

Making the cut in Miami

Boldness pays off for Duty Free Americas



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Duty Free Americas' faith in Miami pays off

Words such as 'transformation' have become the stuff of cliché in airport retailing, often a lame synonym for little more than a superficial refurbishment. But when Duty Free Americas opened four new luxury boutiques at Miami International Airport late last week it constituted a genuine transformation in every sense – for the retailing offer, for the airport's reputation and, most certainly, for the travelling consumer's perception. More than that, writes **Martin Moodie**, the opening vindicates the retailer's controversial bidding strategy back in 2007.



In the Pink: Sonia Proulx, Thomas Pink's US Director of Stores, and her Beefeater guards who flanked the entrance of the UK fashion house's new 1,265sq ft boutique

Any student of the industry, or any hardened South Florida traveller, will know that names such as Coach, Emporio Armani, Montblanc and Thomas Pink (the four stores opened at Miami International Airport last week) have not only traditionally been absent from the airport but that if they had been there they would have been thoroughly out of place.

That's all changing amid the near-US\$3 billion development of the almost-complete North Terminal, which features a diverse, elegant and increasingly upscale retail offer, led by Duty Free Americas (DFA).

No-one who was present last week doubted the significance of the moment. "It is an honour to be the first North American airport with an Emporio Armani store," noted Miami Dade Aviation Department Deputy Director of Business Miguel Southwell. "We are also the first airport to showcase the new design for Montblanc. And we have the first duty free store for Thomas Pink [popular with South American travellers, who are integral to the airport's spending passenger and spending profile -Ed]."

Chief of Airport Concession Business Development Adrian Songer added: "The new boutiques... offer

wonderful merchandise, and are a unique high-end opportunity for those looking for very fine quality. These boutiques offer a 'wow' factor."

DFA Chief Executive Jerome Falic added: "This is a dream come true here in the airport. Miami never really had the luxury brands and boutiques at the level to which we have taken it."

Such comments aren't just hyperbole, nor are the brands a token gesture to luxury. Consider this: the 1,020sq ft Emporio Armani boutique is the brand's first free-standing airport shop in North



Duty Free Americas Chairman Simon Falic and Miami Dade Aviation Department Deputy Director of Business Miguel Southwell share a warm moment after the inaugural speeches officially opening the four new boutiques at Miami International Airport

American travel retail. And what about Coach's 1,075sq ft boutique? This most selective of brands has only two tax free airport locations in the US; the other is also a DFA-operated store, at New York JFK Terminal 7. Montblanc too has done things in style here. The 690sq ft boutique features the German luxury brand's sleek new retail concept and an extensive product range from writing instruments to jewellery.

Duty Free Americas has come a long way since it won the duty free tender, controversially, in 2005. The Falic family-owned company came out top in both the quantitative and qualitative rankings, but it was the money that really talked – a minimum annual guarantee of just over US\$20 million, ahead of rival Dufry's US\$18.5 million and a staggering US\$8.8 million ahead of the US\$11.2 million bid by third-placed Brasif (then independent), followed by The Nuance Group/DFASS with US\$11.0 million.

The gap between the bidders told its own story about the complexity of the Miami International Airport

operation, and about the sharply differing views of the location's potential. We wrote at the time: "Duty Free Americas insisted all along that it would only bid on the basis that it could deliver a sustainable profit. It clearly believes it can grow the business significantly from its current base – and will need to, given that the minimum annual guarantee represents over 50% of last year's duty free sales at the airport (US\$39.8 million)."

At the opening ceremony last week DFA Chairman Simon Falic acknowledged the early scepticism, noting: "We have exceeded all our expectations. We did put in a high bid; but knowing Miami, and knowing the potential in Miami, we were confident that we would be able to stand behind the bid and also be profitable, and for us to make money and for the airport authority to make money.

"We brought a lot of product here that you don't see in any other duty free store in the US. Besides these boutiques, within our stores you see Victoria's Secret, you see Vilebrequin,

you will see many brands. The biggest customer in Miami International is the South American. We want to make sure that we make the shopping experience here very important and unique, and that these shoppers leave as much money as they can before they go back home or on to another destination."

That's the formula – the right brands to the right customer profile at the right time. Miami has been a rollercoaster ride for DFA, but right now the retailer is riding high. The lure of luxury may just be the icing on an increasingly rich retail cake. ■

[With special thanks to *Travel Markets Insider* Editor Lois Pasternak who filed the original news report.]

