The Moodie Davitt e-Zine

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incorporating The Foodie Report

THE MOODIE DAVITT REPORT PEOPLE OF THE YEAR

2016 in review
Reflections on a momentous year in travel retail

The Muse
Towards a new concession model for the digital era

The Foodie Report
12 months of travel dining in the spotlight

People of the Y

Dr Stefan Schulte

It takes instinct, vision and guts for any CEO to step away from tradition in the face of an uncertain future. That's especially the case when the company in question is one of the world's biggest airports, and the tradition represents commercial contracts worth hundreds of millions of Euros in guaranteed revenue.

But that is what the board of Frankfurt Airport owner Fraport, led by CEO Dr Stefan Schulte, has done in 2016. Faced by the escalating challenge of e-commerce, Fraport earlier this year pioneered a trial 'Lounge Shopping' and 'Inflight Shopping' service in partnership with national carrier Lufthansa and airport duty free and Travel Value retailer Gebr Heinemann. The service offered Lufthansa passengers the ability to purchase a wider range of goods from airport stores and have them delivered to the lounge or on arrival when flying into Frankfurt.

The concept began with the question: what does each party in this new kind of Trinity want to achieve? Fraport and Heinemann between them boast top-class logistics, and the airline has the vital first engagement with the traveller from the moment they book their trip.

Dr Stefan Schulte: A new contract model emerges, in acknowledgement that the world has changed

Less simple is how the revenue and profit 'pie' is shared, but Fraport's firm view was that this was less of an issue than losing ground to Amazon or Alibaba. Instead, it said, why not assess how such a scheme would protect and grow the business rather than arguing from the start about who gets what share? OK it was just a trial, but it signalled a refreshing out-of-the-box mentality that surely more airports will have to adopt in the face of the e-commerce onslaught.

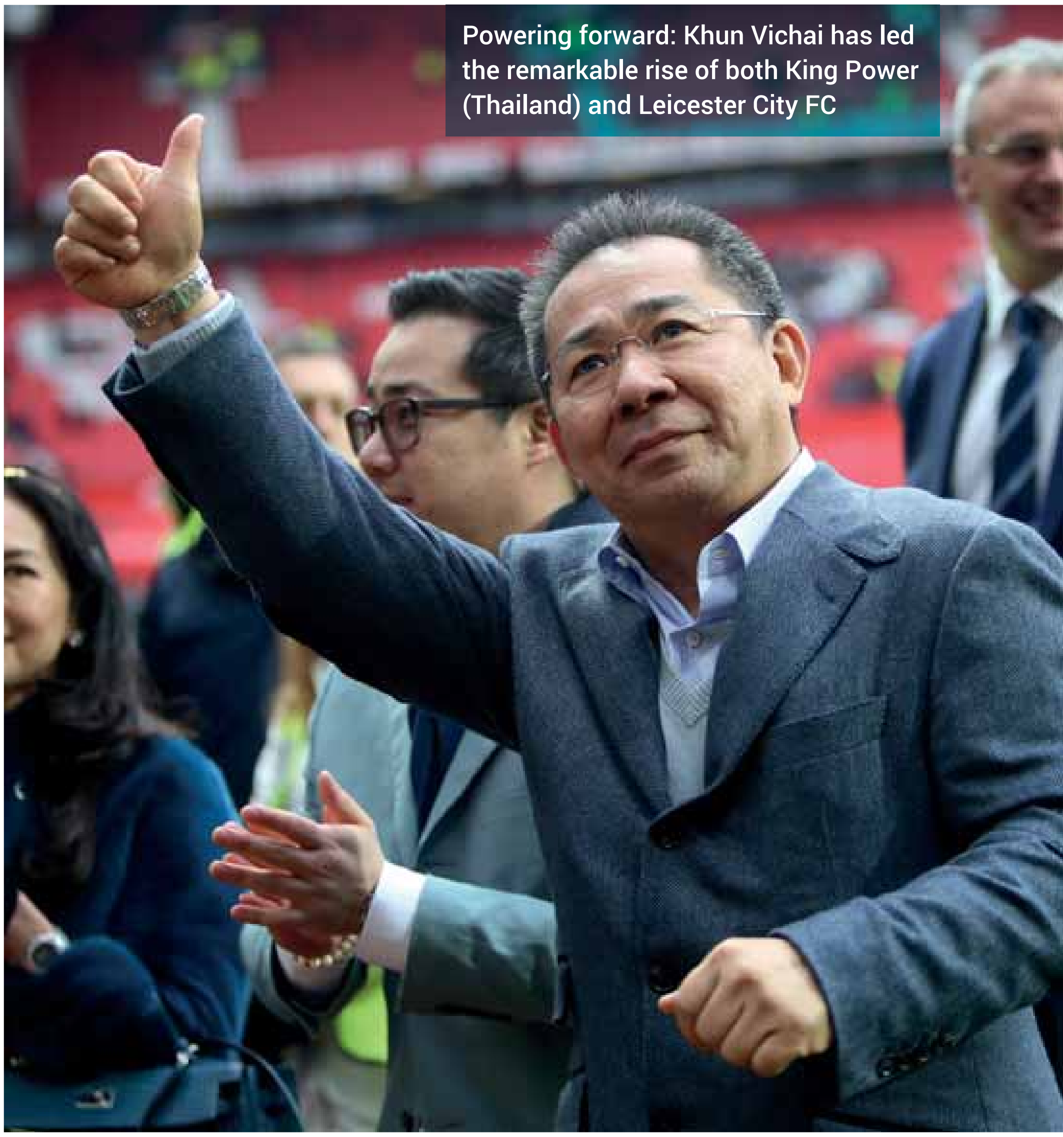
That trial was just the appetiser to a bountiful main course, served up last week as Fraport struck a hugely significant new partnership with its lead retailer Gebr Heinemann via a 50:50 joint venture to manage all 27 duty free stores at Frankfurt Airport.

This fresh approach to the concessions business model will see each party share in the profits, but also in the costs of running the operation. Upside and downside, risk and reward shared.

For both it represents an acknowledgement that the world has changed. With the rise of e-commerce, will there be any such thing as 'guaranteed' income in five years' time? This partnership takes a step towards a better understanding of the consumer through data-sharing and transparency, not just profit share. Crucially it offers flexibility – and also the opportunity to trial new projects that would have been harder to instigate under a concession contract.

Not every airport CEO understands this. Dr Stefan Schulte and his board did. And their decisions today could be a template for the industry tomorrow.

Year


Powering forward: Khun Vichai has led the remarkable rise of both King Power (Thailand) and Leicester City FC

Vichai Srivaddhanaprabha

It has been a momentous year for King Power International Group and for its inspired and inspirational leader. The company has maintained the recent surging growth of its airport and off-airport duty free business, driven by inbound tourism and in particular by the rocketing rise in Chinese visitors to Thailand.

Its 2015 results, which we estimated at €1.97 billion, surged by around +70%, despite a -50% fall in key Russian traffic. That propelled King Power to seventh place in our annual **Top 25 Travel Retailer** rankings, up from tenth a year earlier. In 2016 the company has built on this impressive performance. Late last year it opened its 26,000sq m shopping mall in downtown Phuket.

The THB4.5 billion (US$125 million) move transformed the luxury shopping offer on the holiday island, serving both Phuket's rising number of tourists and members of the retailer's loyalty scheme living in the south of the country. This bolsters the company's already sizeable off-airport business, which includes the recently opened King Power Srivaree Downtown Complex, targeted at Chinese shoppers.

2016 has been memorable for the Srivaddhanaprabha family for other reasons too. In June the family holding bought a controlling stake in Thai AirAsia, a unit of budget carrier AirAsia, for THB7.9 billion (US$225 million). The acquisition provides further diversification for Thai entrepreneur Vichai.

A related investment vehicle also owns Leicester City Football Club, which shocked the sporting world – and probably Vichai – by winning the English Premier League in May. The club defied pundits, bookmakers and pre-season odds of 5,000–1 to claim the crown. The team of supposed journeymen, unknowns and rejects from other clubs lost only three games in a season described by one commentator as the "most unlikely triumph in the history of team sport".

The success was the richest possible vindication not only of King Power Chairman Vichai's decision to invest in the ultra-competitive English football world in 2010, but also of the way he set about it. Back then Leicester City was only a Championship club (one level below the Premier League) and Vichai's pledge to one day take Leicester into Europe (the Champions League – for which only the top teams in each European domestic league qualify) was widely dismissed as fanciful.

But Vichai knew precisely what he was doing, running the club with the same business acumen and resilience that has allowed him to build King Power into a duty free powerhouse, investing in resources, players and quality management (notably Senior Executive Vice President Susan Whelan who, remarkably, doubles as the club's CEO).

Those values, alongside a commitment to partnership and Corporate Social Responsibility, have allowed the football club, the duty free company and the family's other interests to flourish. Never was our People of the Year recognition more richly deserved.

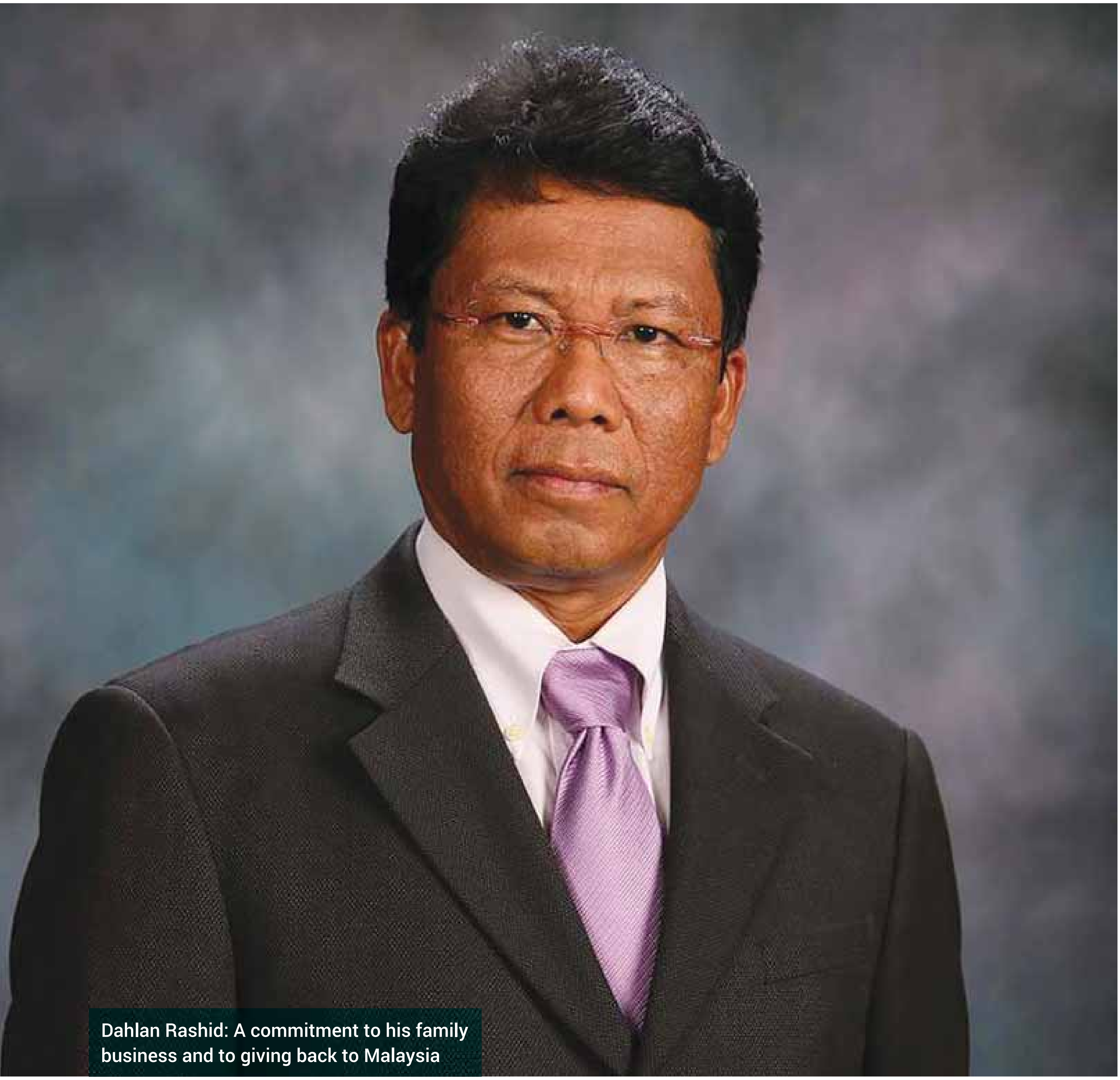
Dato' Dahlan Rashid

The DR Group Managing Director earned a rare and well-merited recognition at the recent Kuala Lumpur International Airport Awards, when he became the first airport retailer to win the prestigious Chairman's Award.

Like all entrepreneurs, Dato' Dahlan's business career has been a great journey. More than three decades ago he opened a single tiny store at Subang International Airport. Some 31 years later his company is a major player in Malaysian airport retail and its leader much respected throughout aviation circles.

He is acknowledged as the driving force behind a retail-to-confectionery powerhouse, and revered for his outstanding commitment to Corporate Social Responsibility via support of Islamic activities, helping the Bumiputra community and championing society's needy.

Dato' Dahlan said that the Chairman's Award was a recognition of his life's professional work over the past three decades in helping shape Malaysia's travel retail industry to be on a par with other developed nations. We are happy to add our own recognition of this outstanding business and community leader.



Dahlan Rashid: A commitment to his family business and to giving back to Malaysia

Jang Sun-wook

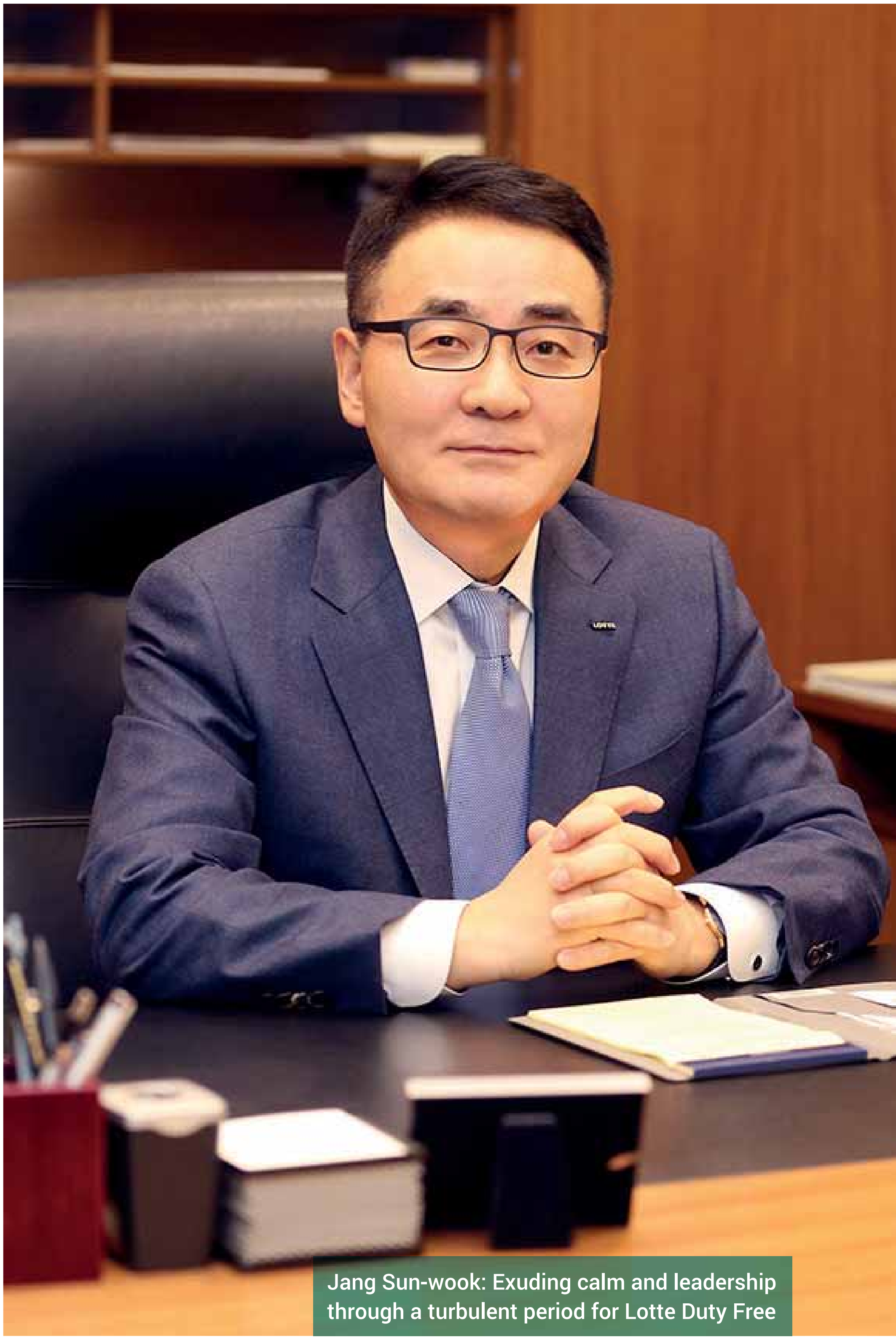
When he assumed the role of Lotte Duty Free CEO in December 2015 it might have seemed something of a poisoned chalice for the company veteran. After all, Jang arrived in office just as the Lotte Group subsidiary was reeling from the shock, arguably absurd loss of its Lotte World Tower duty free licence, following a hugely controversial contest for the rights to operate Seoul downtown stores.

The loss hit Lotte hard, both internally and externally. And things did not get any easier as the at-times rabid Korean media and anti-*chaebol* politicians seized on the group's well-documented difficulties (including a bitter family dispute) with relish.

The blows kept coming. A few days after being boosted by the announcement of a new licence contest, Lotte Group revealed that its much-anticipated IPO – which had already received a body blow from the World Tower loss – would be delayed following a scandal involving Shin Young-ja, a Hotel Lotte board member and part of the founding family. Within days, as the scandal gripped the nation, the group chose to withdraw the IPO until further notice.

Through all this, Jang kept his calm, focusing on maintaining internal morale and not letting the furore distract the company from focusing on its core business. Remarkably Lotte's overall Seoul downtown duty free sales didn't miss a beat after the 26 June World Tower closure. While that store's sales for the first nine months fell -20.9% year-on-year (due to over 13 weeks of non-trading), the downturn was more than offset by remarkable gains of +42.4% at Lotte Duty Free's Seoul flagship and +61.4% at the Coex outlet. The net result: a gain across the Seoul downtown operations of a remarkable +31.7% to US$2.5 billion in the nine-month period.

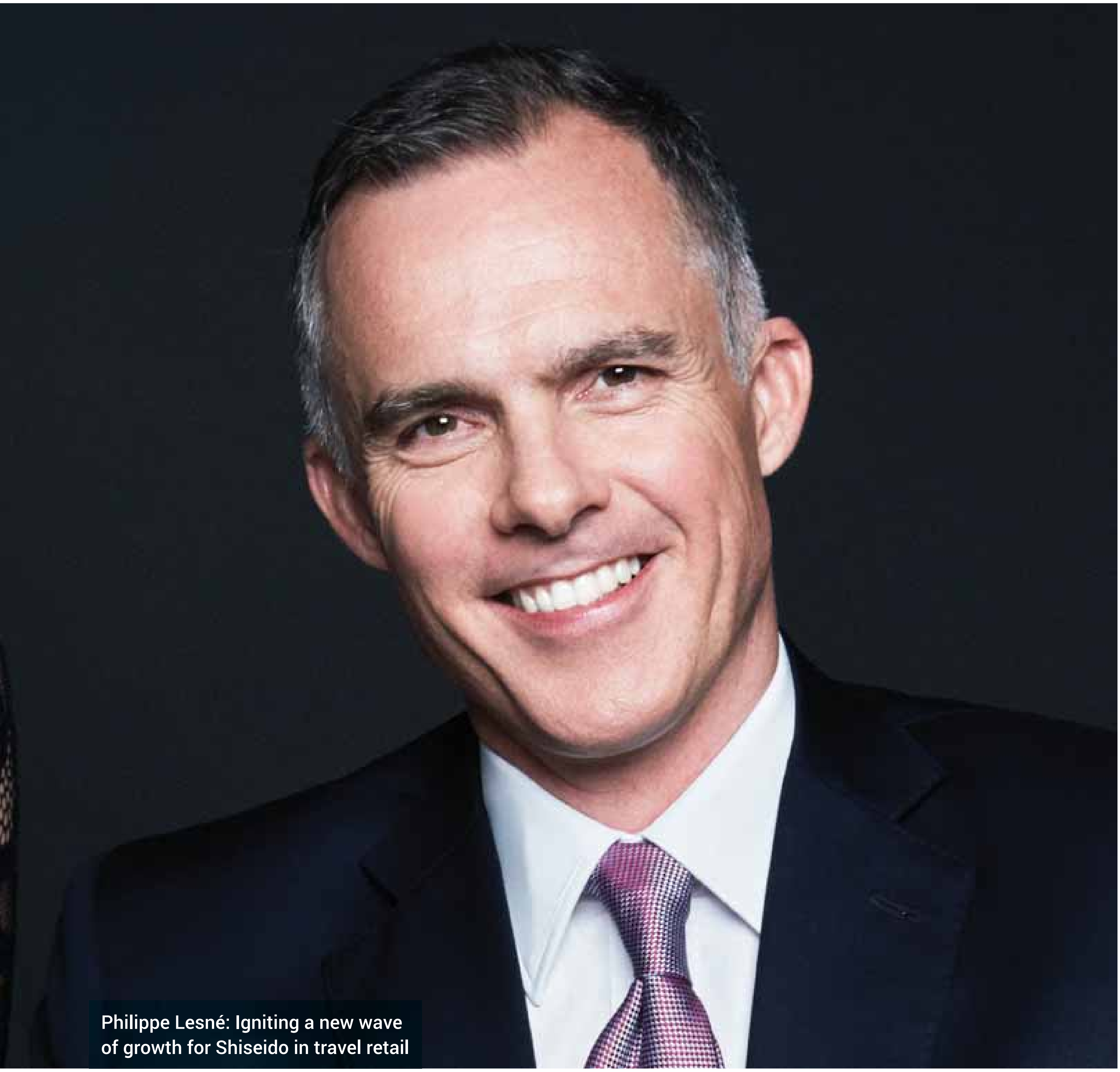
A big contributor to that result was the addition of a superb new beauty floor



Jang Sun-wook: Exuding calm and leadership through a turbulent period for Lotte Duty Free

at the Lotte flagship – qualitatively one of the best travel retail openings of the year worldwide, and certainly one of the most effective.

When The Moodie Davitt Report interviewed Jang in October (his first business media interview) he spoke with a combination of optimism and determination that the company would regain both its World Tower licence and its mojo. That in turn, he said, would drive the group's IPO in early 2017 – "a turning point", he predicted. Following last weekend's **licence result**, all is now set fair for the long-awaited public flotation. For that, Jang Sun-wook deserves immense credit.


Philippe Lesné: Igniting a new wave of growth for Shiseido in travel retail

Philippe Lesné

It was dubbed 'The rebirth of the Shiseido Group in travel retail', and the 15 April **announcement** of a unified travel retail division for the Japanese beauty house's cosmetics and fragrances business (revealed exclusively by The Moodie Davitt Report) was exactly that.

The effervescent Frenchman has spent more than 20 years in the beauty sector, the past seven of them with Shiseido.

And there's no doubting the expertise, experience and enthusiasm he has brought to his new task. Buoyed by the unwavering support of group CEO Masahiko Uotani, Lesné has set about delivering on four key objectives – to become a global organisation that speaks with one voice; to reinforce partnerships with retailers; to boost retail operations excellence; and to create strong and innovative brands.

It's not just talk. Shiseido is investing heavily in innovation, in digital breakthroughs and in a rare focus on the importance of travel retail exclusives that are more than just a labelling tweak. If Shiseido was a sleeping giant when Uotami took over, it's well and truly awake now – nowhere more so than in travel retail.