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## One on One with Erik Juul-Mortensen: New global duty free organization under development



As Erik Juul-Mortensen embarks on his 14th year as President of Tax Free World Association, the global trade group, along with its sister trade organizations throughout the world, are considering the best way to create a standing organization to represent the interests of the international industry. The Association is also looking at ways to improve TFWA itself.

Speaking to *TMI* in Canada during the recent Frontier Duty Free Association convention, Juul-Mortensen explained that the need for a global entity was a priority mentioned by stakeholders throughout the world during the survey made by TFWA over the past months.

"More than a year ago the TFWA Management Committee decided to have a serious look at itself and take a hard look at everything that the Association does. We had an internal strategy group examine all our procedures and, at the same time, we conducted a member survey about everything we do," said Juul-Mortensen.

"The survey was quite detailed. It asked what's good, what's not good, what we should do, what we should do more of. And we asked respondents to qualify their answers," he said.

Juul-Mortensen said that the research also entailed a large number of one-on-one meetings with people from the industry: "Not only did we survey and meet with our members, but also operators, and other associations. These were people who really have an interest in the industry."

As a result of the research, the strategy group came up with three resolutions that it took to the Management Committee.

"The first resolution was really about TFWA itself," says Juul-Mortensen. "It delved into our core activities, the events, routines, and looked into adding new services to our events."

"You have seen some of these introduced already; the apps, the electronic signaling in Singapore and in Cannes, the photo library and a whole list of other things. We have a huge number of things we agreed we should do as a result of that review."

The third resolution also dealt with TFWA.

"Resolution 3 looks at the current organization and ways of operation of TFWA to secure that we have the best possible organizational structure in place to effectively deliver on the strategy and

our ambitions for the future. We believe that there is more we could and should be doing for the industry at large and it is important that we are structured effectively. As a result we will be and are looking at our organization and our ways of operation to decide whether changes are required going forward," says Juul-Mortensen.

The second resolution has a much wider scope, however. It involves the idea that the industry still needs some kind of organization that can coordinate and align issues when crisis situations hit.

"This concept came out very strongly from our members, but also from the other people we interviewed. The consensus was that this industry needs to have a body in place before issues hit us," he explains, adding that this differs from the past where the industry first tries to get together after an "attack" has started to create a response.

"Such a body could take on a number of things beyond just responding to a crisis. It could conduct research and data insight. And because it would be independent and global in scope, it could do training and set up a library, plus of course, it could coordinate and align industry activities in terms of lobbying."

Juul-Mortensen stresses that the new entity should not conduct

*Continued on page 3*

### Juul-Mortensen unanimously re-elected President of TFWA

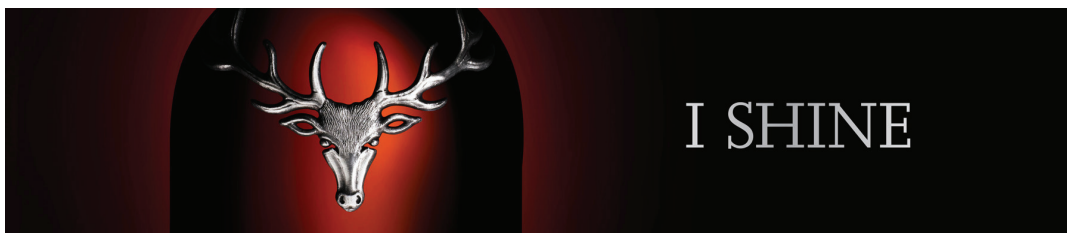
**Erik Juul-Mortensen** was unanimously re-elected president of industry association TFWA for a 14th term at the TFWA Management Committee meeting in Berlin on Friday, December 7.

Juul-Mortensen, a founder member of TFWA in 1985, has been a member of its Management Committee throughout its existence. He was elected to the Board in 1986, serving as Vice President Marketing & Communication for 10 years with a further year as VP Special Projects. He was elected President in September 1999.

Erik Juul-Mortensen comments: "2012 has been an extraordinary year for TFWA and for the duty free and travel retail industry as a whole. The strong growth through 2011 has continued this year, again led by Asia, and we can expect realistically that the final total of global sales in 2012 will be nudging US\$50 billion worldwide."

"At TFWA we have exciting plans for the coming year and I look forward to working closely with the TFWA executive team, the Board and the Management Committee to build on the successful 2012 events and to realise our ambitious plans for the next 12 months."

**Diego Arrosa** has been appointed CEO of Puerta del Sur, the company that holds the concession to manage and operate Montevideo's Carrasco airport. Arrosa was previously CEO at Duty Free Uruguay but left shortly after Dufry bought the company from Corporacion America.



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## Neutral fills GAP in the Uruguayan market and adds contracts for two new exclusive brands *by John Gallagher*

Uruguayan travel retailer Neutral opened its first domestic market operation with the official inauguration of a 700sqm GAP store in the Punta Carretas shopping mall in Montevideo on Friday. Neutral struck a deal to work with GAP on an exclusive basis in the domestic and duty free markets in Uruguay and Paraguay last year.

GAP will provide incremental business for the company and Neutral CEO Enrique Urioste and his team will continue to look for more exclusive brands. The company has already secured deals to sell BMW motor cycle clothing and related accessories, and Benetton.

"We have just completed a test market for BMW in one of our stores and we sold every item in less than 15 days; as a result we are now rolling the concept out to the rest of our border stores," says Urioste.

"We have also just signed a deal to represent Benetton clothing in the duty free business in Uruguay and we will be rolling out a selection of men's, women's and children's clothing within a short period of time."

### GAP to expand rapidly

Urioste told *Insider* during the

opening ceremony of the first GAP store on Dec. 7 that the location in Montevideo will be followed immediately by two shops-in-shops at the Neutral stores in the border towns of Chuy and Aceguá.

"The first phase of the development plan will end with a 300sqm GAP shop in the Neutral store in Rio Branco at the end of the first quarter of next year. The total investment for Neutral in the first phase of the development of the GAP brand will be just under \$8 million and this will be followed by additional openings during 2013," he said.

Urioste says that the second phase of the project will commence next year with the opening of a 200sqm GAP store in Neutral's border shop in Bella Union, followed with another downtown store in Montevideo. This 750sqm store will be located in Montevideo Shopping, one of the most important malls in the city.

In October, the company will expand the GAP brand beyond Uruguay for the first time with a downtown store in Asuncion, Paraguay.

"We will open a 750sqm store at the beginning of the 4th quarter in Shopping del Sol, one of the foremost shopping malls in the Paraguayan capital," says Urioste.



Left to right: Michael Baco, GAP Latin American Director; Julia Reynoso, US Ambassador to Uruguay; Enrique Urioste; Mario Garbarino, Executive Director of Punta Carretas Shopping.

The final phase of the GAP expansion will be in 2014 when the company opens a 750sqm store in a new mall to be built in the border town of Rivera.

Urioste adds, "During the GAP expansion program, we will open around 3,000sqm of retail space in under two years and we will have invested \$15 million once everything is up and running."

Urioste firmly believes in the synergies of the GAP business

and the duty free business on the border. "The duty free business helps the GAP business and the GAP business helps the duty free business. Having exclusive brands in your stores really helps you increase market share and we are continuing to look for similar agreements with suppliers. The GAP brand is very well known in Brazil and we know that the new shops within our stores in the border will attract more customers."



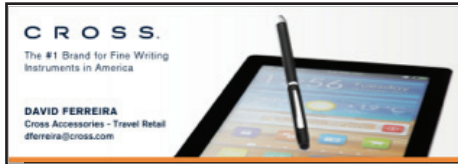
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## TRAVEL MARKETS INSIDER

### Juul-Mortensen

*Continued from page 1*

the actual lobbying, because regional organizations are in a much stronger position to work with the pertinent governments than a new global group would be:

"We believe that in Canada, for example, the FDFA is much better at doing lobbying than we would be; and in Europe ETRC is doing an amazing job of lobbying, as are the other regional organizations. So a new organization should not do such work."

The global entity would differ significantly from what is currently in place in terms of its structure, says Juul-Mortensen: "We have the Duty Free World Council now, but this is a very loose, ad hoc organization. For me, the best way to describe a new organization would be a Duty Free World Council, but one that is structured and has manpower. It would be a permanent body."

It is very important that TFWA not run the new global entity, argues Juul-Mortensen, although TFWA would be in a position to support it and help get it started.

"This should be an independent body. TFWA is an association of Suppliers and is not here to run the world. But TFWA could support such an entity. And put money behind it at the start, to make sure it gets off the ground.

"This for me is important and is also what makes it different from the World Council. It would have some of principals and duties of the council, but would have people behind it, and manpower behind it, and money behind it. This is what we are working on now."

Juul-Mortensen sees many advantages that a permanent, global, independent organization would provide the industry.

"When some crisis develops, instead of relying on one association to coordinate and prepare briefing notes and strategy papers after the fact and in addition

to their regular activities, we would have this entity -- with its manpower -- prepare it. This way we could be sure that the industry speaks with the same voice, and delivers the same message and that we are ready in time. All the associations have resources and information that they could provide so that this information can be prepared."

The TFWA Management Committee agreed to go forward with planning a global organization at its meeting in Milan in September. The topic was also a key item on the agenda at the meeting of Associations that took place in Cannes in October, says Juul-Mortensen.

"We have talked to almost all of the other associations and they agree on the idea in principle but also have some misgivings. There are concerns about who is going to run it, who is going to pay for it, how it is going to work. There are also concerns that such a group could weaken the regional groups. These are all things which we have to overcome.

"But the more we talk about it, the more the other organizations are coming around to see that this is right, and how having a global organization behind them can even help with some regional matters. One of the next steps is to produce a White Paper."

Juul-Mortensen stresses again that this project should not be a TFWA-run entity. "TFWA is a supplier organization and the industry is more than just suppliers. TFWA would be one partner in it, but we would need all the other associations to participate. We have even discussed that going down the road, if the members at that time wanted, we could include the IATAs, the ACIs, and PETA in Asia. All these groups could come aboard as long as they helped us work for the issues."

The concept would allow the

industry associations to do more for the industry than just put on trade shows, says Juul-Mortensen: "Such an organization can build knowledge about the industry. It could develop an external communication program. I think this industry is extremely good at communicating internally, via the trade press. But we are not so good taking information from the industry to the world outside. We don't tell enough about what we do for pricing in airports, about how the revenue our stores generate keeps aeronautical prices down. But I think that we as an industry must tell the world outside about ourselves."

**Update:** The timeframe for the development of the council is ongoing and continuing. The first working meeting was scheduled for December and took place last week in Berlin in connection with

the last TFWA Management Committee meeting of 2012.

Juul-Mortensen comments: "The objective of the work behind the resolution was once again confirmed and a road map was discussed and agreed. Next meeting will take place mid-January, and after that we envisage including other stakeholders, such as other trade associations to secure their input, views and shared ownership of the project. Many trade associations have already been consulted, but we realize that we still have quite a way to go and it is important in the work from now, that we include other stakeholders, outside the direct membership of TFWA. We appreciate that this will take some time, but we remain optimistic that by the time of the opening of TFWA World Exhibition in October in Cannes we will be able to launch the structure officially."

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## BY THE NUMBERS

### ACI: Passenger traffic slows to 2.3% growth in October

Global passenger traffic showed only modest gains in October, up 2.3% for the month, reports the latest ACI Pax Flash. Globally, international traffic was up 3.1% for the month and increased 5.2% year to date. Domestic traffic was up only 1.7% for the month compared to October 2011, and rose 3.4% year to date.

By region, emerging markets in Asia-Pacific, Latin America-Caribbean and the Middle East all posted gains of over +5%. Weather and the economic slowdown in North American and European markets resulted in almost no change in year-over-year passen-

ger traffic.

Air traffic was impacted in the US by "super-storm" Hurricane Sandy, which temporarily crippled a number of major North American airports along the eastern seaboard. Miami (MIA), New York (JFK) and Newark (EWR) all faced declines of -3.2, -3.8 and -8.3% respectively, which was attributable mainly to the hurricane.

On the other hand, a few key international airports in emerging markets continue to have buoyant traffic increases helping to maintain a global growth trend in positive territory. Singapore (SIN), Istanbul (IST) and Jakarta (CGK)

continue to experience double-digit growth rates, says ACI.

ACI World's Economics Director Rafael Echevarne commented, "While passenger traffic shows signs of deceleration, this is in line with ACI expectations for the year. That being said, Hurricane Sandy has impacted the overall growth trends for the month of October. Regardless, it's impressive to see the overall global resilience of passenger traffic in spite of the Eurozone crises, fiscal cliffs and other economic uncertainties

among which airports operate."

A region by region break-down of domestic and international traffic can be found on the chart above.



Regions	OCTOBER 2012 (000s)	% YOY	YTD OCTOBER 2012 (000s)	% YOY	YE thru OCTOBER 2012 (000s)	% YOY
<b>International Passengers</b>						
AFR	5 734	7.8	55 007	14.9	65 023	10.1
ASP	36 510	6.4	365 208	9.6	433 708	8.9
EUR	84 964	1.3	821 263	2.9	945 560	3.3
LAC	6 356	2.4	69 558	4.2	83 218	4.8
MCA	4 418	11.5	47 119	11.2	55 347	10.5
NAM	14 624	1.7	159 439	3.3	187 385	3.4
ACI TOTAL	153 007	3.1	1 517 595	5.2	1 770 250	5.1
<b>Domestic Passengers</b>						
AFR	2 928	(2.3)	27 334	(0.1)	33 136	(0.9)
ASP	54 622	4.1	516 460	6.6	615 482	6.5
EUR	23 554	(2.1)	231 063	(1.0)	274 125	(0.1)
LAC	15 151	8.3	149 898	9.1	179 078	9.2
MCA						
NAM	74 860	0.0	745 334	1.7	886 534	1.5
ACI TOTAL	171 373	1.7	1 672 766	3.4	1 991 524	3.4
<b>Total Passengers</b>						
AFR	8 782	4.3	83 352	9.3	99 381	6.1
ASP	92 140	4.9	882 015	7.7	1 061 499	7.3
EUR	108 832	0.5	1 055 719	2.0	1 223 641	2.5
LAC	22 214	6.2	227 098	7.3	271 414	7.5
MCA	5 410	10.8	52 415	10.5	59 310	9.9
NAM	89 652	0.3	906 514	2.0	1 076 328	1.8
ACI TOTAL	326 738	2.3	3 215 413	4.2	3 791 574	4.2

### Autogrill sweeps Spain's airport concessions

Autogrill, through its World Duty Free Group (WDFG) subsidiary, has secured all the duty-free and duty-paid concessions in Spain to become the only operator in the sector in Europe's second biggest airport market.

The Group won the three lots in the tender called by Aena Aeropuertos for the country's 26 airports against competition from the world's top operators. The concession contracts will run for seven years and may be extended for a further three years subject to agreement with Aena.

The revenues forecast for the period of the concessions will be significantly higher than in the past due to the substantial (35%) increase in commercial space (from 33,000 to 45,000 square

meters), optimal location of stores and innovative commercial strategies. All this will make it possible to raise per passenger spending to levels comparable with those achieved in other airports in the Group's portfolio, said the Autogrill statement.

The concessions are expected to generate total revenues of over €7bn in the period 2013 to 2020. Autogrill estimates that operations under the 21 airport concessions will produce revenues of around €520m in 2012.

WDFG says it will invest about €100m over the seven year contract period for building stores. The operation is subject to the approval of the board of directors of Aena Aeropuertos.

### Casa Sauza releases limited edition

Beam's Casa Sauza has released its first global extra añejo expression for the brand with Casa Sauza XA, Edición Limitada (40% ABV). Aged for more than three years in small American oak barrels, Casa Sauza XA will be sold at fine liquor and retail establishments in the United States and Mexico, as well as duty free shops around the globe.

A rare offering of only 12,000 750 ml bottles have been produced, including approximately 1,800 bottles for the US. Bottled in an elegant glass tequila decanter accented with a distressed leather strap and metal buckle and housed in a signature box, each bottle of Casa Sauza XA, Edición Limitada is individually numbered and has a suggested retail price of approximately \$150 (US) per bottle.

### L'Oréal opens the largest hair color production plant in the world in Mexico

L'Oréal, announced yesterday the opening of the largest hair color production plant in the world in terms of production capacity.

With an investment totaling US\$100 million, this new factory – L'Oréal's second in the country -- will double the production capacity in Mexico, and will supply both Latin America and North America.

Focusing entirely on hair color products, the 32,000sqm facility is located in Villa de Reyes, State of San Luis Potosí. L'Oréal's other production plant is located in Mexico City.

"The L'Oréal Group has decided to open its new produc-

tion plant in Mexico, since this is one of the most strategic countries for the Group, a key crossroad between North America and Latin America. To have built our largest hair color plant here shows once more our deep commitment to provide the market with superior quality products and great value," said Jean-Philippe Blanpain, Executive Vice-President of Operations L'Oréal.

In line with the Group's ambition to reach one billion new consumers in the next ten years, this new factory is also a part of L'Oréal's global strategy towards greater specialization of its production by business segment.

### Diageo to relocate to Coral Gables from Miami

Diageo is relocating to Coral Gables from Miami next year, according to local media reports.

The company is taking 32,527 square feet of space in the LEED Gold certified 396 Alhambra Circle.

"The new office is an important hub for not only Diageo North America, but also serves as the gateway to Latin America and our successful – and growing – business there," said Randy Millian, Diageo president, Latin America and Caribbean.

All Diageo employees based in Miami will be relocated to the new Coral Gables office. The Miami office supports Diageo's North America, Latin America and Caribbean regions, as well as the Global Travel & Middle East and Diageo-Guinness USA business units.