

Dufry partners with Brasif to secure travel retail contracts in all Brazil's privatized airports

In one of the biggest news stories of the year in travel retail in the Americas, Dufry Group this week announced that it had signed long-term 10-year contracts in São Paulo, Brasília, Viracopos and Natal to operate duty free and duty paid spaces in Brazil's recently privatized airports, as well as a duty paid shop in Goiânia.

Not only did the news solidify the travel retail giant's position as the dominant travel retail force in the region for the next decade – but the added detail that Dufry had secured the contracts under a joint venture with Brasif – the former operator of Brazil's main duty free operations that sold its business to Dufry in 2006 – assured that the project will encompass a level of expertise and local market understanding that should go a long way towards assuring success.

All of the new contracts are for 10 years, enough time to allow the company to develop the business long-term, says Dufry.

Overall, Dufry will operate 19,702sqm of retail space in these locations once all the expansion projects in the different airports are completed, an increase of 324%, or 13,626sqm compared to 6,076sqm before the privatization.

Altogether, Dufry will add 10,580sqm of duty free space and 3,046sqm in duty paid. Not only will the retail space be substantially bigger, but the shops will also have better locations and provide a much better retail experience for the passengers in each of the airports, it says.

New era for Brazil travel retail

With these new agreements, Dufry says it is entering a new phase in the development of the Brazilian travel retail market. The refurbished and expanded airports will allow creating substantially larger and

better retail space and significantly improved performance compared to the current situation, where the potential is restricted due to a lack of capacity in the existing infrastructure. As a result, Dufry says it will be able to create a truly first class shopping experience for passengers in Brazil, which provides scope for a substantial increase in spend per passenger and overall sales.

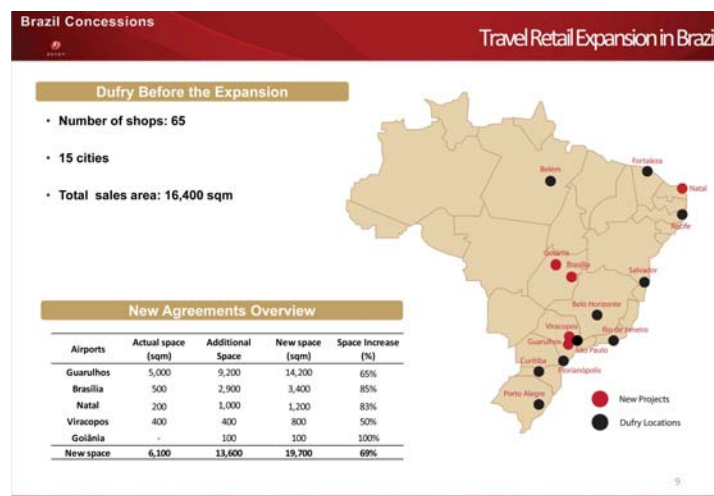
Speaking to analysts after announcing the news on Sept. 4,

company had not been able to implement the full business plan that it had envisioned back in 2006:

"But in a new era of privatized airports in Brazil, we can now mitigate the previous lack of commercial capacity and the low quality of commercial space. It is a new era for travel retail in Brazil."

Higher arrivals allowances

To further sweeten the impact of the deal, the contract announcement comes on the heels of news



Dufry Group CEO Julián Díaz said that he expected sales to grow a minimum of 20-25% once the new stores are operational, through improved infrastructure, product assortment and sales per passenger. Further, he pledged that through Dufry's strict financial controls, there would be no dilution in profitability. "Absolute EBITDA will increase in 2014 and group EBITDA margin will be maintained (at 14-15%) after a full year of operations," he said. "Brazil is an opportunity," said Díaz, adding that until now the

of a substantial increase in Brazil's arrivals duty free allowance. Only the day before, Brazil's Senate had approved the increase of the allowance from the US\$500 limit of today to US\$1,200. The increase must still be approved by Brazil's full Congress, which is expected to take place within the next few months.

Duty paid is also a hugely important element of the new contracts, since Dufry can considerably expand this sector in Brazil and tap the important

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HK Global acquires Belize Border Business
HKG Duty Free announced that it has successfully completed negotiations to purchase **Veneto Duty Free in Belize**. The operation currently consists of two duty free stores located in the Commercial Free Zone on the Santa Elena Border, in the Corozal District of Belize.

"HKG Duty Free Belize Limited has been formed with the purpose to assume all existing commercial operations. In the near term, Veneto Duty Free will remain as is with HKG Duty Free Belize Limited taking operational control including replenishment for existing product categories and brands retained including expanding assortment offering," commented **Alan Huxtable**, Commercial Director of HKG Duty Free.

The company reports that it will be refurbishing the existing stores in Belize to reflect HKG facility presentation standards early next year.

PEOPLE

Pamela Gill Alabaster has joined **The Estée Lauder Companies Inc.** to lead its global Corporate Responsibility function. Alabaster joins ELC from L'Oréal USA, where she held various senior leadership marketing and management roles, most recently serving as Senior Vice President Corporate Communications, Sustainable Development & Public Affairs. At ELC, she will report to **Gregory Polcer**, evp, Global Supply Chain and **Peter Jueptner**, svp, Strategy and New Business Development, co-chairs of the Company's Corporate Responsibility efforts, under the leadership of Executive Chairman, **William P. Lauder**.



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TRAVEL MARKETS
INSIDER

Dufry dominates in Brazil travel retail

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domestic traffic. Around 90% of all air passengers in Brazil are domestic and the build-up of the duty paid sector will be an important element in the development of the Brazilian business going forward, says the company.

Guarulhos São Paulo T3

Critically important is Dufry's 10-year contract to operate all the duty free at Terminal 3 at São Paulo Guarulhos, Brazil's leading airport. When completed [in May 2014], T3 will handle all of GRU's international traffic. Dufry reports that it will add 6,860sqm of retail space at T3, divided into two walk-through general travel retail shops in arrival and departure. In addition, Dufry expects to open 15 stand-alone branded boutiques, a new concept in Brazil.

On the duty paid side, Dufry will open a 204sqm Hudson store – another new store format in Brazil, offering a comprehensive selection of convenience items, such as magazines and newspapers, soft drinks, a wide range of snacks, health and beauty aids and other travel convenience items.

Overall, Dufry will increase its retail space 184% in Guarulhos Airport to 14,223sqm from 5,003sqm, including the expansion and upgrading in Terminal 2, where Dufry inaugurated its enlarged arrival store of 3,142sqm on August 18, 2013. The departure shop will be expanded by 513sqm in the coming quarters.

São Paulo Guarulhos is the largest airport in South America. In 2012, the airport welcomed a total of 33 million passengers, of which 12 million were international passengers.

Brasilia and Natal: Redesign airport retailing from the core

Dufry signed another 10 year agreement with Inframerica Group to redesign the entire commercial space and operate the duty free and

duty paid shops at Juscelino Kubitschek International Airport in Brasília and at the São Gonçalo do Amarante International airport in Natal.

In Brasília and Natal, Dufry will reformulate the travel retail area of both airports in terms of passenger flow and retail formats with a total retail space of 4,602sqm, an increase of 3,953sqm.

Based on the new contract, Dufry will operate 1,685sqm of duty free space and 2,917sqm in duty paid at the two airports. The retail concepts will include multi-categories and branded shops as well as Hudson convenience stores.

In Brasília—which will experience the most dramatic increase in size, said Diaz-- Dufry will introduce the walk-through concept in duty paid with a 1,600sqm mega-store, a new concept “which takes Brasília's retail space to world class standards.” Dufry will also open three Hudson convenience stores in Brasília and two in Natal.

Brasília's capital, Brasília is the fourth largest city in Brazil. In 2012, this airport welcomed 16 million domestic and more than 400,000 international passengers. Domestically, it serves all major Brazilian cities and all the important airlines, which makes Brasília the largest hub in Brazil. This city has also been chosen to be one of the 12 host cities of the 2014 World Cup.

Inframérica's infrastructure expansion calls for 28 gates, up from 13 before the World Cup. Once all infrastructure work is completed at the end of 2014, the airport will have a capacity of around 40 million passengers.

Natal, a top tourism destination in Brazil, is the closest airport to Europe in terms of geographical location.

Natal was privatized in 2011 and is expected to be open for the World Cup next year. The total expected passengers for 2020 will be around 5 million.

Substantial development potential for Viracopos

Dufry signed an agreement with Aeroportos Brasil Viracopos last April to operate duty free shops at the Viracopos International Airport for 10 years. Located in an area with a cluster of science, technology and industrial companies in the city of Campinas, in the greater São Paulo area, it has access to the best roads in the country. Viracopos airport operates the 2nd largest air cargo terminal in Brazil and in 2012 welcomed 9 million domestic and international passengers.

Dufry is currently operating two duty free shops in the Viracopos airport terminal with a total area of 324sqm-- a 237sqm shop in the arrivals area and an 87sqm shop on the departure side. Both shops have a general travel retail format. In addition, Viracopos has a 100sqm duty paid shop.

New duty paid shop in Goiânia

On August 20, 2013, Dufry opened its first duty paid shop at

Santa Genoveva Airport Goiânia, located in the Midwest of Brazil, under a 5-year contract. The shop comprises 92sqm and will offer the traditional travel retail assortment such as liquors, perfumes and cosmetics, as well as electronics and confectionery.

Santa Genoveva Airport handled 3.1 million domestic passengers in 2012.

The São Paulo shops are scheduled for completion in Q2 2014, and the rest of the projects are scheduled for completion by the end of 2014.

JV with Brasif

Dufry has structured a 60/40 joint venture company with Brasif. The new duty free businesses shall be operated through a new joint venture, which shall become the platform to develop the duty free business in Brazil going forward. Dufry has the possibility to up its stake in the JV to 80% through a call/put option structure until the end of 2014. The joint venture is subject to the approval of the Brazilian antitrust authority.





Diageo launches a city skylines limited edition Johnnie Walker Blue Label range with DFS

Diageo Global Travel has revealed a limited edition range of Johnnie Walker Blue Label bottles, engraved with designs inspired by the skylines of seven of the world's most famous cities. The bottles

are individually numbered and available in limited quantity, and will only be sold in the airport stores of DFS Group in the cities that inspired them.

Each of the bottles in the hand-

crafted range bears an individually etched skyline design. The seven cities featured are: Singapore, Hong Kong, Mumbai, San Francisco, Los Angeles, New York and Auckland, each accompanied by a bespoke sleeve.

Steve White, Global Marketing Director of Diageo Global Travel and Middle East, said, "We know that travelers love to bring back unique mementos from their journeys which serve as a beautiful reminder of the experience. The Johnnie Walker Blue Label skyline range meets that need for our high-flying consumers. Tailoring a product to the local market is a mark of our commitment to offering innovation and differentiation to our travelers."

John Hoover, SVP of Global Merchandising - Spirits, Wine, Tobacco, Food and Gifts for DFS Group said, "It is an honor to be the first travel retailer in the world selected to launch this special range. We are confident that these exceptional bottles, which capture

the spirit and energy of some of the most iconic destinations where DFS is found, will delight world travelers."

The seven city editions of Johnnie Walker Blue Label will be available from September 2013 in DFS airport stores in Singapore Changi, Hong Kong International, Mumbai Chhatrapati Shivaji, San Francisco International, Los Angeles International, New York JFK and Auckland International Airports, at a recommended retail price of US\$399 (or local equivalent) for 1 liter.



Vettel joins Braun as global ambassador

Braun has teamed up with triple Formula 1 world champion Sebastian Vettel as the new global ambassador for Braun's male power grooming range. The announcement was made last week at the Formula 1 Circuit of Spa-Francorchamps, where Sebastian Vettel said: "I grew up with the Braun brand [and] I have always been amazed by how much technology goes into Braun shavers. It's just like in Formula 1, the latest technology, the finest design and guaranteed durability. They simply do what you expect from them. I'm proud to be the ambassador for Braun male grooming."

Braun's Global Marketing Director, Lakis Vasileiadis, says "We are truly delighted to have Sebastian as our new ambassador. He is an impressive man who has achieved his dream through hard work, preparation, perseverance and



the ultimate performance. He is a leader in his sports. Like Max Braun, our founder, Sebastian has relentlessly pursued his dream. He is an inspiration to millions of men and the ideal person to represent Braun."

Sebastian will be the face of the new Braun shaver campaign "Hold on to your Dreams" starting this autumn.



Scorpio Worldwide offers 2014 FIFA World Cup Brazil Souvenir watches

Scorpio Worldwide, which has been chosen to distribute the official 2014 FIFA World Cup Brazil licensed logo souvenir watch to travel retail outlets globally, is now taking orders for delivery before the end of the year. The company expects the watch "to be a sell-out success as fever grows in advance of the 2014 FIFA Football World Cup," taking place in Brazil next year.

Available in a choice of three colored silicon straps – white, green or yellow -- the watches have a white face with strong 'FIFA World Cup Brasil' (sic) branding, including the official emblem, mascot and trophy and soccer ball. The watches are offered with either a floor standing or counter top display.

"We're expecting very strong consumer demand for the watch in the run up and during the FIFA World Cup," says Garry Stoner, Scorpio Worldwide's Global Travel Retail Director. "As the official licensed souvenir watch of the games, it really is the timeliest memento that travelers can buy!"





AT THE POINT OF SALE

Nuance brings a unique Boutique concept for Deluxe Fragrances in TR

Swiss-based Nuance has unveiled an innovative boutique concept for Deluxe Fragrances that presents authentic brands in a luxurious environment. The company says the elegant concept is designed for travelers looking for a super-premium experience and brings the P&C category experience to the next level.

Nuance unveiled the concept at its Duty Free Store in T2 at Turkey's Antalya Airport. Later in the year it will roll out to Nuance stores in Geneva, Lisbon, Stockholm, St. Petersburg and Zurich.

The new boutique is a global concept for Nuance, although no stores in North America have been scheduled yet, Minna Levanto, Nuance's Head of Corporate Communications, tells *TMI*.

"The launch of the Deluxe Fragrances concept is part of Nuance's commercial strategy to further develop our global P&C

offer and it demonstrates our commitment to bring new and innovative concepts to the travel retail market.

"We work together with our airport and brand partners to build shopping environments that engage and entertain passengers. Our new Deluxe Fragrances concept creates a unique selling point for us as a retailer, and an area bespoke to those travelers who look for a high-end selection of premium products," Andrea Belardini, CEO Europe and Global Chief Commercial Officer comments.

"At Nuance, we always aim to provide our customers with exclu-

sive and differentiated products. Understanding of our global travelers and their diversified needs is driving our category management strategy. The deluxe fragrance market is a growing trend which we have identified, and our new premium boutique concept is designed to appeal specifically to those travelers who look for niche brands and a premium experience. The perfumes in this area truly are opulent and artisan, presenting prestigious lines and niche brands that our customers would expect to see," adds Alexander Anson, Commercial Director Europe.



Among the luxury brands that are being presented in the new concept are Xerjoff, l'Artisan Parfumeur, Penhaligon's, Rallet, Tiziana Terenzi, Bond N°9, and Tom Ford Private blends.

Estée Lauder debuts chic new look for Beauty Advisors

Estée Lauder has unveiled an ultrachic, custom-made Beauty Advisor wardrobe, created by uber-cool fashion design house, Opening Ceremony. The new Estée Lauder Beauty Advisor Style Collection will debut, including in Travel Retail locations, beginning Fall 2013.

The modern collection of feminine, flattering and carefully curated pieces has been designed to respect the brand's heritage while modernizing the Beauty Advisor's aesthetic and silhouette, says the company.

Opening Ceremony – who has collaborated with some of the world's most sought-after designers and brands-- understood Estée Lauder's brand DNA and had an ability to interpret its new and fresh image.

"Opening Ceremony is a design house that embodies the spirit of downtown cool," said Richard Ferretti, SVP and Global Creative Director, Estée Lauder. "But it's not just a fashion brand – [founders] Carol Lim and Humberto Leon are curators of design. They also happen to be lifelong fans and collectors of our vintage com-

pacts." Opening Ceremony took design cues from elements found in Estée

Lauder's archives.

"Estée Lauder has such a rich history in luxury," said Opening Ceremony CEO Carol Lim. "We explored Estée Lauder's visual archives and fell in love with the beautiful motifs that became part of the overall design, to create a silhouette that is slightly retro with a modern look and feel."

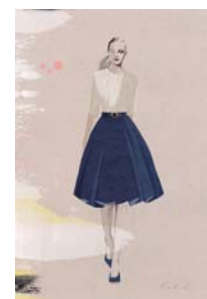
Understanding that Beauty Advisors are muses to their customers, brand founder Estée Lauder dressed her BA's to reflect her brand, and was also the first in the industry to match their look to specific seasons and launches. With this in mind, Lim and Leon customized every element of the brand's new Beauty Advisor

wardrobe from the fabrics to the buttons. By adding modifiable elements, including detachable belts that can be switched out with different colors or printed materials, elegant pieces were designed that are relevant through-out the year and flatter different body shapes and sizes from around the world.

The Collection includes a short sleeved pleated dress, jacquard Peplum blouse, slim pant, Shirred Neck Blouse and pleated skirt. There is also a Men's outfit of Blazer, trouser and tie, as well as an Associate Beauty Advisor Outfit and a number of optional additions to the basic collection.



Illustrations by
Cecilia Carlstedt



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