Editor's Introduction: It's a gloriously warm autumn day in Cyprus as John Sutcliffe and I take the 30-minute taxi ride from Nicosia to the new Larnaka International Airport, writes Martin Moodie.

The Irishman has attended many retail openings during his 18 years running Aer Rianta International–Middle East (ARI-ME) but there's something particularly special about this one, both for him and for the company.

ARI-ME is a shareholder in the Hermes consortium that won the contract to build, operate and transfer the two airports of Larnaka and Pafos – both of which (after today) have opened new terminals over the past year. ARI-ME is also the joint retail operator at both locations, together with powerful local partner Cyprus Trading Corp (CTC), forming CTC-ARI Airports. The Bahrain-based company even has a prominent hand in both airports' food & beverage activities, working in partnership with SSP and CTC in the Cyprus Airports Food & Beverage Company, managed by SSP.

“So we're effectively the master concessionaires for the airport,” Sutcliffe says. But it's not just ARI-ME's extensive remit that makes this opening so significant: there's history in the air today, too. The opening of a world-class international airport in Larnaka carries special poignance for Greek Cypriots.

In 1968 a new international airport was opened in the capital, Nicosia. At the time it was rated every bit as splendid as the new Larnaka International Airport is today. As the local *Sunday Mail* noted: “In 1968 it was considered a marvel of modern engineering, architecture and infrastructure and today still leaves those lucky enough to see it with a lump in their throat.” But ever since the Turkish invasion of Cyprus on 20 July 1974 it has been a building frozen in time, lying right in the centre of the United Nations–controlled buffer zone separating the Republic of Cyprus and the Turkish Republic of Northern Cyprus.

Ever since, the Republic of Cyprus has had to make do with the modest international airport facilities at Pafos and Larnaka. The old Larnaka terminal, whose fate is uncertain, began operating just six months after the invasion and was simply not built to cope with the tourism explosion that has taken place in Cyprus over the past two decades.

After today’s inauguration, the Republic will finally have the world-class gateway it craves. It's time to take a look.
‘Kopiaste’ The Greek word, loosely translated as ‘welcome’, is a key concept at the new Larnaka International Airport, according to Cyprus Trading Corporation (CTC) Managing Director and CTC-ARI Chairman Marios Loucaides.

Referring to the exquisitely intricate, multi-coloured fascia that runs around the commercial area of the new terminal, Loucaides notes: “It combines two things from Cyprus – one is the unique lace from Lefkara which has Venetian origins and is well known throughout the world. It was also built around the concept ‘Kopiaste’ – a Greek word that means ‘Welcome, come and join us and share with us’.

“It’s a much stronger word than ‘welcome’ and it’s one that reflects the hospitality of Cypriots. It’s something we are very proud of and which is one of the great strengths of Cyprus.”

Loucaides is intensely proud of the new facilities. “We believe the new terminal opens a new era for flying in Cyprus,” he says with a smile seemingly as wide as the terminal building. “After the 1974 invasion the country has been running Larnaka Airport as a ‘temporary solution’ for 35 years.”

Now the wait for a world-class airport is over and Loucaides is understandably delighted with the achievement. As we speak in the heart of the retail area, there’s a tremendous sense of anticipation in the air. Soon President Demetris Christofias will arrive to inaugurate the €656 million facility. And in three days time, business will begin in earnest as flights start to transfer from the old terminal nearby.

Despite the imminent arrival of the President and an entourage of VIPs and media, the CTC-ARI team are surprisingly relaxed. The reality is that they’ve worked day and night in recent weeks to ensure all is ready and apart from the inevitable retail ‘snags’, it’s in sparkling shape.

CTC-ARI Airports General Manager Danny Galvin, not a man given to hyperbole, notes: “We’ve managed to open on time and on budget probably one of the most spectacular shops I’ve seen – and I’ve worked at and been to a lot of airports. The sheer scale of it is amazing and the reaction of...
everyone who sees it for the first time is very, very positive.”

As indeed is ours. The Moodie Report has attended the majority of key terminal and store openings around the world in recent times. But despite the ultra-positive vibes emanating from the CTC-ARI Airports camp in the lead-up to opening day, this one caught us by surprise.

If you’re anticipating a modern but workmanlike regional airport retail offer, throw away your preconceptions – for this is a vibrant, diverse and colourful new travel retail environment that you would expect to find (but too often don’t) in a leading world hub airport.

Notes John Sutcliffe: “I think it’s one of the nicest, most modern shopping environments you’ll find. And it’s not small – the total commercial area is over 6,000sq m, with well over 4,000sq m of retail. There has been a huge increase in the selection and some really special brands are included which haven’t been here before.”

The terminal is simplicity epitomised – essentially the passengers enter at one end and exit via their gates at the other. It’s the in-between section that really excites. After checking in, passengers head to immigration and central security. From both points they can see the retail and food & beverage area ahead. Even at check-in, they can see what Sutcliffe describes as a “beacon effect” of bright lights in the commercial zone – one that helps to get the traveller into a shopping mood long before he/she arrives into the area.

Most of that light is coming off the key feature of the retail area – a centrepiece structure (pictured page 5) that Sutcliffe says was designed to evoke a sense of modern, colourful Cyprus.

He says the company’s heavy investment in such iconic features springs directly from the long-term (25 years) nature of its concession. “The tenure of the contract gives great stability to our business going forward,” he says.

Commenting on ARI-ME’s involvement in both retail and food & beverage, Sutcliffe notes: “What you have is a very integrated approach in terms of the commercial offer available to the passengers, where we have a nice mix of retail combined with food & beverage in an atmosphere that encourages people to relax.

“We’ve taken very significant cognisance of our passenger profile, both today and going forward. Obviously there’s a huge and important Greek Cypriot background and culture, and we wanted to create a Sense of Place as we always do. We’ve done that not only in the general design but in some of the shops such as the Kypriaka [which means goods from Cyprus] store and which is something we really want to develop.

“So we had to recognise the tourist aspect of this island. It’s a major ‘sun and sand’ destination and we didn’t want therefore to be too formal. So we’ve created a huge amount of colour. And in the summer months especially we’ve created facilities inside the shops to have live entertainment.

“So for people who have had their two or three weeks in the sun and are headed home… it will be nice to get to the airport and feel their holiday isn’t over. Those were the key elements behind the design and the plans.”

A third and crucial element is the higher-spending Russian trade, the main driver behind a surprisingly upscale emphasis within the watches, jewellery, liquor and cosmetics departments, in particular.
Combating the downturn

Despite the euphoria surrounding the Larnaca terminal opening, the timing – in terms of both seasonality and business climate – is not optimum.

“We’re going into our [seasonal] downturn which is not ideal,” notes Aero Rianta International-Middle East Managing Director John Sutcliffe. “This airport has been particularly badly hit by the financial crisis due to its exposure to the British market and to the British Pound Sterling specifically. So of all our operations in the region, Cyprus is the one that has really taken the biggest hit.”

“Essentially our prices to a Sterling-based customer have risen +25–30% in the past 18 months. That’s very severe and poses a difficult situation. However, he says, there is an upside. “This happened last year at Pafos Airport where we experienced a similar drop. Pafos is even more exposed to the British market to the extent that about 85% of the market is related to the UK traveller. But we managed to hold our sales quite strongly because of the new facilities we put in there last year – so we’re pretty certain the same thing will happen in Larnaca.”

“The fact that we have a much bigger shop, a much wider selection of merchandise and a much more comfortable shopping environment with lots going on will help us get through this next year and a half before we see a significant uplift again.”

“We regularly have our Russian customers coming in and spending €7,500,” says Sutcliffe, who relates a nice anecdote about a Russian traveller last year who bought a bottle of single malt whisky at the old airport for €1,800. “He then sat down and ordered himself a burger at Burger King and drank the malt,” Sutcliffe says, chuckling at the memory. “Even better he then came back to the shop to buy another one [malt not burger – Ed] to take on the plane.”

Commenting on the layout of the commercial area, Sutcliffe says: “The walkway effectively goes through the shop because we’ve brought out some of the F&B outlets and shops into the central area as well. So what you see is what we call a village effect – with food & beverage and retail mixed together. And within each category there are all sorts of interesting things going on.

“In the perfume area, for example, we have special areas for make-up and there are several areas for launches and special events. We have a tasting bar; we have our very famous Uisge Beatha [water of life] whisky concept which was originated by former General Manager Gerry Crawford and which has been hugely successful.

“There’s also lot of space, lots of nice colour and interesting positioning of categories. For example, perfumes and cosmetics is our number one category but we didn’t go with the urge to place it right at the front of the shop – because sometimes that gives the impression of sameness when you walk in and the first thing you so often see is that category.

“We’ve still given the biggest space to perfumes and cosmetics but it’s toward the end of the walkway on the left. We don’t think that’s a problem because it’s a fully integrated approach anyway and people will be circulating. Overall we want people to walk into this commercial area and to feel that they are in a different airport – that there’s something unique about it.”

Sutcliffe gestures towards a number of the high-profile brand merchandising units in the perfumes & cosmetics department. “We’ve had unbelievable support – the suppliers have been outstanding,” he says. “I would say of all the projects (and I’ve been involved in a lot) the suppliers have been more supportive here than on any other.

“You see that as soon as you walk in. The branding is absolutely fantastic and it’s mixed with the local branding, including stuff that we have created in the kids’ areas and for the local Cypriot products. There’s a lovely mix of the big international brands and a Sense of Place with the emphasis on local brands.

“As airport retail operations go I believe it is one of the very best on the planet now. It’s also a big business – Cyprus (collectively) is heading towards being a US$200 million business and this is the biggest area we’ve developed in a single go. So we’re very excited.”
SOMETHING FOR EVERYONE

CTC Managing Director and CTC-ARI Chairman Marios Loucaides describes the commercial area at Larnaka’s new gateway as “an exciting new concept”, noting: “It has very exciting retail and food & beverage integrated together. I believe this reflects a new trend of consumer behaviour – of having an exciting atmosphere while they shop and entertain themselves at the same time.”

Shortly before the inauguration ceremony, The Moodie Report put those claims to the test during an extensive guided tour of the commercial complex accompanied by CTC-ARI Airports General Manager Danny Galvin. Held together by the iconic ‘Sense of Place’ feature in the centre of the walkway (which also houses Finn’s Seafood Bar, a high-profile promotion area and a giant video screen), the main commercial zone spreads out both left and right, offering a diverse mix of shopping and catering experiences.

Galvin notes: “Our mix is based on our passenger profile – we’ve a very strong local Cypriot market and the retail offer we have is on a par with the best of the local market. We see huge potential with the new brands we have brought in, some of which are now unique to Cyprus, especially some of the skincare and cosmetics brands.

“We also have a wide range of fashion which again offers many firsts for Cyprus. And within each category we’re hitting every price point so that every passenger that comes in will have something they want to buy, we hope.”

Interestingly the main store opens not with a core category but with a selection of high-end watches. “It sets the tone that you’re into serious retail here,” explains Galvin. “It’s all about big brands. At one stage we had perfumes here but then we moved them – we wanted big watches and jewellery brands and luxury as people come in.

“Even if you’re not into luxury, there’s an aspirational side to it. You know you’re in some place special straight away.”

As the traveller moves deeper into the store the offer becomes more accessibly priced, with fashion watches and jewellery to the fore, mixed with a premium section featuring brands such as Versace corners, as well as Damiani, a fast-emerging high-end diamonds brand (the CTC-ARI Airports offer includes a €17,000 ring).

Another element of the positional logic is that this area is adjacent to the main traffic flow to the premium lounges. As a result, it includes dedicated Montblanc and
as TAG Heuer, Longines and Rado. Swatch enjoys a conspicuous (and attractive) presence while Sekonda – popular here due to its strength in the UK local market – has its own dedicated shop-in-shop.

Jewellery is a combination of high end, mid-range and entry price brands – ‘Something for Everyone’ as one of the retailer’s tag-lines proclaims. Again UK favourites, notably Pandora, are to the fore.

Adjacent to the jewellery offer is sunglasses, positioned deep into the store. "We carry lots of sunglasses – it’s a big category for us," notes Galvin. “It’s a major draw in getting people through to this part of the shop.”

Next up is what he describes as the lifestyle section – mainly sportswear (dominated by Nike) and luggage as well as an attractive Folli Follie unit offering watches, jewellery and handbags. Ferrari has been given plenty of space, underlining its popularity in this market.

Unlike the crowded old airport, CTC-ARI has placed considerable focus on fashion, again covering the whole pricing gamut. The ‘Fashion Avenue’ features a strong line-up including apparel from the likes of, Hugo Boss (75sq m), Lacoste and Calvin Klein Jeans as well as leathergoods and handbags from powerful names such as Roccobarocco, MCM, Lancel, Furla, Longchamp, Loewe and Tumi.

It’s an area that has won favour with the brands concerned. Notes MCM Global Travel Retail Director Gerry Munday: “We are very pleased to be part of the new retail area at Larnaka. It’s a a stunning example of how international and local brands can work together to create a fabulous shopping environment.”

Next on our whistlestop tour is perfumes & cosmetics, the retailer’s key category representing some 37–38% of the mix. Here the big brands have really come out to play in Cypriot travel retail for the first time. MAC makes its debut in the channel (one of only two doors in the Republic) and is joined by other
newcomers, including Bobbi Brown, La Mer (with trademark fish tank soon to be added) and Kiehl’s.

The latter looks particularly impressive; its quirky, busy look ideally suited to the slightly off-centre shape of its space. “Kiehl’s has turned out really well,” Galvin agrees. “It really stands out – it’s the perfect space.”

The retailer uses a number of totems to highlight in-store activity, while generally sightlines have been kept low to aid visibility and because the stores are so deep.

Besides the surprising power of the brand line-up, the highlight of the perfume & cosmetics department is the fascia that runs around the walls and ceilings. Besides its artistic effect, it’s also a source of the bright lighting that characterises much of the shopping space – utilising a highly complex mechanism involving three layers of cut-out aluminium with the lights in the back.

At the front of the store the major brands – Chanel, Dior and MAC – draw customers in. Inside they are complemented by an extensive array of fragrance, cosmetics and skincare brands.

Besides its mainstream travel retail offer, CTC-ARI also runs all the last-minute, convenience and CTN stores. The latter are strategically positioned, both nearer the gates and next to the food & beverage areas. “We were fortunate as we were involved in the master planning of both retail and F&B,” notes Galvin. “So we were able to decide what would work well together.”

While there is some retailing near the gates, the aim is to hold passengers for as long as possible in the main commercial zone. However due to the simplicity of the terminal layout, anxious travellers who insist on finding their gate can, having done so, quickly return to the shops and restaurants.

If the left hand side of the main retail complex is all about beauty, fashion and accessories, then the other side is what Galvin calls the “hard stuff” – liquor, tobacco, confectionery and consumer technology, complemented by music and DVDs, children’s products and destination merchandise.
The new Larnaka International Airport was inaugurated on 7 November amid scenes of intense national pride, poignancy and excitement. The inauguration was conducted by President Demetris Christofias (above), who was joined at the ceremony by his wife Elsi, and Nicolas Shacolas, Founder and Chairman of Hermes Airports Ltd, the consortium charged with developing and running the airport, along with other dignitaries. The event, attended by over 1,500 guests, was broadcast live on national television.

The President said: “Today constitutes a landmark not just in the history of Cypriot tourism but also of the overall development of the country’s infrastructure. With the launching of the new Larnaka Airport we acquire a project for which Cyprus can feel particularly proud.”

The celebrations featured a dance theatre performance titled ‘Islanding’, written and performed especially for the opening ceremony by the internationally acclaimed Cypriot choreographer, Lia Charaki and the well-known composer, Kostas Kakoyiannis. The ceremony culminated with a performance by popular singer Nicolas Metaxas, who sang a song that he had written especially for the occasion.

After the formalities the President and fellow VIPs toured the terminal, including an extensive walk around its commercial offer.

Pictured clockwise: A vibrant, at times poignant, ceremony included several outstanding musical performances; Nicolas Shacolas, Founder and Chairman of Hermes Airports Ltd, underlines the importance of the new airport to Cyprus in a passionate speech; Archbishop Chrysostomos blesses the new airport as part of the inauguration ceremony.
Again CTC-ARI has sprung some positional surprises, placing liquor and tobacco deep inside the store. John Sutcliffe thinks that tobacco is too sensitive a category politically to position front-of-house while liquor is seen as a driver to pull passengers through other categories.

Instead, toys and other children’s products, so often badly under-represented in airport retail, get top billing at the front of the store. There’s lots of colour and soft, curved fixtures – and even a tunnel for the kids – creating “a nice little fun place” as Galvin calls it.

“This will work well I think,” he notes. “The positioning at the front of the shop is unusual – toys are usually away somewhere else – but I think it’s a good lead-in. It’s colourful and bright and you can do a lot with it here. The toys are also next to kids’ confectionery ‘which is a great lead-in’.

Consumer technology (“this is the best electronics store in Cyprus now”) and music/DVDs (“it’s a big space but if you’re going to do something do it well was our philosophy”) are also positioned upfront but the real excitement lies deeper inside the store.

Arguably the highlight is Uisge Beatha, CTC-ARI Airports’ superb, award-winning malt whisky boutique concept, brought thrillingly to life here. The boutique features a fabulous collection of single malts (including some rare Glenfiddich vintage exclusives for CTC-ARI), regular tastings and impressive focus on malt whisky education. Fabulous.

The Kelari (Greek for cellar) also works well. “We sell wines from €7 to €2,000,” says Galvin, gesturing towards an impressively diverse range of new and old world wines, and a strong Cypriot line-up. In fact the most expensive wine is €2,251 – a 1990 Château Margaux. The upscale edge that pervades the whole retail offer is again reflected in a range of vintage Armagnacs for gift-giving.

There are also some impressively high-end Cognacs – led by Louis XIII from Rémy Martin – while a solid, unflashy tobacco department is highlighted by a walk-in humidor offering two degrees of humidity and a good selection of Habanos and other cigars.

After all the earlier build-up, I’m keen to explore the Kypriaka area and it doesn’t disappoint. What really appeals compared with most airport ‘destination merchandise’ offers is its diversity, both of product and price point. There’s plenty of local foodstuffs of course, such as haloumi cheese, meats and oils, as well as wines and spirits. But there’s also a souvenirs area and, most excitingly, a premium area featuring a range of limited-edition artworks and sculptures, ranging in price from €200 to €330, plus intricate lace works and silver-plated gifts, both of the latter synonymous with Cyprus.

Our tour is at an end. “It’s taken us 40 minutes just to walk it without buying anything so if you’re buying something you will be here for an hour at least,” says Galvin. “Dwell time will be key as it’s a big wandering area.”
Clockwise from top left: The stunning Chanel area anchors the beauty department; Kiehl’s adds a delightfully quirky touch; MCM unveils its Autumn/Winter collection; M&M’s adds colour – and characters – to confectionery; (L-R) Kevin Farrow, ARI-ME Retail Consultant; Danny Galvin, CTC-ARI Airports General Manager; Nicholas Palmer, CTC-ARI Airports Project Development Manager; Martin Mullen, CTC-ARI Airports Head of Retail and Marketing
Clockwise from top left: A strong UK traveller-focused mainstream selection underpins the liquor offer; Travellers have the chance to win a Volvo in a pre-Christmas promotion; Consumer technology and children’s products get a rare top of the bill positioning; the elegant fragrances & cosmetics department; Uisge Beatha (Water of Life) is a top-class retail concept developed by CTC-ARI Airports in Cyprus.
The consortium behind the new Larnaka International Airport wanted a broad mix of catering outlets at the new terminal, says SSP Eastern Europe and Middle East Managing Director George Antoniou.

As a result the group sought a partner capable of delivering a broad range of individual brands and food & beverage (F&B) concepts.

SSP was the chosen partner, managing the operations as part of the joint venture partnership Cyprus Airports (F&B) Ltd.

The F&B facilities occupy approximately 3,000sq m – a size that necessitated a wide variety of offers, says Antoniou. “We have 12 outlets, providing 20 different brands and concepts catering for all types of passengers visiting Cyprus,” he says. “The brands range
from fast food concepts to casual dining and coffee shops, and include Burger King, Costa Coffee, Segafredo, Flo Cafe and Caffè Ritazza, Sbarro, Camden Food Co, Upper Crust, Food Village and a Flavours convenience store as well as tailor-made concepts.

“But of course these had to be the right brands. We have considerable experience stretching back over many years in the Cypriot market, and we understand travellers in Cyprus well.

“Our expertise here and in the international market, coupled with our extensive brand portfolio, meant that we were able to select a mix of brands that will be ideally suited to the passengers of Cyprus.”

As operations have only been up and running for a few days, no financial data on the success of the units is available yet. “However,” notes Antoniou, “feedback from passengers and our client has been very positive.

“The improvement is dramatic – this is a beautiful terminal, and I really do believe our food & beverage outlets are similarly impressive. We’re proud to have the opportunity to provide the SSP food travel expertise to the airport.

“The commercial future of our operations here is very promising. The terminal is extremely well laid out, and it’s very easy for passengers to find their way around. All the major units are on one level, and they’re impossible to miss – which is great for passengers and for the operators at the terminal. We’re confident that we have the right units at the right locations, and that they will perform well.”

Antoniou says that SSP’s investment at Larnaka is “substantial”, adding: “We’ve undertaken this commitment because we believe in the long-term success of Cyprus as a destination.”

He concludes: “I’d like to congratulate the Cyprus Airports food & beverage team on their success with the openings, and also all the other parties who have helped in bringing this outstanding project to fruition.”