

Duty Free City to open four new stores in Texas

In an ambitious growth strategy, Duty Free City plans to open four new stores in Texas in June and another 10 on the US northern border in 2016. Charlotte Turner talked to the company in the US recently.



Duty Free City is nothing if not determined. After opening its debut and flagship store on the US-Mexican border in San Ysidro in July last year – near San Diego – the company’s CEO Philippe Dray has told *TRBusiness* that four more are due to open in Texas this year.

And they won’t stop there; at least 10 new stores are expected to open on the US-Canadian border by the end of 2016. The new stores, of which many have already been designed, will measure between 5,000 and 8,000sq ft. “They are all scalable, but they are basically scaled up or scaled down from the San Ysidro store,” Philippe Dray, CEO of Duty Free City, told *TRBusiness* in Orlando in March.

WE MUST GROW

“We must grow,” adds Dray. “Grow or die.” In order to keep prices competitive for customers Dray told *TRBusiness* that DFC needs to grow to ‘a certain size’ [before it can begin buying in bigger quantities-Ed].



Duty Free Citys CEO Philippe Dray officially opens the San Ysidro store.

But, after speaking with Dray and Sonia Acevedo, Director of Merchandising and Procurement, it is clear that DFC does not want the company’s growth plans to get in the way of their thoughtful retailing approach.

“We are trying to accomplish something that no one has done before,” says Dray. “We don’t do things like everybody else.” Both Dray and Acevedo agree that Duty Free City wants to change people’s perceptions of the ‘traditional border stores’, which have focused on savings in the liquor and tobacco category, in previous years.

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“Duty free is an opportunity to save, but at the same time you must offer a greater proposition to the customer, strive for better to create beautiful retail environments.” Dray says that many of their customers have an appetite for high-end, as demonstrated by their debut store in San Ysidro.



The Furla corner at Duty Free Citys San Ysidro store.

DUTY FREE CITY HAS STILL COMPETITION

As previously reported, DFC's San Ysidro store currently benefits from being located near the high-traffic San Ysidro port of entry where nearly 110m people cross the border every year. According to DFC, these people spend approximately \$5m dollars daily while shopping at the various retail outlets.

The opening of the San Ysidro store coincided with the much-anticipated US-Mexican border expansion project; estimated to be completed in 2016.

The 14,000sq ft retail location boasts an impressive brand portfolio, including Dolce & Gabbana, Estée Lauder, Gucci, Michael Kors, Tom Ford and Versace. Back in July 2014 DFC revealed that it has plans for over 25 locations across the US, including Mexican and Canadian borders. It said, at the time, that it would be selecting 'key cities with high income cross border traffic and key demographic population pockets with high disposable income'.

“Duty Free City will give shoppers an opportunity to make purchases closer to the border instead of travelling the 20-30 miles into San Diego,” says DFC. In San Diego, many are drawn to rival malls such as the Mall of Americas and Fashion Valley – both owned by the Simon Property Group, Inc.



Duty Free City is especially proud of its barber shop (pictured), café and additional beauty services it offers at the San Ysidro store.

STORES ON THE BRAZILIAN SIDE OF THE BORDER?

Duty Free City's strategy sees them opening four new stores in Texas as early as June this year, where their close-knit team of 75 will have to expand to staff new stores. "We will start in the northern border and then whatever opportunity that comes up in different locations, we will assess," says Dray. "We don't know yet. I want to be flexible, the company is extremely flexible."

On the subject of the potential stores on the Brazilian side of the border Dray said there was no reason to discount it. "Why not? As long as there is a saving proposition. If there was an opportunity and someone knocked on our door then maybe. We don't believe we have the right expertise right now, but in the future, why not?"

But for now, all of their energy will be spent in getting stores ready in Texas and at the northern border. Dray also reveals his goal for the San Ysidro store. "We give ourselves five years to reach our goal of making \$2,000 per square feet. We have 14,000 sq ft at the San Ysidro store. We can be dreamers. If no one dreamed of going to the moon, we would never have got there," says Dray.



Philippe Dray says he wants the stores to be as interactive as possible, offering customers the chance to test and sample products.

Dray also believes that operators in San Ysidro would benefit from working together to create a larger duty free area. "Everyone offer different propositions, all of them are very good competitors, all of them are targeting different market segments. We need more, because we are not fighting each other. It's a similar idea to having a giant mall."

"If I can get 10% of the 110m that cross the border at San Ysidro – and that's possible – I can get more than Mall of Americas, which is doing about \$2,000 per square foot with 10m customers a year."

See the full-length article in the next issue of TRBusiness.