

MEADFA Day 1: Clouds on the horizon with a chance of sunshine



Day one of the 2019 MEADFA Conference was opened by His Excellency Dr. Ahmed Al Futaisi, Minister of Transport for Oman who led a high profile line-up of dignitaries attending the 18th edition



A sunny winter's day in the Omani capital was the apt backdrop for day one of the 18th edition of the MEADFA Conference with the outlook for the region's duty free and travel retail sector attracting a 400-strong audience of industry professionals to the Kempinski Hotel Muscat.

His Excellency Dr. Ahmed Al Futaisi, Minister of Transport for Oman officially opened the event and was followed by MEADFA President Haitham Al Majali, who reminded delegates that Generation Research's "modest" 1.5% H1 2019 global industry sales growth figure was "most welcome, given the challenges we face in many parts of our region". Robust 10% year-on-year growth in Middle East tourism arrivals, as per WTO data, was also reflective of a strong rebound in certain parts of the region.



Dr. Khalfan Said Al Shueili, CEO, Oman Aviation Services and Chairman, Muscat Duty Free (pictured above), couldn't resist noting the new Muscat International's high-flying World Travel Awards status as the Middle East's Best Airport for 2019, but quickly got down to business.

"The duty free and travel retail industry is undergoing a significant transformation process as we speak with development driven by increased travel and tourism growth coupled with rising penetration by low-cost airlines," he said.

"Is it time to party? I believe not. I see clouds on the horizon," he continued, citing a raft of issues from the 737 MAX fleet grounding, a weakening global economy, the rise of e-commerce and more rigorous airline policies as regards hand luggage or cessation of inflight duty-free.



Making his MEADFA debut, Aer Rianta International CEO, Ray Hernan (pictured above) drew on his previous high street retail experience. “The commercial model continues to evolve but it’s an imbalanced risk profile. Compared to downtown retail it is very different in terms of length of tenure, and with the high concession fees it is not sustainable. It is an expensive environment to operate in, in terms of CAPEX, staff and as a 24-hour operation,” he noted.

Conversion rates were an obvious hot topic, as Hernan elaborated: “I was shocked at the conversion rate in travel retail compared to downtown where 20% seems to be the average versus 40% on the high street.

“Almost everything people buy in airports is non-essential: it’s vanity and vice. The customer is becoming more fragmented and our product offer has to reflect this, including having own-brand products. This is important in regions where price competition is a challenge and there is no travel retail point of difference.”

The fact that “we are not in full control of the end-to-end journey experience” is another red flag. “It’s important to get passengers more relaxed in the airport environment, from knowing where the gate is to how long it will take to get there,” he remarked, adding: “We need to make sure airports understand what we need to do as a retailer but also for them to understand that we should work hand in glove.”



Ramesh Cidambi, Chief Operating Officer, Dubai Duty Free (pictured above), raised a chuckle from the audience with his “cloudy with a chance of sunshine” comment on the view from the neighboring Emirates.

Looking ahead to 2020, he commented on the dual challenges of possible over-reliance on Chinese traveler revenues and a strong US dollar, as he explained: “Chinese traveler spend accounts for 17% of our business and we have never been as exposed to one single segment and demographic as we have been with China.

“If I had to choose one metric to anticipate our future business it would be the strength of the US dollar. Since it started strengthening in 2014, broadly speaking, our business followed the ebb and flow of the dollar.”

“It has also been extremely strong against emerging market currencies. If we built a dollar index that reflected the passengers coming to Dubai and weighted that by the nationality percentage, then it is even stronger,” he added.

An easing of the US dollar next year would be a “ray of sunshine” according to Cidambi, with Expo 2020 visitor potential also offering a potential Q4 uplift in business revenues.