



TFWA President Erik Juul-Mortensen charted the progress of the DF&TR industry from 1984 through to 2014 at the industry's 30th anniversary conference today.

He also asked some searching questions on challenges that still remain, including low penetration and conversion levels in the shops and whether the industry today is actually falling behind its domestic counterparts in some respects.

In relaxed and occasionally amusing fashion, Juul-Mortensen took the audience on a journey back in time to TFWA's beginning in 1984, marking the progress of the duty free & travel retail industry from those early days to the present.

He also reflected thoughtfully on the industry's resilience in facing past challenges head on and the strong platform this has created for the industry looking forward.

After three decades, where he has been involved in every single year, Juul-Mortensen said it was testimony to the success of the TFWA event that there are actually 6,000 visitors expected at the exhibition this year.

He looked back to 1984 when Ronald Reagan was still President of the United States and Margaret Thatcher was UK Prime Minister and a certain Michail Gorbachev was only just emerging in the USSR.

He said that the duty free industry was worth just \$6bn back then just 10% of what it is now while he also showed some archive photographic memorabilia of days gone by, shops and other pictures over three decades duty free and travel retail.



30 YEARS OF CHANGE

Interestingly, he also picked out a few facts to show just how big some changes have been. For example, in China in 1985 the average annual income was less than \$300 and 76% of the population lived in the countryside.

Today, 47% of the population lives outside of the major cities and in 2013 the average annual salary was equivalent to \$8,000. But having said, he also made the very valid point that while the balance of economic power may have shifted from the west to the east, the gap between the haves and the have-nots has been widening.

While thanking Yngve Bia of Generation Research for helping everyone to understand the size and shape of the industry over many years, Juul-Mortensen also went through a roll call of those operators who have stood the test of time. This was an era where he rightly said that most retailers sold on price, or offered unique items that could not be found in domestic shops.

The big turning point came in 1997 when the BAA was privatised and commercial revenue became a major focus, bringing High Street retailers into the airports in a major way. These retail management were truly retail managers, he said. Others also responded, with Amsterdam Schiphol creating its famous See Buy Fly brand and other retailers, including DFS and DDF worked very hard on their images and brand building.

He said while the shops we have today are very luxurious, not everything has been rosy along the way and he pointed to the Asia economic crisis in 1997, the Gulf wars, SARS, the abolition of intra-EU duty free and the tragic natural disasters, including of course, 9/11 which became the only year when air travel went into negative growth.

Having said that he said the Middle East has now seen tremendous growth and this is only going to continue led by Dubai International Airport. The development in Asia has also been incredible and he picked out China Duty Free's huge Haitang Bay downtown store as just one example.

While the business has grown to \$60bn in 2013, the Chinese alone spent \$129bn on travelling abroad in the same year, accounting for around 11% of all spending in retail channels. Volume sales have also grown in all regions, although Asia has stolen market share from them at the same time, with the good news nevertheless that all categories have demonstrated sales growth in absolute terms.



Juul-Mortensen shows some pictures of past Executive Committee members.

TFWA Conference Part 1 today

Reflecting on how TFWA started, Juul-Mortensen said that despite the stiff learning curve, TFWA remained true to its principles and the status and credibility of the event has since grown to levels not even the founders and original supporters ever expected. He pointed to the top level speakers that the event has attracted in the past and still engages today, as well as the TFWA CARE initiative which seeks to help those less fortunate than ourselves in several guises.

The Singapore and MEADFA shows have also flourished and in just six months TFWA will be holding its second China Conference in Shanghai. In addition the Duty Free World Council is now up and running and in position to protect the industry and he believes this will be a key body to help those who need to understand the value of the DF&TR industry, its policies and the overall importance in the future.

Challenges ahead remain with LAGS, while tobacco remains under scrutiny with further government regulations on packaging and the ever-present threats in both India and Australia recently. Juul-Mortensen added that the global economic scenario is also still of concern, alongside the weak Eurozone and the fragile economic recovery in the US.

The move away from conspicuous consumption also means that the Chinese and Russians are not spending anything like they were in 2013. Penetration and conversion is still a problem while there is also a danger that the business could be seen to be offering luxury only to the few while disenfranchising a huge middle market unless it evens out its price points in some examples.

While air traffic demand in all regions is picking up, this penetration problem persists and Juul-Mortensen suggested that a move towards more universally acceptable price levels could yield dividends. The industry also needs to adapt much better to the mobile world and acknowledge that technology has moved on faster than the DF&TR industry has. In this respect, he warned that the foundations of the DF&TR business model are not as strong as they used to be.

He concluded that the third challenge is the business model itself with examples of landlord expectations becoming so great that this just ends up leading to poor offers, at which point the expectations of landlord become so great that they lead to poor retail offers where brands can no longer afford to invest in new products.

Finally, he said that after 30 years the industry has grown ten fold to \$60bn, so might it even be possible to grow it by ten times again to \$600bn by 2044? On that very positive note he wished everyone a good show.

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