Just as one aviation era at Toronto Pearson Airport came to an end, another was beginning. In late January the Ontario gateway closed its Terminal Two and opened its long-awaited Pier F – an integral element of a C$4.4 billion expansion programme by Greater Toronto Airports Authority. It includes some 18,644sq ft of retail development from The Nuance Group, spread across three contrasting stores, as well as an ambitious specialist retail and F&B programme. Martin Moodie tells the story of Toronto’s transformation.

Dick Rendek is an engaging character with a devastatingly wry and often impish sense of humour. Not the sort of individual to talk in hyperbole or to shower himself or his organisation with self-praise. So when The Nuance Group North America CEO talks with an almost evangelical passion about the company’s new retail offer at Toronto Pearson International Airport, one stops to listen.

“It’s an absolutely significant development in terms of both the quality and the size of duty free shopping in North America,” he says. “The initial reaction we’ve had from the vendor community, the airport and some local press has been absolutely fantastic. Even some of our more difficult vendors are pleased,” he adds with a laugh.

There’s no doubt about it, the world’s largest airport retailer thinks it has created something special here, both in terms of its overall quality and in having created Canada’s first post-security transborder store serving US-bound traffic.
Does the reality live up to the superlatives? Largely, yes. The Moodie Report flew to Toronto two weeks after the opening to examine the retail offer and encountered a very different Pearson International from our previous visit two years ago. We always liked Toronto’s commitment to the Sense of Place principle and to the eclectic commercial offer it tried to present, but the new offer represents a substantial qualitative advance.

The three main Nuance stores are each interesting case studies in their own right, but perhaps the most telling factor in evidence was a thriving spirit of partnership between airport company and concessionaire that has helped a complex exercise come to fruition.

“What really makes something like this happen is the strong link between the airport and the retailer,” Rendek says enthusiastically. “We really do things together, and it shows.”

That partnership finds many expressions, serious and light-hearted. At one stage of our visit Rendek, just back from Singapore Changi where he was helping the company in its bid for the liquor and tobacco concession, feigns exhaustion and slumps back into a Shiatsu massage chair. The unorthodox seating is courtesy of Diageo as part of a high-profile promotion for the liquor giant’s two new Baileys Irish Cream flavoured line extensions – Mint Chocolate and Crème Caramel.

Standing alongside him chuckling is Dan Driedzic, General Manager of Concessions for Greater Toronto Airports Authority (GTAA), who soon afterwards takes his own place in the chair for a rare moment of relaxation in what has been a highly pressured few weeks.

It’s a nice, human cameo that symbolises many of the diverse elements that have combined to make the store – and the whole Pier F story – one of North America’s most fascinating airport commercial developments.

**Tremendous relationship**

Interactivity with the consumer, fun promotions and a tremendous relationship between airport management and retailer all combine here to the benefit of all, particularly the travelling consumer.

Nuance has 1,734sq m of retail space in the new pier, which includes the so-called Hammerhead area at the end of the facility. The highlight is the new international store, comprising 1,024sq m, which ranks as one of the biggest and undoubtedly one of the best airport duty free stores in the Americas.

But just as important is the creation of the country’s first post-immigration, post-security duty free outlet for trans-border (US bound) passengers – effectively making it a US Arrivals store. That concept is still officially on trial, but there seems little doubt it will be approved by the authorities for the longer term – a huge breakthrough for the Canadian airport business.

On the day of The Moodie Report’s visit to Pearson I take
Success is a place called Cohiba

Health Warning: Tobacco seriously damages health.
lunch with Driedzic, Rendek and members of their respective teams in the Casa Bacardi restaurant between the international store and the 393sq m ‘Tastefully Canadian’ outlet which majors on wines, foodstuffs and other destination merchandise.

The mood is jovial and relaxed, and the spirit of mutual goodwill clear for all to see. A job has been done here, and done well. As we chat, my eyes are drawn to the huge glass department store-type display windows of the international shop (pictured on page 64).

The impact is spectacularly effective. Great, big brand-driven images from Lacoste, Baileys and Godiva are ringed by clouds, with the words ‘escape info’ lettered on the glass. It’s nice, breezy stuff – shopping as fun, and as part of the travel experience. Inside the store there’s a similar evocation of space and freedom. No cluttered aisles and shelves here; it’s all about perception – being able to view and touch (and sometimes taste) the offer.

It’s early days (our visit came just two weeks after the opening) but Driedzic is delighted with the quality of the offer, the financial results and the business relationship. “We’re very happy with Nuance,” he says. “They were extremely co-operative with us throughout the relocation. Now we’re finally here and sales are great. There’s also been a tremendous lift in the US transborder store and we’re very excited by that.”

The airport development work and the inevitable disruption that ensued meant that good communication between airport and tenant was critical. “There was an open dialogue from the beginning,” confirms Rendek. “We signed the contract in mid-2005 so this was one and a half years in the making. At every step of the way we were kept informed. We were asked our opinion and asked how we could grow non-aeronautical revenues.”

For GTAA, ensuring a quality, attractive environment is all-important. There’s a welcome emphasis, for example, on national and provincial art throughout the airport (there are 11 large-scale commissioned works in T1 created by Canadian and international artists), something that Driedzic says is reflective of a firm view of the role that the gateway plays for Toronto.

“We’re very proud of our role in the community,” he says. His pleasure at how the new offer delivers is obvious.

“We understand each other’s financials, and that makes all the difference”

“Then airport is the first and the last impression the traveller gets of the Greater Toronto area. We put a lot of focus on great customer service and everything is focused around the consumer. This is a beautiful building and it’s something for the country to be proud of. It’s not just somewhere to fly in and out of.”

Driedzic is highly complimentary about Nuance. “It’s about the right partner. Ultimately the right partner will give you the most revenue long-term. That’s the key to success. You have to pick the partner you would like to spend ten to 15 years with [Nuance has a ten-year-plus-five contract from 1 January –Ed]. It’s also about understanding what a tenant’s costs are, and the pressures they face.” Rendek echoes that sentiment: “We understand each other’s financials, and that makes all the difference,” he says.

The vital need for such mutual understanding has been underlined time and again in recent months by the aviation security crisis, which has hit Canadian airports perhaps harder than any in the world. “The shared knowledge of each other’s business has helped greatly,” says Driedzic. “We are all working towards a common goal – if they grow, we grow. The success of duty free reflects in the success of the airport.”
In this case, it would be impolite not to stare.

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Gentleman Jack Rare Tennessee Whiskey, Alc. 40% by Vol. (80 Proof). Distilled and Bottled by Jack Daniel Distillery, Lynchburg (POP. 361), TN.
“After the passenger gets through all the security changes, it truly is a celebration,” he concludes.

So let’s join the celebrations and take a walk through the new stores.

One era ends – another begins

The airport retail offer at the new Pier F is light years ahead of what has gone before. At the suggestion of Dick Rendek, The Moodie Report tours the airport with members of his team who have been close to the action throughout the evolution of this ambitious retail project, in this case Nuance North America Vice-President Operations Andrew Rattner and Marketing & Promotions Director Mona Lee-Tam. “They deserve the credit, not me,” says Rendek generously.

Rattner has years of experience in retail – domestic and travel retail – and it shows as he walks us through the impressively diverse offer. The devil is in the detail, and Rattner specialises in exactly that.

We begin in the transborder wing – dedicated to passengers flying to Canada’s great southern neighbour, the US. The former temporary area has given way to an impressive facility where everything from the walkways to the stores and food & beverage units is sparkling new.

But the biggest change of all is the relocation of the duty free shop. Instead of being sited pre-security, the new outlet lies post-immigration and security, in line with the international norm.

The transition is profound. When The Moodie Report last visited Pearson in early 2005 a huge queue was lined up to clear security while the transborder store just yards away stood practically empty – why delay an already slow journey to the gate, travellers obviously reckoned.

What a difference two years makes. The new 317sq m (3,411sq ft) store is sited where any good duty free shop should be – after the most stressful part of the airport process, and well on the way to the gates. It’s bright, open and well lit.

“The store is already doing very large volumes,” notes Rattner. “Besides its location, the lighting is very bright without giving out a lot of heat. It’s all designed to be very modular and flexible – we could literally change our whole back wall according to flights. But the beauty of the transborder business is that the same customer is coming through every day.”

Most of the customers are North Americans (roughly 55% Canadian and 45% American, apart from a handful of international transiting passengers) and Nuance knows their respective spending patterns well.

The business is a mix of tobacco, wines & spirits, fragrances & cosmetics and confectionery, with a smattering of gifts, jewellery, children’s items and accessories thrown in. “We still sell a lot of cigarettes,” comments Rattner. “Tobacco does well, as does liquor, while fragrances is a very big component of the transborder business. But once we get the full range of cosmetics into the store the growth will be there.”

More soft goods, notably handbags, will also be added, as Nuance reacts to consumer feedback. When we visited, the store had only been open for a fortnight but the reaction was extremely positive. “As a stand-alone store it’s done exceptionally well, and we’re very happy indeed with the volume,” says Rattner.

“In the past you weren’t going to get that passenger out of that line – now all that [security] is behind them. Our challenge before was to capture the passenger. Now, at
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* For Henri Wintermans brands Café Crème and Founder’s Blend, Asia/Pacific is excluded.

Warning: Tobacco seriously damages health
last, we have the vehicle.” And to reinforce that vehicle, strong and conspicuous messaging has been placed pre-security, featuring a simple and clear spur to spend – ‘Looking to buy duty free? No problem. After you clear security – any questions, ask our staff.”

“The airport is a great partner, and is working with us to ease concerns that passengers currently have about not being able to buy duty free,” says Rattner.

Not only is the transborder store post-security, but it can’t be missed. As passengers move down the stairs towards the gate area the duty free shop is right in front of them, another example of how GTAA has helped its commercial partners, says Rattner.

The store itself is bright and spacious, the overall airy impression assisted by the natural light from above. A white exterior and tiling inside add to the effect. Plasma screens outside the store offer a best price guarantee or other value messages. It’s a simple, consumer-friendly store with no pretence, and it works well as a result.

**Retailing with taste**

Next stop is the appropriately-named Hammerhead at the end of the long terminal. We take the long people mover ride from where the passenger clears security, arriving eventually at a point that offers a magnificent panorama over stores, restaurants, views of the aircraft and the fulcrum of the new Pier – the magnificent centrepiece sculpture, Richard Serra’s ‘Tilted Spheres’. “The whole pier is built around this sculpture,” says Rattner enthusiastically. “It meant we were constrained in the height we could build so we didn’t impede the view.”

Our first visit is to a 393sq m store called Tastefully Canadian, and that’s exactly what it is – destination merchandise delivered with class and integrity. “It’s a minimalist store that feels as though you are not enclosed at all,” explains Rendek. “There is a general sense of freedom to

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**Factfile: Pier F at Terminal One, Toronto Pearson International**

**General features**
- 25 new gates for international traffic
- Total area of the new construction 84,500sq m
- 44 additional baggage sorting areas
- 16 elevators – 14 for passengers, two dedicated to freight within the terminal
- 682 linear metres of moving walkways
- 56 additional check-in counters for international passengers
- 78 check-in counters for transborder passengers
- A lighting system that automatically reduces the number of electric lights in use, based on the amount of available natural light.

**Retail and concessions**
- Eight new food & beverage facilities
- Four new news-stands and bookstores
- Three duty free stores, one of them 11,023sq ft (1,024sq m), making it the largest in Canada
- Two currency exchange facilities

**Passenger processing features**
- In-transit pre-clearance: passengers connecting from international to US-bound flights can go directly to US Customs without having to pass through Canada.
- Satellite Customs facilities: passengers arriving on international or US flights may clear Canada Customs without having to go to the main Customs hall.
Ron Zacapa Centenario celebrates 30 years of excellence and devotion through the presentation of a unique limited edition set, containing a specially prepared blend to commemorate its 30th Anniversary. A luxurious case is home to an elegant crystal decanter filled with the anniversary blend and is joined by two special glasses, designed exclusively for Ron Zacapa Centenario by the renown Austrian crystal maker Riedel. Created by experienced artisans following century old traditions, the Ron Zacapa Riedel glass encompasses the finest spirit of the Best Rum in the World.

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move around within the products. The sight lines are unparalleled – you can see everything in front.” Because of the sculpture the walls of the store are low and made of glass, lending an unusual, transparent, open-plan effect.

The country’s most famous produce is stylishly on show here, from an outstanding fine wines area led by the great icewines from Inniskillin and Peller Estates to an array of Canadian whisky, cigarettes, foodstuffs, chilled salmon and other items with gifts, clothing and accessories around the other side of the split store. “We want to put a lot of energy into tasting the product,” says Rattner. “There’s lots of food here, as well as great wines from Canada.”

Icewine is the unlikely category that has really propelled Canada’s fine wine industry onto duty free’s world map, largely thanks to the extraordinary success of Inniskillin, handled in the channel by Lars and Beverly Johansson’s Imagination Unlimited International.

During The Moodie Report’s visit a dazzling ice sculpture took pride of place, an inspired way to showcase and promote Peller Estates icewine. Tastings were being conducted by a gentleman called Gus (a liquor specialist co-funded by Nuance and its vendors), whose knowledge of wine and the technique behind icewine production was highly impressive.

“Peller is a really great partner for us,” says Mona Lee-Tam. “They really understand the opportunities in duty free. We see icewine as a premium Canadian souvenir product, and promote it accordingly.”

But it doesn’t stop at wine. Rattner notes: “We also do pancake tasting with maple syrup, which works very well. We are trying to create a really interactive experience.”

John Menchella says: “Tastefully Canadian was supposed initially to be three small kiosks, but we knew that would not be optimal. In talking to GTAA we were able to persuade them to convert to a large store, which was better for them and for us. The key in this case was that they had done the tender well in advance, which allowed us to develop the area properly. We had a huge capital expenditure planned and we were able to shift things around to maximise that investment.”

From the smells and tastes of Canadiana we take the short stroll over to the main store, which surely already ranks among the top echelon of Nuance’s stores worldwide. The store windows and the big bold signage – Tax and Duty Free by Nuance – draw the passenger inexorably towards the store. It is not walkthrough, but it is the next best thing: impossible to miss and spaciously designed inside.

“The whole idea was to create a department store feel, and I think we have accomplished that,” says Rattner. “Whereas Tastefully Canadian is all about the sense of taste, this is about touch, smell and sight – from make-up events to fragrance demonstrations, to wine and liquor tastings.”

As one approaches the store there’s already activity going on inside beckoning you in – in this case with a ‘play and win’; a high-profile promotion for Glow After Dark by JLo. “The key is to get customers interacting,” says Lee-Tam. “It’s all about the experience.”

Internally the store is white and relatively neutral, allowing the brands to dominate. There are two main entry points: 60% of passengers come in through the front door, but the rest are cleverly drawn back to the store through a second open area closer to the gates. Having reassured themselves of where they will catch their planes, passengers can easily find their way back in for some retail therapy.
It’s no coincidence that the fragrances and cosmetics area is the first encountered from both entry points. These items are big business here, and Nuance has stacked its offer with an impressive array of top brands. North American travel retail is, of course, Estée Lauder Companies territory and the US powerhouse is out in force with stand-alone areas for MAC, Clinique and Estée Lauder just inside the main entrance with ultra-premium skincare brand La Mer to the right (complete with signature fish tank).

Besides the sense of uncluttered space and clear sight lines, there’s again a lot of interactivity going on with the Lauder group brands offering attractive makeover stations. “We’ve tried to bring the cosmetics brands off the back walls and into the heart of the store,” says Rattner. “It’s the first time we’ve had MAC in Toronto [though the brand was founded in the city –Ed] and it’s doing well. Fragrances traditionally dominated in Toronto, but we’re trying hard to get more out of cosmetics – so it’s all been set up as a department store.”

There’s also a strong emphasis on gifts with purchase. As Lee-Tam says: “Domestically, customers are used to receiving gifts when they buy perfume and cosmetics. We have to give people a reason to buy at the airport.”

Just inside the second entrance a high-profile promotion is generating plenty of interest in the cosmetics department. But it’s a liquor rather than a beauty brand that’s creating all the excitement as curious customers drift over to sample the two new Baileys flavours at the cocktail bar – and even have a shiatsu massage if they prefer their liqueurs shaken, not stirred.

It’s a great promotion. Passengers get a message with their massage as they watch a Baileys advertisement on the screen in front of them. Two coloured snake-like trails (amber for crème caramel and green for mint) reach out in front of the customer towards the bar where a friendly barman is giving out samples of the pride of Ireland.

With the Baileys crème caramel warming us nicely we wander back through the remainder of the store. A strong fashion and accessories offer is the store’s opening gambit to the left hand side as the beauty section spreads out to the right. Top brands such as Lacoste, Givenchy and Michael Kors have been introduced at Pearson for the first time, lifting Nuance’s fashion offer considerably.

Rendek has high hopes for the category which has tended to be something of an afterthought in the past. With space comes the ability to bring top brands onboard is his message.
Confectionery occupies a small but attractive area highlighted by some neat lighting designed to look like melting chocolates. Nearby is the watches, jewellery, eyewear and accessories area. This features some nice (jewelled) lighting touches, but the overall impact is more muted here than elsewhere and it's the one section, perhaps, that doesn’t quite click.

Next up is the connoisseur's shop – featuring ultra-premium Cognacs, high-end malts and blends, and a walk-in cigar humidor. It's stylish and innovative, and brings to mind Diageo travel retail chief Ron Anderson’s comments at a recent conference when he not only dismissed criticism of liquor as a moribund category but insisted it was one of the most innovative. On the evidence of Pearson, he's right.

"Note the very different look in here," says Lee-Tam. "We've used stone and darker wood to convey a more masculine appeal, and it's obviously very premium." The ‘wooden’ floors turn out to be tiles made to look like wood, but they’re perfect in lending the desired ambience.

We walk through to the mainstream liquor and tobacco section which includes a tasting bar. On offer today is a Johnnie Walker Black twin-pack, with packaging themed around Toronto – a great idea, and a great gift.

As we exit the store Rattner looks back with pride. “It's got warmth hasn't it?” he asks. “You don’t feel rushed and there’s a lot of interaction. The feedback so far has been all positive – both from customers and from our employees. We think we have created a new level of duty free shopping in North America.”

Dick Rendek says he learned from Nuance’s successful walk-through operation at Sydney Airport in Australia, and there are touches of Zürich airport here too. “This is not strictly a walk-through store, but it is very close to it. More importantly it has a real department store feel,” he says. “You can actually move from category to category and feel the change in environment and atmosphere as you go.”

“This is only the beginning,” he says enthusiastically. “Over time we will be more self-critical and adjust and improve things. The standards are high in this airport – not just for duty free but also for general retail and food & beverage. The whole environment is conducive to spending.”

Those sentiments are mirrored by Driedzic, who expresses real pleasure at how the authority’s aspirations have been delivered. “I continued to be surprised as the store was being built,” he says. “Overall this is a shopping experience that our passengers have never had. We were blown away at the final stage of merchandising.”

(Left) Who said liquor has to be boring? The connoisseur’s shop is subtle and elegant; (Right) ‘Tilted Spheres’, the magnificent artistic centrepiece, around which the main retail and food & beverage area is anchored