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# TRAVEL MARKETS Vol.18-19 INSIDER

## Dufry reports return to positive organic growth in Q3, and a “distinct improvement” in results

Dufry is reaping the benefits of its major acquisitions as the integration of last year's WDF Group continues amid implementation of a new business operating model.

The company today reported that its nine month turnover for the period ended Sept. 30, 2016 increased by 39.4% to CHF 5,877.2 million (US\$6.031 billion), while its organic growth pushed into positive territory in the third quarter, starting from a performance of -2.9% in the second quarter of the year.

EBITDA was CHF 685.4 million, 34.9% higher compared to the first nine months of 2015, and free cash flow gener-

ation grew by 64.1% to CHF 535.7 million.

Dufry says that changes in scope, which include the acquisition of World Duty Free, added 42.0% to the turnover growth, while the translational FX impact stood at +0.6%.

Net new concessions contributed 0.6 percentage points to the organic growth, including WDF, and 0.8% on a reported basis. Cash generation continued strong and free cash flow before interest reached CHF 535.7 million, 64.1% higher than in the previous year, due to significant improvements in net working capital management.

Dufry reports that most of its

divisions have had either a stable or improved performance.

In Europe, Spain continued its strong performance driven by increasing passenger numbers. Performance in the United Kingdom was positively affected by the weakening of the British Pound, but markets like Turkey continue to be impacted by fewer Russian tourists.

Brazil had a “distinct performance improvement” as the Brazilian Real recovered over the quarter and even appreciated against the US dollar as of August, says the company.

Dufry opened over 27,000 sqm of gross new commercial space as of September, expanding its operations in Cambodia (1,500 sqm), Macau (600 sqm) and Lima (2,000 sqm), among others.

In Brazil, operations in Rio de Janeiro have been completely re-vamped and the commercial space more than doubled to 11,800 sqm, including the addition of 5 new shops. In addition, Dufry has contracted for an additional 26,800 sqm of retail space which are expected to be opened throughout the remainder of 2016 and 2017.

*Continued on page 3.*

## PEOPLE

**Milos Djuric**, former VP General Manager of L'Oréal Americas (Parbel) and then founder of his own distribution company, has joined **Elizabeth Arden** as Vice President, Latin America, where he will oversee both duty free and local markets.

**Arnout Boele**, most recently customer marketing director at **Diageo GTME** in Miami, has been promoted to global commercial director **Baileys** and relocated to Dublin, Ireland.

**Romain Ritter**, director travel retail Americas for **Coty Inc.** in Miami, has been promoted to General Manager Travel Retail Americas.

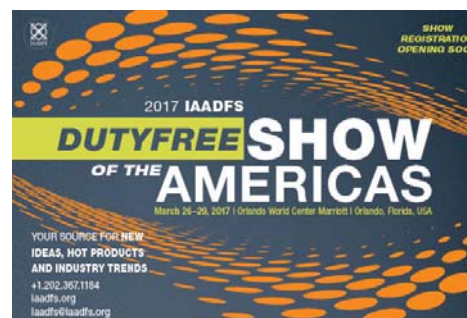
**Alex Botero**, formerly heading up **P&G's Prestige Beauty** business in Miami before relocating to New York for a position in another division of P&G, has moved over to **Coty** following the merger of the P&G Specialty Beauty Brands. Botero has assumed a vice president role for North American Field Sales for mass fragrances.

**Tatiana Pinto**, experienced executive with Chanel covering both local markets and Travel Retail in the region, has joined **Duty Free Dynamics** in Panama as sales executive, where she will support DFD's growing business in the Americas and the Caribbean, reporting to CEO Guy Bodart. She will also be responsible for training, reporting to Maria Villarreal.

## Motta and Diageo open the largest Diageo exclusive store in Americas in Quito Airport



Diageo Global Travel, in partnership with Motta Internacional's Attenza Duty Free, officially opened the largest Diageo exclusive store in the region in the International Departures concourse of the New Quito International Airport, Ecuador, on Oct. 26. Attending the ribbon cutting were, from left to right: Andrew O'Brian, President and General Director from Quiport (airport authority), Erasmo Orillac, Motta Internacional CEO, Marcos Bibas, Diageo Commercial Director, Carlos Criado, Quiport Business Development Directo, Adriana Pocatererra, Account Controller from Diageo and Aurelio Barria, Executive VP, Motta. Story on page 2.





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## Motta and Diageo open the largest Diageo exclusive store in Quito Airport

Diageo Global Travel, in partnership with Motta Internacional's Attenza Duty Free, officially opened the largest Diageo exclusive store in the region in the International Departures concourse of the New Quito International Airport, Ecuador, on Oct. 26.

The store, which is the first of its kind for Motta, was officially opened by Marcos Bibas, Commercial Director, Diageo Global Travel Americas and Erasmo Orillac, CEO, Motta Internacional. The 387 sqf shopping area is designed to inspire and stimulate travelers with eye-catching personalized branded wall bays featuring regional best-sellers Johnnie Walker, Buchanan's, Old Paar and Zacapa.

Marcos Bibas comments: "As the largest Diageo exclusive store in the Americas region, the opening of this store in Motta Internacional is a shining example of the strength of our commitment to personalization and transformation of the shopper experience in travel retail. The creation of such a unique proposition is testament to the strong and successful partnership we have developed with Motta Internacional.

"As partners for many years, we have

together grown the category [by] double digits and have increased the permanent spaces for the liquor categories in airports. We are like-minded in our approach and we believe that this unique proposition is an incredible opportunity to drive further growth for both Diageo and Motta Internacional in this key travel airport in the region."

The store stimulates and facilitates a unique shopping experience where travelers can avail of "Single Malts Club" and "Experience Fine Drinking" that features Diageo malts, white spirits and liqueurs such as Baileys. The store also houses Diageo's latest travel exclusives including Johnnie Walker Island Green and Baileys XC.

Motta's Erasmo Orillac adds: "As one of the leading duty free operators in the Americas we are delighted to continue this long term partnership with the largest producer of spirits in the world to offer one of the widest portfolios of world class spirits brands under one roof. We believe that this store sets us apart from other duty free operators and we look forward to delivering increased category growth through a well-balanced portfolio."



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## London Supply signs new agreement with DANZKA owners as operator expands its domestic business in Argentina



London Supply President Teddy Taratuty and Waldemar Behn CEO Rudiger Behn sign an agreement beginning distribution of DANZKA Vodka and Dooley's Original Cream Liqueur into the Argentine domestic market at the TFWA World Exhibition in Cannes. London Supply Group has expanded the brands it is distributing into Argentina this year, adding DANZKA and Dooley's, Bottega, Patron, and Lindt Chocolates, with more brands coming soon.

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## DUFRY NINE MONTH, 3<sup>RD</sup> QUARTER RESULTS

### Diaz: Organic growth back to positive, first synergies from WDF, strong deleveraging

*Continued from page 1.*

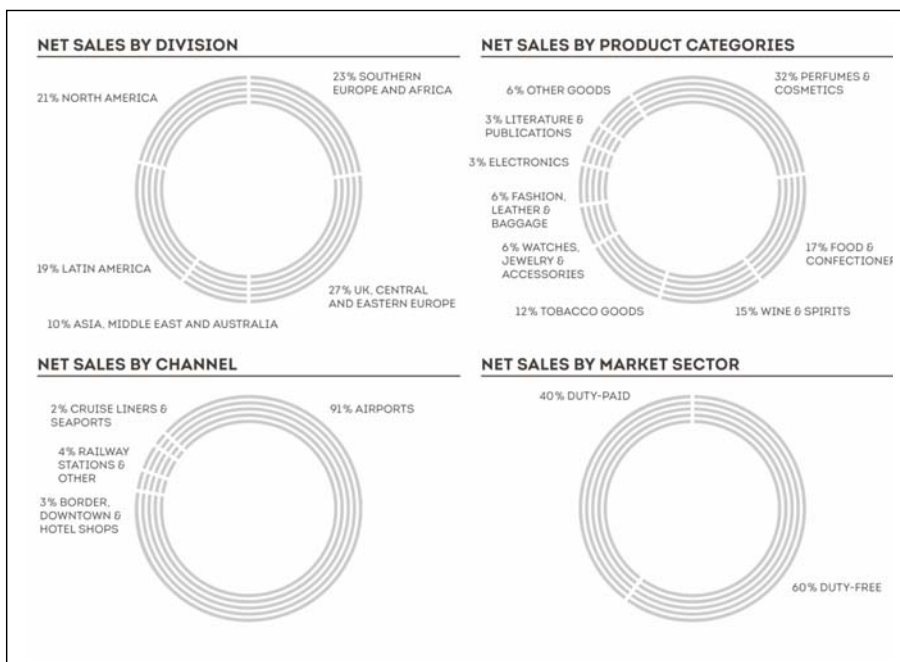
Julian Diaz, CEO of Dufry Group, commented: "The focus for 2016 has been to drive organic growth, to generate cash to delever-age, and to integrate the WDF business. Now at the end of the third quarter, we have delivered on all the points.

"During the third quarter, our initiatives have begun to show positive results. We saw a distinct improvement in the business which finally brought organic growth of 1.3% back to positive territory. As to the growth drivers, major contributions came from Spain, with its ongoing good performance, and the UK showing an increasing sales since the devaluation of the GBP.

Last but not least, we had a clear improvement in the performance of Brazil: The year-on-year strengthening of the Brazilian Real versus the US Dollar has given back the purchase power the Brazilians were lacking in the past three years.

Diaz went on to add: "In terms of generating cash and delever-aging, we continued to have a strong financial performance with a substantial growth in free cash flow generation and a further reduction of our debt levels. Since the beginning of the year, our net debt reduced by almost CHF 400 million.

"The integration of World Duty Free continues on track. On the cost side, we already completed most initiatives and we have implemented yearly efficiencies of CHF 59 million, which is at the upper end of the estimated range of CHF 50-60 million. With respect to the gross margin synergies we are currently finalizing the implementation and synergies will build up along 2017. We confirm the total of CHF 105 million synergies, which will sequentially be reflected in the financials over the coming quarter and in 2017.



#### Results reflect Dufry's strengths

"This set of results represents in many ways the strengths of Dufry's business model, from the turning point to a positive organic growth, to the substantial deleverage achieved in the quarter and the well-advanced implementation of synergies of the World Duty Free integration.

Should current conditions and trends

remain unchanged, we would expect a further improvement in the next quarters."

"The WDF integration and the related implementation of the new business operating model are proceeding well, with all key work-streams running in line or ahead of the original schedule," said Diaz.

## Dufry results by regions

### Latin America

Even though turnover grew to CHF 1,116.9 million (US\$1.146 billion) in the first nine months of 2016 versus CHF 1,013.4 million (US\$1.040 billion) one year earlier, underlying growth in the region was -6.7% in the nine months, with the third quarter contributing +2.1%.

In Central America and the Caribbean, most operations confirmed their positive performance, including Mexico and the majority of the Caribbean.

In South America, Brazil continued to improve by turning positive in Q3 and recording double-digit growth in September.

Peru and Chile also performed well in the third quarter. While

Argentina reported a slight improvement, it remained overall in negative territory.

### North America

Turnover reached CHF 1,245.2 million (US\$1.278 billion) in the first nine months of 2016 up from CHF 968.0 million (US\$993.3 million) in the previous year. Underlying growth reached +3.8% in the nine months, rising to +4.7% in the Q3.

Duty-paid formats such as Hudson continued with a strong performance. On the duty free side, Dufry reports that the stronger US dollar positively impacted its operations in Canada but had the opposite effect in the United States

### Southern Europe and Africa

Turnover reached CHF 1,319.3 million in the first nine months of 2016, from CHF 894.5 million one year before. Overall, the underlying growth in the division was -3.6% in the nine months.

### UK, Central and Eastern Europe

Turnover grew to CHF 1,576.6 million in the year to September, versus CHF 867.9 million in 2015, with underlying growth of +0.8%. Business in the UK accelerated in the third quarter, positively impacted by the weakening of the British Pound. Other operations in Europe continued with a positive performance, such as Finland and Switzerland.

Operations in Russia and other Eastern European locations remained negative, however with improving trends.

### Asia, Middle East and Australia

Turnover was CHF 569.4 million in the first nine months of 2016, from CHF 439.6 million in the same period in 2015. Underlying growth in the division was flat. Performance in the Middle East and India was good. South Korea continued to see double-digit sales growth, mitigating some Asian locations where a lower spend from Chinese consumers impacted business.



## Rituals targets Americas Travel Retail for coming year, expands product offer with Luxury Home Products Collection

Coming off of a very successful expansion in all travel retail channels in Europe over the past two years, Dutch bath & body lifestyles brand Rituals is targeting the travel retail channel in the Americas and the Middle East in 2017.

Speaking with *TMI* in Cannes, Rituals Cosmetics Director of Wholesale, Neil Ebbutt, says that the eastern-inspired, botanical-based products are particularly expanding its presence in the U.S.

"We now have ten free-standing Rituals stores in New York City, including one that opened on Fifth Avenue at the end of October and a new store in the World Trade Center. We are also in Barney's

stores throughout the country," he says.

Rituals has also signed with Radisson for its new intermediate-tier Radisson Green range of hotel properties, and has seen its business grow by 65% in Europe since teaming with a number of big operators there, reports Ebbutt.

"Rituals is the perfect travel brand. We add value and the innovation that travel retail is looking for. Rituals is a way to connect with the millennials, who are flying an average of five times or more a year. We appeal to them since we are a brand that says slow down, connect with me. Rituals is a brand with soul," he says, com-

menting on ways to increase penetration at the point of sale in airport retailing.

In the past year alone, Rituals opened a 25 sqm store with Viking Line cruises, was listed in amenities kits onboard Virgin Upper Class and Brussels Airlines business class, as well as with Thomas Cook's tax free sales onboard. It also expanded its hotel distribution to the Middle East, Finland, The Baltics, Italy, Greece and Australia, and opened a stand-alone store in Schiphol Airport. This followed its 2015 milestone of being sold in 100 airport stores and 100 cruises.

### Home collection launches

Rituals is also enhancing its offer by launching a new collection of luxury products for the home to travel retail in November.

"We have a very distinct brand philosophy, which is to create products that can transform every day routines into meaningful moments. The home is a great place for Rituals products to enrich your experience of everyday living..., to enjoy what we call 'soulful living,'" says Ebbutt.

The collection consists of five innovative luxury home products that help "create an atmosphere that feels like a second skin," says Ebbutt.

The five products include: Parfum d'Interieur—a unique subtle fragrance ambiance perfume spray, available in three fragrances; Rituals' Private Collection Fragrance Sticks in two fresh and herbaceous aromas, and two warm and spicy scents; the Ritual of Sakura scented candle; a decorative scented door hanger and a perfumed wardrobe sachet.

## Canada raises foreign ownership limit for airlines

Canada will nearly double its limit on foreign ownership of airlines, raising it from the current 25% percent to 49%.

Canadian Transport Minister Marc Garneau announced the changes in Montreal on Thursday, as part of an overhaul of transportation rules.

The airline ownership rules are being changed "in order to increase competition and create more options for Canadians," said Garneau. Certain restrictions will apply, however. No international investor will be able to hold more than 25% of equity in a Canadian airline, and no combination of international

carriers could own more than 25% of a Canadian competitor. Canada will also retain the current 25% foreign ownership limit for specialty air services, reports *Bloomberg News*.

The move would aid conditions for the creation of new low-cost airlines, said Garneau.

Although the new rules are not yet in force, the minister said that the government would immediately increase the ownership threshold to 49% for new airline startups Canada Jetlines Ltd. and Calgary-based charter operator Enerjet Ltd. to enable them to raise capital to begin operations.

## Duty Free Dynamics adds TW Steel watches to portfolio

Panama-based Duty Free Dynamics (DFD) has added a third prestigious brand to its distribution portfolio through a new strategic partnership with TW Steel, the global Dutch watch brand well known for dominating the oversized watch segment.

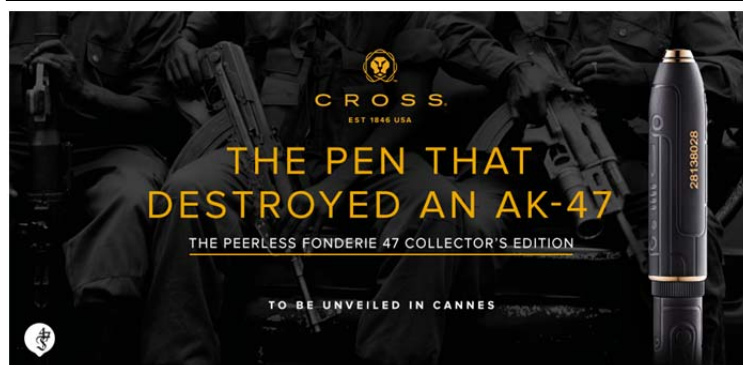
The new agreement involves the exclusive distribution of TW Steel for the Travel Retail channel in the Americas and the Caribbean. With its name meaning 'The Watch in Steel', TW Steel is firmly established as a big, bold, global lifestyle brand, whose timepiece collections are reflective of innovative design and luxurious styling paired together with Swiss build quality and an exceptional price point.

TW Steel joins the other major brands in the DFD portfolio -- Guess Watches and Braun Watches & Clocks—which DFD distributes in the travel retail channel of the Americas and Caribbean.

## In Memorium: Harold Judson "Jud" Brady

We are very sorry to report the passing of another travel industry pioneer. Harold Judson "Jud" Brady, 91 of McAllen, Texas passed away on October 28, 2016. As part of his long and storied career, "Jud" opened Brady's Duty Free Stores in Texas in 1970. We understand that he was also involved in the original UETA.

A memorial service took place on Sunday. He is survived by his wife, Gloria, his 4 daughters and his son, as well as numerous grandchildren and great grandchildren. TMI adds our condolences to those of the industry to his friends and family.



David Ferreira dferreira@cross.com



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SOUTH AMERICA TR /  
SKINCARE & COSMETICS**

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**Qualifications:** Bachelor degree or above in Business Administration; minimum 3 years' experience in sales in the luxury industry; excellent communication skills (English/Spanish); strong management and analytical skills; 50% travel.

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& LAT. AM. LOCAL MARKETS  
/ SKINCARE & COSMETICS**

Responsible for development and implementation of Marketing plans and communication of brand objectives and strategies for all skincare and cosmetics brands; management of portfolio category and building brand equity and gaining of market share by leveraging innovation and creativity. Must have 5 years in the industry. Position reports to Marketing Director for the Americas. 30% travel. Degree in Marketing with 5 years' experience in the industry preferred

**BRAND MANAGER TR &  
LAT. AM. LOCAL MARKETS  
DOLCE & GABBANA  
(Fragrance)**

Responsible for implementation of trade marketing strategy, development of media plans, forecasting, and advertising. Will work closely with brand holder to assure brand image across region. Travel Retail and Local Market experience is ideal. Reports to Marketing Director for the Americas. 20% travel.

Marketing or Business degree required with strong analytical skills and excellent oral and written communication skills in English and Spanish. 3-5 years marketing experience is a must -MORE-

**THE SHISEIDO GROUP  
(CONTINUED)**

**PRODUCT MANAGER  
/ SKINCARE & COSMETICS**

Contributes to the execution of marketing strategies, coordination of launches, promotions, implementation of marketing plan, forecasting, product launches, animations, ordering of media and PR images. Reports to Marketing Manager

Knowledge of Photoshop preferred: strong knowledge of MS Office a must. Degree in Marketing/Business field preferred. A minimum of 3 years' experience in the industry (in skincare & make-up is a must)

**MARKETING ASSISTANT  
/ DOLCE & GABBANA  
(Fragrances)**

A minimum of two years' experience in the luxury goods industry to assist the Brand Manager with various marketing responsibilities that include the coordination of product launches and animations, maintaining updated distribution database, ordering visuals, in addition to other administrative duties. Strong knowledge of Photoshop and MS Office needed.

**FINANCIAL ANALYST**

As the primary support for the Finance Director, will handle monthly reporting, A/R and A/P, T&E reporting/audit/analysis, provisions follow-up, vendor payments, purchasing, and IT. Degree in Accounting and excellent knowledge of Excel and accounting software

**Applicants please send  
resumes to:**  
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**IATA: Strong passenger demand resumes in September**

The International Air Transport Association (IATA) announced that global passenger traffic grew 7% in September compared to the same month in 2015.

This was the strongest year-over-year increase in seven months.

Capacity climbed 6.6% and load factor edged up 0.3 percentage points to 81.1%. Growth in domestic traffic slightly outpaced growth in international traffic.

**COTY**

has an opening for a Travel Retail Business Analyst position based in Miami:

**Mission**

This position will provide analytical support to the TR Americas region. Key responsibilities will be to support the sales team in terms negotiations and provide business insight driven by detailed sales, financial and market analysis.

The ideal candidate will be a self-starter with a detail oriented approach, an astute commercial sense and great interpersonal skills.

**Requirements**

University Commercial/Finance degree  
Fluent English (Spanish & French a plus)  
At least 3 years of relevant work experience in an international environment  
Industry knowledge a plus  
Excellent knowledge of Excel

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**International Passenger Markets**

International RPKs (revenue passenger kilometers) climbed 6.9% with airlines in all regions recording growth compared to 2015. Total capacity climbed 7.2%, causing load factor to slide 0.2 percentage points to 80.4%.

**North American airlines'** demand rose 3.3%. While the upward trend in international traffic has eased of late, seasonally-adjusted passenger volumes have risen at an annualized rate of 6% since March. Capacity rose 4.2% and load factor fell 0.7 percentage points to 81.5%.

**Latin American airlines'** September traffic rose 7.1% compared to the same month last year, aided by strong demand on international routes within the region. Capacity climbed just 2.4% and load factor surged 3.6 percentage points to 83.7%, second highest among regions.

**European carriers** saw September demand rise 5.2% over September 2015. Demand growth seems to be returning to normal after the disruption caused by terrorism and political instability.

**Asia-Pacific airlines'** traffic rose 8.6% in September compared to the year-ago period, although there are still signs of Asian travelers being put off by terrorism in Europe.

**Middle East carriers** had an 11.5% rise in demand in September compared to a year ago, which was the largest increase among regions.

**African airlines** posted an 8% rise in traffic which was matched by an equivalent rise in capacity. The strong demand increase largely reflected favorable year-ago comparisons, as economic conditions in much of the continent remain challenging.



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