

Increased spend-per-head drives Dubai Duty Free



Dubai Duty Free shopping complex in Concourse C

Historically, Chinese, and Russian passengers have been key contributors to overall business for Dubai Duty Free (DDF) but with the ongoing ban on Chinese passengers travelling abroad due to Covid-19 and the war involving Russia and Ukraine, this is no longer the case.

The imposition of the Chinese travel ban has meant the contribution of this important consumer group, which accounted for around 18% of DDF's departures sales in 2019, is almost zero (0.42% from January to March 2022).

Russian customers, however, are still playing their part. The number of flights from Dubai International Airport to Russia may have decreased from 35 to 18, but the spend-per-head of those travelling is high. Pre-conflict (January to February 2022) Russian consumers contributed 5% of total departure sales and in recent weeks they have still accounted for 4%.

Prior to this latest bout of major conflict there were eight flights to Ukraine from DXB, but unsurprisingly all flights have now been suspended.

Spend-per-head surge

"We have seen improved sales from the Middle East, Americas, and Indian subcontinent sectors to name a few in addition to the strong UK and European markets," Colm McLoughlin, Executive Vice Chairman & CEO, Dubai Duty Free tells *Global Travel Retail Magazine*. "Also, as further compensation [for the lack of sales among Chinese and Russian consumers] those other customers who are travelling are spending more. At one point, spend-per-head increased from US\$32 to US\$50 and is currently around US\$47."

Assessing the current state of the Middle Eastern duty free and travel retail market, McLoughlin says the level of confidence in travel and travel retail is strong and people are happy to fly for business or leisure. "The Arabian Travel market has returned after a two-week break and the attendance has been fantastic. This shows a real desire to return to travel.

“We are experiencing a big growth in passenger numbers from Middle East countries including Iran, Israel and Syria.”

He adds: “Middle Eastern airlines’ traffic rose 245.8% in March compared to March 2021. Looking at January to March 2019 figures, the Middle East sector has contributed 18% of Dubai Duty Free’s total departure sales.”



Louis Vuitton in Concourse B

Reflecting on 2021, McLoughlin describes this period as ‘a very good year for the operation’ despite the challenges. Last year, DDF reported sales of AED3.563 billion (US\$976m) an increase of 40% year-on-year. He says: “The entire team at Dubai Duty Free has worked hard to ensure a return to positive growth and to provide passengers with a first-class shopping experience at Dubai International Airport.”

At the time of interview, DDF had just resumed its operation at Al Maktoum International Airport and recalled 1,665 staff members who had been laid-off during the pandemic. This brings its total workforce to 4,200.

Changes were minimal in terms of purchasing trends in 2021, with the category split remaining the same. The top-five selling categories were perfumes, liquor, cigarettes and tobacco, gold, and electronics.

Perfume sales reached US\$191m and contributed 19.59% towards total sales. In the liquor sector, sales amounted to US\$169m, accounting for 17% of total annual sales. Tobacco sales reached US\$95m, contributing 10% towards total revenue, while sales in departures reached US\$818m (84% of total 2021 sales).

Boutique openings

Key commercial projects in 2021 included the opening of a forecourt Public Shop at Terminal 3, two 100sq m Christian Dior boutiques in Concourses A and B and a 245sq m Louis Vuitton retail outlet in DXB Concourse B.



Dior, Cartier and Louis Vuitton

“We have since opened a Cartier boutique in Concourse B in February 2022 and the sales have done extremely well,” McLoughlin remarks. “All these boutiques are performing as expected and some above, as we have seen great results on luxury items including fashion items and leathersgoods. Altogether, the boutiques now represent 10% of total Dubai Duty Free business in 2022.”

Overall, things have started well for DDF in 2022. Year-to-date (*January to 31 May 2022*), sales have reached US\$646m, an increase of 100% compared to the same period last year, but 21% lower compared to 2019.

McLoughlin comments: “Our priority is to continue driving sales by working closely with our suppliers and partners on great value offers. We will also continue with our refurbishment plans which began last year [*and included the opening of the luxury boutiques at Dubai International Airport*] and have had a positive impact on our business.”

DDF will also continue building its digital presence, which McLoughlin says has resulted in greater engagement with customers especially during the pandemic.

In addition, DDF will intensify its investment in marketing. “We will actively look at adding value wherever possible that will give Dubai Duty Free and Dubai the kind of exposure that will continue to keep us on the map and in turn attract travellers.”

Refurbishment programme

At the time of writing, the retailer was striving to complete its refurbishment and renovation plan at DXB, with particular focus on Concourse B. This includes refurbishments in the two liquor shops (*East and West*) and the electronics shop.

“We have relooked at our brand/category allocation wherein various refurbishment projects have taken place to give our customers a better exposure, particularly in Concourse D. We have also allocated promotional space to brands like Guerlain, Glenmorangie, Givenchy and YSL to name a few.

“These dedicated promotional areas are unique, and we are highly optimistic they will help us

continue the organic growth for Dubai Duty Free.

“In summary there are a number of ongoing projects, and we are continually looking at improvements throughout the retail operation.”