



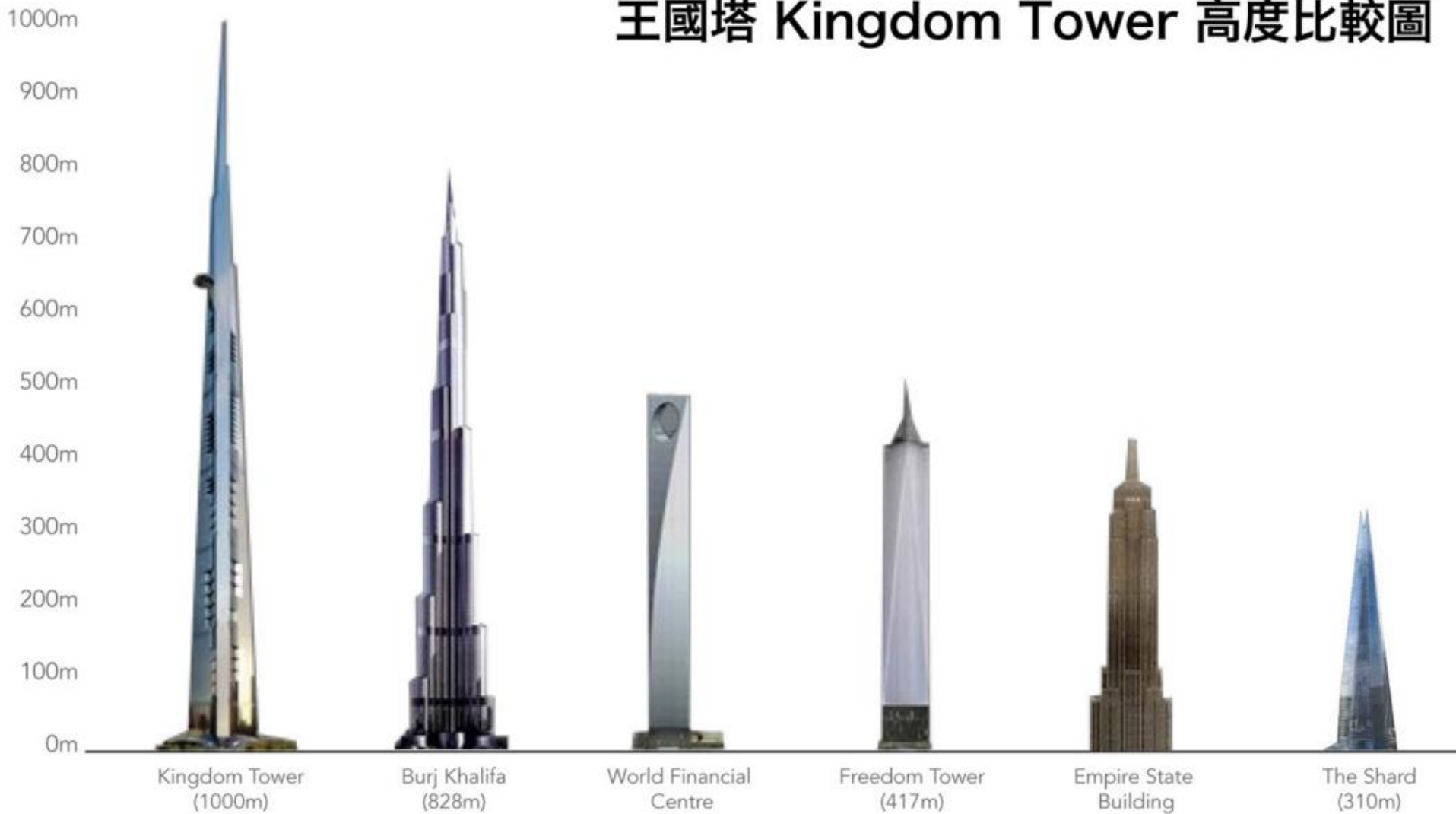
# The Waking Giant: Saudi Arabia

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 **DUFRY**

# 王國塔 Kingdom Tower 高度比較圖

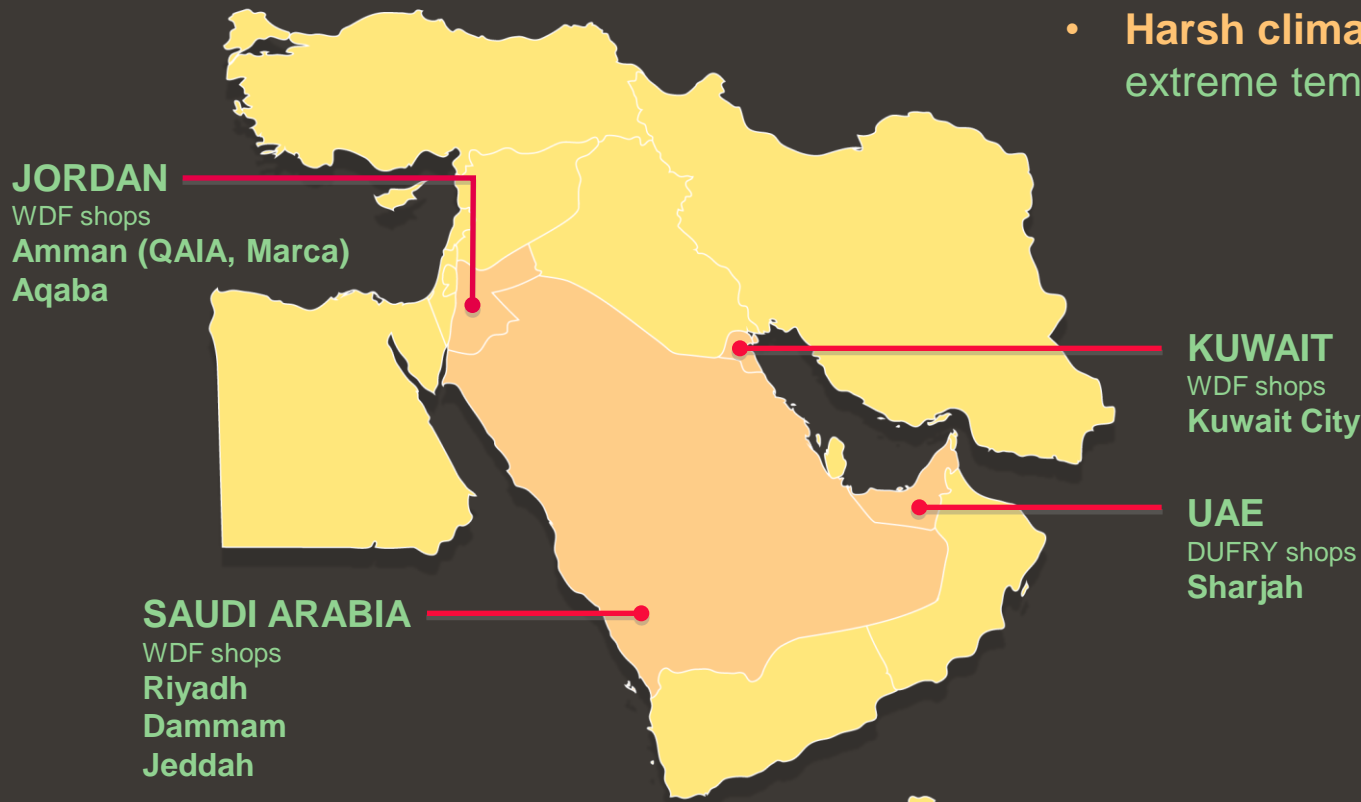




محافظة  
البحرين  
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# The Waking Giant: Saudi Arabia

- **Largest country in the Middle East** (2,24 million sq km)
- **95% desert**, including the Rub' Al Khali, the biggest mass of sand on the planet
- **Harsh climate**, dry desert with extreme temperatures



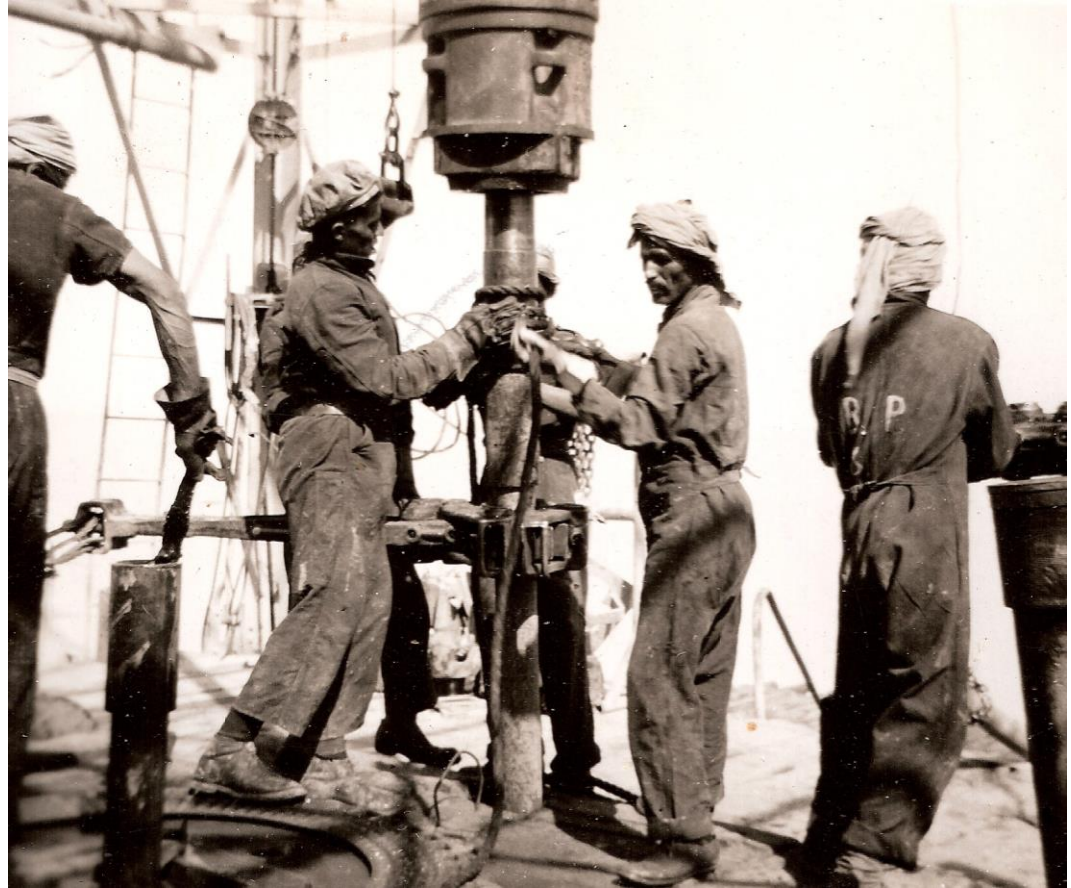
Sources: [www.bbc.com](http://www.bbc.com), [www.worldatlas.com](http://www.worldatlas.com)

# Oil

Reliant on limited agriculture and pilgrimage revenues

• **1938:** discovery of vast oil reserves

- Since then **oil changed the shape of Saudi Arabia** as a country
- It is the **world's leading oil exporter**
- It has the **largest proven crude oil reserves**



Source: [www.bbc.com](http://www.bbc.com), The Economist Intelligence Unit

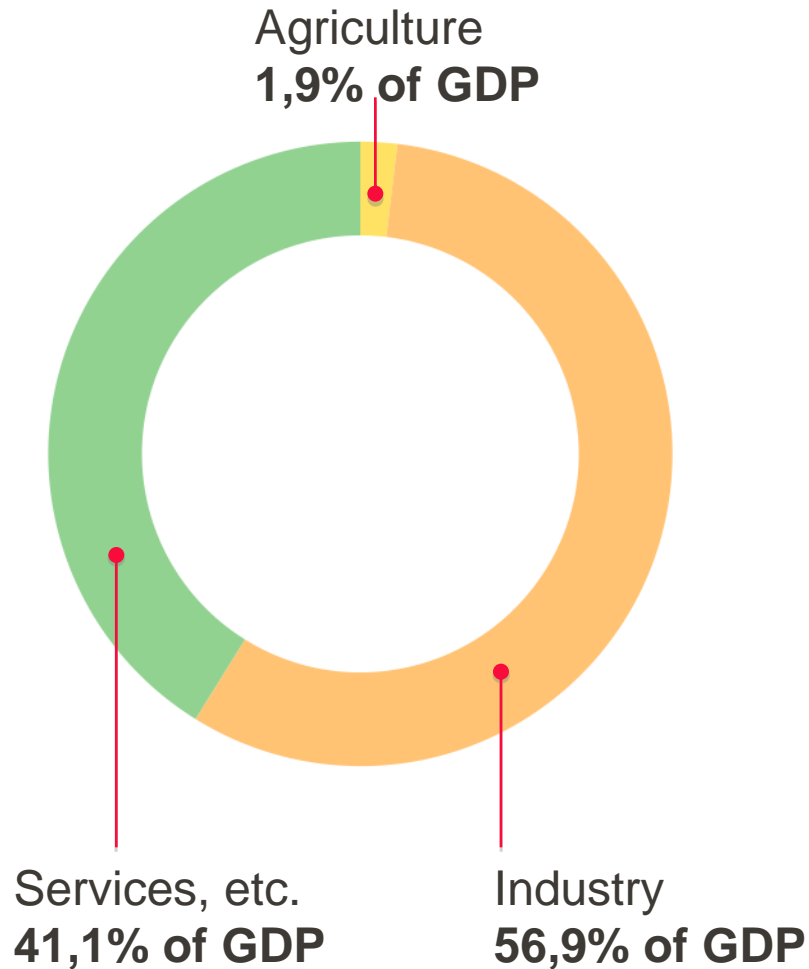
# The Economy

## Predominantly an **oil-based economy**

- **World's leading oil producer and exporter**
- **Major exports 2014**
  - Mineral products (oil): **83%**
  - Chemicals: **5.7%**
  - Plastics: **5.5%**
- **GDP - 746.2 billion USD 2014**

*Source: The Economist Intelligence Unit , [www.saudiembassy.net](http://www.saudiembassy.net), World Trade Organisation*

# Socio-economic profile



## Encouraging growth of private sector to diversify economy and employ Saudi nationals

- Expanding oil and gas industry whilst encouraging growth into non-oil sectors, e.g. manufacturing and services
- Keen to grow private sector
- Saudi-ization: working to increase employment amongst Saudi nationals
- Notable growth in female employment

Source: 2014 The World Bank, 2015 The Economist Intelligence Unit

# Religion

**Islam is the official religion of Saudi Arabia and the basis of laws and regulations**

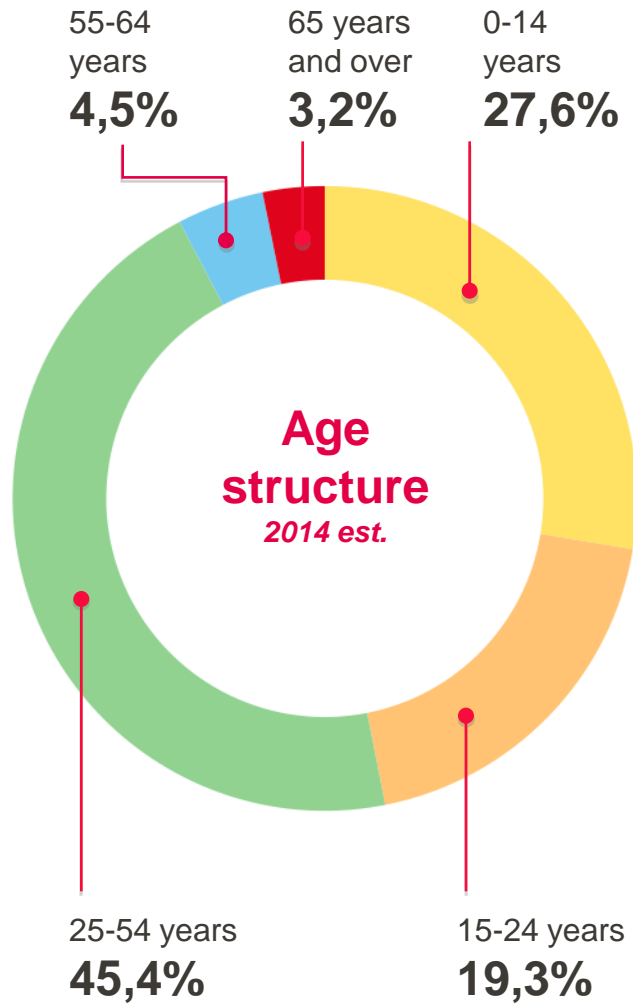
- Muslims make up **23% of the world's population**
- **All able Muslims** must carry out the Hajj pilgrimage at least once in their lives
- This year, **more than 14 million Muslims** visited Mecca (Hajj and Umrah visits)



Source: 2010 Pew Research Centre, International Business Times



# Population



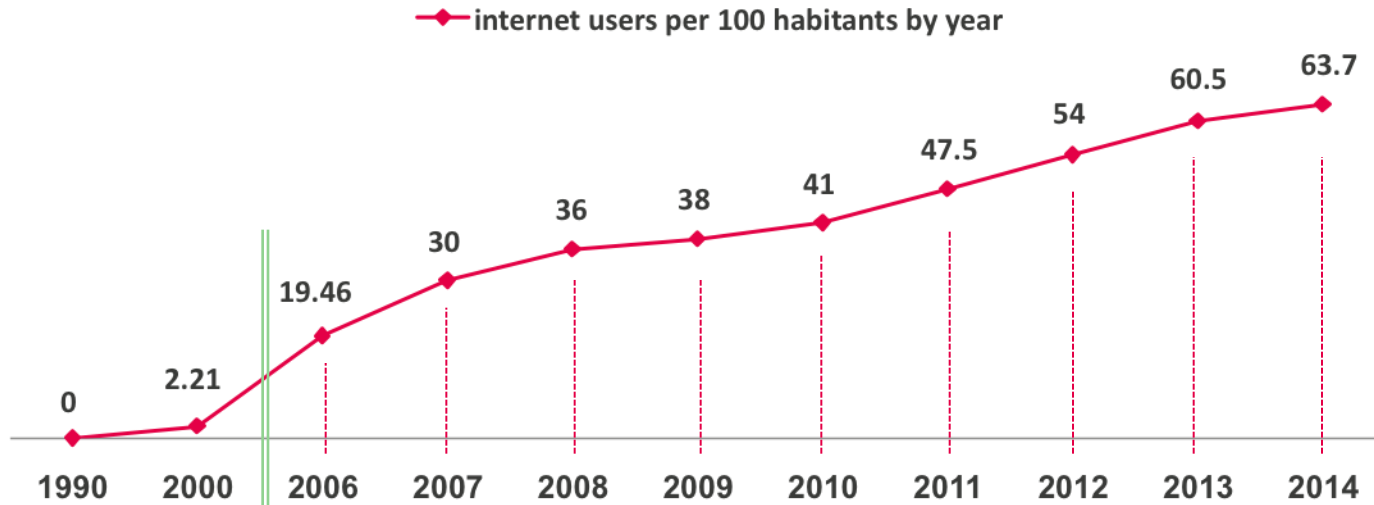
**31 million**

- **International:** Expats make an estimated 30% of the population
- **Young:** 47% of the population under 24
- and **Cosmopolitan...**



Source: Index Mundi, 2014 The World Bank, 2014 Business in Qatar and Beyond magazine

# ...they are connected



## Telephone subscriptions

- In 2014 Saudis had **180 mobile subscriptions per 100 habitants**

Source: 2014 The World Bank

# ...they travel a lot

- **4.5 million** Saudis go on holiday at least once a year
- **765% increase in travel**  
(2006: **2 million** – 2011: **15.3 million**)

Source: 2015 Saudi government, [www.dailymail.co.uk/http://english.alarabiya.net](http://www.dailymail.co.uk/http://english.alarabiya.net)

# ...and they are BIG SPENDERS

- In fact the world's biggest spenders:  
**21.4 billion USD** every year shopping abroad
- They spend an average of approx.  
**6,850 USD** per Gateway
- The **most in the World** and  
**6 x Western** holiday makers

*Source: 2015 Saudi government and Al-Sharq, [www.dailymail.co.uk](http://www.dailymail.co.uk)*



# World Duty Free and Al Musbah Group operate as Saudi Duty Free



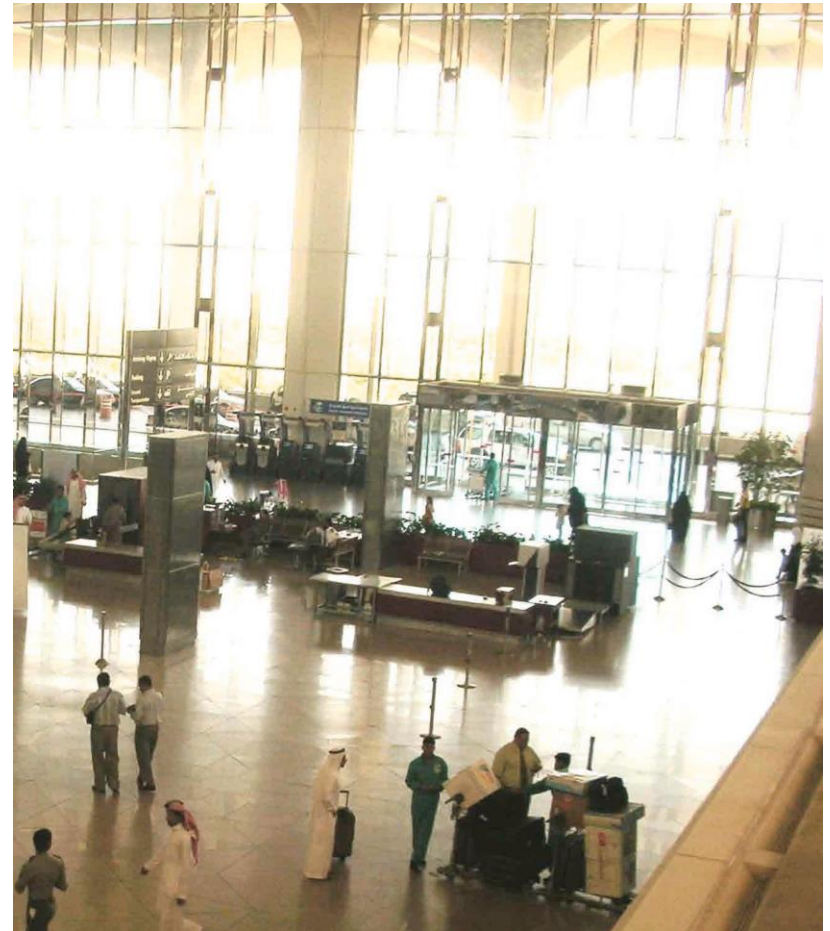
- **5 stores in 3 airports**
- Joint venture contract **signed in 2007**
- First store **opened in 2013**

# Our partner Al Musbah Group

- Incorporated in **1969**
- Jeddah based, with a **successful network** of companies thriving in diverse businesses across Saudi Arabia
- Started as a perfume retailer and **has diversified the business** from IT to car parks
- Work force of nearly **4,500 employees**

# Setting the scene: Airports

- **4 international** airports
- Major **destinations**
  - Indian sub continent
  - GCC
  - Other Arab countries
  - Europe



Source: 2014 GACA



# Jeddah: King Abdul Aziz International Airport

- Served **51% of international passenger traffic** in 2014
- **+4%** in 2014 vs. 2013



Source: 2014 GACA

# Riyadh: King Khaled International Airport

- Served **26% of international passenger traffic** in 2014
- **+6%** in 2014 vs. 2013



Source: 2014 GACA

# Dammam: King Fahd International Airport

- Served **12% of international passenger traffic** in 2014
- **+11%** in 2014 vs. 2013



Source: 2014 GACA

# Start up challenges

- The **first duty free operation in Saudi Arabia**: no existing legislation, no precedents
- **No sales tax** and **duty rates vary hugely**: 0% to 50% (average 4.58%)
- **Competition for Duty Free stores**: some products can be imported free of duty (e.g. electronic products)
- Therefore heavy involvement in the **creation and establishment** of the structural, administrative, legislative, executive, logistic, directorial and managerial **Duty Free infrastructures**
- **Full support** from Saudi customs and airport authorities in Jeddah, Riyadh and Dammam **eased the process**
- Joint **strategic planning** and **implementation**

# Operations commence

- **The first list of Duty Free regulations** which laid the foundations of work between the Saudi General Authority of Civil Aviation and the Saudi Customs was agreed in **October 2010**
- **The first duty free customs declaration ever in Saudi** was issued in Jeddah seaport on 21st March 2012 (see right)
- **The first Saudi Duty Free purchase** was in Jeddah airport south terminal on **1st April 2013**

The image shows a Saudi Customs Declaration form. Key sections include:

- Header:** Kingdom of Saudi Arabia, Ministry of Finance, Saudi Customs.
- Form Fields:** Net Weight (753.5), Measurements (753.5), No. of Passages (1650), Mark & Numbers (listing various items like 'Soda Water', 'Soft Drink', etc.).
- Table:** A table with columns for Code, Description, Quantity, Unit, Value, and Duty. It lists various goods such as 'Soda Water', 'Soft Drink', 'Bottle', etc.
- Summary:** Total Duty, Duty Free, and other financial details.
- Signatures:** Sections for 'Duty Free' and 'Duty' with checkboxes and stamps.
- Date:** 1433-04-27.

# Why it took so long

- A long trial and error process, **learning how to establish Duty Free laws and regulations** in a country with a complex bureaucratic system
- Everyone concerned was eager to reach a **model which met local and business demands**





# Pioneers

- Introducing **relevant and interesting campaigns** such as the Fabulous Date Festival (celebrating Saudi Arabia's most traditional product)
- The campaign was a finalist at the 2015 Frontier Awards
- Development of the Saudi range of **local souvenirs**





# Current challenges

- **Tobacco:** only tobacco complying with local health warnings and standards can be sold in the duty free shops
- **Taxation rates:** very low rates of duties and taxation
- **Customer profile:** wide variation (challenge and opportunity)

# Customer profile

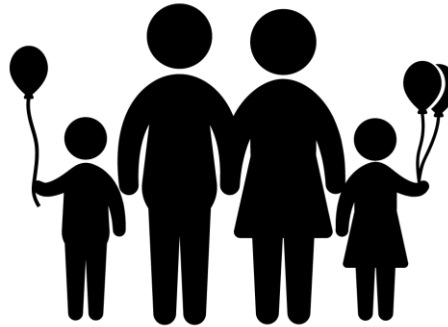
Four **profiles** of Saudi Duty Free stores



**High-spending**  
expat



**Low-spending**  
expat

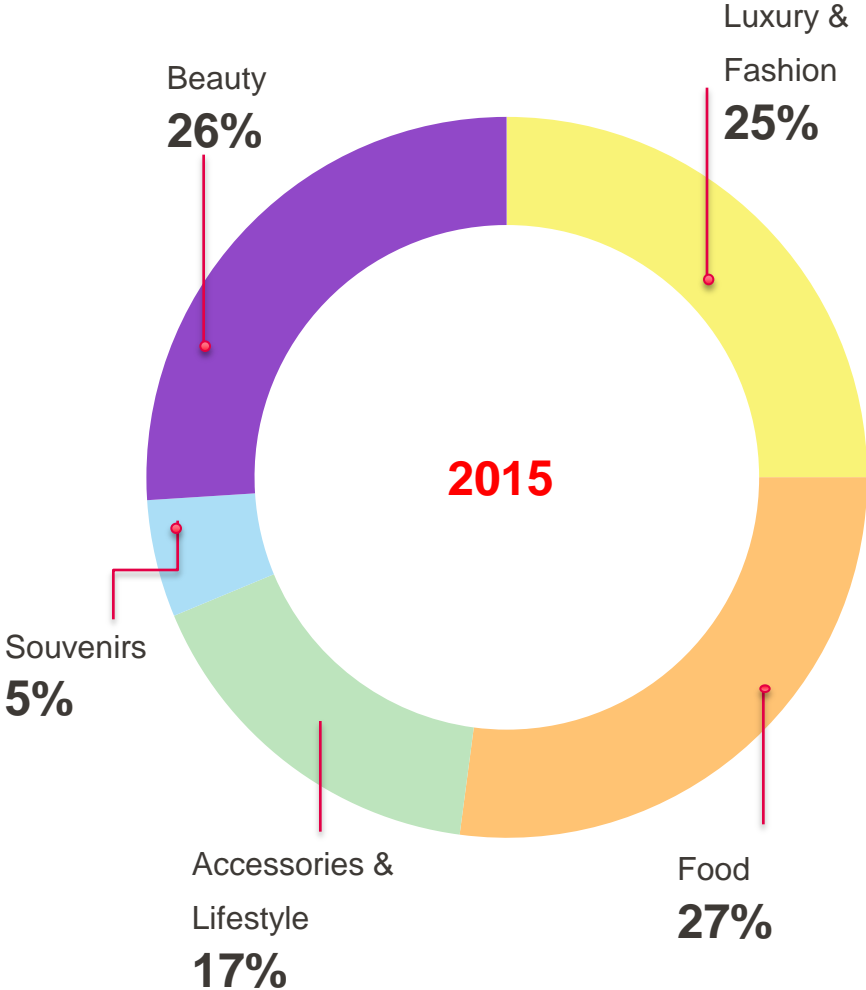
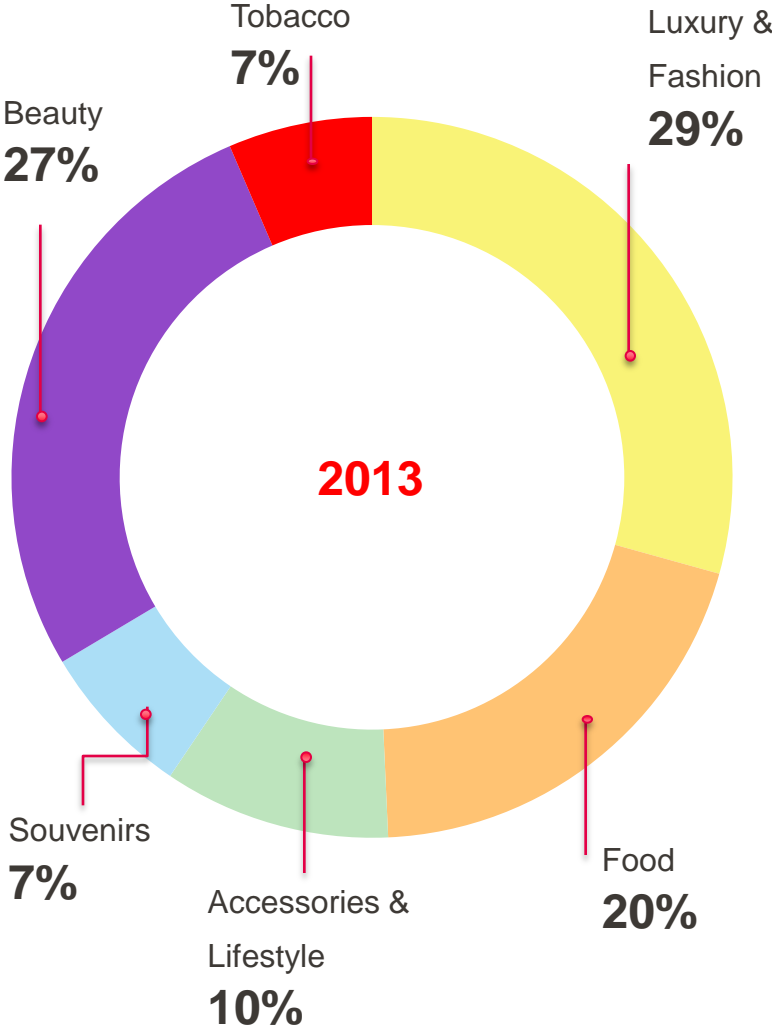


**Family holidays**  
Saudis



**Business travel**  
Saudis

# Potential for category growth



# Future opportunities: Mecca mosque expansion

- Estimated to **finish in 2016**, creating capacity for **1.6 million worshippers** at a time
- Estimated **construction cost** of the project 26.6bn USD + a further 35.5bn USD in compensation to affected landowners
- The building expansion covers **1.47 million square metres**
- To be served by a **railway network** linking Jeddah Airport to Madinah, with 7 trains per hour



Source: 2015 *The National Business*, <http://english.alarabiya.net>

# Future opportunities: new terminal, King Abdul Aziz International Airport, Jeddah

- Capacity to **increase from 13 to 80 million** in 3 stages to serve the Mecca mosque project
- Upgrades to accommodate **Airbus A380**
- First stage will serve 30 million passengers a year
  - 60km + baggage belts
  - 46 gates, 94 boarding bridges, lounges, airside hotel, catering & retail facilities
- Connected to Jeddah, Mecca and Madinah through the 300 km/hr **Haramain High Speed Rail project** (also known as the “Western Railway” or “Mecca - Medina high speed railway“)



Source: <http://gulfbusiness.com>

# Future opportunities: new terminal, King Khaled International Airport, Riyadh

- Expansion plan to **increase capacity from 12 million to 35 million**
- Construction of a **new terminal** (No. 5) and **development of existing** terminals
- The airport will be **linked to the city's new metro system**



Source: *The Momberger Report, Airport Technology*

Thank you

 DUFRY