Gebr Heinemann achieves solid sales growth in 2018

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Gebr Heinemann posted sales up 11.4% to €4.6 billion (US$5.2 billion) last year, driven by the group's diversification strategy.

To strengthen growth and agility, the duty free operator initiated major structural changes across its entire organization at the beginning of 2019.

As a result, Max Heinemann, the fifth generation of the family, took over the role as Chief Executive Officer of the group. His father, Gunnar, and uncle, Claus Heinemann, continue to form the Advisory Board.

The new structure seeks to focus on further global growth, "sensible" synergies and sustainability, as well as shaping the next generation to be fit for the future and, in turn, fit to shape the industry, the company said in its results announcement.

"We change with a growth mindset and, based on our history, with a strong foundation for rethinking and changing – and we act out of strength," said CEO Max Heinemann.

A challenging 2018

In what it described as a "very challenging" business year, Gebr Heinemann experienced healthy development in 2018. In a competitive environment, in which business in the core markets is being heavily influenced by global macroeconomic and political developments, the group performed very well overall and acted efficiently and flexibly, to take advantage of these market conditions, it said.

This is reflected in the preliminary controlled group turnover of Gebr Heinemann and affiliates of €4.6 billion (US$5.2 billion), a growth of 11.4%.

Group-wide, the wholesale segment remained almost stable and increased by 0.2% to €0.9 billion (US$1 billion). The group-wide retail sales segment increased by 14.5% to €3.6 billion (US$4.0 billion).

By category, LTCF (Liquor, Tobacco, Confectionery & Fine Food) is the strongest with a 56% share, followed by Perfume & Cosmetics at 34%. The Hamburg-based firm built on its strong position in many regions, particularly in Eastern European countries such as Russia, Ukraine and Lithuania, and saw a positive trend in the top retail locations, as well as in new concessions and openings (Tel Aviv, Hong Kong, Gold Coast, and with Carnival Cruise Line).

The new centralized, regionally structured sales area (with former distribution and retail) under COO Raoul Spanger saw a positive trend in 2018, in Gebr Heinemann's top retail locations. Distribution will also continue to be an important pillar, the operator noted.

Following the early contract extension agreement with Copenhagen Airport to operate the Tax Free Heinemann Shops until at least 2023, Heinemann officially opened the refurbished and expanded (over 200 square meters) Main Shop in July 2018.

Additionally, the partnership with the James Richardson Group at Ben Gurion Airport in Tel Aviv was very successful, the company said. The location is already the third strongest retail location within the group by sales volume (more than US$400 million), behind Istanbul and Oslo.

With the new Istanbul Airport, Heinemann has acquired a business with impressive dimensions in terms of format, with a size of 53,000 square meters, along with the unique center management business model. The operation started successfully with a soft opening on October 29, 2018, which was followed by the opening of five further duty free shops on January 15, 2019.

All flights finally switched to Istanbul Airport on April 6 and all duty free shops operated by Heinemann and partner Unifree are now fully open.

Rental agreements have been signed with over 70 operators and brands such as Louis Vuitton, Dior, Hugo Boss and Prada.

Gebr Heinemann's business in the Asia Pacific region has achieved particularly strong growth. Heinemann Asia Pacific (HAP) has eight single-category confectionery shops at Hong Kong International Airport.

Operations have also started at Gold Coast Airport – the second retail location in Australia after Sydney. Heinemann Australia secured the contract for two shops in both the Departures and Arrivals areas.

Increasing numbers of passengers from Asia have visited Australia, leading the Sydney retail location to benefit from "excellent" development, according to the operator. It achieved strong growth in its third year, around 10% more than in 2017, and this is considerably ahead of passenger growth.

The joint venture between DFZ Capital and Heinemann Asia Pacific had a good 2018, achieving satisfactory growth of both the border shop and airport business, despite the challenging economic climate in Malaysia.

Plaza Bali opened the first Arrivals shop at Jakarta International Airport in January 2019. The Indonesian duty free, retail and F&B company is HAP's second-largest distribution customer.

2018 also saw the launch of HAP as a retailer onboard the Carnival Spirit cruise liner. In addition, Heinemann Americas and Heinemann Asia Pacific won a new tender for three Royal Caribbean cruise ships. The new venture is due to set sail in 2020. In Europe, Heinemann will also add further vessels to the retail portfolio in 2019.

Heinemann's growth in Eastern Europe & Central Asia is largely a result of the joint-venture activities at Moscow Sheremetyevo and Domodedovo airports. At Sheremetyevo, together with partner IDF, the company opened 10 new shops in Terminal B and introduced the new customized multi-brand concept for Fashion & Accessories and Watches & Jewellery in Terminal E.

Another grand opening of a walkthrough flagship store took place at Vilnius Airport. The conversion of the shop followed the six-year contract extension agreed between Vilnius International Airport and Travel Retail Vilnius at the beginning of 2018. The border shop channel is also a big sales driver for EECA.

Purchasing update

The purchasing division – overseen by CCO Kay Spanger – focused on developing product ranges, as markets are changing much faster than they did a few years ago, the operator noted.

Perfume & Cosmetics remains a growth-driving category despite "aggressive" online and domestic price competition. The market has become much more dynamic and traveler needs are more complex – from price-sensitive or luxury-oriented shoppers to those seeking sustainable, certified organic products.

The company observed that "more and more customers are looking for their ultimate, unique signature fragrance, a scent that suits them perfectly". In 2018, Heinemann began to expand the range and presentation of niche fragrances.

With regard to Liquor, Tobacco, Confectionery & Fine Food (LTCF), differentiation from domestic is key, it said. The company focuses on unique products, craftsmanship, tailor-made labels and exclusive promotions.

Gin continues to be a massive trend and the popularity of Japanese whiskies also persists. Fine food is developing into a core category for Heinemann, it added. Sales in the category rose by some 15% in retail and by more than 20% for distribution customers in 2018. The category achieved a retail volume of more than €40 million (US$44 million) for the year.

The Fashion & Accessories and Watches & Jewelry categories still have a high priority, as there is a clear trend worldwide towards them in the travel retail market.

The Travel Retail Data Innovation Group (TRDIG) for digital and automated data exchange between industry and travel retailers, initiated by Heinemann, held its first strategy meeting in Hamburg in June 2018.

CEOs, IT heads and master data experts from around 35 top suppliers, as well as leading representatives from five different retailers from the duty free industry, took part.

Corporate responsibility

Heinemann will continue to work on its corporate responsibility strategy in 2019. It is already actively involved in a number of projects as part of the firm’s commitment to protecting the environment.

In August 2018, Gebr Heinemann joined the United Nations Global Compact (UNGC), the world’s biggest and most important initiative for responsible business practices. Furthermore, Gebr Heinemann was officially certified as an Ecoprofit Company, in recognition of its environmental achievements by the Environment Authority of Hamburg.

2019 outlook

Gebr Heinemann is again expecting a positive, strong sales growth across the group for the 2019 financial year and to build upon its solid basis of regions and channels.

In addition to the “very robust” wholesale business, the company’s numerous long-term contracts provide great stability and Heinemann will continue its global approach of long-lasting partnerships and long-term investments.

“The company will focus on the right business opportunities in line with this defined strategy,” the German operator concluded.