

## Nuance poised to stem losses by exiting "bad contracts"

**SWITZERLAND.** The Nuance Group will exit a number of airport retail contracts if they cannot be restructured on a profitable basis, CEO Roberto Graziani has revealed.

He told The Moodie Report: "We still have a few airports that are really impacting our P&L. There are a couple of situations where the status quo cannot be a solution. I can accept staying in a non-profitable business if there is space for improvement... but I can't afford to stay in businesses that are unprofitable by definition."

Asked if exiting contracts could damage Nuance in future bids, Graziani said the company would work closely with any airport authority to minimise the damage. When could this happen? "We're talking before year-end," Graziani told The Moodie Report [see page 119]. He

declined to name the airports out of respect for the parties involved.

Graziani's concern is understandable. Declining spend-per-head in key airports is the critical issue facing Nuance, seriously dragging down profitability as so many contracts are now passenger-linked. If numbers rise and spend falls, the retailer ends up paying more while earning less per passenger. That is clear in the comparative results of Nuance and 50% owner Stefanel.

Nuance said its first-half sales (in Swiss Francs) rose +11% year-on-year. But Stefanel (partly due to extraordinary costs) recorded a -€1.9 million operating loss on airport retailing for the first half (compared with -€0.7 million for the same period last year). The pre-tax result on airport retailing showed a deficit of -€5.8 million, compared to -€2.5 million last time.



**Stefanel first half operating income (loss)**

	2004	2003
Total group	(1.4)	(5.0)
Apparel	1.6	(2.9)
Airport retail	(1.9)	(0.7)
Holding	(1.1)	(1.4)

*Figures in millions of Euros*

Source: The Moodie Report

## China travel boom quickens; DFS snaps up Hainan

**CHINA.** Eased visa regulations introduced by EU countries on 1 September are having a dramatic impact on Chinese outbound travel. New legislation for the first time allows Chinese to travel to the EU within tour groups on standard tourist visas.

The Approved Destination Status applies to all EU

nations except the UK, Ireland and Denmark. The latter two have negotiated their own agreements.

Paris Tourism Board Director Paul Roll said: "The Chinese will be the first or second ranked nationality among visitors to France, ahead of British, Americans or Japanese,

within the next decade." (See feature, page 57.)

Meanwhile DFS Group has pulled off a spectacular coup by winning a ten-year master concession for all retail operations at China's seventh largest airport — Meilan International Airport, on the resort island of Hainan. "We are deeply

committed to developing our business in the PRC, and we intend to make this airport the retail showpiece for all of China," said Chairman and CEO Edward Brennan. "Hainan is just one step towards the bigger opportunity," he told The Moodie Report.

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