit, indigenous to sub-Saharan Africa, which gives the brand a point of difference not open to its rivals. "The [marula] tree features very prominently in rural community cultural life and is also closely bound up with mythology," says Marius Fouche, MD global duty free at Distell.

"There really is a very rich narrative surrounding Amarula, as well as around the not-for-profit



Below: Patrón Spirits' range of liqueurs including Lime Liqueur and Orange Liqueur



tequila company that happens to have developed an extraordinarily successful line of tequila-based liqueurs,” says John Kilmartin, GTR director at Patrón Spirits International. “As more consumers discover Patrón Tequilas, the name ‘Patrón’ on our liqueurs certainly helps create familiarity and trust.”

Generally speaking, there’s a simple line linking greater brand equity to rising sales and an increasingly global presence, but there are other ways to give your franchise a higher profile – as Distell has discovered with Amarula.

“As Amarula offered just one variant initially, it was easy for the brand and the product itself to be conflated,” says Fouché. “However, with the recent introduction of Amarula Gold [pictured opposite], a 30% abv non-cream, clear golden spirit aperitif made for mixing, in addition to the 17% abv Amarula Cream liqueur, there is now a far clearer distinction between brand and product.”

The pair share their marula origin – both use the fruit in their production – but are clearly contrasting products aimed at different usages and a different target audience. This potentially opens up the Amarula brand to a broader audience.

Limited edition products and travel retail exclusives can perform a similar function, also driving up value and opening up super- or ultra-premium possibilities for mainstream brands.

Like other spirits categories, liqueur brands have not been slow at developing new products to leap aboard this potentially lucrative bandwagon. Beyond Amarula and Baileys, longer-established names have also been hard at work.

Disaronno has raided its Italian heritage to team up with marquee compatriot designers including Moschino and Versace for limited edition bottles, and another Italian designer tie-in is promised for later this year. Then there is Disaronno Riserva [pictured right], launched at TFWA Cannes last year.

But tinkering with the formula of such a history-laden product is a risky business, according to Martin Howley, GTR director at Illva Saronno. “Disaronno is not a liqueur that



Amarula Trust that promotes conservation, particularly of elephants, and sustains communities through job creation programmes.”

Navigation through branding

Another way to command attention in a crowded and highly diverse category is through pure brand equity. Put simply, if you’re a Baileys or a Jägermeister, your name guarantees shelf space.

For Brown-Forman’s marketing director global travel retail, Tim Young, branding is crucial. “We are marketing Chambord and Tuaca as brands. This is because consumers are choosing brands and not categories.” Giving the brands a personality is the catalyst to developing long lasting relationships with the consumers.

Meanwhile, Kathelijne Baaui, white spirits director at Diageo GTME, attributes Baileys’ continued success – it remains the number one liqueur brand in travel retail [IWSR] – to never allowing the franchise to stand still. “Innovation has been particularly important in driving growth,” she says, adding that the newly redesigned Baileys bottle and recent Chocolat Luxe variant [pictured left] have “reaffirmed” the brand’s position in travel retail. “It’s a core premium brand for us and we believe we can continue to grow within travel retail through innovation and engaging retail activations.”

Patrón Spirits’ range of liqueurs offers a different type of equity, effectively piggybacking on the mother brand’s global success. “First and foremost we are a



Image: ©Shutterstock / bogelanhoda

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you can change the flavour of or add different colours to,” he says. “We had to preserve the DNA of the product.” The answer was to marry Disaronno to a blended malt Scotch whisky from the Highlands and Speyside, in barrels previously used to mature Marsala reserve wines for more than 12 years.

You could argue a similar case for Jägermeister, now the eighth largest premium spirits brand and the top liqueur [Impact International]. But the brand has developed one litre bottles of Jägermeister Spice for travel retail, its first ever line extension and only available for a limited time. Vogt says it is vital to maintain the quality of packaging and ancillary materials (shot glasses, hip flasks, pourers and so on) to preserve the brand’s image.

Bénédictine too keeps things fresh with limited edition products for key customers, the most recent being GTR exclusive Bénédictine 1868 Gold Medal, launched in time for Chinese New Year 2015 and a blend of the liqueur with cognac. Jouhaud sums this up as “allowing us to offer both retailers and consumers a rare and intriguing version of Bénédictine, beautifully presented for gifting, and retailing at a higher price point than the core brand.”

Other tactics designed to boost brands’ presence in travel retail mirror those employed by other spirits categories – most notably sampling and other in-store consumer activations. But, with a sector as diverse and complex as liqueurs, education is also vital, and not just for consumers.

“Education of the salesperson is very important because they are the first contact person at the point of sale,” says Vogt, adding that visibility in-store is “the second pillar” in travel retail.

And does it work? Are retailers receptive to the charms of liqueur brands in travel retail? “I believe that most buyers are in tune and understand the specifics of the respective categories that they manage, and to date we have encountered no issues in laying out and communicating our strategy for our liqueur portfolio,” says Kilmartin.

“Does this mean that we have been 100% successful in delivery and execution every time? Of course not, but we are working with all involved to continually ensure correct category management on-shelf positioning, visibility, brand communication, trial and purchase.”

Educating consumers themselves is also valuable – especially when many liqueur purchases are destined for cocktails. Young uses Chambord as an example: “There is a high chance that a shopper in an airport will have seen Chambord in a bar, but they probably will not know how to drink it. We believe that travel retail offers an excellent opportunity to educate consumers on how to make great drinks with Chambord at home or on vacation.” This offers a great incremental purchase opportunity, he says. “For example if a shopper likes the French Martini they are sampling the chances are they will purchase the Chambord and Finlandia Vodka to make it.”

For Howley, opportunity also lies in the experiential mindset of travel retail shoppers. “Many consumers in airports have time to experiment,

explore and indulge in shopping for self or as presents, and they look for distinctive proposals and sizes,” he points out.

“They may not have thought of buying a liqueur or may never have tried a specific brand, but we can appeal to them by offering perhaps smaller sizes, mixed packs and gift ideas such as mini cocktail kits or collector’s editions.”

It’s an approach which, in its diversity, flexibility and versatility, mirrors the rainbow colours of the liqueurs category itself. **F**

Local hero

Anyone care to guess the best-selling spirits sku in Singapore’s Changi Airport? No, it’s not Johnnie Walker, Hennessy or Absolut, but a herbal liqueur made using 27 different plants and originating in 19th century Normandy: Bénédictine.

The success of the Bacardi-owned brand shows the regional popularity many liqueur brands enjoy, with Bénédictine in this case building on its historic strength in the domestic markets of Singapore and Malaysia. Maintaining that high profile is hard work, necessitating a plethora of fresh initiatives to ensure there is enough “new news” to keep the brand at the front of consumers’ minds.

“We support our retail partners by offering them limited editions on a regular basis, enhanced by highly impactful in-store experiential activity,” reports Philippe Jouhaud, Bénédictine’s sales and marketing director. “This strong presence in these key airports helps us to build better distribution and visibility across APAC for the brand and is a great endorsement of the strategic importance of travel retail and its impact in helping grow the brand in all markets.”

That means “highly visual and multi-sensory” activations at point of purchase, trained ambassadors and, last but certainly not least, a range of serves, the latest being the Dom Cocktail – a blend of Bénédictine and Champagne or sparkling wine – and a hot serve of Bénédictine with rose tea.





Little luxury

Dynamic Chinese economic growth may not be what it once was and good times for Russian consumers now seem like an increasingly distant memory. But despite these global financial wobbles, the demand for luxury spending by wealthy consumers continues to shine. But does this translate to the children's market in travel retail? *David Craik* investigates

At the tail-end of last year the 13th edition of the Bain Luxury Study, produced by Bain & Co, revealed that the overall luxury market shot past €850 billion in 2014 [+7% year on year]. Personal luxury goods, such as perfumes, clothes and accessories, raced towards €223 billion, a figure which has, according to Bain, has trebled in the last 20 years.

Japanese and American consumers historically led the way. The Chinese were also prominent, despite luxury spending in the country showing a negative trend for the first time. The sector shrunk by -1% at constant exchange rates, partly due to greater controls on luxury spending, particularly gifting. Changing consumer patterns also had an impact as younger, more accessible brands ramped up their game.

When the Chinese consumer did splash out, it is interesting to see that

they spent three times more abroad than they did at home. This finding built on previous studies that revealed an army of 'globe shoppers' who consider a visit to a store as part of their overall travel experience. According to the website Luxury Society, research from JCDecaux revealed that these shoppers preferred to do their buying in duty free stores with a huge 78% making purchases on their trips back home.

It's a given that travellers are spending cash on the latest adult perfumes and handbags. But what proportion of this market is dedicated to children's products? Is the category alerting the attentions of retailers, distributors and consumers?

Luxury brands, such as Gucci and Burberry, have developed children's ranges for some years now, with Chinese consumers pampering their children with elite brands. Indeed, Burberry notched up childrenswear

Below: Aurora's brightly coloured merchandising concept stands out in the airport travel retail space



Image: ©Aurora World

revenues of £79 million in its 2013/14 financial year – 4% of total sales. In 2013, Prince George's birth sparked a rise in luxury babywear spending in the UK.

According to marketing intelligence specialist Key Note, sales of childrenswear in the UK, which have grown by around 16.9% in recent years, have been boosted by the demand for more fashionable designer clothing for children. But is this demand for luxury children goods making similar paths in travel retail?

Garry Stoner, travel sales manager at plush toy maker Aurora World, is adamant that the category is. "If an operator takes the category seriously then excellent sales can be derived from the kids' category," he says. "Kids are consumers in their own right, plus of course there is a strong gifting element through adults. We see many operators successfully selling kids' products by creating an interesting and stimulating toy environment through creative merchandising, product assortment, colour, promotion and interactivity."

The group has 1,000-plus skus in total, with a smaller 'classic assortment' collection used for its travel retail offer. Typical retail price points for its range of Aurora toys are €10-40. As Stoner says they are not "premium in the sense of high price points, but Aurora toys are certainly

considered a premium brand in terms of design and quality of fabrics."

The products are sold in approximately 500 travel retail windows at airports, ferries and cruise lines covering the EU, Middle East, Latin America and Asia. Operators include Qatar Duty Free and Aelia UK. The number is expected to grow over the next two years to around 600.

Stoner is confident that demand for luxury kids goods is set to increase. "Over the last three to four years we have seen some excellent growth. We have not seen anything to make us feel the growth will not continue," he says.

"This is partly fuelled by a determination from many operators to ensure the kids' category is placed higher on the agenda than in previous years. Kids' products can, if resourced correctly, provide a significant revenue stream, purely incremental to the more traditional travel retail items such as liquor and tobacco."

Aurora's own future plans include "taking our tried and tested travel retail business formulas into new locations. We are currently in negotiations with a number of new clients".

Stoner adds: "We are discussing new listings with a number of large travel retail operators. In terms of opening our own stores or pop-up stores we certainly can't rule this out."

A retailer view

Frédérique Nogues, communications manager at Aelia, part of LS travel retail, feels its children's products segment is mostly focused on toys.

"The toys corner is usually in big stores, between alcohol and perfumes. The range is meaningful as there are two types of main customers. These are the parents travelling with their children who buy tranquillity on the plane by getting some toys for their children, and the frequent travellers who bring something back home to their child," she says.

"It is important, especially in travel retail, to find the maximum offer

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Candy Cloud

CHILDREN'S MARKET



Above : The Loop at T1 Dublin Airport has introduced a unique confectionery concept, Candy Cloud

in one place," Nogues continues. "Toys are not something parents think about when they look for perfumes, alcohol or tobacco. But when they see the corner, they think it comes in handy."

Although important, she says the children category is "going slowly". "It is not a core business but toys are very creative and innovative".

Regarding other luxury brands or products though, there is negativity. "We have tried with luxurious brands to add products for kids within adult sections, such as Burberry, but it appeared it didn't work. So we didn't follow up."

It's a fascinating comment. As a result, *Frontier* contacted Burberry and Christian Dior for comment but received no response.

However, French luxury jewellery group Kidou did launch a children's travel retail product range back in the noughties. At that time, company director Eric Lemoine said the move was driven by a growing market for luxury children's products and could fill a gap.

Sarah Seigneur of Kidou's current owner, Gay Frères, says: "We don't sell at airports at the moment. Since Eric left five years ago things changed. We no longer have a travel retail line. We have a high positioning for our products because our clients around the world are looking for high quality jewels. They are aimed at people with a high purchasing power and who want the best for their children."

A source close to Kidou's children's travel launch told *Frontier*: "It's funny. I was in a duty free store recently operated by one of the big guys and I thought it's always the same setting – perfume, alcohol, electronic gadgets, tobacco and the same brands. Kidou tried to be disruptive by proposing some luxury items in airport for kids. In some places it performed great, in some others it didn't. But mainly, it wasn't something huge."

Last April, children's fashion store Paper Plane Kids in Fashion opened at St Petersburg's Pulkovo International Airport. Its product assortment included luxury lines. The store was operated by Nuance/Lenrianta with the concept developed by French distributor ALD International. General director Mohamed Snoussi said at the time that Paper Plane "addressed a gap in the travel retail market. No-one is offering a luxury multi-brand kids' wear store concept." He said it was "high time" that travel retail mirrored the high street in tapping into the potential of luxury kids' clothing.

Almost one year on, however, Snoussi simply tells *Frontier*: [the] "St Petersburg project is closed; the Paper Plane project is pending." A spokesperson for Dufry, the retailer which recently acquired Nuance, did not comment.

Elsewhere, Heathrow Airport told *Frontier* "we haven't seen a growth or demand for this market at all". Confectionery company Fazer,

meanwhile, said it did not see "huge potential" in the sector.

It's quite the paradox. Growth has been seen in luxury spending, including in children's products on the high street, but very little, if anything, has registered in travel retail. Concepts have been tried and found wanting.

Yet Aurora World is performing well in the toys category with clever promotional and merchandising strategies. The brand is convinced there is a travel retail market for luxury kids' products. Surely there must be opportunities out there for retailers brave enough to make the move? **[E]**

Candied dreams at Dublin T1

Delve into the retail heart of Dublin Airport today and you will discover something tantalising and truly delectable: Candy Cloud [pictured above]. Part of a dramatic new walkthrough retail space at T1, retail operator Aer Rianta International [ARI] has delivered a new confectionery concept store. ARI has set its sights firmly on unlocking gift spending among travelling children, believing in 'wrapping categories in concepts that tell stories rather than putting products on shelves'. Playful promotional characters figure prominently, with an entertaining 'Magic Hollow' zone is allowing children to play within an enchanted forest-themed area. An M&M's hot air balloon handcrafted from wicker features prominently at the front of the store. Children, their parents, and confectionery lovers alike will be able to choose from over 180 types of sweet delights from marshmallows and lollipops to boiled candies and popcorn. Those with adventurous tastebuds can sample some interesting new popcorn flavours, such as white chocolate and milk, coconut caramel, tasty cheese, sweet salt and sweet chilli. Exclusive Candy Cloud stationery complements the confectionery assortment, alongside soft and branded toys.

F BUYERS' FORUM

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Frontier magazine invites three senior buyers to assess products that are now available to the duty free shopper. The buyers are drawn from different sectors of the industry and the panel changes every three issues. This month's judges are:

Aoifa Williams *Category Manager, Gate Retail Onboard*



Aoifa Williams has been a buyer for almost 10 years, and has previously bought for companies including The Disney Store, Tesco and Dunnes Stores. She was introduced to the world of travel retail when she joined Gate Retail Onboard three years ago to be part of the easyJet category management team. In this time she has bought everything from fashion accessories and gadgets to toys and beverages. Recently Aoifa has joined the new business, product and supply chain team and has been managing strategic projects across the group with a primary focus on beverages.

LAST MONTH'S



Pretzel Pete
Pretzel Budz



Georgia Köhnik *Strategic Assortment Manager, Gebr. Heinemann*



Georgia Köhnik joined Gebr. Heinemann in 2011 as a buyer for luxury brands in the fragrances and cosmetics department. In 2012 she was appointed strategic assortment manager. Her responsibilities include defining assortments that meet international passenger demands in various channels such as airports, airlines, cruise liners and border shops in over 100 countries and monitoring the development of established brands. Gebr. Heinemann offers a huge international brand portfolio in the liquor, tobacco, confectionery, fragrances and cosmetics, textiles and accessories categories.

Jim Pearce *General Manager, Peace Bridge Duty Free*



Jim Pearce has been with Peace Bridge Duty Free [PBDF] for 24 of the company's 28 years. Throughout that time he has been a part of PBDF's growth into a respected premium duty free location, and was appointed secretary treasurer officer in 2008 and general manager in 2012. Previously Pearce held roles in the corporate finance sector, retail analysis and operations and as a manager of Hamilton. Pearce continues to be a long-term member of the Board of Directors for the Frontier Duty Free Association that represents the interests of the Canadian land/border retail industry.

SCORING SYSTEM

The judges award each product up to ten points in each of the categories: quality, price, packaging, innovation and sales potential. Points are awarded on these lines:

1-2	Poor
3-4	Below average
5-6	Average
7-8	Good
9-10	Excellent

HOW TO ENTER

If you have a product which you think would be suitable for inclusion in the Buyers' Forum or would like to reply to the points raised, contact luke.barras-hill@frontiermagazine.co.uk or call +44 20 8253 8394.



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Tangle Teezer

Compact Styler, €15

PRODUCT INFO

STATUS Exclusive to travel retail
TARGET All hair types
CONCEPT An innovative detangling hairbrush, Tangle Teezer has taken the beauty world by storm. Its specially designed bristles detangle, smooth and add shine to the hair's cuticles, therefore reducing breakage and frizz. The brush can be used on all hair types, wet or dry, and comes in an eye-catching range of colours. This travel retail exclusive version comes in four colourways.

LAUNCH Available now
CONTACT Abi Bright
EMAIL abi@travelretailsolutions.com

JUDGES' VERDICT

WILLIAMS

This is a fantastic travel product that is suitable for both kids and adults as it works on most hair types. The price point ensures it covers both the impulse and gifting market giving it excellent sales potential. Eye-catching colours and designs make this product fashionable as well as functional. Light and compact, it is the perfect travel companion.

QUALITY	9
PRICE	10
PACKAGING	10
INNOVATION	9
SALES/POTENTIAL	10

KÖHNK

The Tangle Teezer Compact Styler is very innovative and is a good size to be popped into a handbag. It reboots hair in seconds and perfectly detangles dry or wet hair, pain-free. The removable cover to protect the teeth is very useful to keep it clean. The packaging is perfect as you can see the product inside. The foldable hook allows for a nice presentation on a free standing unit but also in baskets for impulse purchases, or for storage in airline trolleys.

QUALITY	9
PRICE	9
PACKAGING	10
INNOVATION	10
SALES/POTENTIAL	9

PEARCE

A great innovation that will be extremely popular with the masses, making it a hot seller. Many things were well thought out in the creation of the product from the palm-size, allowing for ease of use, to the design of the teeth. We could see the consumer purchasing a few to conveniently keep in various places, at work, in the car or at the gym. If merchandised in a few areas of the store, it would be an easy incremental sale.

QUALITY	9
PRICE	10
PACKAGING	8
INNOVATION	10
SALES/POTENTIAL	10

Total Marks out of 150 = 142



Estella Bartlett

Phoebe Seed Bead Friendship Bracelet, €15

PRODUCT INFO

STATUS Available in domestic and travel retail channels
TARGET Fashionable women
CONCEPT An adjustable friendship bracelet made from beautifully coloured Japanese seed beads with a rose gold plated star charm. Each bracelet comes in cloud-shaped packaging with space for an individual message.
LAUNCH Spring/Summer 2015
CONTACT Alison Fishwick
EMAIL alison@estellabartlett.co.uk

JUDGES' VERDICT

WILLIAMS	KÖHNK	PEARCE
This pretty, feminine bracelet is great for the fashionable, trend-led traveller. Its innovative packaging makes it highly giftable as well as the perfect size for travel retail. The attractive price offers a great entry price for a fashion category and encourages impulse purchasing.	This bracelet is very playful with the coloured seed beads and star charm. It is a perfect gift for others but also an impulse purchase for yourself. The price is appropriate and packaging is small and compact – perfect for airline retail. The sales potential is excellent.	It is good timing for this bracelet's entry into our regional market as we continue to ride this popular style wave. The design with the gold plated rose charm is very nicely done and has a delicate look. The inspiring messages are also popular. Potentially an easy, good seller.
QUALITY 8	QUALITY 7	QUALITY 9
PRICE 9	PRICE 9	PRICE 10
PACKAGING 10	PACKAGING 9	PACKAGING 8
INNOVATION 8	INNOVATION 7	INNOVATION 9
SALES/POTENTIAL 9	SALES/POTENTIAL 9	SALES/POTENTIAL 9

Total Marks out of 150 = 130

Guylian

66g Assorted Luxury Chocolate Tasting, US\$7

PRODUCT INFO

STATUS New to travel retail
TARGET Consumers worldwide
CONCEPT Each box contains five different flavours of Guylian's famous seahorse-shaped chocolates: vanilla, caramel, crunchy biscuit, milk truffle and praline. Ideal for sharing, the selection is perfect for the gifting market
LAUNCH June 2015
CONTACT Steven Candries
EMAIL steven.candries@guylian.be

JUDGES' VERDICT

WILLIAMS	KÖHNK	PEARCE
These Belgian chocolates are a great idea for consumption and sharing onboard, as well as for gifting at an affordable price point. They offer the perfect assortment of flavours in one box to cater for all chocolate lovers. Packaging is slim and lightweight, while keeping the chocolates inside well packaged.	Guylian is well known for delicate Belgian chocolate of the highest quality. The cute sea horse is the emblem of the brand and has a high recognition value. The assortment of seven chocolates with five different flavours is good for trying individually or sharing with others.	This is a great extension to Guylian's travel retail listing – the size and assortment will be perfect for consumers looking for a gift. After trying the great flavours, we can also see consumers returning for a larger sized box of their favourite flavour.
QUALITY 8	QUALITY 7	QUALITY 9
PRICE 8	PRICE 8	PRICE 10
PACKAGING 9	PACKAGING 9	PACKAGING 9
INNOVATION 9	INNOVATION 9	INNOVATION 8
SALES/POTENTIAL 8	SALES/POTENTIAL 8	SALES/POTENTIAL 10

Total Marks out of 150 = 129



WELCOME TO ANOTHER CLASS



Swiss Eyewear Group

Invu Ultra Polarized B2513b Ladies Sunglasses, €47

PRODUCT INFO

STATUS New to travel retail
TARGET Stylish female travellers aged 18+
CONCEPT These ultra polarised lenses are housed in eye-catching tortoiseshell frames with gold metal branding at the hinges. The sunglasses block glare and UV rays and the fashionable cat eye shape has been designed to suit all faces.
LAUNCH Available now
CONTACT Rebecca Harwood Lincoln
EMAIL travelretail@swisseg.com

JUDGES' VERDICT

WILLIAMS	KÖHNK	PEARCE
Good quality, stylish and lightweight, these polarised sunglasses include features such as UV blockers and scratch resistant lenses. They target the younger demographic in terms of visual appeal and purchase price. I feel the box is a bit too big for airline sales, but would do well in airport stores.	The Invu Ultra Polarised sunglasses definitely have an excellent price/performance ratio. I see good sales potential for airlines. The price point and the product performance is attractive. It is a good idea to have a special logo in the protective cover to test the glasses.	Very attractive sunglasses targeted at the fashion conscious at a great price point. The messaging in Invu's marketing ties the product to an exciting, active lifestyle. This is a quality positioning and will have very good to great sales potential.
QUALITY 9	QUALITY 8	QUALITY 9
PRICE 8	PRICE 8	PRICE 10
PACKAGING 6	PACKAGING 8	PACKAGING 9
INNOVATION 8	INNOVATION 6	INNOVATION 8
SALES/POTENTIAL 8	SALES/POTENTIAL 7	SALES/POTENTIAL 9

Total Marks out of 150 = 121

Ógra Skincare

Organic Irish Peat Skincare Duo, €66

PRODUCT INFO

STATUS New to travel retail
TARGET Beauty-conscious women aged 35+
CONCEPT A gift set of two anti-ageing skincare products made from 100% organic Irish peat. The moisturiser and face mask have been designed to reduce the signs of ageing and replicate the skin's youthful glow.
LAUNCH Available now
CONTACT Andy Butcher
EMAIL andy@redzero7.com

JUDGES' VERDICT

WILLIAMS	KÖHNK	PEARCE
This product is both unique and innovative. The moisturiser absorbed into the skin well and although the black colour of the mask was daunting, my skin did appear brighter afterwards. The smart and compact packaging would work both onboard and in airport stores.	The Ogra peat line is very innovative. The mask is unscented, has a lovely cooling effect and is good for problem skin. The lack of publicity of the brand outside Ireland will make entry into the international travel retail market difficult. Beauty consultant support will be essential.	A very innovative concept which has a great backstory, creating curiosity from new consumers. This will assist in creating its own loyal customer base. The rich, bold colouring makes for very enticing packaging. In a crowded marketplace, this skincare will create a following.
QUALITY 8	QUALITY 8	QUALITY 10
PRICE 6	PRICE 6	PRICE 9
PACKAGING 7	PACKAGING 7	PACKAGING 9
INNOVATION 9	INNOVATION 9	INNOVATION 10
SALES/POTENTIAL 6	SALES/POTENTIAL 6	SALES/POTENTIAL 8

Total Marks out of 150 = 118



OF DUTY FREE



WORTH FLYING FOR



QATAR DUTY FREE

F360 BUSINESS

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Capturing the butterfly

On October 1 2013, Autogrill S.p.A CEO Gianmario Tondato stood firmly on the podium of World Duty Free Group history, declaring boldly that “the butterfly of duty free is ready to fly on its own”. Those feted words duly sealed the proportional partial demerger of World Duty Free S.p.A from Autogrill. A mere one year and six months on and the ‘butterfly’ has been captured. The Dufry Group has entered into a ‘binding agreement’ with Edizione – the shareowner of the Benetton family’s controlling stake in the World Duty Free [WDF] business – for 50.1% of the share capital of World Duty Free. The transaction is valued at €1.3bn at a price of €10.25 per share. Rumours of a deal had been in the offing for some months, and while some may not be surprised by the move, they might be with the timing, coming so close on the coattails of the US\$1.7bn Nuance acquisition in June 2014. What also of reported suitors Lotte Duty Free and Lagardère Group? A question that will surely be answered in time. For now, what is clear is the industry is once again witnessing a seismic shift in the global travel retailer landscape of power. As one of the first to pick up the news, a source close to the matter told me that the deal is worth more than thirteen times the EBITDA of World Duty Free. Putting that into perspective, the Nuance deal was approximately ten times its EBITDA. The total WDF deal is valued at €3.6 billion. Huge margins. The Nuance propelled Dufry to a 15% share of the global duty free and travel retail market share. On a pro forma basis, turnover for the newly combined entity would have totalled US\$8.1 billion based on 2014 figures, equating to approximately 24% of the global airport market share. Equity will finance the deal, adding a further layer of intrigue into an investment vehicle increasingly being utilised by travel retailers, an issue which *Frontier* explored extensively in the March edition.

The last few weeks in general have spelled an incredibly busy time for the travel retail trade. ATÜ Duty Free marked its first entry into the North American markets, securing an impressive 10-year contract to operate duty free space at George Bush Intercontinental Airport in Houston, Texas, and Aer Rianta International announced an executive restructure, in a move likely linked to its expanding global operations (see this month’s *Frontier* Interview for further insight from CEO Jack MacGowan).

Elsewhere, Gebr. Heinemann’s acquisition of a 60% share in Schiphol Airport Retail at Amsterdam Airport is a robust move given Schiphol’s position as one of the most important global traffic hubs. However, business buzz has tragically been tempered by the news of another air disaster. The downing of Lufthansa’s low-cost Germanwings Airbus A320 in the French Alps left the world in shock as 150 people, including school pupils, lost their lives. One contact in the industry turned to me shortly after the disaster and asked: is air travel becoming more dangerous? Surely the term ‘dangerous’ is a misnomer, with the likes of ACI and IATA consistently pointing to ever increasing global passenger numbers. But the mere thought of the question being asked leaves a somewhat sour taste in my mouth. Despite this being the fourth major aviation incident in the last 12 months, it is surely wrong to assume tragedies of this nature are becoming more commonplace in today’s age where modern safeguards and rigorous security procedures are the norm. It is times like these that remind us all of the preciousness of time and life. My heartfelt condolences go out to friends and family of those involved.

In other news, this month, I will be attending the ACI Europe Airport Commercial and Retail Conference and Exhibition in Milan. I’d love to hear from you all – whether you’re an operator, retailer or supplier – on how you’re working together to improve commercial revenues as a collective. Until then, enjoy the issue.



Luke Barras-Hill
Business & Finance Editor

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