

Drop 'n' Shop

Most travelers enjoying duty-free shopping are used to buying their goods and then lugging them in, at times, flimsy plastic bags for the rest of their journey. It is inconvenient, but nothing like having liquid goods confiscated before boarding, which is what has been happening ever since the foiled plot by the "shampoo terrorists" in Britain in August 2006.

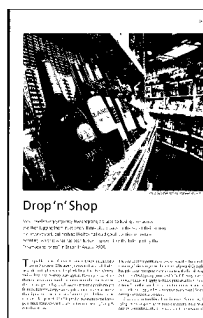
The problem arose after the European Union introduced a law in November 2006 stating that duty-free goods had to be carried onto planes in sealed plastic bags. The USA, Canada, Switzerland and Norway also agreed. Passengers transiting through these countries and continents from other places, where the standard plastic bag is still used to transport goods straight from the duty-free shop, were surprised and dismayed at having their liquid purchases confiscated on the spot. The losses were considerable, up to EUR 25,000 per day, according to the European Travel Retail Council, an association representing Europe's duty-free stores.

The source of the problem, of course, was the absence of universal regulations to govern the new era of potentially explosive hair gels. In an attempt to clear up matters, the British Airports Authority (BAA) put up posters with the following text: "Certain restrictions will apply to liquid purchases for some destinations." In other words, you only find out when and where the restrictions apply when a *douanier* pours your 17-year-old Ardbeg down the nearest drain.

Travelers were troubled, if not incensed. Something about flying seems to generate an almost irrational need to shop. And by coincidence, there always seem to be rows of nicely supplied, brightly lit stores in terminals with a fine line of goods on display. This thrilling shopping experience was being threatened as well.

A private affair

What few people know, is that these stores are privately run and are extremely sensitive to changing regulations and especially events like the terrorist plot in Great Britain, which could directly implicate duty-free shops. The Nuance Group, headquartered in Glattbrugg near Zurich, is one of those globally active companies that few have ever heard of, even

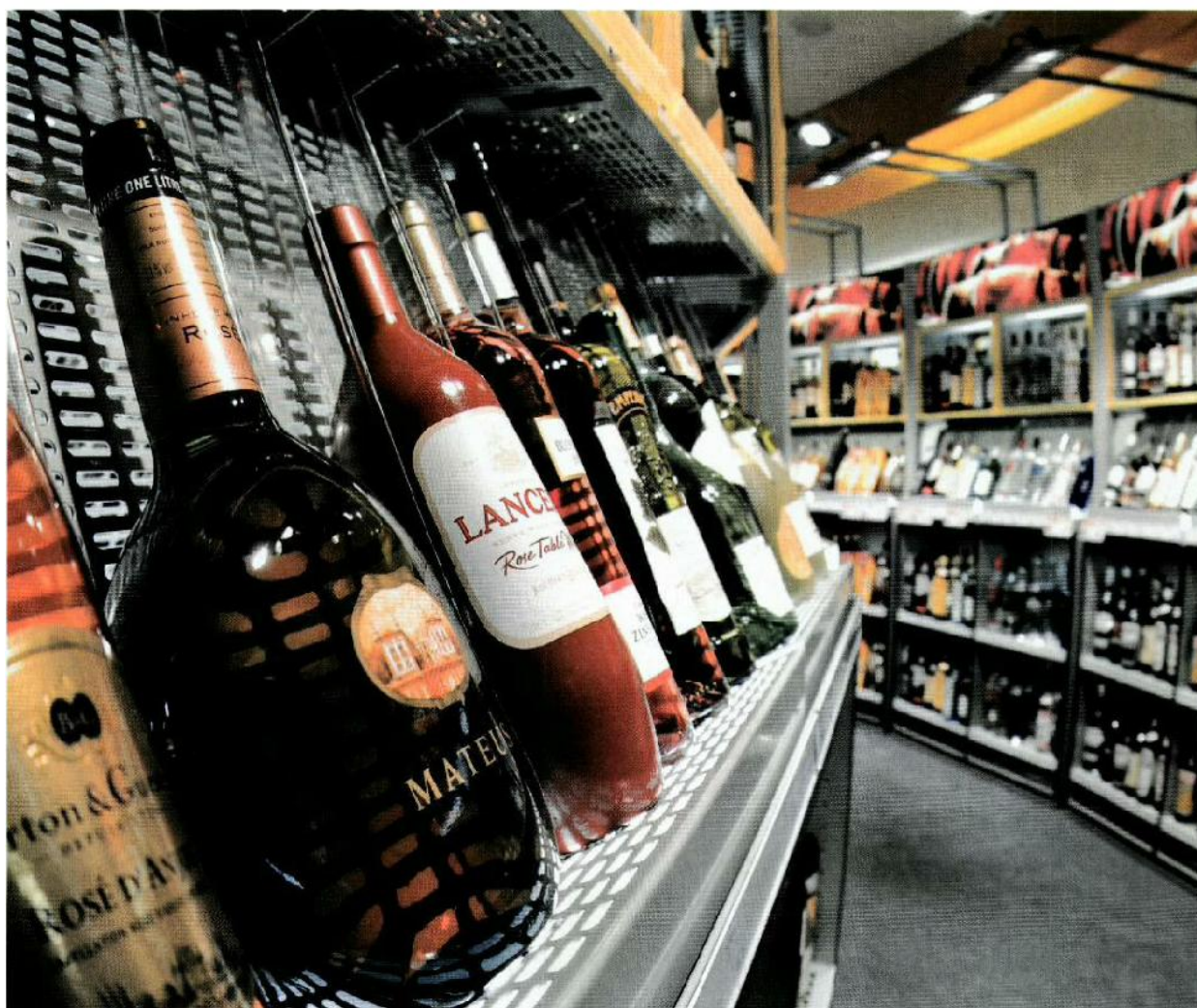


though they might have used its services numerous times. The shops are simply there, about as surprising as trees in a forest. Because their business is quite literally global, having different regulations for different countries and continents can make operations rather complex.

News of the confiscations of duty-free goods by security officials at airports was not good for the industry's reputation. Nuance went on an information campaign to restore the trust of passengers. "We make sure our staff are well informed regarding all regulations and their consequences and that they explain them to the customers," said Ivo Favotto, Executive Vice President at Nuance, who is responsible for strategy and business development. Furthermore, should a customer have his or her goods confiscated in Switzerland, for example, Nuance will compensate them. On a more public level, Nuance also joined other companies, like Gebr. Heinemann in Germany, and began lobbying for a universal solution. The situation is somewhat absurd, as Cord Schellenberg, spokesman for Gebr. Heinemann, points out: a Turkish Airlines passenger purchasing goods on board and heading to Frankfurt via Zurich will have his or her liquid shopping confiscated, but not a passenger on a Lufthansa or Swiss flight, although the security in Istanbul is exactly the same.

Après-flight

One proposal that could certainly alleviate the problem is "Arrival Duty Free." Simply put, it means that passengers are allowed to purchase duty-free items on arrival rather than departure. Several Asian countries have adopted it, as have Australia and New Zealand. In Europe, Iceland, Turkey, Norway and Slovenia, amongst others, opted for Arrival Duty Free with good results. Both Favotto and Schellenberg are quick to point out that the system means a great deal of convenience for passengers, especially ones on long trips who would otherwise have to juggle with additional bags. In addition, it would certainly improve business since Arrival Duty Free would act as a supplemental shopping option. Duty-free organizations have even floated various models to promote duty-free buying, such as ordering before your trip and picking up the wares at the end, provided the airport of destination has a single arrival terminal. Even airlines have joined the chorus of yea-sayers,



Arrival duty-free options: whatever moves the spirits

happy for a solution that might reduce the problems caused by too much hand luggage. Finally, there is the issue of money being spent in home countries.

The EU, however, has not made any decisions in this regard, so it remains up to the individual countries to decide one by one whether or not to adopt Arrival Duty Free. There is no legal sticking point, Schellenberg points out, other than the traditional notion that shopping is done before flying. In Switzerland, the first motion introduced in 2004 was rejected because the government was reluctant to make the country the odd man out in Europe. In May 2006, another motion was filed with the Federal Council, arguing amongst others, that no fewer than 19 destinations offered duty-free shopping on arrival, including 11 European countries. "Creating this shopping possibility would generate 60 to 80 jobs in Switzerland," the motion suggests. "Since rents of the airport shops are linked to their sales figures, Swiss airports would also gain CHF 20 to 23 million per year."

The terrorist plot in England added fuel to the arguments in favor of the concept. And there are ecological concerns, as well. Even the Swiss aviation industry's umbrella organization, Aerosuisse, which is usually dismissive of people's environmental worries, has added its weight, saying that flying one bottle of champagne around in a jet for one year costs 100 liters of kerosene. In December 2006, the National Council gave the green light. Now it's the turn of the Council of States, which should be ruling on the motion later this year.

Other concerns

Like many high-level executives, Favotto maintains a positive outlook. The biggest change on the horizon for companies in his line of work – he calls it a paradigm shift – is not Arrival Duty Free, but rather the appearance of new long-distance liners, like the giant Airbus A380 and the Boeing Dreamliner B787. "We suspect this will alter the geographical patterns of travel and hence shopping behavior." The only cloud he sees is terrorism. For though the threat has almost degenerated to a buzzword owing to overuse, it remains quite real. "The aviation industry is very much ex-



posed to any threat to security, and doing business at airports, our industry is exposed to the risks as well," says Favotto.

But, he points out, the airline industry has always recovered very quickly and has continued growing, adding what sounds almost like a mission statement: "Travel has become part of people's lives, and shopping is part of the travel experience." ■

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