

## PRESS ANNOUNCEMENT

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### **Tobacco sector holds own as growth slows in duty free and travel retail**

At the 21<sup>st</sup> TFWA Asia Pacific Exhibition & Conference which took place in Singapore last week, the latest data from two of the industry's leading research organisations suggested that the tobacco sector has much reason for optimism.

TFWA president Erik Juul-Mortensen unveiled new data from travel retail specialists Generation Research which showed that in 2015, for the first time since 2009, global duty free and travel retail sales fell. According to preliminary figures, sales in 2015 totalled US\$62 billion, which was 2.3% down on the previous year.

However, while sales had fallen in all categories except for fragrances and cosmetics, which grew by 2.3%, tobacco sales remained not far from level, declining by just 0.4%. This made it a relatively strong performer against other categories, such as confectionery and fine food, which saw a 4% downturn, and watches and jewellery which declined by an even more dramatic 13.2%.

However, the picture in Asia is much rosier. Here tobacco sales rose by an impressive 8.5%, making it the second fastest growing category behind fragrances and cosmetics which saw an 18.5% increase. All other categories saw a downturn in sales.

The burgeoning off-airport duty free sector is an area where there could also be room for expansion. Duty free shopping away from the roar of the jet engine is a phenomenon that is growing at a spectacular rate, and, according to new data from specialist research organisation m1nd-set, now accounts for an impressive 44.6% of duty free sales in Asia Pacific.

During one of the conference workshops, Peter Mohn of m1nd-set, who is author of a recent report on downtown duty free shoppers in Asia, stated that

the appeal of this channel to shoppers was not what one might expect. The first benefits of shopping at downtown duty free compared to the airport was convenience alongside good use of time, which were both cited by 43% of those surveyed. The second and third reasons for choosing to shop downtown were the presence of leading brands and the wide choice, which appealed to 27% and 26% respectively. Attractive prices were however named as an advantage by only 25%, meaning that the quest for a bargain is not central to the proposition.

Commenting on the findings, Juul-Mortensen said; 'The duty free and travel retail sector has undoubtedly come under pressure, but there are still plenty of opportunities to explore for the tobacco sector, particularly in Asia where sales continue on a strong trajectory of growth.'

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