

Dubai Duty Free takes the fashionable route to further growth

By
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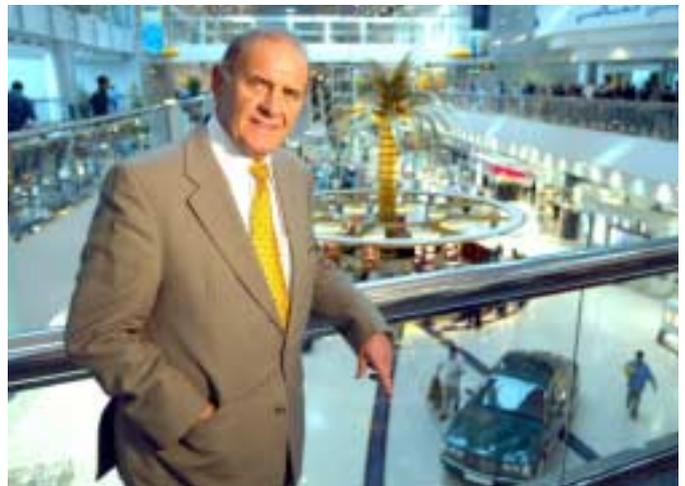
Dubai Duty Free has become synonymous with all that is positive about the duty free industry. Not only is it a vibrant commercial operation that employs hundreds and serves millions, but it also believes in the concept of a 'greater good' involving social responsibility – and a remarkable charitable initiative.

Last year's record sales reached US\$380 million. This year the target – now eminently reachable – is US\$500 million. There appears to be nothing that can stop the relentless growth of Dubai Duty Free (DDF), as this extraordinarily successful retail operation continues to treat previous records with an almost dismissive air.

For recent entrants to the industry, let's put those numbers in context. It's just over 20 years since DDF was a start-up operation in a comparatively low-traffic Middle Eastern airport, one completely unfamiliar with high-class international retailing.

Yet two decades later, DDF's 2003 sales figures thrust it into an incredible number three position in Generation's annual league of international duty free retail locations. It was bettered only by the operations at London Heathrow (four terminals) and Seoul Incheon (a major gateway for high-spending Japanese and Korean travellers).

Want some more evidence of how well its retail operation stacks up? Then look no further than the 2003 Airports Council International table of top airports (ranked by international traffic). Dubai comes in 12th with 17.2 million passengers, a long way behind London Heathrow's 56.5 million and some distance back from Incheon's 19.4 million. Paris Charles de Gaulle has 43.3 million passengers, Frankfurt 40.5 million and Paris 40.0 million. Admittedly in each of the latter cases many (intra-EU) passengers cannot buy duty free,



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but the conclusion remains inescapable – in retail terms DDF is punching far above its weight.

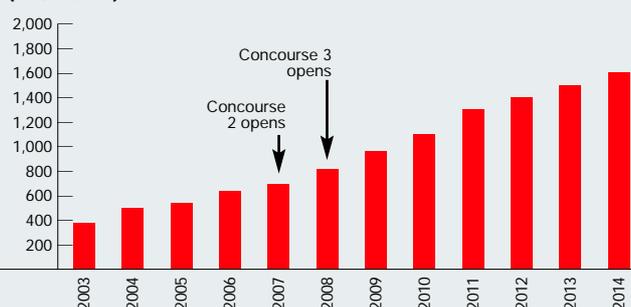
Why? Simple. Its penetration rates [defined as the percentage of passengers buying] have risen to around 42–43% while sales per passenger (not per customer) have reached US\$34–36. Dubai Duty Free is good, very good, at what it does. It benefits too from the government ownership of airport and retailer, ensuring that the common goal of serving – and selling to – the passenger is never lost.

The retailer is constantly honing its skills, promotions and merchandising. Those factors, allied to a powerful traffic injection guaranteed by the meteoric growth of ambitious national carrier Emirates, make it hard to question the company's own projections that it will generate an annual turnover of US\$1.5 billion by 2012.

If attained, this could make Dubai International Airport the biggest duty free location on the planet – depending on the effect of the new Terminal Five at London Heathrow. Over 40 million people will be using Dubai International by 2014, more than double the present number, according to a recent independent study.

Dubai Duty Free: Projected sales growth

(US\$ million)



Note: *Figure adjusted from original forecast; converted from UAE Dirhams at 0.2723
Source: Dubai Duty Free



Gifts from Dubai: The new destination merchandise area recorded a sales increase of +88% for January–October this year

Another interesting assessment of comparative retail performance is Ivo Favotto's excellent biennial Airport Retail Study. This utilises a series of performance indicators to benchmark the retail success of 39 major international airports and airport groups in Europe, North America, Africa, the Middle East, South America and Asia Pacific.

The study ranks its top ten performing airports by gross sales per passenger, gross sales per square metre, retail income per passenger and retail income per square metre. Then it gives an overall ranking. Dubai scores highly, ranking fourth in gross sales per passenger behind Sydney, Brisbane, BAA's UK airports and Seoul Incheon. In gross sales per square metre, Dubai comes out number one, ahead of Zürich (The Nuance Group's home airport, and comfortably its most profitable).

Then there are the independent consumer assessments. DDF regularly scores highly in any travel-orientated study of airport shopping attraction. For example, Middle East airports led the prestigious Skytrax 2004 rankings for the Best

Airport Duty Free Shopping conducted earlier this year. The survey (conducted over a ten-month period and logging 4.8 million responses) declared Dubai International, neighbouring Abu Dhabi International and Singapore Changi, in that order, as the best airports in the world for duty free shopping.

That consumer perception is mirrored in the retailer's trading performance this year. DDF posted sales of US\$41 million for the month of October alone, bringing sales for the first ten months to a remarkable US\$392 million.

The ten-month figure is a +33% increase over the same period last year, a year in which the retailer smashed all previous sales records to reach a 12-month high of US\$380 million. The latter figure has been surpassed easily in just ten months and DDF remains firmly on course to meet or exceed its ambitious year-end target of US\$500 million.

The January–October results were driven by strong performances in all categories, though "exceptional increases" were reported in the following sectors:

Cameras and accessories: +57%

Cosmetics: +66%

Confectionery: +30%

Electronics: +25%

Liquor: +32%

Gifts from Dubai (a new dedicated destination merchandise area): +88%

Gold: +36%

Perfumes: +39%

Sunglasses: +44%

Notes Managing Director Colm McLoughlin: "Our year started fantastically, though you have to remember we were up against comparisons with the Iraq war and SARS periods, so at one stage we were +50% ahead of last year. We're seeing sales increases across the board – all sectors are growing well."

Dubai Duty Free launches children's charity

Last year – on the occasion of its 20th anniversary on 20 December – DDF made a gesture of unprecedented generosity in the travel retail industry by giving away its entire day's takings of US\$1.9 million to charity.

Now the retailer has stepped up its benevolent efforts by launching the Dubai Duty Free Foundation, a charity established to help needy causes, which will operate under the auspices of H.H. Sheikh Ahmed bin Saeed Al Maktoum, President of Dubai's Department of Civil Aviation.

Commenting on the objectives of the Foundation, Sheikh Ahmed said: "The Foundation aims to raise funds for needy causes around the world, with a particular emphasis on causes that directly benefit children.

"This is the first large-scale initiative of its kind in the duty free industry, and we think that it will positively impact on the lives of many people."

For DDF Managing Director Colm McLoughlin (pictured right), the Chairman of the Foundation's Board, the whole concept has been something of a personal obsession. This commentator recalls sitting with him many months ago as he pondered aloud about how a 'big idea' charitable concept could be formulated.

Now it's happened, and the Irishman is particularly delighted to see the concept come to fruition. "We felt that by setting up the Dubai Duty Free Foundation we would be able to do long-term good," he says. "I think that it will grow into something very meaningful."

He quickly adds: "It won't grow on its own – we will make it grow. Because we believe in it. We have plenty, and we are very lucky. It's no big deal if we share a little of it."

Except it is. For many needy children in the future, it will be a very big deal indeed.



'Mr Surprise', the latest addition to Dubai Duty Free's retail cast, brings a smile to the face of a lucky passenger at Dubai International Airport

Increasingly DDF is eyeing areas that drive incremental spend. The new Gifts from Dubai area is a good example, bringing in a much classier range of souvenirs and local items than was previously the case as the retailer realised it had to do more to reflect its national and regional origins.

In coming weeks, all the emphasis will be on fashion – once the poor relation of the industry in general and DDF in particular. The whole fashion area is being restructured. Located in Zone 6 it covers an area of approximately 150sq m.

There are six main fashion brands with individual branded areas. The six principals are Hugo Boss (men's fashion), Givenchy (men's fashion), Lanvin (men's fashion), Polo Ralph Lauren (men's fashion and the first such airport retail area in the Middle East), Paul Smith (men's fashion and

accessories), Christian Dior (men's accessories and jewellery), Hermès (watches, perfume, accessories),

Each fashion brand has been responsible for the design of its own retail area. The fit-out has been constructed overseas (for some) and locally for others, and work is expected to be complete by early December.

A number of the fashion houses have taken the option of having dedicated staff. These will be DDF staff who will be trained specifically on the individual brand and will be responsible for areas such as stock control and orders.

Surprises in store

If fashion and destination promise to be themes of the future, so does the idea of increased theatre and entertainment.

In particular, DDF likes the concept of 'Surprise'. Its tagline 'Full of Surprises' serves well in describing the varied shopping offer, and has now flowed through into a new shopfloor campaign of the same name.

This comprises three elements: a series of great value offers each month, a surprise gift with purchase on selected lines and a 'Mr Surprise', who roams the shop floor and literally surprises customers by giving them a wrapped gift from DDF.

The retailer isn't saying who the masked Mr Surprise is. It won't be Colm McLoughlin – his notoriously loud ties would probably be too much of a giveaway – and anyway the DDF Managing Director is probably too busy ensuring that the operation reaches its half billion dollar target by year-end. Given the retailer's mighty track record, that will be no surprise at all. ■



The Moodie Report Publisher Martin Moodie makes the first donation to the Dubai Duty Free Foundation during the retailer's sponsored race day at Newbury, England