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Luxottica plans travel retail expansion for Sunglass Hut

Source: @The Moodie Report

By Martin Moodie, Founder & Publisher

ITALY. Italian eyewear giant Luxottica is gearing up for a major expansion of Sunglass Hut in travel retail.

Luxottica, the powerhouse name behind such famous sunglass brands as Persol, Ray-Ban, Oakley, Dolce & Gabbana, Versace and Prada, acquired retailer Sunglass Hut in February 2001 in a US\$650 million deal. Since then it has repositioned and expanded the brand, opened hundreds of new doors and added a strong sense of fashionability to the Sunglass Hut concept.

Now it's the turn of travel retail, a channel in which Sunglass Hut already operates over 50 doors, to come under the spotlight.

Speaking exclusively to The Moodie Report in London on the eve of the Group's year-end investor presentation, Luxottica Chief Marketing Officer and Executive Vice President, Sun and Luxury Retail Fabio d'Angelantonio said the push behind Sunglass Hut is a natural extension of the company's dedicated focus on travel retail which began three years ago.

At that time the company created a global travel retail division, based in Dublin and headed by Francis Gros. In the intervening years, Luxottica has made impressive strides in the channel, d'Angelantonio says. And it sees rich potential for further development.

"We think this channel is an incredible driver of growth," he says enthusiastically. "And yet it's highly underexploited in terms of size and breadth of assortment. So we want to be a leader in developing sunglasses in this channel and as industry captain play a major role."

The highly targeted travel retail division approach is a far cry from the old days when the channel was handled in what d'Angelantonio admits was "not necessarily a systematic way", mainly through local market operations.

As Luxottica has gained knowledge of travel retail, so the reverse too has been the case. Speak today to any of the top retailers and Luxottica now ranks alongside the likes of Diageo, The Estée Lauder Companies, Philip Morris and Mars in terms of key business partners.

Luxottica has helped drive protracted, sizable growth in the channel – in fact the category has tripled in size since 2000 in travel retail. It now ranks 16th in Generation's ranking, versus 35th two decades ago; and it generates some US\$777 million in annual travel retail sales

But Luxottica thinks that's just the tip of the iceberg. Sales of sunglasses in travel retail will double in the next five years if the company has its way – as it made clear during a packed 'Time to Shine' sunglasses workshop held in Cannes during the TFWA World Exhibition last October.

D'Angelantonio, a gregarious and engaging character, underlines the multi-dimensional appeal of sunglasses to travel retail. "We are convinced that the growth potential for our category remains fantastic. It's linked to self gratification, to travel and to fashion... so we are perfect for the retailers," he notes.



Fabio d'Angelantonio: "This channel is an incredible driver of growth. And yet it's highly underexploited in size and breadth of assortment."

Sunglass Hut key facts

- Over 2000 stores worldwide
- Over 50 airport stores
- Optimum airport store size 30-50sq m



Sunglass Hut already operates over 50 travel retail doors, including London Gatwick Airport South (above) and North



Critically – due to the limited space required – the category also offers “an unrivalled return to retailers in terms of profits per square metre... and a very interesting average price point”, he points out.

With many of the group’s owned and licensed brands “showing healthy growth”, the Sunglass Hut concept is ripe for development, d’Angelantonio claims. Already the retailer operates just over 2,000 doors worldwide, underpinned by a “massive presence” in the US and strong positions across a range of markets, including the UK, Australia and South Africa, and burgeoning growth in the Philippines, Middle East, Singapore and Thailand.

Anywhere that constitutes a “sunbelt” is obviously a target and both Latin America and the rest of Asia are primed for heavy investment.

“We have always understood Sunglass Hut to be a global opportunity and in 2009 we created a global business unit,” says d’Angelantonio. “It quickly became clear that travel retail would be a core part of the expansion of the Sunglass Hut brand in terms of both sales and visibility.”

In travel retail Sunglass Hut currently operates over 50 doors, and has forged a particularly valuable partnership with Dufry-owned Hudson Group in North America. While that number may be dwarfed by the domestic presence, they are usually high-profile stores – often up to four times the size of local market counterparts.

With Sunglass Hut enjoying powerful new strategic agreements with department store giants Macy’s in the US, Myer in Australia and Edgar’s in South Africa, the brand is on a roll and travel retail is key to maintaining the momentum.

“We have the right brand and the right business model for travel retail,” says d’Angelantonio, highlighting the high quality merchandising, brand ranging and staff training that goes into each and every Sunglass Hut operation.

Around half of the current outlets are self-run with the balance being operated by travel retail concessionaires.

D’Angelantonio says he is relaxed about which model is adopted. Sometimes the company will bid alone – for example, at Hong Kong International Airport or Singapore Changi Airport – but a customised approach by location means that all options are considered, including joint ventures, working with concessionaires or franchise models.

“We totally understand that it might not always be best for us to go door by door... we can also be a fantastic partner for both big and small players. It’s a major win-win model for both sides.



Francis Gros heads Luxottica's thriving global travel retail division based in Dublin, Ireland



“The key is that we are a retailer ourselves,” says Fabio d’Angelantonio



Sunglass Hut at BAA's impressively revamped London Heathrow Terminal 4



Sunglass Hut represents an integral part of "the democratisation of luxury" at Sydney Airport's revamped Terminal 1

"We offer a deep knowledge of the business and a very interesting proposition for a travel retail player. And we are global and can manage global operations easily. The key is that we are a retailer ourselves. We understand the supply chain and we understand assortment planning. The more you represent [the category] and the better you represent it – the more you will sell.

"It's all about leveraging power brands to strengthen Sunglass Hut's equity and business to create that win-win situation. At this stage we are ready to dance with different partners, either in regional alliances or across single airports."

To facilitate the expansion, d'Angelantonio says the company has created a joint team structure between its travel retail division and Sunglass Hut. In essence the previously fragmented approach, mainly managed through the regions, has been consolidated into a concerted global operation.

D'Angelantonio makes the critical point that Sunglass Hut does not just offer Luxottica brands. "We don't think it is sound thinking in the long term to just sell Luxottica. So, for example, we have a fantastic relationship with a brand like Maui Jim."

Summing up the appeal of Sunglass Hut to would-be partners, d'Angelantonio underlines the fact that Luxottica is "by far" the leading player in the sunglasses category and that its expertise in the sector has developed exponentially in the past three years.

"We think that travel retail can be an incredible growth driver for Sunglass Hut and for the category," he concludes. "It's an opportunity with a capital O."

Luxottica's OneSight vision

Luxottica takes the concept of Corporate Social Responsibility seriously. So much so that it has developed a Foundation called OneSight, a family of charitable vision care programmes dedicated to improving vision through outreach, research and education.

Through OneSight, Luxottica employees, doctors, partners and other community volunteers give the gift of sight through four key areas:

- Global Eye Care – OneSight Clinic teams travel to developing countries to hand-deliver free vision care and eyewear to those in need.
- Regional Eye Care – OneSight volunteers provide free vision care and eyewear to those in need in their regions through organized Clinics and Vision Van programs.
- Community Eye Care – OneSight helps those in need in their local communities through in-store and outreach programs.
- Preventative Eye Care – OneSight funds research to address eye health issues throughout the world and invests in the next generation of optometric professionals through scholarships and education.

For more details or to donate please visit www.onesight.org



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