



**FOCUS ON CANADA**

**FDFA celebrates 30 years and prepares for future**

The 30 year-old Frontier Duty Free Association (FDFA) is celebrating its anniversary at its annual convention in Vancouver from November 15-18, and will introduce a number of new initiatives as it moves forward, says FDFA Executive Director Laurie Karson.

“We are thrilled to be back on the West Coast to celebrate our milestone. We developed a Sea to Sky theme this year, really celebrating British Columbia. We are hosting the welcome reception on a beautiful luxurious yacht dockside to the hotel,” Karson tells *TMI*.

“We are hitting the attendance numbers we anticipated, even though 60% of our suppliers are located in the Greater Toronto Area.”

**Online Training Program**

To prepare for the future of the industry, the FDFA has developed a partnership with the Retail Council of Canada (RCC) to host and develop the first ever online Canadian duty free employee certificate program.

RCC’s online duty free test, which went live on October 28, 2015, will assist stores in the career development of their employees, to ensure that basic land border duty free knowledge is consistent across the country. RCC will create a new training module each year for duty

free land border employees- developing a library of training for stores to choose from based on their needs.

The National Online Duty Free Test consists of 50 questions online with training modules developed specifically for the test available for pre-learning. The employees receive a certificate for every course they pass. The test is recommended for new employees hired within the past six months, any new employees hired in the future, and existing employees that managers would like to have refreshed on the industry.

**Road TRIP**

Karson says the FDFA will be lobbying the Canadian government again for the passage of its Road TRIP program, which was not included in the 2015 Canadian Federal Budget.

Road TRIP (Travel Rebate Incentive Program) is a three-year pilot program developed by the FDFA to help incentivize U.S. tourism visits and related spending in Canada by allowing U.S. travelers to have their 5% tax rebates processed on the spot at Canadian land border duty free stores.

Part of the program would have encouraged travelers to “Take 5” and consider making a final purchase with their rebate before returning to the U.S.



*FDFA Executive Director Laurie Karson*

“We are absolutely going after Road TRIP. ... whatever government is in place will be hearing about Road TRIP.”

**Summer Contest**

For seven weeks this summer, the FDFA’s National Marketing Program launched a customer contest created to increase American/ Canadian customer knowledge of the Canadian duty free industry. The “Win with What You Know” contest had weekly prizes and a grand prize of \$5,000.

“We had 24,000 people enter -- around 60% Canadian and 40% American. A lot of our stores engaged in the contest on a store level on social media, via twitter and Facebook, etc.,” says Karson.

“With the currency exchange we are seeing more Americans coming by, and not as many Canadians. This is certainly impacting the business. We have to educate Americans that ‘yes you should stop at our duty free stores on your way home.’ We have to start making this message part of their travel plan and engage this new demographic who we haven’t seen in so long. If the currency exchange stays the same and we continue seeing Americans, the 2016 high season should be an exciting time.”

**Michael Resch inducted into Canada’s Tourism Hall of Fame**

The Tourism Industry Association of Canada (TIAC) has inducted Michael Resch, Owner of DFS Ventures (Emerson Duty Free – Manitoba) into Canada’s Tourism Hall of Fame. This award is in recognition of Michael’s outstanding achievements for tourism in Canada and the Canadian Land Border Duty Free Industry.

Resch is one of only two inductees to this year’s prestigious award, notes Laurie Karson, Executive Director of the Frontier Duty Free Association.

“[Michael] will be officially honored at the upcoming Tourism Congress Luncheon in front of over 350 National Tourism professionals/national leaders – including the new Minister of Small Business and Tourism – Bardish Chagger. I will have the honor of personally introducing the award at the luncheon and our duty free delegation will be seated with the Minister on Dec. 2<sup>nd</sup> in Ottawa,” says Karson.

“For anyone within the industry who knows Michael Resch, this comes as no surprise – as Michael’s passion, dedication and lifelong work to ensure Canada is a premiere destination is exemplary. We are very proud of Michael and his work – Great job, Michael,” continues Karson.

The TIAC introduction, reads, in part:

“Michael Resch is a pioneer of the Canadian Duty Free industry... and was the recipient of the First Canadian Land Border Duty Free License in 1982 and owner of the longest operating Duty Free in Canadian history. He assisted CBSA in developing the duty free customer regulations/ liquor license program in Manitoba.

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**COTY**

## Coty announces new organizational structure and future executive team

Coty Inc. this week announced a new organizational structure made up of three divisions and the future leadership team for the company. The new structure and management will become effective subject to completion of Coty's merger with The Procter & Gamble Company's fine fragrance, color cosmetics, salon professional and hair color and styling businesses.

Bart Becht, Chairman and Interim CEO of Coty commented: "The new Coty will bring together a very experienced and diverse executive team, skilled at managing complex global consumer operations, and driving innovation, creativity and growth, all of which are a prerequisite for future success. This deeply experienced team combined with the new category-focused and consumer-centric structure, and our portfolio of world-class brands, are all expected to play key roles in making Coty a strong global leader and challenger in Beauty and driving profitable growth and shareholder value over time."

Coty's says that new organizational structure will be category focused, putting the consumer first, by specifically targeting how and where they shop and what and why they purchase. Each Division will have full end-to-end responsibility to optimize the consumers' beauty experience in their relevant categories and channels in this new organizational design and translate this into profitable growth.

Post-merger, Coty's business will be organized into three divisions:

**Coty Luxury Division**, focused on fragrances and skin care;

**Coty Consumer Beauty Division**, focused on color cosmetics, retail hair coloring and styling products and body care;

**Coty Professional Beauty Division**, focused on servicing salon owners and professionals in both

hair and nail care.

Coty will also be launching a new department, called Growth and Digital, which will be focused on accelerating growth. It will regularly review the company's portfolio strategy and focus on working with each of the three divisions to improve its capabilities in innovation, sales and traditional and digital marketing.

Each of the Luxury, Consumer Beauty, and Professional Beauty divisions will be led by a President, who will be supported in the areas of supply chain, finance, human resources and information services. The divisions will be overseen by an executive team consisting of the three Presidents, the Functional Heads and the Chief Executive Officer. The executive team will provide strategic direction, pursue M&A opportunities, build out corporate capabilities and address public company obligations.

As part of the new organizational structure, Coty will relocate its executive management offices to London, including, but not limited to, the office of the Chairman and CEO, Finance, Human Resources, Legal and Growth and Digital. The company will continue to be incorporated in Delaware and traded on the New York Stock Exchange.

### Leadership

The highly experienced new Coty leadership team combines executives from Coty, P&G Specialty Beauty and other leading companies. Unless otherwise noted, all these positions will be based in London.

*Bart Becht, Chairman and Interim Chief Executive Officer* – previously with Reckitt Benckiser from 1995-2011, Becht will continue to be responsible for making Coty into a global leader and enhancing shareholder value.

*Patrice de Talhouet, Chief Financial Officer* - Prior to joining Coty, de Talhouet spent seven years at Mars, Inc. and 12 years at Alcatel -Lucent.

*Camillo Pane, Chief Growth & Digital Officer* - will advise on Coty's portfolio strategy and be responsible for the development of innovation, marketing and sales capabilities across all divisions, as well as directing Coty's digital media and e-commerce activities.

*Edgar Huber, President Coty Luxury* - will oversee Coty's Fragrances and Skin Care division. Huber spent 15 years at L'Oréal, working on brands such as Ralph Lauren Fragrances, Viktor and Rolf, Yves Saint Laurent Beauty and Giorgio Armani Cosmetics. Most recently he was President and Chief Executive Officer of Lands' End. He will be based in Paris.

*Esi Eggleston Bracey, President, Coty Consumer Beauty* - will oversee Coty's Color Cosmetics, Hair Coloring and Styling, and

Body Care division. She is currently EVP, Global Color Cosmetics, P&G, where she leads the COVERGIRL and Max Factor businesses across more than 80 global markets. She will transition to New York.

*Sylvie Moreau, President, Coty Professional Beauty* - will be responsible for overseeing Coty's salon business in hair and nail care. She is currently EVP of Wella, the Salon Division of P&G, and remains in Geneva.

Also: *Mario Reis, Chief Global Supply Officer*, based in Geneva; *Jules Kaufman, Chief Legal Officer and Secretary*, *Ralph Macchio, Chief Scientific Officer*, (based in Morris Plains, New Jersey) and *Sebastien Froidefond, Chief Human Resources Officer*.

*Jean Mortier* will retire from Coty and will be succeeded by Edgar Huber as President Global Markets, effective immediately, but has agreed to stay with Coty through June 2016 as a Special Advisor to the CEO.

The merger is expected to close in the second half of 2016.



Travel Markets Insider 255 NE 3<sup>rd</sup> Ave., #312,  
 Delray Beach Florida USA 33444

[parsnip5@aol.com](mailto:parsnip5@aol.com) [www.travelmarketsinsider.net](http://www.travelmarketsinsider.net)



David Ferreira  
dferreira@cross.com

**SPOTLIGHT ON CANADA**

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## Expanded Blue Water Bridge DF updates product offering to better meet customer needs



Blue Water Bridge Duty Free has helped set the standard for the Canadian land border duty free business for three decades. This summer the award-winning operator completed a major expansion so that it could devote more space to its best-selling categories.

The 10,000+sqf store located at the end of Highway 402 at the Sarnia Crossing to Port Huron, Michigan is now “significantly larger” than it was before, says Peter Brain, Blue Water Special Projects Manager.

“Our warehouse space was very small for a store of our size, and afforded insufficient opportunity to buy in bulk to achieve price savings, or to acquire goods from China and elsewhere directly if opportunities arise. We also wanted more retail square footage to allow adequate space for more appealing branded

displays, and to re-build some ‘non-core’ (i.e. not liquor, tobacco or cosmetics) product lines that would broaden the overall store appeal. This includes products that will appeal to core duty free overnight travelers, as well as non-traditional day-trippers that comprise 2/3 of our total drive-by traffic.

“One part of the plan is to have a marketplace of affordable products that changes more frequently, to keep our offering of impulse items interesting to travelers who cross the border more frequently,” says Brain.

Blue Water also wanted to create a luxury goods boutique and increase its offering in watches, jewelry, and accessories, says VP Sales Tania Lee.

“We have listed watches from Swatch, Citizen, Michael Kors, Fossil, Bulova and Breo so far and the sales have been quite healthy. Sunglasses

have seen the addition of Maui Jim, Guess and Harley Davidson, to name a few,” she says.

The expansion began in the beginning of last year and took longer than anticipated due to the harsh winter, but was completed in August.

“[The expansion] has allowed us to greatly increase our beer section including new refrigerated units and much more area to bring in craft beers that are the fastest growing segment of the beer market. We now have adequate space to cross-merchandise complementary products appealing to the beer drinker and expanded our Ontario Wines section with personalized wall space for some key wineries.

“We also have new and consolidated space to build-out our jewelry and accessories area with new watch and jewelry brands, sunglasses and fashions; and expanded our cosmetics department to accommodate new areas such as hair care. We also added a greatly enhanced tasting station in our liquor section. In general the expansion provided more floor space that gives breathing space between displays to make the store more warm and inviting,” says Brain.

The expanded store reflects Blue Water’s strategy of leading with its master brands that offer compelling savings and can sell in large volumes.

“This year we have focused on re-building Stolichnaya as our leading Vodka Brand due the favorable pricing and savings versus other brands such as Absolut. Most Diageo brands are performing well due to their attention to our market place needs in terms of pricing and promotions,” says Brain.

*Continued on next page.*



*Blue Water's expansion permitted more space for high volume beer.*

### Michael Resch *Continued from page 1.*

TIAC goes on to say:

“Michael founded the Frontier Duty Free Association, which is celebrating its 30th anniversary in November 2015. In the late 1990's, he spearheaded and lobbied the federal government for the Visitor Rebate Program to be instituted in Canada. While this program was cancelled in 2006, the FDFA continues to lobby government for a re-instatement of a newer, streamlined form of the program, as a much needed tourism incentives to U.S. visitors.

“Working actively with Tourism Manitoba, Michael has participated in and led massive tourism initiatives to promote Manitoba and Emerson across the border in North Dakota and Minnesota.

“Michael has served on the TIAC Board of Directors for 20 years, and in 1989, received the F.G. (Gerry) Brander Memorial Award for his outstanding contributions to the Canadian tourism industry in the areas of industry awareness and tax reform.”

Congratulations, Michael Resch, from *Travel Markets Insider* and the rest of the duty free industry in the Americas!



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## Importations Guay Ltée brings new brands to the Canadian border

Quebec's Importations Guay Ltée is renovating and expanding its main duty free store in St-Bernard-de-Lacolle on the U.S./Canada border between Montreal and New York, allowing the retailer to introduce many new brands.

Importations Guay Ltée's Vice President Justin Guay, whose family has been involved in the duty free business for more than 33 years since the introduction of land border duty free in Canada, says the renovations will modernize the main store and give his customers more of an "experience."

"Our goal was to give the store a more modern feel. We work hard to keep our selection current. Customers want a shopping experience and in order to satisfy this demand we need to expand the range of products that we carry. Every category in the store is seeing an expansion," he says.

Both the retail floor and warehouse space was expanded 25%, bringing the total size of the main store to 16,000 sqf, says Guay. The entire store was redesigned, from fixtures to lighting, with construction underway throughout the second half of 2014.

"Construction occurred behind the existing structures so that our in-store renovations would not disturb the clientele. The actual in-store renovations began in April 2015, and we expect them to finish in early spring 2016."

Guay says the renovations and expansion have allowed Importations Guay Ltée to bring in brands that they have never sold before and devote more space to brands that are already performing well.

"We were extremely proud to introduce La Mer and Bobbi Brown. Some of the brands we are expanding are Glenfiddich, Johnnie Walker and



By expanding its main store to 16,000 sqf IGL was able to bring in brands it has never sold before such as La Mer and Bobbi Brown

the Diageo scotch selection, Estée Lauder, Dior and L'Occitane," he says.

"People increasingly want a shopping experience. Our store already had a wider selection of goods than the average duty free

store. We notice that despite this, people are still craving more. By expanding, it will provide customers with more of what they desire and in turn increase sales."

Importations Guay Ltée says it has been adapting to changes in the Canadian land border business since opening the store in 1983.

"The land border reality is ever-changing and it is important to adapt quickly. We are constantly doing our best to accommodate both Canadians and Americans despite the exchange rate. We offer an advantageous cash rate, strong negotiations and teamwork with suppliers to create the best possible prices for our customers. Educating people on the advantages that come with the current rate is extremely important. People don't always understand how the exchange rate works or that there might be an advantage to use U.S. currency. This is why our staff is always ready and willing to explain. It happens often that when a client is shown the benefit of the exchange rate a few extra products are dropped in their basket."

## Blue Water Bridge Duty Free expands *continued from page 3.*

"We are aiming to introduce our customers in at a mid-priced level and up-sell them by price and volume. Johnnie Walker Black is up over 30% as this was one of our high profile promotions throughout the summer," adds Lee.

With the expansion now complete, sales in September rose by double digits with healthy gains from liquor and incremental sales from the luxury area as well as from its marketplace, says Lee.

The Exchange rate is another element influencing shopper behavior.

To date, while there is some concern that Canadian traffic will contract due to an unfavorable exchange rate, the U.S. customer base has more than compensated for any declines, says Brain.

"It remains to be seen what will happen over the winter months, but the strength of the U.S. dollar is an opportunity, and American customers typically spend more on average than their Canadian counterparts. There will be a lag time in the build-up

of American traffic for a portion of the market, due to pre-booked travel plans and travel habits developed over the last few years (e.g. staycations in Michigan and New York have become common)," he explains.

### Supplier relationships

The Blue Water executives note that these are challenging times in terms of supplier relationships.

"We are spending considerable time and resources to educate suppliers on the needs and realities of the land border market, which is characterized by substantial shopping alternatives in the U.S. in close proximity to the border, and consumers who are very knowledgeable about U.S. pricing and competitor options," says Brain.

"Due to significant changes in management structure and personnel at major suppliers, there is a danger that global pricing models could negatively affect our market by eroding the savings offered in our stores. Our Deloitte consumer

research clearly showed that 'Savings in the single most important factor in choosing to shop duty free.' We offer the suppliers a very sophisticated and stable retail market and showcase for their products, but consumers could migrate to other less beneficial channels if savings levels are allowed to decrease precipitously."

Adds Lee: "The digital world has resulted in the dissemination of information in a fluid and rapid manner; we must offer a real duty free price advantage over the domestic markets for duty free to remain viable and relevant in today's world. We devote a significant amount of time to price comparisons over all retail segments to make sure we remain true to our duty free pillars and most importantly, to our customers' expectations.

"Duty Free is not a one-stop shopping center, so we must make sure we offer savings and an up-scale, contemporary environment to appeal to the consumer."

## Summer wine promotion boosts sales by +3000% for IGL

Quebec's Importations Guay Ltée held a major wine promotion this past summer with Philippe Dandurand wines that generated huge excitement at the point of sale, boosted sales and customer satisfaction and introduced the brand to a broad new audience.

The promotion – which offered a deep discount on three wines from Max Reserva Errazuriz – was a totally new type of promotion for IGL, Vice President Justin Guay tells *TMI*.

“Our usual wine promotions are between a dollar or two off per bottle. For this promotion, we featured three Max Reserva Errazuriz wines -- two of which were newly introduced in our store -- that range in price at the SAQ for between \$18.95 and \$19.95, and we offered them for between \$10 and \$11.

“That is a major savings, especially with wine. We placed the product on a front entrance end isle so that there would be high visibility and ample room for the increased product demand that we were expecting,” said Guay.

The promotion was so successful that Guay says they had difficulty keeping the display stocked. The isle also featured general and individual signage with information about the three wines, including the SAQ price, the regular store price and the special promotional price. IGL also held a training prior to the promotion so that staff could knowledgeably describe notes and make suggestions.

“Quebecers are well known for their love of wine but this promo also allowed Americans to take part. American wine prices are extremely competitive and it can be difficult for us to compete with them at times. This promo allowed us to do just that and allowed Max Reserva to introduce their wines to a wide variety of consumers.”

This promotion lasted from June until the end of August 2015 and Guay says that sale “increased astronomically,” up 3006% from summer 2014 to summer 2015 with the promotion.



“We are extremely satisfied with this promotion. It catered directly to our Quebec wine buyers and also included the U.S. market. This was definitely a win-win for our store and the supplier. The brand is now recognized by more people and this applies whether or not they purchased a bottle in store. We look forward to seeing what will be taking place at IGL next summer!”

## Lancôme “All Stars” united in Advanced Génifique campaign in Toronto



Beauty giant Lancôme united four of its famed ambassadors in a single advertising campaign for its star skincare serum, Advanced Génifique, in a stunning customized 45 square meter podium at Toronto Pearson International Airport Terminal 1 in June.

Lancôme's use of four of its famous actress ambassadors -- Kate Winslet, Penelope Cruz, Lupita Nyong'o and Lily Collins --

captures the cross-generational aspect and universality of the beauty product, which has sold 15 million bottles and garnered 150 international awards since it was introduced in 2009.

The four Lancôme All Stars in the Advanced Génifique campaign product line were prominently featured in giant front and back lightboxes, with the Génifique serum glorified in the center of the podium. A huge screen presented the product messages, and the podium included displays of makeup and fragrance best-sellers, with space for stock and a mobile cash register for fast check-out.

“The whole Lancôme team has accelerated implementing a clustered vision based on passenger mix and needs,” explains Gianguido Bianco, who has led the Lancôme Division for Travel

Re-tail Americas (TRAM) since September 2014.

“The breathtaking Génifique All Stars podium installed last June at Toronto Airport was a concrete example of this strategy. This investment not only applauded Génifique's worldwide success, it also capitalized on the recognition of this highly demanded ‘Little Black Bottle’ amongst our Asian passengers,” he tells *TMI*.

Toronto Airport handles 24 million passengers a year, with a high percentage of Chinese travelers, a key consumer of Génifique.

“What we refer to as ‘retailtainment which sells’ generated results we are very proud to share. During the month of the animation, Génifique grew at +80%, and the brand overall was 20 points ahead of the department,” says Bianco.