



## Conference summary

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### **Reasons for optimism in Middle East and African duty free and travel retail market according to MEADFA speakers**

As day one of the MEADFA Conference 2016, managed by TFWA, kicked off, it was clear that there are reasons for confidence in the future of the Middle East and African duty free and travel retail sector. Welcoming delegates to this year's event, MEADFA president Sean Staunton said that it had been a tough 12 months for the region, with sales in the Middle East falling 2.6%. However, the travel and tourism industry continues to grow, and investment is speeding up across the region.

#### *Looking to a sustainable future*

UNWTO director Middle East Amr Abdel-Ghaffar also had a positive message to deliver, and underscored the importance of the tourism business for prosperity and peace. It is, he stated, an exceptional time for travel and tourism. Last year there were 1.2 billion international tourists.

Travel is also becoming increasingly universal, and while in 1950 only a privileged elite travelled, today one seventh of the world's population crosses international borders. Tourism growth in the Middle East over the past two decades has been one of the world's most notable success stories. Arrivals were up from 18 million in 1990 to 78 million in 2010.

Looking to the future, he stated that international tourist arrivals will top 1.8 billion by 2030, with 43 million international travellers entering the market each year. The industry will grow steadily in the second part of this decade at an average of 3% to 4%, and the Middle East's average annual growth rate is estimated at 7% for the region by 2030.

However, this upbeat message was tempered with a call for development that is considerate to both people and the planet. "Terrorism, the refugee crisis and poverty are all points for our collective action. Our sector can contribute to peace building – every traveller, every company can be a global ambassador for peace. While we build a competitive sector, we can build a better world."

Dubai Duty Free (DDF) executive vice chairman and CEO Colm McLoughlin said the year had been generally good for his company, with good traffic at Dubai International Airport. Sales were down, however, by 3% from last year,

which as DDF has an annual average of 16% growth, shows the last two years have been particularly tough. The retailer completed 27 million transactions last year and will at least match that this year. Penetration stands at around 40%, however the spend per head has declined slightly. DDF is trying to counteract this challenge with more and better promotions.

Regional pricing is also an issue. “Something that cost €60 in the past now costs €80. We think the exchange rate should be reflected by suppliers – particularly as we pay mostly in dollars. We are looking at our suppliers to understand our problem and share it with us,” he said.

### *Delivering the promise*

Lagardère Travel Retail chairman and CEO Dag Rasmussen highlighted how the Middle East can't be regarded as an homogenous region, and the passenger demographic at any one airport will vary from its neighbours in the types of passengers it welcomes. Passengers from the Middle East were however undoubtedly high spenders, with an average basket of USD 150, compared with USD 90 for passengers from the US, USD 85 for passengers from Asia Pacific and USD 80 for Europeans.

Rasmussen went on to outline how his company was focussing on three core elements – local uniqueness, retail excellence and partnerships. Innovation is a key driver as new shoppers, the Millennials, want to shop anytime, anywhere and on any device. It's important to see the business as omni-channel, and communicate with the customer before they visit the store and listen to them afterwards, he said. He concluded that the industry cannot wait to see what travel retail might become; it has to act.

### *The future is coming*

Advertising and marketing expert Joseph Francis Bihag of Almost Impossible agreed that although no one can predict what the future will hold, technology will blur the lines between the physical and the virtual world. Stores of the future will employ artificial intelligence that is capable of empathy, serving the customer by anticipating their mood and needs.

Continuing this theme, Jason Ming of technology consulting firm ThoughtWorks warned that often the understanding of digital and how to apply it is too simplistic. “Digital' is not just having an app. It's a combination of strategy, design and technology,” he said. The crucial questions are what are the opportunities we're not taking advantage of, and how do we put customers at the centre of our business. “Innovation is,” he said however, “a journey not a destination.”

### *The road back for North Africa*

Christopher Tantoco, IDFS Morocco executive vice president and general manager, spoke of the importance of tourism to his country. Bringing 10 million tourists a year, the sector accounts for 12% of GDP. Tantoco's company is well

placed to capitalise on aviation infrastructure developments in the country, which has been relatively shielded from the instability evident elsewhere in the region.

International Duty Free CEO Sherif Toulan said that with one in ten visitors to Egypt coming from Russia, the fall in traffic from that country had hit his business hard. However, while passengers from other countries had not replaced the Russian traveller, the customer base is becoming more diverse. "We have pyramids, the Nile and the beaches – tourism has to come back." he stated.

There was also hope for the future from ATÜ Duty Free chief strategy officer Ahmet Kötehne. He stated that passenger numbers in Tunisia had fallen between 40% and 45%, but had recovered slightly. His government was working hard with the government of the UK, among others, to encourage flights to return.

Suzie Wokabi, founder of Kenya's first make-up and beauty brand SuzieBeauty, sounded a distinctly optimistic note for the consumer goods market in sub-Saharan Africa. She said a youthful population and a growing middle class mean it is a great time to be doing business across the continent. When she first left Kenya to study in the US, it was, she said, a country of 'haves and have nots', but now the picture is very different. "Africa is not the *next* frontier. It is *the* frontier."

Paul Topping of Flemingo International echoed her enthusiasm. Africa is, he stated, a continent of hope, and he said that a region that wasn't one but many countries with a young population who want to travel offers enormous potential. The Victoria Falls had been called 'the smoke that thunders' and that was how Topping described the central belt of Africa and the opportunity it presents.

It is certainly, however, a region facing a diverse range of challenges, as Tourvest Ground Duty Free CEO Blacky Komani explained. Among the difficulties his business has faced is convincing the high-spending Nigerian passenger that the brands his company sells are authentic. However, working with his partner Gebr Heinemann, a concerted marketing campaign succeeded in persuading these customers that the products on sale were legitimate.

Following the conference, delegates enjoyed a lunch kindly sponsored by Qatar Duty Free in the relaxed surroundings of the Yalumba Pool Garden Terrace, and later a Gala dinner in the elegant gardens of the Jumeirah Creekside Hotel, courtesy of Dubai Duty Free.

Official exhibitors included Philip Morris, Gosh, Landewyck, Panzerglass, Oriental Trading and Mars ITR.

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