DUFRY

TRAVEL MARKETS INSIDER Vol. 21- 17

Dufry's 1Q 2020 turnover down more than 23% as it prepares to face a challenging year with action plan

Dufry has issued its first quarter results detailing the impact that the COVID-19 pandemic --which has caused unprecedented drop in passenger flows in airports, cruise lines and tourist destinations around the world -- has had on its business.

Turnover in the first three months of 2020 reached CHF 1,438.7 million versus CHF 1,882.6 million in the same period in 2019, representing a decrease of -23.6%.

Organic growth was -21.4% mainly impacted at like-for-like performance level due to lower passenger traffic across the majority of airports. All divisions reported negative organic growth, in particular Asia-Pacific and the Middle East, followed by Europe & Africa; while North, Central and South America were not influenced until March.

Dufry develops flexible action plan

Julián Díaz, CEO of Dufry Group, commented: "At the beginning of 2020, we first saw an acceleration of the business and an encouraging performance. Then the crisis started to impact the travel retail industry and our performance in several locations as of February, leading to a negative performance for the first quarter of 2020.

"We have immediately setup a special committee, who has developed and implemented a comprehensive **action plan** focused on driving sales, secure cash generation, reduce costs and safeguard our profitability. **The action plan** has adapted the company's structure to the current environment and **considers different scenarios of full-year sales declines ranging from 40% to 70%** and allowing us to flexibly adapt the measures to the business performance.

"Looking forward, Dufry has already developed a **recovery plan on a location-by-location basis** and is ready to resume operations as soon as travel restrictions are lifted. The recovery plan is based on each locations' productivity and includes a whole set of global initiatives to drive sales through promotions and adapting the assortment focusing on new products and exclusivities.

"Furthermore, in April, we successfully implemented several financial initiatives to strengthen our capital structure and improve our liquidity position. This is an important step and together with our cost cutting initiatives, it will allow us to continue operations until the next cash generation cycle starts.

Diaz concluded: "Despite the currently challenging environment, we are strongly convinced that the business will recover as we have seen in previous occasions and we are well prepared to serve customers as soon as circumstances allow."

Trading update

The business environment remained difficult in April, with travel restrictions in place in most locations, resulting in a sales drop of -94.1% for the month.

Giving the current context, and the low visibility to provide business forecasts, the company has withdrawn the full-year 2020 guidance previously disclosed on March 12, 2020.

Turnover in the Americas

North America

Dufry reports that turnover reached CHF 330.2 million compared to CHF 442.4 million in the first quarter of 2019. Organic growth was -24.0% in the period with a slowdown in both segments, but especially in duty free, which is exposed to international and Chinese customers.

Central and South America

Turnover was CHF 314.0 million in the first quarter of 2020 as compared to CHF 384.0 million one year earlier, with organic growth coming in at -16.3%.

In the first quarter, this division was less impacted – in particular Central America and the Caribbean – as most of restrictions started during March.

Sky wins duty free concession at Brazil's Foz de Iguaçu Airport

Sky Duty Free, which opened the first land border store in the Brazilian town of Foz de Iguaçu last week, has won the concession to operate Arrivals and Departures duty free stores at the town's Cataratas International Airport.

The new stores will be located in the recently completed passenger terminal which increased airport capacity to 5 million passengers.

According to Infraero, the Brazilian airport authority, 2.08 million domestic passengers and 68,700 international passengers used the airport in 2019.

Prior to the suspension of international flights last month, the airport had one daily flight to Lima, Peru and it is unclear when this will restart.

John Gallagher

DFWC extends deadline to respond to global Recovery Framework Protocol to May 18; hails 'tremendous initial response' to date

The Duty Free World Council (DFWC) reports that it has received a tremendous response from industry stakeholders to contribute to the survey that will lead to a global Recovery Framework Protocol. DFWC has extended the deadline to Monday, May 18 at 23:59 CET to give all companies the maximum opportunity to respond.

The Council urges all industry stakeholders to assist in the creation of a workable and meaningful Protocol by giving their input to the survey.

The questionnaire is accessible at https://www.surveymonkey.com/r/B3BHKMR, or via the DFWC website at http://dfworldcouncil.com/covid-19-the-industry-response/.

DFWC President Sarah Branquinho comments: "The fantastic level of engagement in the three days since the survey opened reflects the recognition within the industry of the importance of a consistent approach on how we earn the permission to operate again once travel restarts, and the importance of giving passengers the confidence to shop in duty free and travel retail stores.

"We have extended the deadline until Monday to allow a little more time for participation, however the Protocol will feed into operating guidelines being developed for the aviation, maritime and tourism sectors, and deadlines are tight. We ask any retailers or brands who have not yet given the views to please do so in the coming days.

"I would like to add my personal thanks to the DFWC members (APTRA, ASUTIL, ETRC, FDFA, IAADFS, MEADFA, TFWA) and to the trade media for all their work in encouraging industry stakeholders to contribute to the survey," says Branquinho.

Once completed, the DFWC Academy (https://dfworldcouncil.com/academy/) will develop an industry training program to facilitate the implementation of the protocols.

As of May 13, 134 responses had been received, reports DFWC.

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International Shoppes enhances “store-side” airport service to protect passenger safety

With fewer people flying due to the COVID-19 pandemic and those who are traveling through airports concerned for their safety, International Shoppes has updated its ishoppes.com website and expanded its pre-order program to allow for “store-side pickup.”

“This is a good example of how International Shoppes is adapting to the new landscape,” IS Vice President Matt Greenbaum tells *TMI*, adding that the changes to the company’s website will better facilitate “store-side pickup,” IS’ take on “curb-side pickup.”

Although International Shoppes first created its pre-order website on ishoppes.com in 2016, the company believes the time is right to update and enhance this increasingly important part of the business, Jeanine Pollakusky, General Merchandise Manager, International Shoppes tells *TMI.*

“Pre-order is definitely a growing part of the business that we have been expanding greatly over the past few years. Although we have been involved in pre-order since 2016, the push to go digital has been accelerated with this pandemic. We have had the functionality since then. And over the years we have continued to improve so that we will be a leader in the industry for best in practice with our offerings,” says Pollakusky.

Customers can now pre-order from the International Shoppes website as late as one hour before their flights leave.

“We have expanded the window for ordering. Before the customer could only purchase 3 to 72 hours before their flight. We have reduced that lead time down to only one hour pre-flight,” says Pollakusky.

International Shoppes pre-order customers can now purchase products from inside the terminal on their mobile phones.

“The word pre-order implies placing an order before the customer physically comes to the airport.

“We have slightly shifted that messaging with a call to action for a mobile order, which can convey to the customer that they can purchase pre-order even if they are inside the terminal,” says Pollakusky.

“Let’s say that you are at the airport an hour and a half or two hours before your flight and you see the signage that we have deployed around our terminal about the mobile orders. You can place that order and then go to one of our kiosks that we are marketing as store-side pickup, and pick up your package just as long as it is one hour before your flight.

“Some customers may not want to come into a store and shop right now, they might be afraid. We want to offer this service to them, that they can still purchase their favorite items and pick it up at one of these kiosks safely.”

International Shoppes is communicating these new pre-order initiatives with signage throughout its stores and the terminals as well as through its social media accounts and SEO.

“We need to focus on enhancing our digital offerings to engage and excite the consumer. I think now is the time for us to look at the entire customer’s traveling journey from the inception of wanting to travel to the post-travel journey and see how we can touch that consumer and have these great offerings for them, and convert them into customers,” says Pollakusky.

As part of the digital update, IS has created special e-boutiques on its website for select brands.

“We are expanding our online portfolio and assortments day by day. We are also parlaying this into creating customized e-boutiques on our website. The e-boutiques are micro-sites on ishoppes.com that comprise a digital shop-in-shop experience where the brands can completely customize the look and feel of their brand page. We have deployed e-boutiques for La Prairie and Johnnie Walker and we are in conversations with a handful of other vendors to create more customized spaces.”

At this time, International Shoppes has stores open at JFK Terminal 1 and is open for one flight at JFK Terminal 5.

“Hours are reduced and we are taking it day by day, week by week as flight travel resumes. We are looking to open our other doors as soon as we can,” says Pollakusky.

“We are utilizing this time to create impactful and digital advancements to offer the traveling public.

As soon as traffic resumes, we will have a heightened and new experience for them. We are pushing our digital initiatives forward.”

ETRC welcomes EU Tourism and Transport Package guidelines

The European Travel Retail Confederation (ETRC) welcomed the publication on Wednesday of European Commission’s guidelines and recommendations on the restoration of safe transport and tourism services in Europe.

In particular, ETRC welcomed:

The coordinated lifting of quarantine requirements as soon as possible for incoming air travelers

Travel retail operators being able to open their stores at airports, ports and onboard ships as soon as commercially viable as per EU guidelines

A strong communication campaign to announce all the measures being taken to reassure citizens and to rebuild their confidence in air and sea transport.

ETRC President Nigel Keal welcomed the guidance from the European Commission noting that it is the first major contribution by the EU to the rebuilding of the travel retail industry.

“Operationally, our shops face very different issues to supermarkets and therefore different solutions are required. Whilst more detailed guidance on airport operations will be forthcoming soon, the position expressed today by the EU recognizes the key differences between duty free and domestic retailers and the need for tailored solutions.

“We strongly welcome that understanding and urge European governments to take the same approach.

Keal continued: “Passengers need to have confidence that air and sea travel is safe. Across Europe and beyond, there needs to be consistency in how these measures are implemented. Airports, airlines, hotels and other travel infrastructure needs to have consistently high standards. That is the real value of what the EU is trying to achieve and ETRC is pleased to be playing its part in that process.”

The ETRC also urged European governments to work quickly to implement common standards and ensure measures are fully coordinated in order to restore confidence and allow for a safe passenger experience. *www.etrc.org*

DUTY FREE WORLD COUNCIL
Serving duty free and travel retail worldwide

TRAVEL MARKETS INSIDER

DFWC Q1 KPI Monitor reveals global shopper/behavior passenger satisfaction

The Duty Free World Council (DFWC) KPI Monitor for the first quarter of 2020 reveals that passenger satisfaction has dropped statistically compared to the same period last year, likely another fallout from the Coronavirus pandemic sweeping the world.

The Monitor, produced for the Council by Swiss research agency m1nd-set and compiled from over 4000 interviews with shoppers globally, shows a decline in satisfaction in both Asia Pacific (-2% vs Q1 2019) and North America (-1%), stable levels in Europe and only the Middle East and South America posting moderate increases (+1%). The global average also falls by 2% compared to the same period in 2019.

Traffic data – which is down dramatically -- is not covered in this edition since benchmarking would not currently be pertinent. The impact of the Coronavirus on duty free shopping behavior is featured, however. Overall, 21% of travelers who say they usually visit the Duty Free shops to browse would not do so, and 26% of those who did visit the shops said they spent less time in the shops because of COVID-19.

The categories most affected by the shopper behavior change are Perfumes, Alcohol and Skincare. The road to recovery is set to be a long and challenging path, as 75% of travelers interviewed for the Q1 KPI Monitor said they would avoid traveling to certain destinations for the next six months.

Several key attributes remain important to shopper satisfaction, however.

Value for money remains the main satisfaction driver among global shoppers, followed by the variety and uniqueness of products in stores, the atmosphere in the shops and level of service and in-store communication, which all feature prominently. Exclusives and gifting are also key elements to the overall positive passenger experience.

These attributes are also reflected as the reasons passengers give for shopping at airports-- 31% say both price quality ratio and price advantage are the primary reasons they purchase at an airport duty free shop.

The unavailability of the products at home is #3, with 28% of shoppers citing this, underlining the importance of variety and uniqueness of products. The suitability of products for gifting is also high among the reasons for purchasing at 28%. Differentiation (23%), brand loyalty (20%), souvenir purchases (17%) and convenience (16%) are also listed.

DFWC President, Sarah Branquinho, stressed the importance of maintaining checks and balances on performance and passenger satisfaction, given the current global crisis.

"Shopper insights have always been a necessity to ensure we are in line with customer expectations and aware of new trends and behaviors. They have never been so important as in times of crisis like that which we are currently experiencing on a global scale. The DFWC KPI Monitor continues to gauge how shoppers in our stores perceive our offer. More than ever before, over the next few months we will need to pay attention to what our customers are telling us," said Branquinho.

Dr. Peter Mohn, Owner and CEO at m1nd-set added: "These unprecedented times will call for new ways of thinking and operating. While differentiation, exclusives, variety and value for money are currently key elements of shopper satisfaction, we can expect to see new benchmarks emerging in the future such as 'safe place to shop' and 'hygiene level and cleanliness of store' or even 'possibility to shop without interaction'."

For more information, please contact info@m1nd-set.com

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GUEST EDITORIAL / INSIGHT

The future of airport concessions in a post-COVID-19 world

Alan Gluck, Sr. Manager Aviation, ICF

Concessionaires need to understand the new business reality when they ask for relief.

Alan Gluck

COVID-19 has sent shockwaves throughout the world. Having been hit particularly hard, airports are searching for answers to problems on a scale that simply wasn't imaginable six months ago.

Updates to the FAA guidance

The FAA has issued additional guidance on airport concession fees, some of which reverses earlier policies. First, and potentially most important, the FAA's position on rent abatements has gone from "NO" to: "A decision to abate rent (including 'minimum annual guarantees' and encompassing fees) is a local decision. Rent abatement should be tied to the changed circumstances caused by the public health emergency and done in accordance with Grant Assurances 22 and 24, as well as related statutes. Where abatement results in shifting costs between various classes of airport tenants and users, the airport sponsor is encouraged to consult with all affected parties..."

Besides giving each airport blanket permission to decide its own strategy, the emphasis on shifting costs between various classes of airport tenants is crucial. In airports with residual airline agreements, the airlines will be required to make up the difference between revenue to the airport and required revenue to pay for airport development and other expenses.

The key will be ensuring that airline charges remain fair and reasonable. Concessionaires need to understand this new business reality when they ask for relief. ***If relief drives airline costs to a significantly higher level, thereby reducing airport cost-competitiveness, airlines may choose not to fly to the airport or to operate fewer services. If flights do not return to their pre-pandemic levels, then the airport will not be able to recover former passenger levels. That will, in turn, harm the concession program.***

What will airports be in the future?

No one is sure how long recovery will take. Nor do we know whether travel habits will change permanently because of new practices learned during lockdowns. At least for the immediate future, there will be reduced demand for concession services.

Most experts agree that there will be no quick snapback of passengers, so ***airports face the issue of having too many concessions locations or even too many operators.***

It may be necessary for an airport to close concession locations as they may close portions of the airport to reduce their operating costs.

The April 4th FAA guidance permits this: "In coordination with airport sponsors, airlines, the Transportation Security Administration (TSA), and other entities, closing gates or sections of terminals is likely to be acceptable if the closure is executed in response to reduced passenger volumes and operations, is not discriminatory, and does not provide an unfair competitive advantage to one operator. For example, TSA has reduced lanes or consolidated passenger screening checkpoint operations in numerous airports in response to the reduction in originating passenger volume."

If an airport operator closes a concourse or a terminal, it would need to eliminate some concession spaces from its contracts, which may render some deals no longer viable.

The competitive landscape may be—by necessity—altered. When passenger traffic does come back, airports should rethink how their concession contracts work.

Airports should carefully consider how they structure deals and their business models to ensure more flexibility to respond to potential future shocks.

The fallacy of Minimum Annual Guarantee (MAG)

In times of continued and prolonged growth, airports have learned to depend upon MAGs. In North America, airports tend to look at MAGs as the least amount of acceptable rent. In other parts of the world, MAGs are the airport's exact expected rental payments. North American airports generally believe that if a vendor is paying a MAG, there may be a business problem. Elsewhere, airports do not expect vendors to exceed their MAGs. In either case, ***history has shown that MAGs are not supportable in the event of severe downturns.***

The current decline dwarfs those of the recent past, as enplanement levels have dropped by upwards of 90%. However, MAGs in concession contracts still expect continued growth. Many airport agreements allow for a suspension of MAGs in the event of a severe enplanement decrease. If the metric for rent resumption is comparing the current period to the same period in the previous year, by the time the world reaches year two of recovery—even if the improvement is only slight and slow—the contract may reinstate the original MAG.

Charting a new course

It's clear that ***fixed MAGs are unable to provide the flexibility necessary to deal with severe occurrences.*** A different methodology is required to ensure that vendors are allowed to earn a fair return on their investments, are able and willing to reinvest to improve and grow, and still provide a reasonable return to the airports. Where do we go from here? Let's consider six potential options.

Option 1: MAG based on enplanements

The single factor most tied to concession success is the footfall past the concession locations.

Hence, a fairer methodology for establishing a MAG is to base it on an absolute value per exposed passenger. There are means of counting passengers who pass a concession location, but few airports have installed such technology.

A per enplanement MAG would be a strain on most airports' accountting departments, especially if the footfall varies by location. A by-location per passenger MAG may be too complicated for widespread implementation at this point.

Calculating MAG based on traffic in a larger area (e.g., the concourse or terminal) is one possible answer. While this methodology is feasible, it does not get to the actual number of passengers who see a concession location. What this option does do is change the distribution of risk.

In a standard MAG model, the concessionaire bears a great deal of uncertainty with little risk falling to the airport. With a MAG based on enplanements, the airport accepts the risk of failing to deliver enough enplanements.

However, this still may not be the most effective solution.

Continued on next page.

Airport concessions in a post-COVID-19 world *Continued from page 3.*

Option 2: MAG on a per square foot basis

Non-airport retail leases typically charge rent on a per square foot (PSF) basis. Most airports already calculate a PSF rent amount in their airline rates and charges (e.g., office space with passenger access) that applies to concession-type spaces.

There are a few limitations, however, that make this a less than optimal solution. Primarily, in residual agreements, the rates vary based on airport revenue. As a result, if concessionaires produce lower sales because there is no traffic, it will result in space rental rates increasing.

Depending on the level of the sales decrease, the resulting increase in space rental rates may lead to concessions being no longer economically viable.

Because this rate base is not related to passenger numbers, it is equally as inflexible as a MAG set by any other means in the event of significant changes in enplanements. As a result, airports may wish to consider going a step further.

Option 3: Elimination of MAGs

As is becoming evident, basing financial remuneration on an aspirational or required number—or even recent experience—can fail. ***A MAG, as currently developed, is unsustainable in anything but relatively normal times.***

If the basis for a MAG is what the airport thought it should be earning, the amount may never be supportable even if a concessionaire signed the contract. This leads to another possibility: to eliminate MAGs and ***tie airport payments to sales only.***

This essentially ***flips the rent risk from being entirely on the vendors (in a MAG-based model) to being entirely on the airport.*** While the vendor still has some risk to pay for its investment and employee wages, rent is solely dependent on sales.

Given the focus on bottom line profits, the investment in variable costs—such as employees, training, maintenance, and product development—required to earn additional sales may no longer make economic sense.

There are ***numerous ways to frame a contract without a MAG.*** Most simply, the airport and vendor could agree to a fixed percentage rent. Alternatively, different percentages could be charged for varying levels of sales or by assigning either fixed or variable rates to different product categories (e.g., one percentage for food and non-alcoholic beverage and a separate percentage for alcoholic drinks only). Regardless, this shifting of risk may not be acceptable to airports.

These three options do not change the underlying airport-concessionaire relationship. Yet one of the most severe barriers to entry, particularly for small businesses, has always been ***limited access to capital.*** With the new economic and industry realities, capital access may be an even greater hurdle. That may limit the ability for new entrants, as well as making some concession opportunities less attractive to vendors.

Given that we are considering a new paradigm, airports and concessionaires may wish to consider three other business structure options.

Option 4: Airport-concessionaire joint ventures

Airports outside of North America are already experiencing the benefit of joint ventures between the airport operator and concession operators. While the ***model has primarily been used for duty free concessions, it has worked equally well for other types of concessions.***

In this model, the airport takes on two roles: landlord and partner in the operation. The joint venture lease must be similar to those given to other concessionaires, and enforcement of the airport's rules and performance requirements must be uniform.

While the airport might invest capital in the joint venture, it must be involved in a management committee overseeing the business. How involved the airport gets in the day-to-day operation is the option of the airport and their partner(s).

One of the keys, however, to the success of this model is the realization that each partner brings particular strengths, skills, and abilities. When one partner tries to do too much, it will lessen the benefits of the joint venture. As such, most airports should stay out of active management of the concession location, leaving that to the expert partner.

Another advantage of this model is that it may provide a means to improve the levels of involvement of smaller and local businesses. The joint venture model allows the airport to supply capital, likely at a lower cost than its business partners. The airport operator also brings knowledge of how to do business in an airport environment while allowing the concessionaire to concentrate on what they do best: operate a highly successful restaurant or shop.

Option 5: The Trinity (or Trinity Plus) model

The Trinity model can be considered an extension of the joint venture model. First championed by Martin Moodie—one of the stalwarts of the concession industry—this model has airports, retailers, and suppliers cooperate in developing concession operations.

Considering all the current changes in our business, this model may be a solution to sharing risk and encouraging a strong representtation of critical brands in airports.

The Trinity model is particularly applicable to duty free concessions, where it is practical to divide a store into departments wherein vendors are given the ability to design and operate their mini outlets.

Airlines have a significant stake in the quality of the concession program because of its impact on the passenger experience. Airlines value an attractive commercial program because it makes a better background for the expression of their brand. The passenger experience results from a combination of the actions or inactions of airport, concessionaire, and airline. This suggests that the best way to ensure an outstanding customer experience would be for this Trinity (or Trinity Plus, including the supplier) to work together. Each contributes its expertise, capital, and support to result in a uniform, consistent, and superior customer experience throughout the passenger's journey.

While this model is new, a unified strategy could bring about a unique airport concession experience to the benefit of all participants. This strategy is particularly applicable for a hub airport where the hub airline's brand expression is likely already an important part of the airport's perceived brand.

Option 6: The airport as concession operator

If an airport can become a partner in the operation of a concession, it might also consider being a concession operator on its own. This option would give the airport operator the ultimate control over its concession program as it takes on full responsibility for all business aspects. Manchester Airport Group in the U.K. had started to operate a restaurant in their home airport before the pandemic, so there is precedent for this strategy.

The airport operator is always present and has a wealth of knowledge about the airport. However, it is unlikely that most airport operators have staff with specific expertise in concession operations and management. Without this expertise, the concession will almost certainly fail to operate at an optimum level. Airports would also have to establish supply lines for products that they have not procured in the past.

Conclusion on next page

TRAVEL MARKETS INSIDER

IWSR: On-premise drinking and travel retail to be hit hard

The COVID-19 pandemic is set to cause a deeper and more long-lasting impact to the global drinks industry than the 2008 financial crash, with the on-premise and global travel retail both suffering a severe impact, according to IWSR.

IWSR looked at the impact of the 2008 financial crash and assessed whether similar patterns are likely to unfold in the wake of the COVID -19 pandemic.

While the pandemic and its economic consequences may share some common aspects with the downturn of more than a decade ago, such as increased at-home consumption, price stagnation and falling beer sales, there are also marked differences.

These include not only the enforced closure of the on-trade and severe restrictions on international travel, but also the fact that the BRIC markets are less likely to prop up demand this time, and the likely disproportionate impact on smaller and craft producers. The speed and extent of any recovery – which came relatively quickly following the 2008 crash – will depend on the path of the virus, how quickly restrictions can be lifted and the impact of any future COVID -19 surges.

Travel retail sales suffered in 2009, with wine and spirits volumes dropping by 8%, but recovered in 2010, rising by 12% as the worst of the crisis passed. This time around, however, there is continued uncertainty about social distancing at airports and on board aircraft, and many airlines are in severe financial trouble.

"It is very hard to see a recovery as quick as last time until a vaccine is widely available," says IWSR CEO, Mark Meek. "This will have long and deep ramifications for the whole travel retail channel and the relationship between suppliers, operators and landlords."

During the global economic downturn of 2008/9, the BRIC markets provided a much-needed silver lining: while global alcohol consumption in 2009 was essentially flat, it would have fallen by 2% without the contributions of the BRIC nations, where consumption volumes rose 3.7% in 2009, according to IWSR figures.

With the expansion of these markets over the past decade, the industry cannot depend on them to shore up demand this time around – although China's recent easing of lockdown restrictions might bring pockets of renewed growth. "China is likely to provide a boost, especially if no further outbreak occurs, but Russia, India and Brazil will likely not provide as much of the demand this time around," says Meek. "The new 'BRIC' is Africa and I suspect that this region will be heavily affected by the low price of oil and the impending COVID -19 crisis likely to develop across the continent."

The closure of much of the global on-trade has had a huge impact, but there will be no swift recovery as restrictions are eased. In China, consumers have so far been reluctant to return to the on-premise, and some reopened bars and nightclubs have closed again as social distancing proves difficult to uphold.

Spain's restriction of the reopening on-premise to outdoor spaces and 30% capacity will likely prove difficult for many operators, and sales are likely to remain limited at first. But, the gradual re-opening of the on-premise is the step needed to give brand owners and their distributors a path forward.

Airport concessions

Continued from page 4.

These supplier relationships are unlikely to have the same economies of scale as those of national concessionaires, which means the costs of operation may be higher.

Airports would also have to hire and manage many additional hourly employees. The airport human resources function is likely not ready to handle that, as the annual turnover of concession employees often approaches 150%. Most airports are not prepared to be on a constant hiring cycle for entry-level hourly employees. Airports would have to offer benefit packages to these employees in line with those provided to other employees of the airport. These benefit packages may make the cost of employment significantly higher than the all-in employment costs for most concession operators.

Looking ahead

The airport environment is complex and has become even more challenging due to COVID-19. Airports should consider alternative methodologies for managing and operating their concession programs for concessions to remain viable business options. While it may never be "business as usual" again, the airport and its business partners need to adjust to a new normal. There will still be passengers, and the concession industry needs to be ready to serve them.

For more insights from Alan Gluck and ICF, please go to *https://www.icf.com/insights/transportation*

Duty Free Dynamics expands portfolio into confectionery

Duty Free Dynamics (DFD) has expanded its regional distribution business in the Americas' travel retail channel into confectionery through agreements with three major global companies.

The Panama-based company announced this week that it has inked distribution agreements with premium Swiss chocolatier **Lindt; Haribo**, world recognized for its "gummi candy;" and **Perfetti Van Melle,** producer of **Chupa Chups** lollipops and **Mentos** chewy mints, to cover the categories of hard candy and chewable candy.

Duty Free Dynamics will represent these brands in Latin America and the Caribbean travel retail markets, it tells *TMI*.

Until now, DFD has been focused on more non-traditional categories in travel retail, non-core categories, such as watches, electronics, travel gear, outdoor, sunglasses, footwear, toys, among others.

"In Duty Free Dynamics we work every day to deliver the best quality portfolio with aims to grow alongside our strategic business partners and operators. Therefore, we are so very pleased to launch the confectionery category. We have been studying the same and the fact that it has several consumption motivations (indulgence, snacking and gifting), makes it very attractive in terms of growth and profit for our partner operators," commented David Ruiz, Business Developer - Brand Manager of DFD's Confectionery cluster.

"The last years, the rapid growth of the Confectionery category has led to an increase in the size of its retail footprint at the travel retail shops with a wide variety of products and strategic sale positionings.

"We are convinced that the business model we have assembled, as well as the partnership with top global brands and manufacturers such as Lindt, Haribo and Perfetti Van Melle will be a great business opportunity for all of our partner operators," said Ruiz.

Go to www.dutyfreedynamics.com

L'ORÉAL

TRAVEL MARKETS INSIDER

L'Oréal creates *L'Oréal for the future* program: €150 million to support vulnerable women and protect the environment

L'Oréal announces ***L'Oréal for the future***, an unprecedented social and environmental solidarity prog-ram. The program includes a €50 million charitable endowment fund to support organizations that aid highly vulnerable women, the first victims of the social and economic crisis generated by the COVID -19 pandemic. The initiative also creates a €100 million contribution in environmental impact investing for the regeneration of damaged natural ecosystems and efforts to prevent climate change.

Jean-Paul Agon, Chairman and CEO of L'Oréal, says: "Over the coming months, our societies will face social crises giving rise to situations of great human suffering, particularly for the most vulner-able.

"At the same time, we are fully aware that environmental challen-ges are increasingly pressing. It is essential not to step back from the sustainable transformation that the world needs. We therefore wish to reaffirm our commitment to the environment and to the preserva-tion of biodiversity, and to help mitigate the social crisis for women.

"These two causes reflect the values and the historic commitment of L'Oréal," he said.

Environment investing

In addition to its ongoing long-term efforts to reduce its environ-mental impact with its *Sharing Beauty with All* sustainable devel-opment program, the L'Oréal Group will invest **€50 million** to finance marine and forest ecosys-tem restoration projects that also create new social and economic development opportunities for the populations that depend on these ecosystems.

It has also earmarked **€50m** to prevent climates change.

The L'Oréal Group plans to present its new sustainability program for 2030 in late June, which will complete the ***L'Oréal for the future*** plan.

Support vulnerable women

Women are disproportionately affected by the COVID -19 crisis, particularly in terms of job and income loss.

L'Oréal's €50 million charitable endowment fund aims to support field organizations and local charities in their efforts to fight poverty, help women achieve social and professional integration, provide emergency assistance to refugee and disabled women, prevent violence against women, and support victims.

L'Oréal USA partners with research group to raise awareness of melanoma

L'Oréal-owned dermocosmetics brands SkinCeuticals, CeraVe, and La Roche-Posay, has started a three-year partnership with the Melanoma Research Alliance, the largest non-profit funder of melanoma research, to raise awareness of melanoma and improve detection and treatment.

As part of this partnership, they have issued the **L'Oréal Dermatological Beauty Brands-MRA Team Science Award** to researchers at Stanford University's School of Medicine who are studying how **Artificial Intelligence (AI)** within dermatologic practices can be used to improve melanoma detection. The award will support work being led by Dr. Roberto Novoa.

Melanoma is the fifth most common cancer in the United States -- and one of the most common cancers in young adults, especially young women. It is the deadliest of all skin cancers and this year an estimated 6,800 people will die from the disease. When caught early, melanoma is highly curable, making early detection efforts critical.

In addition to funding the Team Science award, L'Oréal and MRA will also raise awareness of melanoma and the need for early detection by directing patients and consumers to the Skin Check Pledge microsite. By taking the pledge, users commit to learning what to look for, performing a monthly-self exam and seeing a dermatologist for an annual exam. *https://www.curemelanoma.net/skincheck/*.

L'Oréal USA has been a longtime partner of the Melanoma Research Alliance. Since 2013, L'Oréal has granted $1.5 million to advance this important research.

L'Oréal USA is the largest subsidiary of the L'Oréal Group, L'Oréal's Active Cosmetics Division is a world leader in dermocosmetics.

Shiseido Travel Retail reports 1Q results

Shiseido Travel Retail reports that it generated net sales of ¥27.8 billion (US$255.2 million) in the first quarter ending March 31, 2020. This represents a year-on-year net sales decrease of 1.6% (FX-Neutral), says the company.

Travel retail experienced a strong start in January, but business was sharply down since February due to lockdowns. Philippe Lesne, Presi-dent & CEO of Shiseido Travel Retail, comments:

"The COVID-19 pandemic has presented us with an unprecedented global challenge and our number one priority remains the health and safety of our employees, consumers and partners around the world.

"We are humbled to be in a position to contribute value to our society, for people in all regions. As a Group, we are supporting the global fight against COVID-19 through the donation of relief supplies and the production of hand sanitiser.

"The travel retail industry has weathered its fair share of crises to emerge stronger than before. Let us stand together with a steadfast spirit and trust that our collective resilience will carry us through the challenges ahead."

Mr. Burberry Element joins the Burberry family

Coty has expanded the Burberry portfolio with a new line extension for the Mr. Burberry franchise.

Mr. Burberry Element, which takes its inspiration from British nature, features a base of mineral oakmoss contrasting with ambergri to create a unique interpretation of a woody Eau de Toilette.

Spicy, fresh juniper and green almond fuse strength and verdant freshness, says the company.

The Collection

Mr. Burberry Element complements the other scents in the Mr. Burberry family, Mr. Burberry EDT, an herbal woody Eau de Toilette; Mr. Burberry EDP, a warm, sensual and woody frag-rance; and Mr. Burberry Indigo, with citrus and woody notes, reminiscent of the British coast;

All of the Mr. Burberry fragrances come in 150ml, 100ml, 50ml and 30ml sizes.

Customers will be able to personalize their 100ml or 150ml Mr. Burberry bottle with up to three initials through a monogramming service available on Burberry.com and selected Burberry and wholesale stores.

The new men's fragrance is available in Europe and Asia Pacific travel retail.