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EDITORIAL:

Dear readers



Although our industry is feeling the impact of the global economic downturn, I am confident that The Nuance Group will finish 2008 with a more than adequate financial result. We have wonderful people in our shops and offices all over the world. Because of their passion for the company and their ability to adapt to changing market circumstances, I am confident that we will continue to be successful.

This issue of *Pulse* highlights the evolution of our approach to core category retailing, as the story of our new store in Stockholm illustrates. We are also sharing our thoughts regarding what airport managements can do to support retailers in delivering the best possible results. This applies at all times, but becomes even more critical in the current economic environment.

As Christmas is the time to remember all those less fortunate than us, this edition of *Pulse* also contains a report on the Miles for Smiles charity run. I am happy The Nuance Group could support this good cause. Congratulations to Olivier Bottrie of Estée Lauder for his win.

And now it's time to say goodbye for this year. I wish you all a good holiday season and I look forward to being in touch in 2009.

Yours truly,

Roberto Graziani
President & CEO, The Nuance Group

OPERATIONS FOCUS:

Nuance introduces new flagship store for core categories

This month, The Nuance Group is introducing a completely new approach to the set-up of its General Merchandise stores. Our operation in Stockholm-Arlanda is the first to showcase the "World of..." concepts which will eventually be introduced throughout Europe. They are the result of category management being applied to airport retail operations at a level that is quite unheard of within the sales channel and of an extremely close cooperation between Nuance and some leading suppliers.

Alex Anson, Buying Director for The Nuance Group Europe, isn't shy when he describes the merits of The Nuance Group's new approach to the set up of its General Merchandise stores. Over close to two years, he and his team have put a lot of effort into the development of the new flagship concept and they are convinced that these operations will be setting new standards for airport shopping.

"The starting point obviously was to deliver the basic retail disciplines well," Anson explains. "For this purpose, we teamed up with leading suppliers to develop meaningful benchmarks regarding range, pricing, promotions, layouts and point-of-sale communication, striving for excellence in all we do. Now we have reached the really exciting phase, where we ask ourselves, 'What do we want to be famous for?' The answer to that question influences everything we do, from store layout to the actual sales process. It defines our approach to retail and gives us the sort of uniqueness that will genuinely take our customers' breath away."

What's The Nuance Group's claim to fame, then? Anson is enthusiastic: "On the one hand, it's about a truly outstanding offer at attractive prices, presented in an environment that will invite passengers to buy – in short: retail excellence applied. On the other hand, and this is where we will differentiate ourselves, it's all about education: teaching our customers to appreciate and genuinely enjoy the superior products we offer them. This requires knowledgeable staff, a store layout which has been adapted to fulfil these requirements and events to back up our message."



All these features are currently being introduced at The Nuance Group's new operations at Stockholm-Arlanda Airport. The 1,700 square metre Tax Free Store, the biggest in the entire Nuance portfolio, is set up as a department store housing impressive specialist concepts for the most diverse categories, from chocolate and cigars to wellness and whisky. Two large promotional spaces which form an integral part of the shop present a further platform for educating and engaging the customer through dedicated events and tastings.

Nuance introduces new flagship store for core categories (ctd.)



Each category is presented in its own “world”, complete with tailor-made design, educational material etc. The “World of Chocolate” concept, for instance, features special signage indicating the country and brand of the product; tasting notes; detailed product information such as which cacao beans have been used etc. Constantly updated material such as for the “Product of the month” recommended by a famous chef complements the educational theme at the point of sale.

Alex Anson specifies: “In our store, we present customers with an impressive range of products. By guiding them through our offer we awaken their interest in what they are buying. Step by step, we convert them into connoisseurs and encourage them to go for a more premium or exclusive product. All this finally translates into higher sales.”

Training The Nuance Group’s sales staff is obviously an important element of this new approach to selling. Depending on the category there are basic and advanced training courses, often in cooperation with vendors, designed to provide specialist education to all sales staff.

As the new concept is being pioneered in Stockholm, the teams involved in its creation are collecting data on customer reactions in order to further improve the offer before the roll-out to further destinations. The next in line is Malta, where the “Worlds of...” will be introduced in spring 2009. For Alex Anson, one thing is certain: “This new approach will change the look of General Merchandise retailing at

airports with lasting effect. The Nuance Group takes pride in having started the process.” ■

A whole “World of ...” concepts

- World of Chocolate
- World of Cigars
- World of Cognac
- World of Cosmetics
- World of Perfumes
- World of Whiskies
- World of White Spirits
- World of Wine & Bubbles
- World of Wellness



LANDLORD FOCUS:

An ambitious offer for Hamburg's Airport Plaza

This December, Hamburg Airport opened its new Airport Plaza shopping precinct, the result of a decade-long development process. With 960 square metres of shop floor primarily dedicated to a top-of-the-range fashion and accessories offer, The Nuance Group is one of the airport’s key retail partners. *Pulse* met with Dr. Thomas Immelmann, Head of Center Management at Hamburg Airport.

Nuance pulse: *The opening of Hamburg's Airport Plaza must have been a proud moment for you.*

Dr. Thomas Immelmann: It’s wonderful to see the final result of a long planning process. I have been actively involved in designing the Plaza’s interior for five years. Today I am confident that we are ideally positioned for commercial activities, with an appealing offer combining gastronomy and retail.

"Nuance is one of our most important business partners"

How did you define the commercial offer for the new terminal?

We conducted extensive consumer research, which convinced us to go for branded quality to suit the specific demographic situation in Hamburg. For the retail offer, we were looking to fascinate and seduce passengers. Nuance presented a very confident choice of brands which is creating a whole new retail experience at Hamburg Airport.

What deeply impressed us was Nuance’s ability to identify with our philosophy, their performance and their ability to create situations where everybody wins.

What is your ambition for Hamburg Airport for the next five years?

Hamburg will be one of Germany’s top five airports when it comes to traffic. Commercially, our ambitions go far beyond that. We are striving for a

top position when it comes to capture and spend rates among passengers. Architecturally, we are ideally positioned – this obliges us to be extremely ambitious about creating an outstanding offer.” ■

Dr. Thomas Immelmann



The Head of Hamburg Airport’s Center Management knows

the business from scratch. He joined the airport ten years ago from LTU airline and held Marketing and Sales functions prior to leading up the retail team. He has been instrumental in shaping the look and feel of the Airport Plaza for the past five years and today proudly presents a terminal that is “ideally positioned for commercial purposes”.

STRATEGY FOCUS

How can retailers and airports maximise their business opportunities?

Airport retailers are able to influence a multitude of factors to maximise sales and performance. Factors can be opening hours, price competitiveness requirements, fit out quality, service standards and many more. There are however aspects that are beyond the control of the retailer, such as processing times, flow and dwell patterns and overall airport value-for-money perceptions. Nuance believes that airports are in the position to influence these factors and with the right focus and attention of the airport, it can be instrumental in driving revenues – for both parties.

Retailing is an important part of an airport terminal and of the customer experience at an airport in general. Retail, however, is just one of many touch points in a passenger's airport experience. What happens at other touch points such as the car park, the taxi stand, check-in, immigration, gate lounges and even at other retail stores can and does affect a passenger's mood and preparedness to shop. Many market research studies in airports all around the world have highlighted the importance to retail sales of having de-stressed and relaxed passengers.



The ability for a single concessionaire to influence the customer experience at touch points other than its own however is very limited to non-existent. As operators, the airports can do their bit in making sure that all touch points with the travelling consumer creates the right ambiance and mood for shopping.

“Nuance has identified some of the factors over which we believe the airport management has some influence or control, that have the potential to impact on our duty free performance,” explains Favotto, The Nuance Group's Executive Vice President for Strategy & Business Development. “Is it time to include

an airport's obligations to its retailer in the concession agreement itself?” asks Favotto. “As economic conditions deteriorate, it is more important than ever for retailer and airport to work together in a symbiotic way. Enshrining this as common practice in airport concessions is one of the ways in which we can ensure that these issues get the attention they deserve.”

By way of example, set out below are some of the factors under the control of airports which could be enshrined in concession agreements:

Value-for-Money Perceptions

A large part of the value proposition of airport shopping is still value for money – the genesis of the travel retail industry after all is the concept of tax and duty free shopping. Whilst many concession agreements include obligations on airports to ensure that retail prices are highly competitive, a consumer's perception about an airport's value proposition is influenced by a variety of other factors – the cost of car parking, the price of a cup of coffee, even the price of an airfare. The airport can ensure that all aspects of the airport's interface with consumers pull together from a pricing/value proposition perspective. If a passenger has to pay more than they usually pay for a single espresso, they will find it hard to believe in any proposition of “value shopping” at the duty free store.

Quality Perceptions

In addition to a value proposition, airport retailing also increasingly appeals to other consumer needs – including the need for exclusivity, luxury, self reward, indulgence and gift giving. A consumer typically requires the right retail environment in order to fulfil those needs. While many aspects of this environment are about the in-store experience, many are outside the store. Such factors can include the height of ceilings, the availability of natural light, the attitude of security staff and the location of services. The overall level of passenger satisfaction with the total journey experience through an airport is an important contributor to the mind-set of our customers.

Passenger Processing Queue Lengths

Passenger processing queue lengths, both in departures and arrivals, can have a significant impact on the retailing. Long queues at the departures immigration line for instance, increase passenger anxiety and reduce available dwell time for shopping. By making sure that passengers aren't kept waiting too long, retail revenues can be influenced in a positive way.



Managing Dwell and Footfall Drivers

The location of major footfall and dwell drivers near the duty free stores has been proven to assist in driving duty free performance. Initiatives may include the location of currency exchange booths within the departures store or making sure that primary seating areas are located near the duty free store and retail areas in general in order to drive penetration.

Airline Lounges

The location of gate lounges and duty free operator access to these gate lounges has an impact on the success of the overall duty free programme. Wherever possible, entry to gate lounges should be located after the main departures duty free stores. This will ensure that the usually affluent customer segment which tends to frequent airport lounges isn't lost to the retail experience in general.

Airport retailing is something that Nuance believes can be a combined exercise of airport management and retailer. The more we work together, the better financial results we can achieve. We are more than happy to have a more in-depth conversation with you on the topics above, as well as have a generic conversation on how the relationship between retailer and airport can help maximise profits for both parties.

If you are interested, please contact Ivo Favotto at ifavotto@thenuancegroup.com.

SOCIAL RESPONSIBILITY:

Going long miles for smiles

Clefts are also known as hare lip, are a major problem in developing countries, where millions of children are suffering from this medical condition which is left untreated. Most children cannot eat or speak properly, aren't allowed to attend school and face very difficult lives filled with shame and isolation. The Smile Train charity (www.smiletrain.org) empowers local doctors and brings donations to 75 of the world's poorest countries.



On November 22, 2008, an impressive line-up of 56 travel retail industry executives participated in the "Miles for Smiles" fun run in Dubai to raise funds for The Smile Train. The Nuance Group sponsored two of the participants: Martin Moodie, founder and owner of The Moodie Report, and the triumphant winner of the race, Olivier Bottrie of Estée Lauder companies. This is what these two participants have to say about "Miles for Smiles".

Martin Moodie, The Moodie Report:

"Worth the effort, but not exactly fun"

I'm not sure that the term 'fun run' isn't the ultimate contradiction in terms but all the pain of training for and ultimately completing the 10 km Miles for Smiles race in Dubai was truly worth it.

As I write, the 55 or so industry runners, walkers and crawlers who took part, have raised around USD 205,000 – a figure that's still rising. That's enough to fund life-changing operations on at least 820 children. When you've visited hospitals in countries such as India and China as I have, and seen the transformation and joy that Smile Train-funded cleft surgery brings to children and their families, and witnessed firsthand the skill and passion of the doctors, then supporting this charity is the easiest choice you'll ever make.

Like Olivier, I wanted to treat both the cause and my sponsors – who generously included The Nuance Group – with respect by running to the utmost of my ability. Like many of us, years of working in a largely sedentary, stressful role meant my fitness levels when I started training

in August were poor. But it's amazing what commitment, allied to a good cause, can do.

Ivo Favotto*, being Australian, was rightfully sceptical about the athletic ability of an aging Kiwi like me – so sponsored me at £100 per kilometre completed! He of little faith – with a bet like that from an Aussie, this Kiwi was always going to fly! Despite a passable impersonation of a broiled tomato, I finished in 49 minutes 36 seconds, well under a minute per year I have lived on this planet.

It was incredibly rewarding to see so many runners from all sectors of our industry and from so many countries turn up on the day, all generously supported and all committed to the cause. It put a smile on all our faces – and those of hundreds of children to come. Thanks to The Nuance Group for being such a great supporter.

If you are interested to learn more about The Smile Train, please visit www.smiletrain.org. Contributions are highly welcome! ■

* The Nuance Group's Executive Vice President, Strategy & Business Development – ed.

Olivier Bottrie, Estée Lauder Companies, President Travel Retailing - Worldwide:

"In total, I raised over USD 50'000"

Nuance Pulse: How did you learn about this charity?

The Estée Lauder companies got involved with the Smile Train through Martin Moodie and The Moodie Report. When you realise that as little as USD 250 can change the life of a child forever, it is pretty compelling to help. So running the Miles for Smiles run in Dubai was a given. Estée Lauder companies are also partnering with trade partners to give a portion of some promotional sales to the charity.

"I am very pleased, grateful and proud"

What convinced you to participate in the race?

As I said before, it is all about making a difference. The Smile Train's endowment ensures that all, I repeat, all donations go directly to helping kids waiting for this life changing surgery. If anybody goes on their website, you just need to do something to help.

What is your experience with fund raising in the travel retail industry?

This is really the first time that I got involved with a charity of this magnitude, and the first time I actually asked for sponsorship for an event like the 10 km run in Dubai. I am overwhelmed by the support I received, in particular from The Nuance Group. Your CEO, Roberto Graziani, did not hesitate a moment, and The Nuance Group is one of my main contributors. In total, I raised over USD 50,000 – enough money to provide surgery on 200 children around the world. I am both grateful and proud.

Did you actually expect to win?

Because of the physical demand of the race, and out of respect for my sponsors I have trained very hard. And it paid off since I actually won the race. It is all relative, of course, but I am

very pleased with my time and to have found the energy and willpower to catch up with and pass this younger gentleman who spent the better part of the race ahead of me... ■



SUPPLIER FOCUS:

Diageo aiming for "another level of collaboration"

Diageo is the world's leading premium drinks business with an outstanding collection of beverage alcohol brands across spirits, wine and beer categories including Smirnoff, Johnny Walker, Guinness, Baileys and many more. Diageo and The Nuance Group are closely collaborating to develop best-in-class retail for the travel retail liquor sector.

Nuance Pulse: How important is travel retail for your brand?

Simon Roffe: The channel has been critical to Diageo in recent years. It offers a unique opportunity for brands to connect with consumers, creating new retail experiences. We have targeted travel retail as the key channel for driving innovation and will continue to test and launch new products and concepts with our travel retail partners. Our shopper insights tell us that travellers are open to trade-up, experiment with new drinks and enjoy fantastic retail experiences. These activities have been and will continue to be pivotal in helping transform our travel retail business into one of the most successful divisions of Diageo. The challenges of the current economic climate make the channel and our retail partners within it even more important.

What do you look for in your cooperation with a retailer?

None of the growth we have seen in our business would have been possible without the cooperation of our retail partners like Nuance. Fantastic retail operational effectiveness, great execution of activities, high quality staff training & development programmes are standards that most retailers in the channel are working hard to achieve, and we are very demanding in those areas.

How has your experience been with The Nuance Group so far?

The Nuance Group has generally been one of the most forward thinking of the retailers we work with in the travel retail channel. We have delivered activities together that have been both innovative and well executed. The Nuance Group has also been proactive in sharing its strategy and performance with its vendors and this is always appreciated. As category partner within liquor we are looking forward to working

with the Nuance team both centrally and in the regions to continue to drive upwards the quality and consistency of the Nuance operations.

What is the next level you aim for in airport retailing?

I believe that to truly create the retail experience that will propel levels of business for both Diageo and our retail partners, another level of collaboration between retailers, suppliers and the airports themselves is required. This means creating a vision for the category based on our mutual shopper/consumer understanding, having a relationship based on joint business plans/targets and working together to bring that alive in the retail experience.

Which challenges/opportunities do you foresee?

In the short term, 2009 will offer some really great opportunities across the business with Nuance; from the largest projects such as Sydney Star project right through to specific activities such as specialist staff development. The biggest opportunity is also the biggest challenge – to bring alive our category partnership in a way that delivers levels of growth for Nuance, the

Simon Roffe



The Global Customer Director, Diageo Global Travel & Middle East joined Diageo more than twenty years ago and has held diverse responsibilities, starting with the Guinness business and followed by central commercial roles and, for the past seven years, in the travel retail division. Simon loves the travel retail business for the constant surprises it presents. A sports enthusiast and Chelsea supporter, Simon lives in the countryside outside of London with his wife and daughter.

category and Diageo. The current economic dynamics are of course a challenge; we are confident, however, that together we can create new levels of business. ■

Season's Greetings

Frohe Festtage
 Meilleurs Vœux
 Bom Natal e Feliz Ano Novo
 Mutlu Yillar
 God Jul & Gott Nytt År
 节日祝愿
 Честита Нова Година
 Nadolig Llawen
 Nollaig shona
 Xewqat Sbieh
 Prettige feestdagen

