

SHOPPING

Duty-free, profit-heavy?

How prices at SA airports duty-free stack up

Andrew Thompson

● Airport duty-free may have the ring of exclusive discount shopping to it, but most products don't carry any significant savings. Worse, many are far more expensive than in traditional stores.

This is hardly surprising given the origin of the airport duty-free store. The first stores opened in 1947 at Ireland's Shannon Airport, the landing point for the first transatlantic flights in 1939. It became a hub for the world's wealthiest individuals with plenty of disposable income.

Businessman Brendan O'Regan saw the opportunity. He successfully lobbied the Irish government to drop excise and duties on local items bought in international airport terminals for consumption outside Ireland.

O'Regan's duty-free operation was an instant hit, and he set about selling Irish goods, from meat and eggs to fine whiskeys that were free from government taxes and duties. The trend took off in Europe and North America, and then worldwide.

However, this retail space is notoriously expensive and competitive, as the battle for local airport tenders between Exclusive Books and competitor Amger Retailing has revealed. And far from being altruistic ventures, airport duty-free shops exist to make their owners money.

To do so, they employ age-

old tricks to get shoppers to spend more. A glance around any local or international duty-free reveals generic printed posters claiming you're getting a "hot price", sporadic tags assuring you of percentage-based discounts, shelves carefully laid out with eye-catching pyramids of wine, and the biggest profit-makers at eye-line.

They also employ a few others that are less common in general retail spaces. Comically big chocolate slabs or other luxury items make adequate last-minute gifts. Similarly, the unusually large liquor bottles – often 1l instead of 750ml – look impressive. This sizing also makes direct comparisons with traditional stores challenging, particularly in the pressure-filled, isolated environment of an airport departures terminal.

None of these tricks is surprising or particularly nefarious. But that line becomes a little murkier when it comes to products that may indeed be duty-free but profit-rich. The FM's check of products available on local duty-free shelves found many possible examples.

The FM recorded the prices of several prominent items – from whiskeys and champagne to cigarettes, perfumes, and chocolates – then compared these with equivalent products on supermarket shelves where

duties apply.

The FM found a prominently displayed 1.5l bottle of The Chocolate Block duty-free in Cape Town International Airport, costing at least R150 more than those on shelves in local liquor stores.

And shoppers who think it's a wise idea to pick up a bottle of premium French Champagne at duty-free may be disappointed: the FM found bottles of Veuve Clicquot selling for R330 more than in non-duty-free retail stores and bottles of Moët & Chandon Brut Imperial for R376 more.

However, keeping in line with the original Irish duty-free concept, some whiskeys the FM checked were better priced in local airports than in the outside world. A 1l bottle of Jameson Irish whiskey saved R95, and a bottle of five-year-old Three Ships whiskey saved R80.

Perfumes too, for the most part, offered some savings – as did cigarettes.

According to Petr Erasmus, director of tax & exchange control at law firm Cliffe Dekker Hofmeyr, products such as hard liquor, cigarettes and perfumes attract significant sin and luxury taxes and duties and are likely to have more

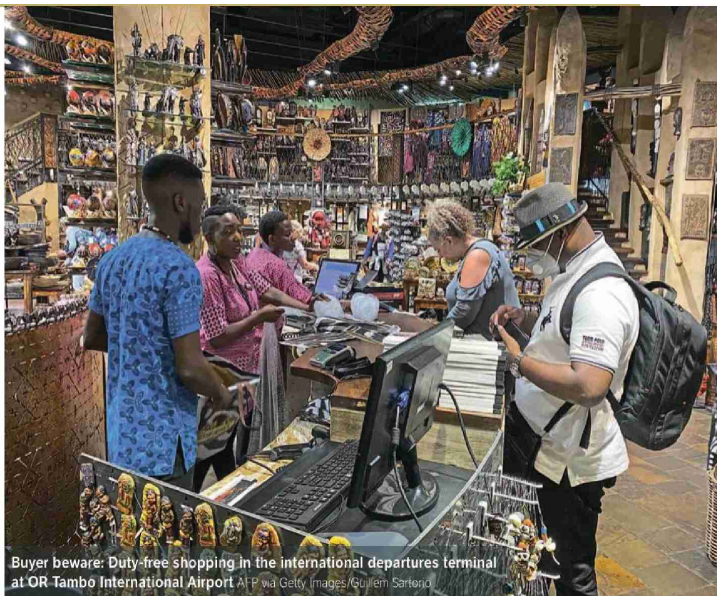
wiggle room for discounts.

But if you're tempted to buy those absurdly large chocolate slabs, you may want to think twice – these aren't items that attract excise and duties, and those the FM checked were all dramatically more expensive than in outside supermarkets.

At a cost-per-gram level, a large bag of Quality Street chocolates was R313 more than if you bought the equivalent product in stores. And those famously big Toblerones? One monolithic pyramid costs around R277 at duty-free – over R100, or nearly 75% more, than if you tracked one down in a normal retail store such as Dis-Chem or Makro.

Still, though travellers may feel aggrieved at the lack of deals on many items in duty-free stores, Erasmus says there's nothing untoward about the markups.

"Much like any retail space, airport duty-free operates on a premise of willing buyer, willing seller. The stores have every right to mark up prices on duty-free products to manage the high rentals or generate a profit. As with non-duty-free stores, the responsibility rests on the shopper to evaluate whether they're getting a fair price or not." ✕



Buyer beware: Duty-free shopping in the international departures terminal at OR Tambo International Airport. AFP via Getty Images/Guilem Soriano