



Duty free shop at Schiphol airport, Amsterdam

*smart consumer*

## What's the deal with duty-free?

What you should know before you shop at duty-free spots

by Sreerema Banoo

**D**uty-free retailing has come a long way from 1947, when the first shop was opened at Ireland's Shannon Airport, a refuelling stop for long-haul transatlantic flights between Europe and North America. While planes were being refuelled,

passengers had to leave the aircraft and wait in the airport terminal. The airport manager at the time, supported by the-then minister of transport, decided to sell some merchandise to these passengers. Since the transit lounge was not technically a part of Ireland and as sales would be for export, domestic taxes, duties and other charges could

be deducted from the price. So began modern-day duty-free retailing.

According to Generation Research, which specialises in market data research for the tax-free and travel retail trade, by 1960, global duty-free trade had reached a retail value of US\$25 million and duty-free stores were operating in airports such as Amsterdam Schiphol (opened in 1957), Tel Aviv (1957), Brussels (1958), Miami (1958), London-Heathrow (1959), Frankfurt (1959), Düsseldorf (1959), Osaka (1960) and Oslo (1960). Air France was a pioneer of in-flight sales; it is believed to have started this activity in 1955, followed by Lufthansa in 1960.

Today, airports resemble large shopping malls, and duty-free retailing is big business. In 2009, says Generation Research, worldwide duty-free and retail business recorded sales of US\$34.5 billion.

## WHAT YOU NEED TO KNOW

**YOU** can save a lot when shopping at duty-free outlets if you know how to do it right. Here is what you need to be mindful of the next time you're doing some tax-free shopping:

### DO YOUR RESEARCH

When you're looking for a bargain, know how much the item costs back home. Just because it's duty-free doesn't necessarily mean it's cheaper. For example, our survey found that Toblerone chocolates are about 40% cheaper at the local grocery store compared to the duty-free shop at the airports.

### COMPARE PRICES

If you're travelling through multiple airports (and will be returning via the same airports), it's worthwhile to compare prices. Frequent travellers say airports in the Middle East offer good bargains as most retailers there buy the products directly from suppliers and often have promotions to clear old stock. (Generation Research found that Dubai Duty Free was the world's biggest retailer of tax-exempt goods in 2009; it had total sales of US\$1.14 billion.)

Most airports also have WiFi, so you can also check prices online before buying the items.

### KNOW THE DUTY-FREE ALLOWANCE

Find out the duty-free allowance of the country you're flying into. This information is available on the respective countries' customs and border protection websites. (Useful websites include [www.customs.gov.my](http://www.customs.gov.my), [www.customs.gov.sg](http://www.customs.gov.sg) and [www.cbp.gov](http://www.cbp.gov).) If you're travelling in Europe, and you're not a European Union citizen, then you're entitled to a refund on the value added tax (VAT).

### KNOW THE RULES OF THE COUNTRY YOU'RE VISITING

Regulations on carrying liquids in hand luggage also have implications for passengers buying liquid duty-free items (alcohol and perfume). For instance, because many duty-free shops are located before the security checkpoint, all liquid duty-free items purchased are placed in special, sealed tamper-evident bags to enable them to be brought onto airplanes. However these tamper-evident bags are not currently accepted through US checkpoints, so follow the Transport Security Administration guidelines ([www.tsa.gov/travelers/airtravel/assistant/duty\\_free.shtm](http://www.tsa.gov/travelers/airtravel/assistant/duty_free.shtm)).

### BUY FROM REPUTABLE RETAILERS

To avoid purchasing counterfeit items, buy from reputable retailers. When you're buying wine, for instance, ensure that they have been properly stored.

### WARRANTIES AND RETURN POLICIES

Always check and test the goods before leaving the store. Electronic goods though, are usually covered by international warranties, so if there are issues with the goods, customers can always refer to the representatives in their home country.

### BUY AT THE END OF YOUR TRIP

When travelling to an international destination with a transit, buy your duty-free liquid items on the last leg of your trip.

For many an international traveller, duty-free shopping has become an integral part of the travel experience. Even in the most remote and modest-sized airports, you're likely to find a duty-free outlet selling anything from alcohol and tobacco to fragrances and leather goods.

Are there really savings to be enjoyed when shopping at duty-free stores? Which airport offers the best deals? And what's the best way to save? We checked the prices at some of the airports around the world and spoke to travellers and a duty-free operator.

## Alcohol

Duty-free alcohol is always a good buy as the savings are considerable compared to buying them at high-street stores, says Karen Kee, advertising and promotions manager, DFZ Trading Sdn Bhd. She adds that this is especially so for high-end spirits. For wines, the price difference is not substantial as the duty is lower than that for hard liquor.

In general, the savings on hard liquor can be 30% (DFZ Trading is the largest licensed duty-free operator in Malaysia; its shops, known as Zon, are located at international airports (KLIA, Skypark Subang and LCCT), border towns, cities and seaports.

In our unscientific survey, we found that a one-litre bottle of Bombay Sapphire Gin retails at RM70 at KLIA's duty-free stores while a 750ml bottle at a department store in downtown Kuala Lumpur retails at RM149.90. When compared with other duty-free outlets, we found that the price difference was marginal; at Hong Kong International Airport, it was RM66 (HK\$160), at Singapore's Changi Airport, it was RM65 (SG\$28) and at Amsterdam's Schiphol Airport, it was at a promotional price of RM70 (€17) compared with the

modifications to your home, the same can't be said about HSBB. TM's installers will need to lay fibre in your home; it is akin to how an Astro installer would install a decoder and antenna.

Besides the laying of the fibre, you would be given a dedicated Broadband Termination Unit (BTU), which converts optical signals into data traffic that computers use to transmit and receive information. The BTU also acts as the main controller box that manages your HSBB service.

You'll also receive a Set Top Box (STB), which manages your TV programming; and a Residential Gateway, which is essentially a WiFi router used to extend your Internet connectivity to your laptops and desktops.

TM is offering three packages, VIP20, VIP10 and VIP5, at monthly rates of RM249, RM199 and RM149 respectively. Bundled together with the packages are 22 HyppTV basic channels and free calls to TM lines nationwide. You'll also get a free DECT cordless phone. These goodies, worth RM800, are free of charge provided you sign a 24-month service contract with TM.

One other advantage of having HSBB is the Video on Demand (VOD) service that comes with HyppTV. VOD basically allows you to watch selected movies whenever you want.

With UniFi, you can also look for movies that are streamed online at 5Mbps.

Currently, the waiting period for TM's UniFi in certain areas can be as long as three months. Time dotCom and Maxis Communications also offer HSBB, albeit in very selected areas. ■

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usual and duty-free RM119 (€28.55).

Apart from the savings at duty-free shops, Kee says, you can find items that may not be available at high-street stores, such as items that mark milestone anniversaries. In addition, she says, it's worth buying alcohol duty-free, given the strict regulations on carrying liquids onboard aircraft. "Our shop, for example, is located just before Customs clearance. So, upon arrival, and once you've cleared Immigration, you can pick up your alcohol."

## Tobacco

There are savings to be had when buying duty-free tobacco. Lim, a smoker and frequent traveller, has found that duty-free cigarettes are 35% cheaper than non-duty-free ones. While there are certainly savings to be enjoyed, travellers should also note that duty-free concessions vary among countries. For example, there is no general sales tax (GST) relief and duty-free concession on cigarettes and other tobacco products in Singapore. Travellers arriving in Singapore who bring in cigarettes or tobacco products, including SDPC-marked cigarettes (from Jan 1, 2009, all duty-paid cigarettes sold in Singapore will have to be marked with the letters "SDPC", which stands for Singapore Duty-Paid Cigarette) and any other tobacco products are required to declare them at the Red Channel for payment of duty and GST.

## Perfume and cosmetics

Travellers keen on perfume and cosmetics, says Kee, can't enjoy much savings because there is no duty for the items in Malaysia. So, unless it's an item that's specially made for the duty-free market, you're better off buying the products at a department store downtown. In our survey, Chanel No 5 (EDT

100ml and EDP 50ml) retailed at RM332 and RM296 respectively at both a duty-free shop in KLIA and a department store in the city centre. In instances where no duty is levied, travellers can still score deals by taking advantage of the exchange rate. For instance, the weaker euro means one can pick up Chanel No 5 (EDT 100ml and EDP 50ml) for RM304 (€73) and RM250 (€60) respectively at Schiphol Airport.

## Apparels and accessories (including leather goods)

There is no duty levied on full leather goods in Malaysia, which means that one wouldn't get much savings at duty-free shops. A frequent traveller herself, Kee finds that certain leather goods sold at duty-free shops in Malaysia may be more expensive than those sold at high-street stores overseas. "It may be because in the US or Europe, the retailers buy the products directly from the suppliers — but mostly, they need to clear stock to make way for the new trends, colours and designs for the coming season — and that's not the case in Malaysia," she says.

## Electronics

Again, there's no duty levied on electronic products. Laura, a frequent traveller, found that batteries sold at duty-free shops at KLIA were more expensive than those sold in the city centre. In our survey, we found no difference in the prices of iPod Nano (16GB) at a duty-free outlet at KLIA and in the city centre. But the exchange rate can be a factor if you're looking for deals. For example, at Hong Kong International Airport, Changi Airport and Schiphol Airport, the said item retails at RM660 (HK\$1,590), RM627 (SG\$269) and RM663 (€159) respectively, compared with RM719 in KLIA. ■

*Note: Prices and exchange rates are as at press time*