

Targeting travel retail with a US\$10 proposition

By Martin Moodie

In a retail sector that prides itself on its luxury image, Bijoux Ternier is unique. The Miami-based company claims to be selling luxury, but with a difference – all its items retail for just US\$10. Is the concept good for travel retail or does it undermine its image? Company founder Salomon Ternier says it's all about giving consumers what they want. He explained his proposition to Martin Moodie in Florida recently.

In 1960 a 27-year-old Cuban refugee called Salomon Ternier arrived in the US. His family had lost its business to a government takeover and, as with so many of his countrymen, America represented an opportunity to start all over again.

Ternier, known as 'Moni', was no ordinary individual. In his native Cuba he had been the president of the National Association for Handbag Manufacturers, and he was instrumental in successful negotiations with the US regarding the tariffs on alligator-skin handbags. He was also renowned as a skilful union negotiator. Such experience was to stand him in good stead over the coming decades.

In 1961, just a year after arriving in Miami, Ternier launched a handbag manufacturing business out of the basement of a local department store, on what he describes as a 'shoestring budget'. Within two years he had established a niche market by specialising in handbag designs for airline stewardesses. By 1965 Ternier's of Miami was supplying handbags to more than 80% of the airline industry. Two of his creations, designed for Pan American and TWA, are on permanent display at the Smithsonian National Air and Space Museum in Washington DC.

In 1974 he launched the Bijoux Ternier brand, and with it the concept of 'cash and carry' for the wholesale jewellery business. The brand name quickly became synonymous with affordable but quality fashion accessories.

In 1997 Ternier and his daughter Rosa developed and introduced the Bijoux Ternier \$10 Boutiques concept, targeting in particular the travel retail industry with the opening of outlets in airports and on cruise ships. The concept began at Miami International Airport, and has since expanded into national and international airports, casinos and other locations, offering branded and affordable fashion accessories for men and women.

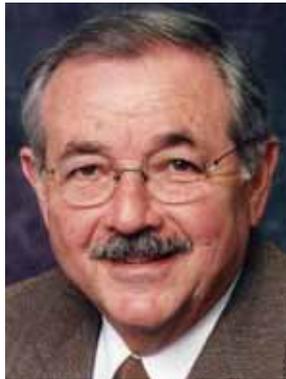
"It's not a US\$10 sale – it's an US\$80 sale. Many people spend US\$150 and the average among the Japanese is US\$250."

Since then the company has grown radically in travel retail on cruise ships, in railway stations and at airports. But is the concept of luxury at US\$10 a good message to be endorsed by the travel retail industry? In a business that can command high price-points and prides itself on a luxury image, what sort of message does a US\$10 sell send out?

Does the Bijoux Ternier concept cheapen the image of duty free? "Actually it's the other way around," he counters. "It's the best thing that could happen to duty free. We get the passenger used to doing a lot of gifting. Once they get used to that,

they'll keep on upgrading and then everyone's happy. They'll eventually buy up to a Hermès bag. The only difference is that they'll buy it for their wife. But for their children, their friends and everyone else they'll buy the Bijoux Ternier scarf or tie or other items.

"We offer a price that's accessible to everyone in the travel industry. But the smartest thing we have done is to do it with a very high class offer. And there's full co-ordination between the various lines. We don't sell watches or



Salomon 'Moni' Ternier has turned a simple one-price proposition into a global retail phenomenon

and that's what has enabled us to come into the market so strongly. We guarantee everything we sell."

The travel retail market is key to the company's growth. "We have a great relationship with travel retailers like Dufry and Starboard. Starboard has 82 of our shops. We have a store in every cruise ship in the world," Ternier claims. "Cruiseships are also floating casinos so we start targeting the casinos – with unbelievable success. We are targeting airports, cruise ships and casinos – but basically it's all a travel customer. We've proved the value of the US\$10 concept in the casinos – a man may have lost his money at the casino but he still has to bring presents home. With us he can.

"We are in all the Italian airports that Dufry has. We are opening train stations. We have Milan and Turin and we just got confirmation of Rome. And right now we're opening Charles de Gaulle Airport with Dufry with two stores in terminals one and three."

In Europe the concept has been adapted to a €12 offer, which will in turn be adapted again in locations such as Changi, Cambodia and Sharjah. So how did Ternier settle on the price point? And in an inflation-ridden age, can he maintain it?

"When we got into the airport business we discovered that customers only had a few minutes and they needed to know the various prices quickly. So we decided to give one price only. Then they only have to pick up the item they like it and take it to the cash register. We started first at US\$20 and then discovered that wasn't strong enough. So overnight we changed to US\$10 and that was the magic number. The rest is history.

"We have no problem holding the price because of the quality of our buying operation. Eventually I know we

jewellery – we sell a brand name. And our stores are like any regular brand name store. When we set it up, we do it properly. For example, we send people to train the employees wherever they are in the world."

So how does Moni Ternier source a 'high class' offer with a price-point of just US\$10 retail? He gives a one word answer – China. "I've been going into China since 1961. The hard thing initially was to find a manufacturer that could produce high-quality fashion items but at an accessible price. Today we have 12 manufacturers – one in each product field. We have six people in China, three in our Hong Kong office and three in quality control in Shenzhen. We don't own any of the manufacturing but we have fantastic quality control."

Ternier says the company prefers to do full stores or corners. "We also do some kiosks at airports – the last one we won was at Miami International Airport," he adds. "But we're trying to impress upon the airports that the full store is the best format, so when a woman comes into our stores, she feels very safe with the US\$10 offer because everything she touches is US\$10. But it's not a plain US\$10 product – it's a high-class designed product



"Give the consumers what they want at an affordable price" – Bijoux Ternier's US\$10 watches

A US\$10 boutique at Miami International



Bijoux Ternier retail locations

**North America
Arizona**

Hilton Mission
Hilton Squaw Peak
Hilton Tapatio
Hilton Tucso

California

San Francisco Hilton
La Joya Hilton
Double Tree Costa Mesa
Double Tree Ontario

Florida

Miami International Airport
Radisson Mart Plaza Hotel
Orlando International Airport

Georgia

Atlanta Hartsfield Airport
Hilton Hotel Peach Tree

Illinois

Chicago Hilton Hotel & Towers

Michigan

MGM Casino Detroit

Mississippi

Beau Rivage Hotel, Biloxi

Nevada

Las Vegas New York New York
Treasure Island
Laughlin Hotel

Canada

Edmonton
Toronto

Mexico

Cancún (4)
Cozumel
Laredo
Los Cabos
Mexico City Airport (9)
Monterrey Progreso
Puerto Vallarta Reynosa

Central America

Belize (3)
El Salvador
Guatemala
Nicaragua (5)

Caribbean

Aruba (5)
Barbados (7)
Grenada
Guadalupe
St Marteen
Trinidad (2)

South America

La Paz, Bolivia
Sta Cruz airport, Bolivia
Venezuela
Guayaquil, Ecuador
Paraguay (2)
Chile

Europe

Milan Malpensa Airport (4)
Milan Linate Airport
Milan central
Naples Airport
Bari
Palermo
Rome
Genoa
Verona
Turin

Middle East

Sharjah

To open in 2004/2005 (3)

Moscow
Singapore Changi Airport
Paris Charles de Gaulle Airport

will have to raise it to, say, US\$12, but we hope to hold on to it for a few years. We work off a very small margin. But because of the volumes we do, we're doing fantastically well."

What margin can the retailer expect? "They get a 50% mark-up on watches and 55% on everything else," says Ternier. "With watches there's a movement involved and the costs are higher for us. Per square foot Bijoux Ternier is the best money spinner they'll have. It works. So the retailers are expanding our space. We started with 30sq m (323sq ft) in Linate and have now gone to 250sq m (2,690sq ft)."

Ternier says the real beauty of the concept is the way it encourages multi-purchases. "They're all individual items but we show them in assortments, so the average sell is US\$80. With the shawl, for example, we offer 11 colours. So it's not a US\$10 sale – it's an US\$80 sale [on average]. Many people spend US\$150 and the average among the

Japanese is US\$250. They remain the best gift givers so they buy a range from us. They have to bring presents home for everybody and we solve their problem.

"It's unbelievable. The other day a Japanese plane was delayed in Miami. In the concourse where the passengers were waiting, they cleaned out the store – not part of it, 100%. I only hope the Japanese get delayed every day."

At 70 years of age, this ebullient and engaging entrepreneur is every bit as ambitious and hard working as when he produced his first American handbag in that Miami basement. So where do he and his business go from here?

"We've been duplicating the business every year and we would hope to keep doing that for the next five years," he replies. "Then we'll think about years six, seven and eight. I'm not the retiring type – I'm already 70 and I'll discuss retirement when I get to 80." ■