



ASUTIL 2016 review-Industry searches for best paths forward

The travel retail business in Latin America is facing severe challenges this year—with no immediate relief in sight, according to most of the presenters at the 20th annual ASUTIL Conference, which took place June 8-11 in Santiago, Chile.

Overview by Jose Luis Donararay

The South American Duty Free Association's Secretary General Jose Luis Donararay, in his annual sales report for the region, painted a discouraging picture: overall duty free sales were down -19% in the first quarter of 2016 among its 15 operators across 12 countries, even though passenger traffic had grown by 3%. The average ticket was down 10%.

Sales for the perfume and cosmetics category decreased by -17%; liquor -7%; tobacco -20%; food products -15%; electronics -22%, while 'other' (fashion, sport and gifts) was down by -23%.

Donararay also ran through the

highlights of an in-depth report on Customer Satisfaction and the Path to Purchase, prepared by the Duty Free World Council (DFWC) and research organization mInd-set.

He then spoke about specific obstacles currently facing tobacco sales in particular. Using data provided by Japan Tobacco International (JTI) and Counter Intelligence Retail (CiR) Donararay emphasized the importance of the tobacco category in travel retail.

Even with threats now coming from country specific packaging and labeling, display and self-service bans and reduced duty free allowances, tobacco still accounts for 13% of global travel retail sales, and smokers are high value airport shoppers.

The study warned that those



The ASUTIL Board: Sec. General Jose Luis Donararay, Victor Hugo Bonnet – London Supply, Gustavo Fagundes, Dufry Brazil, Enrique Urioste – Neutral, Marcelo Montico – Grupo Wisa, Oscar Garcia Pedrosa – Dufry, and Martin Laffitte, Zeinal Hnos.

who are working to ban tobacco sales will not stop there, he said, but that the industry should also expect to see restrictions coming on alcohol, sweets and other foods.

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SAVE THE DATE
ASUTIL 2017
is tentatively planned for
June 7-10
in Rio de Janeiro.



PEOPLE

Kally Hudson has joined **Sisley Americas** as Area Director Export LATAM & TR Americas.

Hudson's extensive experience includes senior positions with Clarins Group, Coty Prestige, L'Oreal, and P&G Prestige.

Julie Corcoran, long-time buyer at HMSHost and then World Duty Free Group, has joined **NXP Management of USVI (Little Switzerland, Jewels)** as Vice President, Merchandise.

South African drinks giant **Distell** has promoted **Luke Maga** to Managing Director Travel Retail, following his two year stint as general manager of its Asia Pacific duty free operations. Under Maga, the Asia-Pacific region has become Distell's top travel retail performer, delivering robust growth despite the downturn that has hit the entire global duty free sector.

Maga is being succeeded as Distell's Asia Pacific GM by **Harry Kartasis**, who was most recently the Moët Hennessy global account director with DFS. Previously, Kartasis worked for Bacardi Martini, managing duty free sales in 11 countries.

Distell travel retail sales in Brazil and Argentina are showing encouraging signs and picking up in many of the commodity-based economies in Africa, says Maga.

DFASS, ELC JV open new branded boutiques for Aveda, Jo Malone London and M.A.C at DFW

Estée Lauder Terminal D Joint Venture, an alliance between DFASS and The Estée Lauder Companies celebrated the grand openings of six beauty boutiques in International Terminal D at Dallas Fort Worth International (DFW) Airport last Friday.

The boutiques – two each for Aveda, Jo Malone and M.A.C located at D18 and D25 respectively, celebrated with ribbon cuttings and free service offerings.

"This is just another step in the evolution of Terminal D, our international terminal, which is well on its way to becoming a premier retail and dining destination for our customers," said Ken Buchanan, exec. vp of revenue management at DFW Airport.

"With the addition of these

globally recognized luxury beauty brands, DFW Airport is enhancing the customer experience and appealing to a global audience," said Buchanan.

"These prestige beauty brands, known world-wide will now be presented in DFW as individual boutiques," said Olivier Bottrie, president of Travel Retail World-wide, Estée Lauder Companies. "All stores are built with unique customized design features, and our multi-lingual expert beauty advisors and makeup artists will provide personalized consultation to customers seeking product guidance or assistance in selecting the perfect gift. Visitors to these stores will be able to experience the most recent product introduction from these brands and range of services designed

specifically for the traveling consumer."

"The addition of six Estée Lauder branded stores at DFW Airport is nothing short of remarkable," said Steve Flory, managing partner of Estee Lauder branded stores. "This significant advancement in retail elevates DFW Airport into the top echelon of global retail innovation. In more than two decades of involvement in operations at DFW Airport, I have never witnessed such a high level of vision, enthusiasm, leadership and commitment by the DFW concession team."

DFASS' TRG Duty Free Joint Venture was also awarded the contract to design and operate new, state-of-the-art duty free shops in Terminal D, opening 2017.

See photos on page 4.

ASUTIL 2016 in review: Gustavo Fagundes – overview of Brazil in crisis

Dufry Brazil & Bolivia Managing Director Gustavo Fagundes presented a very sobering overview of the current political and economic situation in Brazil, South America's largest economy. Brazil's government is floundering under devastating corruption scandals, severely impacting consumer confidence and spending.

Fagundes reported that Brazil's GDP ranking in the first quarter dropped -5.4%, the worst among 31 countries in the ranking.

In his excellent report, Fagundes outlined how the weak support for President Dilma Rouseff, who is currently suspended from office, had split the country in two. She could not get her party's Congress elected, and had an approval rating below 10% for more than a year.

The currency crashed, commodity prices dropped, unemployment soared. The Government was not able to balance its accounts given the new economic scenario. Nor could it influence the political

agenda for fiscal, political, social security and labor reforms that were desperately needed. Consumer optimism in Brazil was the lowest out of 26 countries in a McKinsey survey conducted in 2016, he noted.

One of the only positive indicators was in the external balance of trade. However, the surplus in the trade balance was due to the sharp drop in imports to Brazil. In the last quarter, all the economic indicators in Brazil were below zero.

"It is the end of an economic cycle supported by a model that no longer works," is how Fagundes described the Brazilian situation. But he says that the country may be seeing some slight signs of improvement for future recovery.

He reports the first quarter 2016 decreased just 0.3% against last quarter 2015, that the US\$ X BRL exchange rate has stabilized, and that interest rates are forecast to decrease. The political scenario is still unpredictable, but

the current economics team is experienced and looking for a new model, with more private sector partnerships than in the past, he says. The legislature has approved a budget, even though it still includes an important deficit.

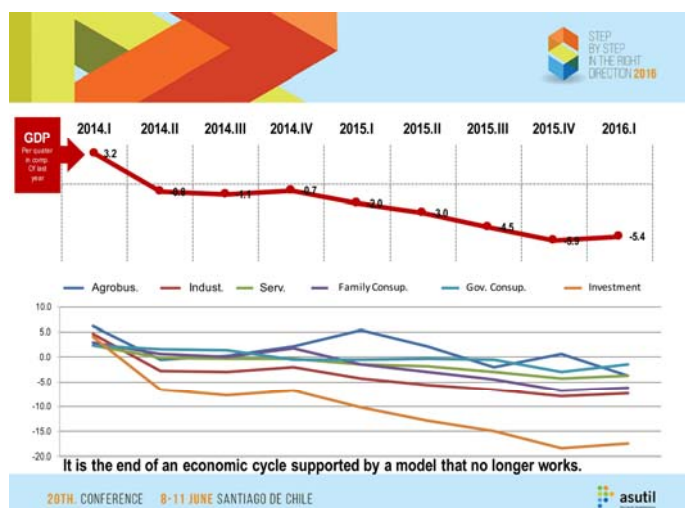
"We will have a long road to surpass these obstacles but at least we have a new agenda," said Fagundes.

Airports in Transformation

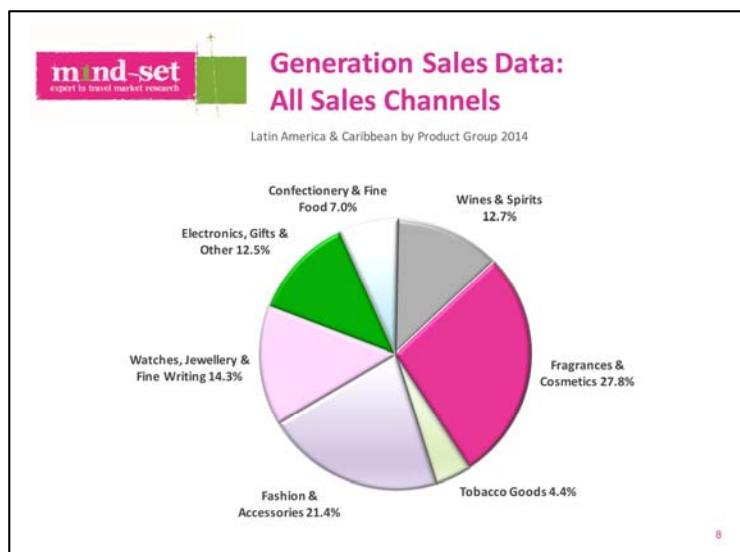
While Brazil's volatile political and economic crisis strongly impacted the travel retail industry throughout the region, huge changes in Brazil's airport infrastructure are helping the industry prepare for the future.

"We are in a transformational era," says Fagundes, pointing out that more than 30,000 square meters of new stores have been added, all of the country's major airports are being renewed and world class business practices introduced.

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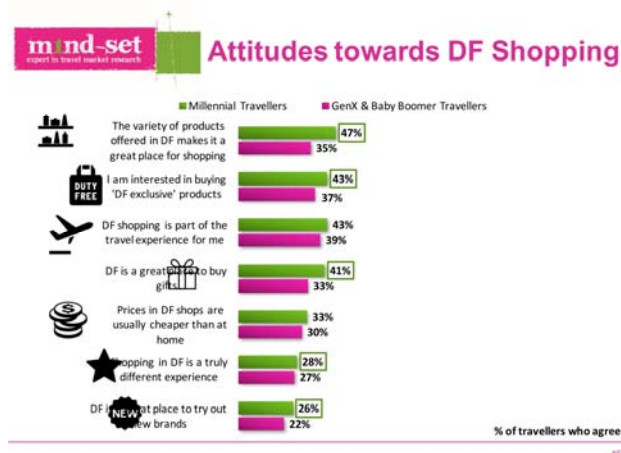
A sobering review of Brazil's key economic indicators from Gustavo Fagundes' presentation at the 2016 ASUTIL Conference.



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ASUTIL Review - m1nd-set's Peter Mohn: 2016 Latin American Travel Retail Shopper Insights



Millennial travelers are more likely to shop in a duty free store than other groups, and nearly half consider duty free shopping as part of the travel experience, says the latest m1nd-set research conducted for ASUTIL.

Emerging markets are the key drivers of air traffic growth for the foreseeable future, a positive trend for travel retailers in Latin America, says Peter Mohn, owner and CEO of research company m1nd-set. Mohn, who presented market research conducted for ASUTIL from some 3,000 travelers during the month before the

Gustavo Fagundes –Brazil in crisis

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The change from a landlord concessionaire to a business partnership is also ensuring a more collaborative relationship with a win-win for all shareholders in all phases of the business life-cycle.

"There is now a long-term view and more transparency in operation and financial aspects," he said.

Brazil is prepared to handle as many as one million visitors forecast to visit the country during the Olympics (now only days away), but this infrastructure is also a legacy to generate more tourism in the future.

"Suppliers are partnering with the new efforts," said Fagundes. "Stores are more attractive in all senses: product portfolio, purchasing experience, interaction, promotions, travel exclusives, value added services and so on.

"In difficult times, the Travel Retail can be more resilient than local market."

Looking ahead at how the industry can be proactive to grow

once more, Fagundes cites being more customer centric, and investing in better understanding the traveler and designing better value offers for them. He also sees digital as fostering this effort, as well as relationship programs that offer a customized package for key clients.

Travel retailers, in partnership with their airports, must also focus on breaking down barriers to buy, through unique retail offers and greater data exchange.

Fagundes concluded by highlighting the role played by suppliers, who he described as 'the main drivers of the industry.'

"We see ourselves as an important channel to bring together suppliers and customers, generating a unique and very pleasant experience of interaction among both," he said.

"Our success depends on the ability of the value chain to bring innovation ... Our business model has very little space for mistakes. The industry has to operate at a world class level in order to deliver the returns required by investors."

Conference, reports that passenger traffic growth for Latin America and the Caribbean is forecast to average 6.0 % per year over the next 20 years.

The fastest growth is expected within intra-regional flows, he says. Traffic within Latin America is forecast to average 6.6% per year until 2034.

Mohn presented new in-depth research on profiling the travel retail shopper in Latin America, and tracking reasons to shop, including why passengers bought and did not buy. In a new category, m1nd-set tracked the path to purchase, including where consumers gather information, critical data in this digital information age.

Not surprisingly, price sensitivity remains the most important element in the purchase decision, with 65% of respondents indicating price as the #1 or #2 factor in their decision to buy. Only 10% said they didn't consider price at all.

Subsequently, "Prices too high compared to local stores," was the #1 reason passengers cited for not buying in the duty free store. On the other hand, wishing to buy a souvenir of a trip, low prices and convenience were the three top reasons for shoppers in Latin America to buy in travel retail.

Alcohol & Perfumes were the categories with the perception for

the highest value for money.

Fashion & Electronics had the lowest perceived value for money.

In other highlights of the study, m1nd-set reports that 58% of Latin American travelers under the age of 40 say that the ideal type of store is an online shop combined with a physical store. Along these same lines, Mohn says that "web-rooming" (*researching online before buying instore*) has become more frequent than "showrooming" (*researching instore but then buying online*).

Real time communication is another upcoming trend. Mohn notes that 78% of female Latin American travelers under 40 would be interested in receiving offers/coupons on their Smartphones while at airport.

The latest ASUTIL study also focused on the millennial traveler. Fully 77% of Latin American Millennials say that shopping is a social activity and therefore, physical stores are a key part of the experience.

Millennials are also more likely to assign a larger share of their duty free spend to jewelry, bags and stationery. They are also "foodies," stating that their favorite section is fine foods.

What don't they buy? Perfume and souvenirs are on the bottom of their list.



IWSR: Global growth of premium alcohol shows strength across categories

The global premium-and-above spirits market had a good year in 2015, although the travel retail channel did not generally share in the gains, reports IWSR. Overall in travel retail, spirits sales declined -3.3% to 21.8m cases, wine declined -2.9% to 7.5m cases and mixed drinks declined -11.4% to dip below 250,000 cases. However, the super-premium category in Duty Free grew by +93.1m cases and was up by +3.7%.

The global premium-and-above spirits market gained 6.7 million nine-liter cases in 2015 versus 2014, up 5%, according to the recently released IWSR 2016 database.

Total spirits grew 0.5% globally in 2015 versus 2014, which equated to an additional 14.1m cases. However, excluding growth from national spirits, which are dominated by baijiu and soju (+22.3m cases, +1.6%), the market shrank by 8.2m cases overall (-0.5%), with significant declines from vodka (-8.6m, -1.8%), brandy (-7.3m, -3.7%) and flavored spirits (-4.3m, -2.7%).

Whisk(e)y (+11.4m, +3.0%), gin and genever (+1.16m, +2.2%)

and tequila (+1.15m, +4.2%) all grew.

IWSR reports that the largest-growth spirits categories in the premium segment were whisk(e)y, gin, vodka, rum and tequila.

For whisk(e)y, the premium-and-above category added 3.9m cases between 2014 and 2015 (+7.3%). In comparison, standard whisk(e)y grew by 2.5m cases (+3.1%). Value whisk(e)y added 5.9m cases (+2.6%), but if you exclude India, the world's largest whisk(e)y market, value whisk(e)y declined by 2.3m cases.

Premium whiskies grew strongest in the US (+2.5m, +14.6%), but also saw good growth in France (+169k, +11.0%), the UK (+136k, +7.6%), Canada (+130k, +8.5%) and Mexico (+126k, +10.0%).

The premium market for North American whiskies is booming. Total US whiskey was up 1.9m cases (+4.8%) in 2015 (+1.6m case growth in the premium segment, +8.5%), total Canadian was up 2.1m cases, +8.6% (+1.5m in the premium segment, +26.2%). Scotch whisky declined -0.2% globally in 2015 (-166k), growth of the standard-and-above market

fell just shy of the decline in the value segment. The largest growth came from the super-premium (+193k, +4.1%) and premium (+119k, +0.6%) segments.

The US market is driving growth of premium vodka, rum and tequila, while the UK is the key growth market for premium gin, where a revival of the gin and tonic trend and the ever-growing range of craft gins entering the market continue.

The top markets for super-premium spirits growth are the US (+435k, +3.3%), UK (+163k, +19.0%), Mexico (+141,000, +23.1%), Duty Free (+93.1m, +3.7%) and France (+64,000, 14.5%).

The top growth markets for premium spirits growth are the US (+3.9m, +8.6%), UK (+422,000, +11.6%), Canada (+253,000, +8.2%), France (+250,000, +10.7%) and Australia (+176,000, +11.0%).

The premium segment is not only doing well for spirits; premium still light wine saw the largest growth of any category and premium sparkling wine has the third-largest growth behind premium whisk(e)y.

Total wine consumption overall declined by -3.5m cases (-0.1%), whereas the premium-and-above market gained 13.8m cases in 2015 (+4.7%). Premium still light wine contributed 11.9m cases to this growth (+5.3%). The US posted growth of 4.8m cases (+8.7%) in the premium still light wine market and China added 4.1m cases (+35.5%).

Even mature-market UK increased premium still light wine sales by more than 600,000 cases (+2.8%).

In 2015 global beer consumption declined by -0.6% (-122.8m) following a leveling-off of volumes in 2014. The top three growth markets were Mexico (+47.0m, +6.3%), Vietnam (+25.8m, +7.3%) and India (+10.5m, +4.0%). The largest declines were in China (-200.0m, -3.6%), Ukraine (-41.1m, -15.0%) and Brazil (-19.0m, -1.3%).

Cider continues its strong upward trend as new markets are established and innovation and flavors help drive growth in mature markets, with a 3.1% growth to reach 242.3m cases. The mixed drinks category also remains in growth, adding 1m cases in 2015 (+0.3%) to reach 383.7m cases.

DFASS, ELC JV's gala opening of six branded beauty boutiques at DFW



Above: DFASS' Bernie & Juliette Klepach at DFW beauty boutique openings; Estée Lauder Travel Retail's Olivier Bottrie, with DFW EVP Ken Buchanan, and DFSS' Jon Potash.



DANZKA
 EST. IN COPENHAGEN

 est. in Copenhagen
 designed to chill

 TRAVEL MARKETS
INSIDER

DANZKA Vodka's cool re-launch in North America

New

Essence Corp

has an immediate opening for a **Brand Manager**.

The ideal candidate must have marketing and/or sales experience preferably within the luxury brand industry.

Strong communication and presentation skills.

This individual will be responsible for purchasing, inventory management, marketing plans, price lists, brand communication and reporting.

Must have a high level of skills using Excel, PowerPoint and other MS Office applications. Fluent in English and Spanish both written and oral. French is a plus.

Please send resumes

to lpiedra@essence-corp.com
 & musallan@essence-corp.com

Response to the relaunch of DANZKA Vodka in North America, currently underway with Dufry in select airports, is so strong that brand-owner Waldemar Behn says they have almost sold out of product only half way through the promotion.

"We are awaiting new stock, so the response has been perfect," a company spokesperson told *TMI*. "Passengers seem to especially like the DANZKA Apple, and are excited about the reusable bottles and the price range," she commented.

DANZKA is being represented in North America by CAMUS International (CIL US Wines & Spirits).

CIL US kicked off DANZKA's US launch in New York City on June 8, where a special launch party for distributors, retailers and media in Midtown Manhattan welcomed the Danish brand back to the Big Apple.

Building on the theme #DesignedtoChill, guests enjoyed unique cocktails made with liquid nitrogen, sipped DANZKA Vodka from ice-encased bottles and enjoyed light summer cuisine while viewing the spectacular Manhattan Skyline.

DANZKA Vodka is initially launching in the US in New York, New Jersey, Massachusetts, Florida and Illinois, with further rollout in 2017.



This month's relaunch of DANZKA Vodka in North America includes a duty free promotion with Dufry stores in airports in Chicago (shown above), Newark, Houston, and Seattle.

THE SHISEIDO GROUP

has the following open positions in its Marketing Department:

Product Manager for its Skincare/Make-up brands and a **Marketing Assistant** to assist the Fragrances TR Brand Manager.

Candidates must have at least 2-3 year experience in the industry with a Marketing or Business related degree preferred.

We are also looking for an **Administrative Assistant** for our HR/Administration Department.

&
Travel Retail Sales Manager South America
 based in the Miami office.

Minimum qualifications:
 Bachelor degree or above in Business; 3 years' experience in a sales position within the industry; excellent communication skills (English/Spanish); strong management and analytical skills; 50% travel.

To apply please contact
gcamplani@bpi-sa.com

MOVADO

is seeking an

Area Sales Manager for key chain accounts and independent accounts for the Caribbean.

Position based in Miami and reporting to Travel Retail Sales Director.

Responsibilities include both sell-in and sell-out management, elaboration & implementation of sell out plans to further drive retail sales, assortment & inventory management, working with the marketing department to build the trade plan for each account and ensure retail excellence in stores. Ideal candidate has at least 5+ years of previous account manager/area manager experience, strong retail experience in luxury or consumer goods industries, Caribbean market knowledge a plus, exceptional interpersonal skills, strong business acumen skills and entrepreneurial mindset and a can do attitude. 50% travel required.

To apply, please copy this link -

<http://jobview.monster.com/Area-Sales-Manager-Job-Coral-Gables-FL-US-167452154.aspx?mescoId=4100666001001&jobPosition=1>

HMSHost to acquire CMS dining operations in Los Angeles, Las Vegas

HMSHost announced on June 21 that it will acquire Concession Management Services dining operations at Los Angeles International Airport and McCarran International Airport in Las Vegas. Pending airport approval, the transaction will include 16 dining locations at the airports.

HMSHost and CMS have shared a long-term partnership since 1995, and this acquisition comes as CMS Chairman and CEO Clarence A. Daniels, Jr. transitions into retirement, says the companies.

"The sale of CMS's restaurants to HMSHost represents another milestone for our company and my legacy," said Daniels. "HMSHost has been an excellent partner and assisted in our growth. CMS's evolution from a small business to a firm capable of winning prime contracts is a testament to our development of the next generation of leadership, our commitment to customer service, our brand partners, and the airport industry's belief in CMS."

The acquisition supports HMSHost's goal of building its strong position as the leader of food and beverage services in North American airports.

"The acquisition of these dining locations will allow HMSHost to expand our presence and provide even more diverse offerings to our travelers at these two airports," said HMSHost President and CEO Steve Johnson. "Clarence has been a strong partner of ours for many years, and we wish him a very rewarding retirement. We've celebrated many successes together through our same strong values of delivering excellent customer service and world-class dining options to travelers, as well as developing our people. These values will continue to drive the future success of these dining locations."