

IAADFS Webinar: View from the Americas/Northern exposure

Travel and air traffic is still down by record levels but select markets in the Americas are beginning to see signs of improvement that will hopefully flow over into 2021, according to the retailers participating in the webinar hosted by the International Association of Airport and Duty Free Stores in early December (*TMI*, issue vol. 21, no. 41).

Entitled **Managing Through COVID: From Crisis to Recovery**, the panel was led by Rene Riedi (Dufry) who is chairman of the Association, along with Jackie McDonagh (Aer Rianta), who discussed the situation in Canada faced by both airports and land border stores; Erasmo Orillac (Motta Internacional SA), presenting his observations on the airports in South and Central America where Motta operates; and Matthew Greenbaum (International Shoppes), speaking about his company's experience in North America. Rene Riedi also discussed the current state of travel in the airports where Dufry runs the concessions in Latin America and the Caribbean, ranging from Mexico to Brazil and Argentina.

In today's issue, *TMI* focuses on North America, presenting Jackie McDonagh's and Matt Greenbaum's sessions.

Canada: Focus on Service and communication more critical than ever

ARI's Jackie McDonagh presented an update on the air travel situation in Canada, especially in Montreal, and also touched on the dire impact the coronavirus pandemic is having on the Canadian border stores, many of which are closed. Only border stores that service commercial traffic are open, and that volume is very low. And with varying travel restrictions in place across each of Canada's 11 provinces, domestic travel is also restricted.



ARI's Jackie McDonagh in Montreal

McDonagh reiterated and updated her thoughts she shared with [TMI in the October magazine](#).

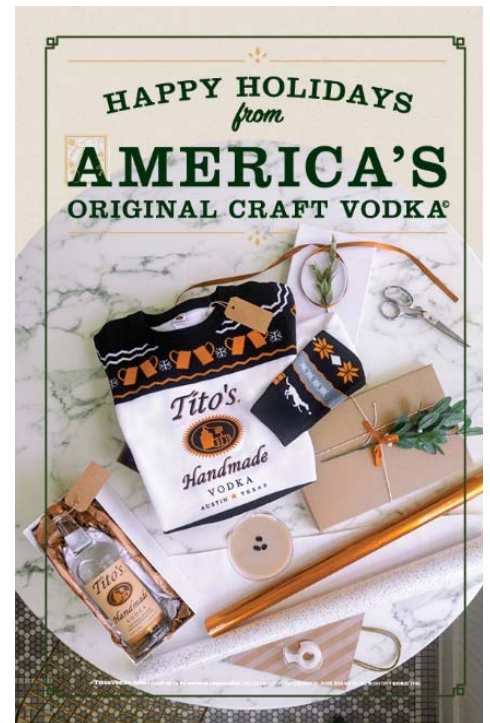
Aer Rianta International handles four international airports in North America—Montreal, Quebec City, Winnipeg and Halifax, as well as in Bridgetown, Barbados. The ARI duty free and transborder stores at Montréal Pierre Elliott Trudeau International Airport reopened on July 14, but are only doing about 13-14% of 2019 levels, although spend per passenger is up and many passengers are looking for more luxury items, she said.

McDonagh's message boiled down to "treat customers like gold," and she detailed seven key components that her stores will focus on for the future:

1. Customer service needs to be flexible and adaptable, such as recognizing the importance of using more diverse ways to communicate with the consumer;
2. Convenience, including hands-free service and cashless transactions;
3. Adding value – promotions and competitive pricing are more important than ever;
4. Quality merchandise;
5. Optimizing the assortment;
6. Safety assurance—in addition to social distancing, masks and in-store sanitizing, retailers must be able to communicate these efforts to the consumer;
7. Sustainability - from health and well-being products to assuring ethical sourcing and packaging.

In response to a question regarding the possibility of Arrivals Duty Free in Canada, McDonagh noted that the proposal still needs to be presented to the Canada Border Services Agency, and if approved, then sent on to Parliament for further study.

As of the time of the presentation, McDonagh noted that the travel industry in Canada had received no Government support.



International Shoppes: staff, service, cooperation and contracts

Matt Greenbaum, vice president at New York-based International Shoppes, is part of the third generation of the iconic two family-owned and operated company that will be celebrating its 70th year in business in Spring 2021.

A pioneer in the U.S. duty free industry, International Shoppes operates in airports throughout the Northeast—in Boston, Baltimore, Hartford, Connecticut and at New York JFK -- and last year won the duty free concession at Houston's George Bush Intercontinental Airport in terminals A, B and D. IShoppes also serves the diplomatic communities in New York and Washington.

Greenbaum noted that working with his colleagues at IAADFS on the webinar was a good reminder that his company was not alone, but rather was having the same experiences and seeing the same opportunities as others across the region.

However, he warned that the damage to our industry from the pandemic "cannot be overstated," even as he concluded that there are some signs of optimism on the horizon.

Travel retail has had a shocking blow to revenue, said Greenbaum: "International Shoppes was not spared—we were hit early on and will probably feel the effects longer than

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IAADFS webinar: International Shoppes Matt Greenbaum reports

most. When the outbreak started in China in December and January, we saw our sales and the flights that we were servicing tail off very quickly. It started for us in late 2019 and just got worse and worse. Then in March, the European flights were stopped,” he said.

Although almost all of the IShoppes stores had been closed early on, most are now open to some extent, with operations of each location impacted differently, even within different terminal at the same airport.

Greenbaum lauded how all stakeholders are working together during this crisis—from the airports to suppliers, as well as staff.

Store level adjustments

“We have had a lot of close coordination with and the support of most of our landlords and airport landlords on rent and flexibility of operating hours. This has allowed us to come up with some innovative staffing plans to assure that no resources are wasted and that we continue to service all international flights.”

IShoppes also expanded its e-commerce platform, he said.

“We already had quite a robust pre-order service, but we put in more resources and brought more suppliers on to be featured.”

Despite the growth in its e-commerce, Greenbaum says that the in-store experience is critical. “This is encouraging and we must make sure that the in-store experience remains,” he says.

The operator also distributed personalized IShoppes PPE to the staff at the airport. “It is amazing to me how up beat and resilient our staff is,” he said.

Flights are still drastically below 2019 levels, but since summertime, the company has benefited from a relatively consistent flight schedule so they can anticipate staffing needs in each terminal.

“We had a bump [in traffic] this summer but we leveled off since. We are hoping for things to keep improving as the vaccine gets distributed.”

Low government support

Greenbaum expressed his disappointment with the lack of government support the industry had received to that time. “The CARES Act did not provide for any explicit support for the airport, and the IAADFS has been working very hard lobbying to make sure that there is language that includes us in the next round of support,” he noted.

People seem to be willing to travel, and appear to feel safe getting on a plane, but Greenbaum sees the complicated and inconsistent regulations – quarantines and different restrictions from state to state and internationally—as a major challenge.

“There needs to be a better coordinated effort both in the U.S. and amongst governments,” he argues.

Air bridges, which could lead to shorter or no quarantines, is one solution he would like to see expanded. He would also like to see airlines and airports put more rapid onsite testing in place to reduce the need for quarantines.

Supplier, landlord cooperation

Greenbaum has high praise for the level of support IShoppes has gotten from both suppliers and landlords during this crisis.

“Since March there really has been an environment of understanding. People realize that we have to all get through this together.”

Most airports in the U.S. have waived minimum concession fees through the end of the year, he said,

“We would like to see those commitments for abatement of rent be extended indefinitely. It is very hard to operate in an environment where we don’t know if the airport is planning on instituting this minimum based rent. Those numbers would really change the way we operate.”

Greenbaum especially acknowledged the suppliers who “have been very creative and flexible in terms of how we are partnering together. They have been very patient with new orders, they have been receptive to taking back

merchandise that is not sellable, they waived minimum requirements.”

In addition to financial support, suppliers came up with creative product launches and relevant promotions, he said. “We need to take advantage of as many buying opportunities as possible.”

In the future, Greenbaum anticipates a change in purchasing patterns, including a more consolidated assortment especially with confection and seasonal items.

“It was very painful to watch confection goods expire and need to be tossed. I think we are going to be very careful to order right and turn our goods a little more frequently.

“This will call for a more efficient supply chain, quicker turns of inventory, and speedier and more frequent deliveries from suppliers, so retailers are not sitting on inventory,” he said.

Consumer engagement improves

In a positive development, IShoppes in seeing better consumer engagement at the store level, a

situation that is being enhanced by the high caliber of their sales people.

“When customers come through we have time to engage with them. We have a concentration of sophisticated sales people, most are supervisors or brand ambassadors. They are very knowledgeable, and we are really seeing the value of having these more sophisticated sales people to generate more incremental business. I think this is something we are going to continue and invest in,” he noted.

More specific contracts

Greenbaum also sees future airport concessions contracts needing to address operator obligations more specifically.

“Language is needed so that we can be flexible if and when the next event happens,” he said. “When the crisis started, we weren’t sure what our obligations were going to be. Going forward, we would like to have language included in our leases that speaks to how we would address these ‘acts of God’ events.

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TFWA's new president Jaya Singh introduces Board and talks about his vision for TFWA and its role in travel retail going forward

Incoming Tax Free World Association (TFWA) President Jaya Singh met with global media during a digital press conference last Thursday in a candid discussion that he called a "dialogue session" which touched on a wide range of topics critical to the industry.

Singh was joined by the new TFWA Board-- Vice-President Finance Frédéric Garcia-Pelayo of Interparfums; Vice-President Commercial Donatienne de Fontaines-Guillaume of Moët Hennessy; Vice-President Conferences & Research Gemma Bateson of JTI; Vice-President Corporate Sam Gerber of WorldConnect; and Vice-President Marketing Aude Bourdier of Brown Forman – who actively participated in the discussions and lively question-and-answer session. TFWA Managing Director John Rimmer was also on-hand to answer questions.

The diversity and breadth of experience contained within the new Board reflects the diversity of the Travel Retail industry, said Singh, who is Managing Director of Mondelez World Travel Retail, European Export & Switzerland and a former President of Asia Pacific Association APTRA.

Hainan Special Edition

The main news of the Press Conference was that TFWA's **Asia-Pacific event scheduled for May 10-13, 2021** in Hainan, China, will incorporate both physical and virtual elements. Details of the **'Hainan Special Edition,'** as it is being called, are still being finalized, but the format is being designed to assure the safety of all who attend and allow those unable to travel to take part from a distance, said Bourdier.

The event is not a conference and not an exhibition, she said. Calling 2021 a year of transition, Bourdier said that TFWA was adapting with these new platforms; the event will include a streamed conference and work-shops, and the One-to-One meeting platform.



From left: Tax Free World Association (TFWA) President Jaya Singh (Mondelez), Vice-President Marketing Aude Bourdier (Brown Forman); Vice-President Commercial Donatienne de Fontaines-Guillaume (Moët Hennessy)



Vice-President Finance Frédéric Garcia-Pelayo (Interparfums); Vice-President Conferences & Research Gemma Bateson (JTI); and Vice-President Corporate Sam Gerber of WorldConnect.



The TFWA event will follow immediately after a complementary Hainan Expo concludes, she added.

Donatienne de Fontaines-Guillaume said that the TFWA event is still "a work in progress" but will be user-friendly, innovative and accessibly priced.

"We have to provide the most reasonable way to allow people to attend. The budget should not be a show-stopper," she said.

Jaya Singh's vision for TFWA

The "dialogue session" presented Jaya Singh with an opportunity to discuss how he sees the role of TFWA evolving in light of the changes resulting from the current crisis.

Singh noted that we need to understand the roots of an entity before incorporating the elements of change that we are all currently undergoing. Only then can we begin to make sense of it and try to prioritize going forward.

"TFWA was built on the foundation stones of 'by the trade, for the trade.' And it has facilitated us

well until the storm hit us this year, and what a heck of a storm that is still going on," he said.

The current crisis has shown us the need for speed, agility and adaptability, he stresses, although he sees the bailouts extended to the industry as a huge vote of confidence that travel will be back.

"We cannot take away a basic human desire and aspiration to see and connect with the world. So the future is good, but how do you transition in the midst of bail outs? Debt levels have risen significantly, and company balance sheets have been really impacted, so the priority going forward is to restore balance sheet strength for many companies. And in order to do that these companies will set priorities focusing on what generates cash and cash velocity," he argues.

Economic and regulatory threats

With this background in mind, what is the role of TFWA in terms of what it can provide to its members, he asked?

"There is nothing that stops us

from engaging in forums with other stakeholders, like airport authorities as well as retailers, in trying to understand where they are at, what their priorities are, and how we can align better so that as an industry, we recover financially faster and better and return to how we serve the traveler.

"Let's not be blinded by the economic reality. We also as an industry have been confronted with regulatory threats-- tobacco, alcohol -- ... at the end of the day what we do not need somebody from the WHO imposing further restrictions on the different categories that we represent. That will have a further economic impact upon us as an industry now.

Working together as one

Singh points out that the industry has many regional associations, and there is an opportunity for all of them to work closer and leverage the network into a powerful voice as one so that our industry can be heard.

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THE FRAGRANCE
FOUNDATION

TRAVEL MARKETS
INSIDER

“Life Lessons” from Leonard Lauder: The Fragrance Foundation hosts Master Class with ELC’s esteemed Chairman Emeritus

The Fragrance Foundation gave thousands of people around the world an early holiday gift last week with a wonderful Masterclass by the inimitable Leonard Lauder speaking with Linda G. Levy, president of the organization, in a webinar open to the industry.

Introducing the discussion as “a hallmark event,” Levy called Mr. Lauder *Chief Teaching Officer* and said that the event perfectly met TFF’s objectives of nurturing talent and promoting fragrance education.

The Fragrance Foundation hosted the webinar on the occasion of Leonard Lauder publishing his much-anticipated memoir, *The Company I Keep: My Life in Beauty*, which came out in November.

At age 87, Lauder is Chairman Emeritus and former CEO of The Estée Lauder Companies and he uses the book as a platform to share the business and life lessons he learned as well as the adventures he had while helping transform the mom-and-pop business his mother founded in 1946 in the family kitchen into the iconic global prestige beauty company it is today.

In addition to Lauder and Levy, three key industry figures who have worked

with The Estée Lauder Companies for many years—Nicolas Mirzayantz, Divisional Chief Executive Officer and Scent at International Flavors & Fragrances (IFF); Patrick Firmenich, Chairman of Firmenich; and Felix Mayr-Harting, Global Head of Fine Fragrances at Givaudan, posed questions for Leonard Lauder. Each of these companies have worked on one or more blockbuster fragrances with Lauder.

Levy also called on a number of “notables,” young fragrance executives from companies from Chanel and Parlux to Symrise, to pose some thought-provoking questions as well.

Mr. Lauder spoke at length about the history of the company – his mother would sit young Leonard in his high chair and put a chocolate kiss in his milk to entertain him while she mixed up batches of cream in her kitchen – interspersed with discussions on his “Life Lessons.”

Dedication

Among the highlights of this “Journey of Inspiration,” as Levy called it, Lauder stressed the importance of dedication.

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Jaya Singh introduces TFWA Board and talks about future of travel retail *Continued from page 3.*

“That is another role where I see us bringing value. It is about the value that we can bring to the industry. At the end of the day it is a chance for us to recalibrate and reach out, connect, engage, right, and stay forward,” he said.

“The most important point is this—the future is bright. People will travel. It is a basic human aspiration that no one can deny. How we transition and steer to this will be a huge collective effort.”

Prospects for recovery

Despite this “bright future,” Singh does not see the first quarter of 2021 as a v-shaped recovery. Commercially, with input from different stakeholders, he believes that the first half of next year will still be “a bit of a struggle” although he doesn’t think that the second quarter will be as dark as

what we went through this year.

“The general trend is towards an uptick for next year, but with a very gradual curve Q1, Q2 consolidated. And if the vaccine kicks off it will help. At the end of the day it is not just an issue of commercial, it is confidence. Bottom line. Confidence from government. Confidence from airlines. Confidence from travelers. Confidence from companies that play in this huge international space. That is pretty encouraging from what we hear, but the reality is that infections are still going up and that has an impact on the commercial factor.

“In terms of transitioning, the fundamental things that we need to keep in mind is that we must have the ability to scale up faster, with agility and speed. We have to go back to the basics, focusing on



the brands and programs that generate the cash and cash velocity that everybody needs. If [recovery] doesn’t happen sooner, we have to scale down faster with agility... in order to survive... We can only do this collectively—share best practices, reach out to different stakeholders so that we can align better.

“I wish I had a crystal ball, like everyone else, and say that on March 31 this will all be over. But I do know that we will hold hands together and that we will have to work very hard. That is clear. And we will have to work closely. But I do think the worst is over.”

Lois Pasternak

“Life Lessons” from Leonard Lauder: TFF Master Class *Continued from page 4*

“Our first 20 years were very tough,” he recalled, reminding listeners that the company was launched during the Great Depression. The Estée Lauder Company made its mark with the iconic *Youth Dew*, which he said was originally a derma-cream before it was a fragrance—actually a bath oil that doubled as a fragrance, so as to give clients an added value. Estée also had the foresight to not use a cellophane wrapper around the box, which allowed women to smell it.

Being able to smell the product was key to the Lauder company’s innovative sampling program, which Leonard took on when he joined the company in 1956 after a stint in the Navy.

“We couldn’t afford to advertise enough to make a difference so we took all our money and invested it in *Youth Dew* samples, and this is the way we sold it,” he said.

Which leads to another of Leonard Lauder’s Life Lessons: “Don’t let bean counters ruin your success!”

Estée was also successful in convincing U.S. women that fragrance was not a luxury out of their reach to be used only on special occasions and that perfume did not have to be French to be good.

She also pioneered the idea of the “fragrance wardrobe”: after *Youth Dew* came *Aliage*, a green “sport fragrance,” followed by launches of numerous other fragrances, each meeting a different need. Another Lauder icon, *Beautiful*, created by Leonard’s wife Evelyn, targeted brides and is still a best-seller today.

Leonard Lauder also stresses that the company story was the family story, and that the people in the company are all part of the family. “We are here for the long run,” he said.

Two other Life Lessons also propelled the success of the company: actively seeking women to join his management team and moving the company into Europe.

“Never make an important decision without a woman at the table,” he quipped. Other gems from the Master Class included “take responsibility and accountability,” “hire people smarter than yourself,” “believe in your vision,” “if you have someone who you trust, trust them,” and “learn to

listen.” Most important, he said, “tell her that you love her—people need recognition and constant reminders that they are cherished. Tell them!”

All of Leonard Lauder’s proceeds from the sale of *The Company I Keep: My Life in Beauty*, will be donated to charity.



Alchemy Americas brings Japanese ReFa beauty brand to LATAM and DF



Japanese high-end beauty roller brand ReFa and Alchemy Americas have reached an exclusive representation agreement for the Latin America, Caribbean and Duty Free region.

Additionally, Alchemy Americas will help ReFa in their efforts to accelerate their business presence in the luxury spa channel in the USA.

ReFa Beauty Rollers began in 2009 with the introduction of a single beauty roller, which was designed to replicate the professional massage techniques of an esthetician’s hands. 10 years later, ReFa is the leader of the \$1.7 billion beauty device market in Asia with over 10 million units sold.

“Now ReFa is expanding into Latin America, and chose Alchemy Americas and its network to do so. With offices in the USA, Mexico, Argentina and Brazil, Alchemy Americas is the preferred boutique brand building partner for the high potential, high consumer value brands in the beauty industry,” says company founder, Cédric Mahé.

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INTERNATIONAL

Dubai Duty Free marks its anniversary with 3-day sales of more than US\$19m

In a sign of normalcy to come, Dubai Duty Free marked its 37th Anniversary with sales of Dhs69.990 million (US\$19.175 million). DDF celebrated by welcoming passengers traveling through Dubai with a special 25% discount on a wide range of merchandise over three days from December 18-20. The 72-hour anniversary sale was also extended to DDF’s Home Delivery customers.

Perfumes continued to be the highest selling category with sales of US\$4.825 million during the three-day period, followed by Liquor (US\$ 2.363 million in sales). Sales of Cosmetics reached US\$2.241 million, and sales of Watches generated US\$2.162 million. Sales of tickets for the Dubai Duty Free Millennium Millionaire and Finest Surprise promotions combined reached more than US\$2 million over the 3-day period, making it the 5th most popular category.

Commenting on the response to the 37th anniversary, Colm McLoughlin, Executive Vice Chairman & CEO of Dubai Duty Free said: “We are happy to see such a positive result during our annual anniversary sale both in store and online. This is very much a “thank you” to our customers and while there have been less travelers than usual at Dubai International Airport, it was great to see them respond to this special offer.”

Dubai Duty Free’s Home Delivery Service, which was launched in June of this year and is available for UAE residents, recorded Dhs3.964 million (US\$1.086 million) in sales with a total of 2,398 orders made. 12,917 units were sold to Home Delivery customers with the best-selling categories including Perfumes & Cosmetics, Fashion, Food, and Watches.

The Dubai Duty Free Anniversary offer was first introduced when the airport retailer marked its 20th Anniversary in 2003 and continues to be popular over what is traditionally a busy travel period.

Macallan launches The Red Collection in Travel Retail

The Macallan has unveiled The Red Collection, a new range of rare single malt Scotch whiskies inspired by the significance of the color red throughout the history of the brand.

The Red Collection features a selection of ongoing aged expressions and occasional high aged guest releases. At the heart of The Red Collection is The Macallan 40 Years Old, The Macallan 50 Years Old and The Macallan 60 Years Old which are the oldest ongoing expressions ever offered by The Macallan.

These three single malts will be joined on occasion by high aged guest releases, beginning with The Macallan 71 Years Old, The Macallan 74 Years Old and The Macallan 78 Years Old. These incredibly rare single malts are among the world's oldest Scotch whiskies, with The Macallan 74 Years Old and The Macallan 78 Years Old being the oldest bottlings ever released by the brand.

In Global Travel Retail a limited number of each of the releases will be available exclusively at The Macallan Boutiques in Dubai, London and Taiwan.

Jeremy Speirs, Regional Managing Director for Edrington Global Travel Retail, commented:

“The Macallan Red Collection is a true landmark release for The Macallan – exactly the kind of exclusive and highly sought-after series for which our boutiques are the perfect showcase. We’ve worked closely with our partners at these locations to ensure that the amazing story of The Red Collection is brought to life both instore and online, allowing whisky connoisseurs and collectors around the world access to these incredible bottlings.”

The color red has a deep and long-standing significance for The Macallan, beginning with Alexander Reid, who founded The Macallan in 1824. His surname

means ‘the red one’ in Scots and was originally associated with red hair.

In 1903, owner Roderick Kemp launched The Macallan Choice Old range, which was reportedly shipped in cases labeled with distinctive red print to distinguish it from The Macallan’s existing whiskies, which featured black labeling.

In 1980, red featured strongly in the release of The Macallan’s then oldest vintages, dated 1938, 1940 and 1950. Allan Shiach, chairman of The Macallan at that time, tied a red ribbon around the bottlings to denote their age and value.

The three characters now feature in an animated film created to introduce The Red Collection in collaboration with celebrated Spanish painter and illustrator Javi Aznarez, set to music recorded by Scottish violinist Nicola Benedetti, one of the world’s most influential classical artists.

Each expression in The Red Collection is encased in an oak presentation box created from the same sustainable European oak used to craft The Macallan’s oak casks, and upholstered with sustainably sourced soft red leather from Scottish supplier Bridge of Weir Leather.



Collectors are clamoring for the Macallan Red Collection. Luxury wine and spirits retailer Le Clos, which runs The Macallan boutique in Terminal 3 at Dubai International Airport, sold more than \$2 million in product within a day, eclipsing all other launch campaigns in Le Clos’ history. Throughout the pandemic, Le Clos and The Macallan have used the online boutique and direct marketing campaigns to VIP customers to deliver outstanding sales results, say the companies.

The Red Collection RRSP are as follows: The Macallan 40 Years Old - US\$15,000 / £11,300; The Macallan 50 Years Old - US\$50,000 / £37,500; The Macallan 60 Years Old - US\$65,000 / £49,000; The Macallan 71 Years Old - US\$78,000 / £58,500; The Macallan 74 Years Old - US\$82,000 / £61,500; The Macallan 78 Years Old - US\$87,000 / £65,500

IAADFS webinar: International Shoppes Matt Greenbaum *Continued from page 2*

“Our expectation is that in the future, if there is an outbreak, airports and governments will probably be quicker to shut down and limit capacity and we want to know what our obligations will be if and when that does happen.”

As for now, Greenbaum optimistically lists several positive developments for recovery, including improved flight schedules, increased spend per passenger and customers shopping with enthusiasm, and greater efficiencies on the company level, coupled with stronger partnerships with suppliers.

“Everyone that survived to this point is an efficient operator. I think as business comes back we can look forward to being much more profitable again,” he said.

Greenbaum is also confident that the U.S. and the world will see an explosion in recreational travel once the vaccines are issued.

Between the pent-up demand and greater time flexibility people will have as many continue to work from home, he expects leisure travel to be very strong.



Matt Greenbaum, International Shoppes