

Russian duty free industry



**ASSIGN
BUSTER**

Association of Duty Free and Travel Retail BORT Russia Moscow, 2011 Table of content

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Executive Summary WHY RUSSIA?

Strong economic growth fuelled by High Oil Prices and modernisation of the economy Rapid development of airport terminal industry reinforced by Global events in Russia within the period 2012-2020 Recent “ National Frontier trade development program” initiated by Russian State Over 300 crossing points within Russian border for the launch of new business provides one-window approach to the Russian market through Access to key decision makers and market regulators at the Russian State bodies Access to 100% of landlords Access to shelves of 100% of DutyFree operators within Russia Access to information on legislative initiatives, statistic and market research data Access to key Russian business media

CHALLENGES

High barriers for the market entrance for newcomers Redundant administrative barriers caused by noncoordinated activities of state bodies and bureaucracy Inconsistencies in legal framework regulating Russian Duty Free market Special agreements in doing business in Russia Lack of transparency and industry data High spent culture of Russians while

traveling Russian market overview I. Russian market overview 1988-2011
 1988 Market growth 1998 2008 2011 Current market size is over 1 billion
 euro The first Duty-Free shop opened at international Moscow airport SVO 2
 by joint company of Aer Rianta and Aeroflot

- New local operators enter the market. New shops opened at SVO 2 and DME. DuFry enters Russian market. Total number of operators: around 15 1988 1998 Number of Duty-Free operators more than 100
 - Duty Free industry expands to key regional cities of 2008 Russia. G. Heinemann enters Russian market. Total number of operators: around 60
 - Duty Free industry expands to border lines and sea 2011 ports. Number of operators: more than 100 Key drivers for Russian Duty-Free market growth in 2012-2020 Top Global events to drive future Duty Free growth
 - Rapid growth of passenger traffic in number and spending power
 - Russia becomes the playground for the brightest global events.
 - Around 30 global events will take place within 2012-2020
 - Implementation of large-scale State programs aimed at development of travel and transport infrastructure in Russia 2010 2020 2012 2020 2011 2015 2011
 - Implementation and development of modern business practice in Duty-Free shops such as “ walk 2013 thru ”, “ Espace Voyageur”, etc.
- Russian market overview

II. STRENGTHS

High consumer spending culture and huge desire of Russians to travel and spend money;

Loyalty to Duty-Free goods perceived by Russian consumers as goods of the higher quality in comparison with goods on the domestic market;

Over 300 border crossing points that allow expansion and launch of new Duty-Free shops;

WEAKNESSES

Lack of transparency therefore unfair competition ;

High entrance barriers to the market for newcomers;

Redundant administrative barriers caused by non-coordinated activities of State bodies and bureaucracy;

Poor legal framework regulating Duty-Free industry;

Undeveloped model of cooperation with landlords and State regulators;

OPPORTUNITIES

- Rapid development of airport terminal industry reinforced by Global events that will take place in Russia within 2012-2020; Implementation of large-scale State programs aimed at development of travel and transport industries Development of new business formats in Duty-Free industry; Strengthening of Russian Duty Free market positive image on international level;

SWOT THREATS

Development of new customs alliances between CIS countries which would lead to full or partial Duty-Free sales ban. BORT overview At a glance...

- Association of the Duty Free Trading and Travel Retail – “ BORT Russia” is a NGO - union of legal entities, carries out its activity on the basis of non-profit principles providing assistance to its members who are the players of national Duty Free and Travel Retail market for achievement of their goals and overall promotion of the industry on the national and international levels. “ BORT Russia” unites representatives of State authorities, Duty Free and Travel Retail shop operators, suppliers and distributors, other nonprofit organizations and stakeholders whose interests lay in this sphere.

“ BORT Russia” is a single entity on the territory of Russian Federation with a role to unite interests of state authorities and business community for the purpose of development of the most favorable environment within the country for Duty Free and Travel Retail sector efficient promotion and growth/ BORT Russia has been founded in 2011.

BORT overview Goals and objectives Assistance to representative of legislative and executive bodies of the Russian Federation within the development of appropriate economic and social policy, legal framework. Consolidation of key market players interests and establishment of direct and mutually beneficial dialogue between State and the Industry; Build awareness of the Duty Free and Travel Retail industry within Russia and promote its positive image as a substantial economic driver in the region;

Initiate the process of development of new legal category “ Travel Retail” within the territory of the Russian Federation; Provide a trusted source for accurate, relevant and up to date information on Duty Free and Travel Retail Industry for its members; Consolidate the best practises and trends from global Duty Free industry; localize and implement them to the Russian market Assist newcomers while establishing their business interests within industry; Protect from unfair competition existing in the industry in Russia; BORT overview Structure Supervisory board Committee on alcohol-containing products regulation Committee on cooperation with regulating and supervisory bodies Committee on concessions and landlords cooperation Committee on tobacco regulation General meeting of members Auditing committee President Presidium Vice-presidents Executive director Association Members Managing director Committee on financial regulation Committee on corporate issues Committee on PR and marketing communications Managing team Committee on administrative regulations BORT Partners Key Russian State Bodies National Russian Associations Federal Customs Service of Russian Federation Federal Antimonopoly Service of Russian Federation Ministry of Economic development of Russian Federation Ministry of Health and Social Development of Russian Federation Russian Association of airports Association of Tobacco producers Union of Alcohol Products Producers The National Union of Players of Russian Alcohol market Ministry of Industry and Trade of Russia All-Russian Non-Governmental Organization of small and medium-sized business Key non-governmental organizations for Entrepreneurship European Travel Retail

Council International Associations & Committees BORT Membership benefits

On individual level for each member 1. On the level of Duty Free Industry

Access to established communication platform for dialog with different players from State authorities; Access to accurate, up-to-date and consolidated statistics, market and legal data on Russian Duty Free market; Lobby the initiatives and business interests of industry players; Provide speaking opportunities on local and international industrial events; Management of regular joint meetings and round tables with key decision makers from Russian State authorities, business and industrial media; Legal, consulting, methodical and informational support; Access to regular professional training programs and seminars;

Support from key decision makers in Russian State bodies; Industry promotion, joint campaigns and support on a national level by PR and Marketing activities; Presentation of Russian Duty Free industry interests on international meetings, conferences and round tables; Establishment of beneficial cooperation with representatives of closely related industries such as tourism, transport, etc Consolidate best practises and trends from global Duty Free industry; adapt them to the Russian market; BORT Working program 2011-2012 1. Set up a “ Supervisory Board” including key State authority in charge of Custom regulations activity, key Duty-Free operators, trade suppliers, key landlords (international airports, seaports and frontiers).

Management of regular meetings and round tables for members within framework of annual international Customs Service Exhibition. 2. Persistency in monitoring and collection of statistical data in order to provide all-round

support to the to Industry position in pending of Duty Free sales ban for outbound travellers leaving Customs Union countries. 3. Collection and analysis of up-to-date statistic and market data covering all aspects of Russian Duty Free and Travel Retail market. 4. Development of a consolidated strategy, including economic and financial documentation and legal framework for establishment of a new legal category “ Travel Retail” within Russian legislation. 5.

Development of a united communication platform for Duty Free and Travel Retail industry for the State representatives, social and business communities, representatives of Russian and international media, etc. 6. Initiating of a development of valid arguments aimed at resistance to Duty Free ban within the Custom Union to passengers leaving countries of Customs Union for international trips; BORT Membership ! Legal documents, membership structure and fees are provided at a request BORT Contacts Fatima Dzoblaeva Managing Director BORT Russia Address: 39, bld. 6, Leningradskiy shosse, Moscow, Russia Tel/Fax +7 499 343 07 37 Mob: + 7 985 920 19 48 E-mail:ru www. bortrussia. ru