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TRAVEL MARKETS Vol.18-42 INSIDER

Final stand-alone ASUTIL Conference celebrates 20 years of success, honors Enrique Urioste

An emotional ASUTIL board—past and present – concluded the final stand-alone conference of the South American Duty Free Association last week with a dedication to all the directors who had participated over the past 21 years.

ASUTIL also bestowed a special award of appreciation to Enrique Urioste, who was the first Secretary General of the Association and was so instrumental in directing the organization in its formative years.

A very surprised and visibly touched Urioste shared his gratitude with the many other people who participated along the way, before an onstage gathering that included two of the organization's original founders, former Brasif executives Santos Fagundes (father of current ASUTIL President Gustavo Fagundes) and Samuel Kauffmann.

Urioste spoke of the success the Association has had in unifying the industry over the past 21

years. His words followed heartfelt closing remarks from Humberto Mota, President and Chairman of Dufry do Brasil.

The 2017 Rio de Janeiro ASUTIL Conference represents the last solo conference of the organization.

Going forward, ASUTIL will present a Summit of the Americas in partnership with the International Association of Airport and Duty Free Stores (IAADFS).

The first Summit of the Americas will take place in Orlando, Florida in March 2018.

The final ASUTIL Conference concluded with an elegant dinner and dancing at Rio's renowned Copacabana Palace hosted in true Brazilian style by Dufry.

On Friday, about 130 attendees also spent a day touring some of Rio's spectacular highlights hosted by ASUTIL.



From left: Dufry's Humberto Mota & ASUTIL's Jose Luis Donagary; Neutral CEO Enrique Urioste & Mota; Urioste addressing former ASUTIL board members Martin Laffitte, Daniel Pomies, Samuel Kauffmann, Santos Fagundes, current ASUTIL president Gustavo Fagundes, and Oscar Garcia Pedrosa. Below, the ASUTIL team, Silvia Gestal, Valeria Lamaison, Ines Sisto Patron and Jose Luis Donagary.



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Global TR: Hanan Fraysse, hfraysse@actium.us; Latam-and Caribbean TR: Daniel Bras, dbras@actium.us

ASUTIL: Latin American duty free business is back on track

The travel retail industry in Latin America is “back on track” and ready to move forward, said ASUTIL president and Dufry Brasil and Bolivia COO Gustavo Fagundes, during his welcome to delegates on Wednesday morning, June 7, at the 2017 ASUTIL Conference that took place last week in Rio de Janeiro, Brazil.

“The majority of our members grew by two digits,” he said.

In his annual state of the industry in the region address, ASUTIL Secretary General Jose Luis Donagary confirmed the recovery, reporting that sales in the region increased by 30% in first quarter 2016 versus first quarter 2017, higher than the +23% increase in passenger traffic. The average ticket increased by 5%, he said.

All categories increased, with perfume sales up by +28%, liquor sales up +36%, tobacco up by +33%, foods/confectionery +45%, electronics +44% and miscellaneous +23%.

Donagary pointed out that the increases are compared to very low numbers last year, but that nevertheless, the recovery is “striking”. Most importantly, “people are traveling again,” he added.

He also spoke about results of the latest Duty Free World Council study on the perception of travel retail shopping in Latin America, and announced that ASUTIL is working with DFWC on an economic impact study for the region.

Donagary also raised the

question of “not only tobacco,” cautioning that certain groups are now looking to control packaging on such items as chocolate and alcohol, and warning of potential problems that might lie ahead.

Dufry Brazil overview

Referring to the theme of this year’s conference – Back to the Future-- Fagundes stated that the reality of today is very different than that of the past, when the first ASUTIL conference took place.

Stressing the importance of “developing relevance to our customers,” Fagundes said that each pillar of the value chain must work together to move the industry forward and that the customer perspective is the most important element of the puzzle.

Brazil, with 48% of the continent’s area and 53% of South America’s population, accounts for 50% of the market. Over the past five years, Brazilians spent, on average, three times more traveling abroad than foreigners spend in Brazil. As a result, Fagundes says that one major challenge is to bring more tourists to Brazil.

Even with Brazil hosting two major international events – the 2014 FIFA World Cup and 2016 Olympic Games – Brazilians still account for the majority of airport retail customers. Domestic travel dwarfs international travel nearly 7 to 1 – in 2016 the airports in which Dufry operates handled 22 million international passengers compared to 175 million domestic travelers.

But with traffic levels relatively stagnant – from January-April 2017 traffic in Dufry airports in Brazil was flat – Fagundes says they are focusing on growing the spend per passenger, rather than growing the passenger numbers.

The exchange rate is another factor directly impacting the purchasing power of Brazilians. As a result, Dufry’s goal is to increase spend per passenger in local currencies, not just in US dollars, said Fagundes.

Brazil’s infrastructure – while significantly improved – is still not delivering the fiscal volumes they are capable of generating, but opportunities for growth exist. Brazil invested some BRL26 billion for the 2014 World Cup and BRL40 billion in the Rio Olympics for infrastructure transformation. In addition to the Olympic Park, the country has new museums, and public mobility with subways and BRT buses, as well as the new airports.



ASUTIL president and Dufry Brasil and Bolivia COO Gustavo Fagundes.

Much of the airport investment came from privatizations: Brazil’s top 10 airports account for 98% of international traffic, he said. And while the country’s IFRAERO maintains 49% ownership of airports privatized in the first round of auctions, state ownership is not a requirement of the latest round of privatizations, which took place earlier this year.

Continued on next page.



ASUTIL Secretary General Jose Luis Donagary tells conference goers that the travel retail markets in Latin America are showing signs of recovery.

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ASUTIL: Fagundes presents Dufry Brazil overview *continued from page 2.*

Dufry has been a significant part of the airport renovations. The company currently operates 99 airport stores in Brazil, up from 60, covering 38,000 sqm of space, up from 16,000 sqm before the World Cup. The average contract is for 12.6 years.

To make best use of the space, Dufry introduced several new concepts, including state of the art walk-through stores.

"We must make sure that all these new square meters are efficiently generating more value and the best spend per pax," he said.

Actual results have been impressive to date. In Belo Horizonte, for example, spend per passenger in the January-April period of this year has increased by 52% compared to the same period last year since the walk-through concept opened, reported Fagundes.

In Rio de Janeiro, Dufry has

taken destination shopping to "the next level," with a series of specially designed areas reflecting different sections of the city in the departures store. These areas are now generating 36% of the ticket in the departures store.

A specialized boutiques zone airside dedicated to consumer and luxury brands – such as Victoria's Secret -- is also generating new business. These boutiques accounted for 34% of sales at Sao Paulo T3 departure store in the January-April, 2017 period, said Fagundes.

Store-in-store electronics is another big draw, especially since Dufry opened the first Apple store in Latin America at Terminal 3 in Sao Paulo Guarulhos Airport. Dufry has since expanded the Apple concept to Rio de Janeiro and is further increasing its electronics portfolio with a branded store-in-store for Samsung.

"These electronic store-in-stores generated 25% of the increase in the spend per passenger in Rio in the first quarter of this year," said Fagundes.

Dufry capitalizes on Duty Paid

With 90% of Brazil's air traffic coming from domestic passengers, Dufry is also focusing strongly on new duty paid concepts. Its Mega Store Dufry Shopping – beautiful stores that look like the best of duty free department stores – have proven to be extremely successful. Since Dufry first introduced the concept in Brasilia Airport in 2014, they have expanded it to airports throughout the country. At Sao Paulo Guarulhos, the Dufry Mega shopping stores accounted for 104% of the increase in spend per passenger.

Dufry's Hudson concept is another big success. The traditional news and magazine store also offers a mix of travel and entertainment products, as well as grocery, toiletries and personal care, souvenirs, electronics and toys –and was responsible for 40% of the duty paid spend per passenger at Rio's Santos Dumont airport in the 2017 January-April period.

Dufry believes that it is critical to integrate the retail experience between domestic and international travelers. Fagundes points out that most international travelers also travel domestically, while for new travelers at the domestic level, the duty paid stores can be an entry level introduction for when they begin traveling internationally.

For this reason, Dufry takes an

omni-channel approach to provide travelers with a comprehensive travel retail experience, based on interactions along all of the different phases of a journey: planning, departing, transit, arrival and post-sales.

The company makes heavy use of digital to reach its customers all along this journey. It has also introduced the Dufry Red loyalty program—a powerful tool which currently represents 9% of its duty free sales in Brazil.

Dufry Red is an invitational program that targets high-income frequent flyers.

Dufry's Reserve & Collect program is also generating sales. By pre-ordering, passengers are guaranteed price and stock availability, and products may be picked up whether the passenger is arriving or departing.

Customers who use the service are also offered exclusive discounts and fast check outs. Reserve & Collect currently accounts for 6% of Dufry's duty free sales in Brazil, but the percentage goes up to 9% for arrival sales. The average ticket of Reserve & Collect customers is 120% higher than the average duty free ticket.

Fagundes concluded his presentation with a discussion of the importance of solid partnerships with airport operators and suppliers, and the opportunities the company sees ahead, both on the border and through improvement in the tourism sector as a whole.

The bottom line, though, is always to be customer-centric, he said.

Dufry showcases its duty free and duty-paid airport stores in Rio de Janeiro



Entrance to Dufry's main Departures store in RIOgaleão International Airport.

With Rio de Janeiro the host city of the final stand-alone ASUTIL Conference, Dufry took advantage of the location to showcase its stunning, state-of-the-art stores in Rio.

As part of one of its biggest expansion projects, Dufry's duty free and duty paid stores at Tom Jobim RIOgaleão International Airport were transformed last year with extensive redesigns along with the opening of several new stores and boutique shops.

The scale of the redevelopment was vast and allowed Dufry to double its duty free space, reaching a total of 8,000sqm. Dufry now operates almost 10,000sqm of retail space at the airport.

Gustavo Fagundes' presentation described in this issue provided an excellent introduction to the stores, with the reality of the designs more than meeting his descriptions.

Continued on page 4.

Dufry showcases its duty free and duty-paid airport stores in Rio de Janeiro

One of the key considerations for Dufry was to ensure that its new stores featured thematic concepts and design details that captured the spirit and vibrancy that the city of Rio is famous for, delivering a very tangible 'Sense of Place' to the 17 million passengers the airport welcomes each year.

At almost 2,200sqm, the main duty free store in Departures has prime position in the completely renovated and expanded terminal.

Dufry worked in close collaboration with RIOgaleão to develop a retail space that delivers real impact and desirable new brands. The design of the store was inspired by Copacabana Beach, an iconic symbol of Rio de Janeiro. Design details such as curved walkways guide customers to the heart of the store and in the extensive beauty hall.

The store also features strong personalization for a number of international brands including Dior, Chanel and Armani, to create a luxury shopping experience.

This main store is also home to a Samsung Corner – a strong brand personalization showcasing Samsung accessories, mobile phones and VR GEAR.

Dufry is also the first travel retailer worldwide to present an Apple 'shop in shop' concept. The Apple brand has a very strong following among Brazilians and

Argentines and the shop offers the full Apple range. Customers are served by dedicated staff who have undergone extensive training to ensure they deliver the best standards of service and product knowledge.

Instore Destinations

Dufry's operations at RIOgaleão Airport deliver a strong 'Sense of Place' with unique and innovative concepts that reflect aspects of the Brazilian culture. In addition to the Main Duty Free store in Departures, a Destination Area dedicated to local brands captures the color, flamboyance and energy of the most famous neighborhoods in Rio de Janeiro – Maracanã for sports, Ipanema for fashion, Copacabana for beach items and Bohemian Lapa for artistic souvenirs and crafts. The destination areas appeal to travelers with imaginative use of design details, fixtures and lighting.

Luxury boutiques

Luxury is also a key focus of the shopping experience at RIOgaleão. A 'WATCHES' boutique store showcases an impressive collection of products from brands such as Montblanc, TAG, Hublot, Breitling and Bvlgari. Its design incorporates reflective and metallic elements such as crystal and gold, creating a very premium and relaxing shop-

ping environment for customers.

The luxury theme continues with a collection of visually impactful boutiques from the Hugo Boss, Salvatore Ferragamo, Polo Ralph Lauren and Michael Kors brands.

Designed to create the appearance of four separate stores, all are in fact connected via a central, mirrored corridor which allows customers to walk between all four boutiques and pay for their purchases all at once.

Arrivals

Arrivals stores in Brazil fulfill the role of department stores, which are nonexistent in the local market. In RIOgaleão, Dufry has taken the design and service elements of its duty free arrivals store to the next level, to deliver a truly world class shopping experience to customers.

In addition, Arrivals stores also help brands to build their awareness among the affluent Brazilian customers, including brands that aren't available domestically such as Victoria's Secret, Polo Ralph Lauren (exclusive at duty free in Rio). It also features brands that have very restricted distribution in the local market as is the case with Giorgio Armani Cosmetics, Hugo Boss, MoroccanOil and Kérastase, which are well presented in this store with personalized corners.

'Sense of Place' is very evident yet again, with design elements that reference the green mountains that surround Copacabana beach reflected in the store's ceiling. The walkway resembles the classic beach boulevard flooring. Clever lighting mimics the reflective qualities of sunlight on water and a curving walkway guides customers intuitively through the extensive 3,800sqm store.

De-stressing

Dufry has even provided a "decompression" area to prepare passengers for the shopping experience. Just inside the welcoming store entrance a relaxing Lounge Area allows passengers to 'de-stress' before entering the shop itself. Dufry's Drop & Pick Up Luggage Service is located here and allows customers to hand over bulky or heavy luggage for storage. It is returned to them at the exit of the arrivals store, after they have shopped in comfort without having to carry heavy bags and cases.

A 'Reserve and Collect' service is also offered by Dufry. This system enables customers to pre-order products online, by phone or through an app, simply and securely. A dedicated Reserve & Collect point is located inside the arrivals store, where customers can collect their pre-ordered goods and pay for them at exclusive check outs. The pick-up spot includes another lounge area, where customers can relax and enjoy a drink or light refreshments while collecting their reserved shopping.

Product categories

An extensive beauty area offers services including hair and skin diagnostics from Vichy, La Roche Posay and Kérastase. Dedicated space is also provided for the unique 'travel exclusive' products that can only be found in the airport.

Continued on next page.



Photos: Top left: Entrance to Dufry's Main Arrivals stores in RIOgaleão International Airport. Bottom left: Dufry's duty-paid Mega Stores in Rio de Janeiro airport provide a multi-category department store environment to showcase international brands.

Dufry showcases its airport stores in Rio de Janeiro

Continued from page 4.

The liquor area incorporates Dufry's World of Whiskies 'shop in shop' format, a 'Rare & Vintage' area for whiskies and cognacs. Tasting bars for wines, spirits and confectionery give customers the opportunity to sample and then to buy the products at the same location.

'Must Have in Rio' is a personalized area that brings together items specifically chosen by Dufry for international passengers visiting the city, presenting a product mix tailored on what travelers might need during their stay in Rio de Janeiro. These include flip flops, sunscreen and beach wear among others.

Dufry's arrival store also presents a dedicated 'lifestyle' area which showcases products specifically chosen to satisfy Brazilians' unique purchasing preferences, at attractive prices compared to those on the domestic market. Many of these items - such as baby buggies - are difficult to carry because they are so bulky or heavy, so for the ultimate convenience, Dufry offers them in its extensive Arrivals store. The store also carries pet accessories, home appliances and tech' items such as drones.

Duty Paid Mega Store

The key element of the retail story at RIOgaleão is the Dufry Shopping Megastore. Located in Terminal 2, the 1,300sqm store importantly plays a department store role within the local Brazilian market. It is the only multi-category retail outlet where brands can present their own concepts in a very appealing and personalized way.

New brands have been introduced across several core categories including Beauty - Dufry is the exclusive retailer for MAC (other than the brand's own stand-alone stores in the high street), Fashion - with the introduction of Salinas and Reserva, Watches and Accessories - Dufry is the only authorized dealer (other than Vivara) for Tommy Hilfiger Watches and also the only

travel retailer to operate a 'shop in shop' Vivara jewelry boutique. A Sunglass Hut is also operated exclusively by Dufry at RIOgaleão.

Luiz Rocha, CEO of RIOgaleão, commented, "The new duty free stores have provided passengers with a complete experience in RIOgaleão, taking into account their wishes and needs. Our strategy is to continuously improve and requalify the service delivery and increase the variety of products and brands.

"Along with Dufry, we have brought to Rio's International Airport quality items and attractive offers that combine the best of Rio with the best of the world. The project was designed so that the passenger has his first and last Rio experience in the airport. The architecture combines elements such as wood and curved lines, to represent the mountains and the sea typical of Rio de Janeiro.

"Within this setting we have, for the first time at the airport, local brands that represent the carioca lifestyle and are recognized worldwide, including brands such as Farm, Osklen, Lenny Niemeyer and also a dedicated area to the city's bohemian experience," said Rocha.

Diaz comments

Commenting on its operations at RIOgaleão, Julián Díaz, CEO of Dufry concluded, "We are extremely proud of everything we have achieved here at Tom Jobim International airport.

"We have been able to significantly expand our retail presence and showcase the best of Dufry's store concepts, which have been designed to deliver a world-class airport shopping experience to the millions of passengers that use the airport each year.

"The increased commercial offering, extended choice of brands and range of customer services on offer have already helped drive strong performance and growth," said Díaz.

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"Our thanks go to the team at RIOgaleão with whom we continue to work in close partnership, to ensure that the traveler's experience at this airport is second to none."

Julián Díaz, CEO of Dufry

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