This week’s MEDFA conference attracted a record-breaking and highly attentive 500 delegates on the first day at Dubai’s Jumeirah Creekside Hotel where presentations were lively.

Coordinated by the Middle East Duty Free Association (MEDFA) and TFWA, the two conference organisers said at the outset that they had decided to broaden their horizons beyond the region’s natural borders with a special focus on the importance of Asia; the growth of Indian and Chinese travellers in the region; innovative ways to engage customers; the business in Africa, both north and south; and new ways to reach customers.

The attendance level at 500 certainly did not disappoint, compared with the previous record of 470 last year (+38% on 338 in 2010).

The first day’s proceedings began after a brief introduction by the event’s moderators – Dermot Davitt, Executive Director – Deputy Publisher, The Moodie Report and John Sutcliffe, Consultant Director, Aer Rianta International Middle East. This was then followed by a 10-minute welcome and opening speech from John Sime, MEDFA President & Vice President Retail Services, Emirates Airline.

Sime said the region’s sales totalled $3.3bn last year, up 14%, representing 7% of global sales and he said it is clearly punching above its weight. He noted the airport capacity increases at Dubai, Abu Dhabi and other airports as setting the pace for the future and explained that MEDFA is now looking to increase its geographical reach in terms of membership, while it has also formalised its relationship with Middle East Exclusive (MEE).
At this point he encouraged everyone to support this exhibition, which is taking place this week at the Dubai World Trade Centre, complete with 100 exhibitors. Sime described the Middle East as a fast-growing power house region within the duty free business, which is investing hugely in infrastructure to cope with its remarkable growth.
Duty free sales are growing faster in the Middle East than anywhere else in the world he said, with the region committed to the duty free concept and he cited these as just two of several reasons why the region needs the aforementioned exhibition. He then thanked all of the sponsors and the audience and was followed by an excellent keynote address from Paul Griffiths, CEO of Dubai Airports.

Griffiths gave a very stimulating address on how he feels retailing will change in future and how the industry needs to embrace new technology and new ways of working. He said that Concourse A is the next expansion phase planned at Dubai International Airport which opens next year as a dedicated A380 facility. This is timely, said Griffiths and especially as the world looks as though it can expect an average traffic increase of 5% over the next five years to some 3.3bn air travellers. He added that more than $200bn has been invested in 1,000 aircraft since 2005 and over $110bn remains allocated for investment in airports.

He said traffic specifically in the Middle East is expected to increase by around 6.4% on average in the next 20 years against an annual average of around 5% for the rest of the world and all of this is important, with the airports and transport infrastructure – including airlines – generating some $22bn, or 28% of GDP, plus 250,000 jobs in Dubai.

COMMERCIAL SERVICES

While 46.5% of global airport revenues are estimated to be generated by commercial services, Griffiths says Dubai Airport is actually relying on the growth of retail for its future welfare. Having said this he referred to some past airport managers as ‘pretty awful people’ whose focus was very much internal and inward looking, with no great pressure on them to perform leading to poor customer service for passengers.

But thankfully he said things are changing and he said the industry now has to redefine the role of the airport to be a facilitator of excellence and performance and the industry really needs to understand the
MEDFA conference attracts record 500 delegates

airport’s role in the supply chain and to think differently. In fact, Griffiths suggested that the entire aviation industry is going to have to think very differently in future and he freely admitted he doesn’t have all the answers...

One suggestion is that the industry should clear the way to allow brands to take centre stage and use all of their brand messaging to both the airport and brandowners’ advantages – particularly considering that the global advertising spend by all brands is forecast to hit 501bn in 2012.

Griffiths cited some examples where Dubai Airport has already embraced innovation, such as the Heineken bar which has opened to great acclaim, plus partnerships such as the JTI Smoking Lounge and Starbucks that have been received really well. The airport has also worked with brands like Motorola where the brand has experienced a 40% sales increase following its poster wall campaign.

Inspired by this success, he says that Concourse A will now have some pretty revolutionary ideas with experiences which are worthy of the best malls in the world.

US$7.8BN EARMARKED FOR DUBAI AIRPORT DEVELOPMENT

Some $7.8bn has been earmarked for airport development, he says, with 60% more aircraft stands by 2015; 675,000sq m of additional passenger facility floor space, plus 30,000sq m of additional cargo processing. In January, Concourse A will represent the world’s first truly concentric airport facility, comprising 20 gates designed to handle A380 aircraft.

Passenger handling capacity at Dubai Airport will effectively increase to 75m by the first quarter of 2013 and this will be followed by the opening of Concourse D in 2017 which will take passenger capacity to another level with an additional 18m passengers. Just for good measure, Terminal 2 is also being expanded by 50% and this is without even talking about the largest airport in the world at Dubai World Central.

But even with all this talk of the biggest here and there, Griffiths says he would rather preserve good quality customer service and be known as the best airport in the world rather than just the largest.

Griffiths says Dubai wants to reach the point of efficiency where gate numbers are actually allocated on customers’ air tickets so they know exactly where to go when they check in. To achieve this will allow the airport to completely redesign the customer experience and redistribute the retail for greater efficiency and relevance to the various types and groups of passengers. Here he says the size and scale of the opportunity is huge.
He says airports will be all about product showcasing and Dubai Central may provide a glimpse of this new future and Griffiths is convinced that consumer purchasing habits are changing faster than they ever have historically.

SMART PHONE SHOPPING

He gave the example of the music industry as very good example where people now buy their music digitally and he said that Smart phone shopping will also obviously increase substantially in future.

In his four predictions for the industry, Griffiths said: (1) The future emphasis will be on showcasing global brands; (2) The changing face of fulfilment will become an external commodity and fulfilment will delink from travel retail; (3) Global travel retail will become a global value proposition; (4) Industry consolidation is inevitable.

He said it might sound gloomy, but the smartest people in the room will see this as an opportunity and he is convinced that good times will remain for those who embrace this and he urged the audience to be bold and think differently.

Moderator Dermot Davitt then asked a few questions with Griffiths saying he is optimistic about the road to change. He said the industry has to think big because it will take some time to get the infrastructure right for the travel retail environment, but the time is now right to start thinking about it and particularly considering that airports take 15 years to design.

Interestingly, he added that none of the infrastructure changes would have been possible without the huge cash injections from Dubai Duty Free, adding that you could hardly hand the bill to an airline industry that makes little or no money.
The next presentation came from Dr Costas Verginis, Director, Consulting Real Estate & Hospitality, Deloitte & Touche, as he looked at the Middle East and its place in the global economy.

He took a look at MENA’s Economic performance with average growth of nearly 9% on the good news front, while the population is also growing which is good as this is tomorrow’s consumer base. Looking at countries around the Middle East he said that GDP growth obviously differs from country to country, although the Middle East’s contribution to overall GDP is expected to be around 8% until 2022 when it is likely to reach $300bn.

He said there are upward trends in hotels and hospitality within the UAE and more hotel guests obviously mean more passengers and more consumers for travel retail. He said positive activities today include an increase in niche tourism sports and adventure holidays; the entry of new operators; residential offerings by hotel brands; partnerships between operators and developers; aviation and transit; meetings incentives; conferencing & exhibitions (MICE); and growth in the budget segment.

He concluded that MENA tourism attractiveness is increasing and airlines are getting stronger, while passenger movements are likely to continue to increase, with key growth markets including India and China.

Verginis said that the UAE region’s countries need to develop more reasons for people to visit for tourism, although he added that yesterday’s announcement about the creation of Mohammad Bin Rash City and all that this will generate with its theme park should help to generate another 8m passengers for Dubai alone.
Africa took the next focus – both north and south – with Erik van der Veen, Regional Commercial Director EMEA & Asia Dufry, David Brenner, CEO – Tigers Eye Division of Tourvest and Paul Topping, Independent Director, Flemingo comprising a panel. This then engaged in a pan-Africa session from their respective market perspectives.

Dufry’s Erik van der Veen took the audience through a tour of Dufry’s operation in the region, explaining that it had made its debut back in 1997 in Tunisia where it now operates 19 shops at six airports. The operator also runs 10 airports and 16 shops in Morocco, three airports in Egypt, plus shops on the Ivory Coast, in Ghana and in Algeria.

Looking back, he said many tourists decided to cancel or to postpone their travel due to the unrest in Tunisia in 2011 and especially after many European countries issued travel warnings. He said Tunisia is still investing in tourism and it is now trying to attract more domestic tourists, while also agreeing to implement an open skies policy for airlines.

Van der Veen added that the growth in the Moroccan tourism industry had also been slow, although the country did take advantage of extra traffic after the Arab Spring impacted on Tunisia. He said Egypt had recorded a 37% decline on the number of tourists during 2011, as a lot of tourist attractions closed during the revolution and airport traffic was affected with many international airlines cancelling routes to Cairo. Last year was a bad one for Algeria in tourism terms.

He added that Dufry’s commercial and marketing successes are based on understanding the passengers’ needs and designing tailored actions for them and he went into some detail on the retailer communicates and promote to its customers.
Up next was David Brenner, CEO – Tigers Eye Division of Tourvest and he began by saying that South Africa has forced its way into attracting some of the developing Brics countries, with these nationalities now accounting for around 10% of the country’s tourists by air.

He says South Africa now has a good tourism profile, with around 8.3m people classified as tourists, although he pointed out that around 70% of this number come to the country by road, with a lot of migrant labourers included in the numbers. He says the true figure is probably nearer to 4m, with 1m coming through Cape Town and the majority through Johannesburg Airport.

Brenner says the disturbing fact is that while there is 2% growth, this is not growing, with the majority of visitors coming from Europe. He adds that the average tourist spends around 20% on accommodation and some 30% of all monies on shopping with males accounting for 65% of airports’ traffic, of which 40%-plus are aged 39 or over and many travelling on business.

He explained that around 48% visit the airport retail shops and some 30% actually buy something and he added that the availability of a lot goods is not always great, with 37% of prices said to be too expensive and the key reason for most not buying.

Some 35% say they have no intention of buying anything, but those who do buy better when the currency is favourable he said, with the average retail spend in Johannesburg Airport recorded at around $35. He adds that 60% of passengers are said to be bored with the mainline retail, but destination merchandise is a different proposition which is less price sensitive, differentiated, wide ranged and not fashion oriented.
TOUGH CUSTOMS ENVIRONMENT

Despite a tough customs environment, Brenner says the airport operates a buy now collect later scheme, including a number of other initiatives, which include a pre-order shop online; shopping apps; and tourism radio. He says retailers also target the lounges and there are QR (quick response) codes to educate and communicate brand and product information to customers and more of this is expected in future.

Paul Topping, Independent Director, Flemingo then took to the stage where he outline how his company views Africa in his presentation entitled, ‘Africa: The Next Frontier’. Topping said that Flemingo is only interested in the emerging markets and it is currently represented in 18 out of 54 countries in Africa.

These represent some 45 operations out of 120 in the group, with five retail formats out of 16 in the group, 545 employees and 9,000sq ft to 500sq ft shops – plus 20,000 skus. Airport shops number 18, downtown 6, port shops 6, 14 diplomatic shops and one border outlet.

Topping said that annual sales growth on a like-for-like basis is running at 20% with nine new operations opened in 2012 and the liquor category dominating the overall mix of sales. He says the company has good growth expectations with growing middle class customers, passenger growth of around 7.5% and numerous small airports increasingly gaining international status.

FLEMINGO GROUP AIM FOR US$2BN

He said the Flemingo group is aiming for sales of $2bn by 2020 and is still opening an average of four to
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five new operations a year, although it is looking to lessen its dependence on the liquor category by placing greater emphasis on other categories as well.

He said pressures in the region include rising wage costs; difficulties finding the right employees; logistics; security; changing laws; policy by governments; extreme poverty; 25m HIV cases in Sub Sahara Africa; limited infrastructures; and corruption.

Moving away from Africa, the next speaker was Donald De Souza, Director Commercial Sharjah Airport Authority and he presented a brief profile of Dubai’s neighbouring Emirate by explaining that it all began 80 years for the oldest airport in the region and in those days it took six days to fly from Croydon in the UK to Sharjah.

He said the airport is often referred to as the crossroads of the south and it has more recently seen the advent of the low-cost carrier (LCC) trend. The key turning point for the airport was the arrival of Air Arabia and life has not been the same since, said De Souza. Even though there were a fair few eyebrows raised when Sharjah took the LCC route rather than compete with its neighbours’ large legacy carriers.

AIR ARABIA

He says Air Arabia now has 31 aircraft, flying 308 sectors a week to 81 destinations around the Middle East and beyond and is projecting 7,411,325 in 2012 compared to 6.6m in 2011. De Souza says that the airport now has to cope with the fast increasing traffic and passenger profile which ranges from migrant workers to high-profile businessmen.

Sharjah is currently building a new runway and its revenue split currently stands at 40% non-aeronautical revenue, although it is aiming for 50%. De Souza says Sharjah has had a long-term partnership with the Dufry group which has worked really well for the airport, with the retailer handling all of its duty free retailing and the F&B facilities at the location.
The airport has almost doubled its traffic in recent years and De Souza says he is confident that it will remain in double-digit growth for some time now. As some of the larger airports are congested and their slots are taken up, Sharjah can take advantage of that, he says.

The next session then saw Dermot Davitt joined on a panel dealing with Shopper insights – both downtown and duty free – comprising Peter Mohn, Partner, Mind-set and Cyrille Fabre, Partner, Bain & Co, Dubai. Both looked at the behavioural patterns of shoppers with perspectives from Middle East airport experts and those engaged in downtown shopping in Dubai.

Peter Mohn began talking about his travel retail survey which will be available to all MEDFA members in future. This involved 1,042 traveller interviews at departure gates at Doha, Dubai and Bahrain airports between October-November. He said the majority of those interviewed didn't really plan to go into the duty free shops, but he revealed some interesting statistics about those that did.

He was followed by Cyrille Fabre, Partner, Bain & Co, Dubai who shared his insights on duty free shoppers in the Middle East and this was very heavy on statistics, although many of the top line figures are well documented.
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[Left: Cyrille Fabre, Partner, Bain & Co, Dubai]

Last, but not least, was the session entitled 360° communication – pre, post and during travel, with participation from Anne Kavanagh, CEO, Kavanagh Communications, Robert Thorpe, Managing Director, DC Activ and David Judge, Executive Creative Director and co-founder, Start JG.

Anne Kavanagh kicked off the session with a video which painted the scene and pointed out there are now 1bn users on Facebook and social media has become the activity on the web. She began by talking about emotions and how social media has changed everything in how we connect with brands, businesses and services.

[Left: Anne Kavanagh, CEO, Kavanagh Communications]

She said the power base has shifted forever. Social medial is the new definition of media, broadcasting news and offers and everything is becoming more personal. Users become more connected with brands as they interact and she says this is one way the industry can outperform passenger numbers in what she sees rightly as a winning formula for travel retail.

Essentially Kavanagh said that the industry needs to look at the needs of the consumer, because this is obviously the starting point. She said a recent exercise in putting five pianos around St Pancras railway station in London and just letting people play was just one example where people talked all about it about on social media, with the lesson that nice experiences like this make people much more open to shopping when they feel good – and word of mouth is priceless.

SOCIAL MEDIA TRINITY

Kavanagh believes more parties should try to work in a Trinity fashion to leverage upon relationships that the airports and brands have with the consumer and she singled out Beirut, Delhi and Singapore Changi for praise in engaging with their passengers in positive fashion using social media. Kavanagh said enthusiastically that social media interaction remains a great opportunity for brands and retailers at
Robert Thorpe MD of DC Activ the talked about using technology to improve business. He said he is constantly reading headlines that high street retailing is dead, but while he doesn’t accept this, he acknowledges there is a real need for the travel retail business to embrace new technology change.

He said thanks to technology everything will be for sale everywhere in future as the shops and the shopper emerge into one and today’s shoppers are rapidly realising that retail will revolve around them.

Show-rooming, where consumers compare prices using a smart phone, is already common place in every one out of five visitors to some shops, he said and he predicts that high streets will increasingly become try-streets where sampling and testing will blend seamlessly with education and entertainment. Retailers will become brands and brands will become retailers, he says.

UNDERSTANDING THE CUSTOMER

Customers needs have to be understood, he says and there is now a great deal of insight across channels and nationalities and this information is being used to improve customer interaction. He also believes that retailers must offer wifi free of charge throughout their stores, since the smart phone is becoming life’s remote control.
Last, but not least, David Judge, Executive Creative Director and co-founder, Start JG then took to the stage, introducing his company as the second largest design agency in the UK, built around brands interacting with consumers, using different delivery modes, including social media.

[Left: David Judge, Executive Creative Director and co-founder, Start JG]

His firm has been working with Virgin planes and trains and also helped to rebrand Dubai Airport. He also showed a video and a few examples of an adidas footwear wall developed for in-store use by the sports company aimed at finding the right sizes for people, which resulted in a huge increase in sales as virtual shoes were literally projected onto a wall.

He then took the audience through a journey of the future showing many of the touch points a customer might interact with from start to finish, before leaving the audience with a poignant comment that was hopefully taken up by many when he said there was no reason to fear this change at all: “Social media is not a black art,” he said. “It is just people communicating with each other.”