


# DUFRY WORLD


WorldClass.WorldWide.

**CORPORATE  
MAGAZINE**  
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# Strategy of focusing on customers is delivering good results again

In the first nine months of 2016 we saw another strong increase in our turnover, which grew by 39.4 % reaching CHF 5,877.2 million. Increasing sales in our existing locations, opening of new concessions and the consolidation of World Duty Free contributed to this positive development. Dufry also posted strong cash generation, with free cash flow increasing by 64.1% and reaching CHF 535.7 million. Our strategy to focus on customers and our ongoing initiatives to create new shopping experiences have contributed to drive sales and to positively impact business performance. Major contributions came from Brazil, Spain and the UK and we currently see these trends persisting.

In the third quarter we also continued with the successful extension and renewal of important contracts, including Melbourne airport in Australia and Guadalupe airport in the Caribbean, and on top, we also won the new concession at Tulsa airport in the US. These are very important achievements, since they contribute to secure our business for the future.

Dufry's retail expertise has again been recognized by some of the leading industry associations, who have granted several awards to our teams in the UK. Both the sunglasses and liquor teams received awards during the TFWA World Annual Conference and Exhibition that took place in Cannes in October.

This edition of Dufry World features a special section dedicated to our teams in Argentina, Brazil, Russia, Greece, Turkey and Macau who have been facing some very difficult political and economic environments in the past quarters. We want to recognise their efforts, their exemplary dedication and their motivation to overcome these challenges, by adapting their operations to the changed environment and safe-guarding the profitability of the business. Along with sending them a big THANK YOU, we also hope that their attitudes and their achievements can help other operations by providing helpful examples of how to handle potential disruptions with similar initiatives.

While the year is slowly coming to an end and the political and economic environment of our business seems to



indicate a positive development in 2017, I would like to look one step ahead. In order to continuously improve our sales in the next year, we will launch on a wider scale our online pre-order-and-collect services into several countries; open the first stores with the new shop concept and also intensify our marketing communication initiatives to offer customers a more comprehensive and personalized shopping experience at every point of their journey. From the planning phase at home, to the time spent at the airport, through to the arrival and safe return home, we want to really look after our customers even more with services and special offers tailored to their individual preferences.

These are challenging objectives and I would like to invite all of you, as valued colleagues, to help deliver these innovative projects and to contribute with your skills and dedication, to the further successful development of our company. ■

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## HQ CEO Julian Díaz's Speech at TFWA Conference in Cannes

Speaking at the Tax Free World Association Conference, CEO Julian Díaz outlined his intention to be part of the most "important transformational period" in travel retail history.

Díaz emphasized that the travel retail proposition currently offered to customers was under challenge and because of this a decreased spend amongst important nationalities such as Brazilians and Russians has been seen. He mentioned the growth of low-cost carriers which has driven change in several passenger demographic groups. In addition, the increase in passenger numbers has been accompanied by a change in the passenger profile itself. There has been a rapid transformation in customers' expectations, who now have more options available to them than ever before and research thoroughly before making the final choices. Shopping needs to be a fulfilling experience, with a shift in focus from the end sale, to the whole journey and key elements such as speed of service, convenience and personalization.



CEO Julian Díaz's speech at TFWA Conference in Cannes.



Increased focus from airports on commercial revenues has also meant more pressure on travel retailers. Díaz, who suggested the minimum annual guarantee model "cannot work", said partnerships needed to be established within and outside airports, to provide

the desired travel experience. For this to happen "landlords" must understand the reality is changing.

Díaz indicated that Asia, the Middle East and emerging markets represent a significant part of travel retail and duty-free business. The world is becoming more interconnected and its center of gravity is shifting geographically towards Asia. Increasing purchasing power in Asia and the Middle East will keep changing the predominant geographical origin of travelers.

An important customer group for Díaz are the millennials, who are starting to dominate consumer sales and communication methods. 97% of millennials use social media and 66% value unique experiences when traveling. This means that better segmentation is required than has typically been seen so far in travel retail channels.

Díaz went on to detail some of the challenges the travel industry is facing, such as changing customer profiles and expectations, different options for travel, evolving technology offering new opportunities and changes to operator and supplier environments. With technology becoming more readily available and disruptive solutions being adopted even in traditional environments, he highlighted several ways the industry can drive the transformation and urged stakeholders to attract experience-orientated travelers by transforming the in-store experience with, for example, innovative new shop design, digitalization, experience-based stores, real-time relevance and e-payments. Díaz concluded that he believes in a great future for travel retail, built on a value proposition. ■

Dear colleagues, feel free to send us **your stories, news and any other contribution** to [suggestions@dufry.com](mailto:suggestions@dufry.com) so that we can create even more a magazine from employees for employees.

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## D2 New Look for World Duty Free Store at Birmingham Airport

The redesigned World Duty Free store at Birmingham Airport was officially inaugurated on 12<sup>th</sup> October, 2016. The 1,790 m<sup>2</sup> store has been given a new layout, making it even easier for passengers to navigate. The refresh of the store has also provided the opportunity to introduce several new and exciting brands for the 11 million passengers that use Birmingham Airport every year.



Inauguration of World Duty Free Store at Birmingham Airport.

The beauty area offers new iconic brands like Urban Decay, Bobbi Brown and Jo Malone London. An expanded range of products has also been introduced into the liquor category with an increased focus on premium spirits and wines to meet customer demand. Luxury features an updated sunglasses area with stronger personalizations and the latest designs from brands such as Ray-Ban and Oakley. A more contemporary fashion watch area has also been created to suit style-conscious shoppers.

Birmingham is the home of Cadbury, so the store's confectionery area gives special emphasis to this celebrated British chocolate brand. Souvenirs also offer a 'sense of place' for customers, with a range of products linked to Shakespeare and his home town of Stratford-upon-Avon, which enjoys close proximity to the airport. ■

## D2 Renewal of Concession at Guadeloupe Pôle Caraïbes

Earlier this year, Dufry won the tender for the duty free retail operations at Guadeloupe Pôle Caraïbes Airport and will be extending its existing concession contract until 2026 for its duty free stores and 2021 for two convenience stores. A further five new shops will be added and the retail space almost doubled to give a total of over

1,100 m<sup>2</sup>. The new shops will incorporate the latest design developments and deliver a world class airport shopping experience to over 1 million departing passengers that use Guadeloupe Pôle Caraïbes Airport each year.

The shop development program will start in December 2016 with the total re-design of the main duty free shop in the International Terminal. When completed, the 783 m<sup>2</sup> store will offer customers an extensive range of beauty, liquor, and tobacco products, as well as confectionery, clothing, watches and jewelry.

In the Regional Terminal, a 180 m<sup>2</sup> duty free and duty paid shop will be completed in summer 2017. A 35 m<sup>2</sup> fashion shop selling beach and surf-wear will be located in the arrivals area of the International Terminal, whilst a Hudson news and convenience shop with a footprint of 108 m<sup>2</sup> will be located in the boarding area of the International Terminal. Finally, a 12 m<sup>2</sup> Hudson kiosk will be situated in the boarding area of the Regional Terminal. ■

## D2 Speciality Awards

World Duty Free's UK sunglasses and liquor teams both received awards during the TFWA World Annual Conference and Exhibition that took place in Cannes in October. For the Sunglasses Awards 2016, a panel of judges that included some of the most relevant players in the sunglasses industry - Luxottica, Essilor and Marchon amongst others - selected the staff at 'Sunglasses Boutique', operated by World Duty Free in London Heathrow Terminal 3, as the "Best Dedicated Sales Team of Year".



Sunglasses Awards 2016.

The UK liquor team won the "Airport Drinks Retailer of the Year - Multiple Locations" award in Drink International's 10<sup>th</sup> annual Travel Retail Challenge Awards for its "Whisky Experience" campaign. Run annually, this event aims to bring the spirit to life for the customer with special promotions, tastings and in-store activities. World Duty Free's specialist "World of Whiskies" stores were also a highlight for the judges, who praised them for delivering the ultimate whisky experience and shopping environment for customers. ■

## D3 Dufry Appointed by Melbourne Airport as Duty Free Retail Partner

Melbourne Airport has re-appointed Dufry as its partner for international duty-free retail. The partnership extends the existing contract held by Dufry-owned Nuance to 2022, representing a significant milestone for Melbourne Airport as it continues to expand its retail offer for local and international travelers. The new store will incorporate key elements of the 'next generation stores' being developed by Dufry.

The current airside duty-free retail operations located in Terminal 2 will undergo a total metamorphosis over a 12-month period, with a 30 per cent increase to the retail footprint and a new layout, when completed by first quarter 2017. With 2,743 m<sup>2</sup> of retail space in the new Departures store and 1,074 m<sup>2</sup> of retail space in the new Arrivals store, the shops will serve nearly nine million annual Victorian and international visitors, delivering a duty-free retail experience which promises to be world-class. The partnership is a first for Dufry in Australia, and demonstrates the company's clear intent to grow its presence within the Australian market through its newly extended partnership with Melbourne Airport. ■

The Swiss diplomats Daniel Freihofer, Minister-Counselor & Head of Economic & Financial Affairs; Ferdinand Kurt, Honorary Consul and Andreas M. Maager, Consul General were given a presentation about the operation, followed by a tour of the offices and the warehouse. ■

## D5 New Concession Contract at Tulsa International Airport

Hudson has been awarded retail concessions to operate several stores at Tulsa International Airport. The 10-year contract includes four Hudson travel essentials stores; a 5<sup>th</sup> & Sunset sunglasses and accessories store; Spirit, a contemporary Native American and Western specialty store and three retail kiosks: Discover Tulsa, Kids Works and Tulsa Sports Zone. The product selection complements Tulsa and Oklahoma's best known tourist attractions with local and regional vendors such as Pepper Creek Farms and Leonard Mountain. World famous Bedré Fine Chocolate from the Chickasaw Nation Tribe will also be available for customers to buy. ■

## D4 Visit by the Swiss Embassy to Headquarters in Miami

A delegation from the Swiss Embassy in the United States visited Dufry's Latin America headquarters in Miami to see first-hand how a Swiss company is operating in the US and Latin America.



Visit by the Swiss Embassy to Headquarters in Miami.

# A Shiny, Happy Region

By Jorge Muñiz

Fact: according to the United Nations' World Happiness Report of 2015, the Swiss are the happiest people on the planet. In a similar study carried out by the global research and performance management consulting group, Gallup, the happiest people in the world are the Latin Americans. Based on this research, today, we have the honour of interviewing probably the happiest man on earth! Swiss born René Riedi is our CEO for the Latin American Division, a region where Dufry has over 390 stores spread across 25 countries and where we are the indisputable market leader. It's a Division with proven capability to deliver and overcome difficult situations and with a bright future ahead.



René Riedi is looking for a shiny future.

***Dufry World: René, considering our leadership position in this market, one could think that yours is an easy job to do?***

Believe me, it is not! It's true that over the years, we've built up a very solid position in this market. Latin America has traditionally been a natural market for expansion for both Dufry and World Duty Free. And until last year when we joined forces, both companies competed for each opportunity in the market.

However, when you see the Latin American market from a holistic point of view, you very quickly realise that competition is not the most important factor in the complexity of the region. For the majority of the time we have to work with situations that are beyond the control of any retailer. Inflation, currency devaluation, political instability or even natural disasters like Hurricane Odile in 2014; these external factors require a high degree of flexibility and creativity in managing the operations.

***I think the effect of the Hurricane, that completely destroyed Los Cabos airport terminal where we had our operations, is something we can all completely understand. But can you please elaborate a bit further on how the other issues impact on our business?***

Latin America is an immense region, where the volume of both domestic and international passengers is very similar. Domestic travel accounts for 46% of our business operations, primarily owing to the large Brazilian market – one of our largest operations globally. In this market in particular, domestic flights account for ca. 90%. And this is perhaps the main challenge: domestic passengers are more sensitive to inflation, which therefore reduces the buying power of our potential customers, whilst currency depreciation – which is a measure taken by governments to offset inflation – affects our duty-free sales and reduces the attractiveness of our product offer in terms of price to many of our international passengers.

***And how do you counteract this situation?***

There is no magic spell for this, or one single thing you can do to regain control of the situation. We have adapted our offer to suit the passenger profile. With the aim of delivering sustained organic growth – that is, getting more of what we already have in our portfolio – we have introduced new concepts in the market such as Hudson and we've invested in developing Dufry Shopping in Brazil – both formats have helped us to engage those domestic passengers. In addition, we have made significant investments in the refurbishment and development of three of our most important operations in Latin America, including the Brazilian airports in São Paulo (Guarulhos) and Rio (Galeão) – ahead of the Olympic and Paralympic Games – and Lima Airport in Peru. These investments have resulted in more attractive shopping environments of a standard equal to that in the best international airports.

The most important thing however, has been to leverage our most valuable asset, our staff, at all levels of the operations. In situations like these, it is the human element that makes the difference. The engagement of our staff with the company, their commitment to the business and their resourcefulness for finding solutions has helped us to survive and reinforce our position.

***What does the future look like in your Division?***

As the song goes, "The best is yet to come"! We have a shiny future ahead of us. We have built a very solid foundation in the regions upon which we can build for the future. The addition of the World Duty Free business has also strengthened our position even more.

Dufry is present in eight of the 10 busiest airports in Latin America for international passengers – reaching one in every two of the international passengers in Latam according to ACI data. These include São Paulo and Rio, Mexico City and Cancún, Santiago, Lima and

Buenos Aires, and we are in these airports with big operations and long-term contracts.

In addition to the store refurbishments already mentioned in Brazil and Lima, we have also recently inaugurated our stores in Cancún in Mexico. Additional refurbishment has also been carried out in smaller operations like Jamaica, where we have opened a new walk-through store, or Saint Martin, one of the most popular port destinations in the Caribbean, where we are just about to open a big port operation.

And we continue working hard. The new Terminal 4 of Cancún Airport will soon see the opening of a New Generation Store, an innovative concept that takes travel retail to the next level. In the new design, which will be introduced in the next two years, the shop will adapt to the passenger nationalities with the help of the digital signage technology, displaying brands and products according to their specific profiles.

**How is the integration of the former Dufry and World Duty Free teams progressing in the Division?**

The short answer is extremely fast. The process has been very easy for us and has resulted in a number of benefits for everyone in the Division. With the implementation of the Business Operation Model, the

decision making process is now more efficient and from the Miami office we are closer to all operations.

From a people standpoint, it's great to see familiar faces back into the organisation. Oscar Garcia Pedrosa, our General Manager responsible for South America, now has the opportunity to work again with former WDF colleagues such as Reyes Villacañas in Chile or Edgar Farfán in Perú. That makes the process much easier and makes the transfer to the new organisation much smoother. ■

**IN A MINUTE:**

- A meal: A juicy steak at Peter Luger Steak House in Brooklyn, New York
- A book: Frederik Forsyth's Odessa file
- A city: Always the city I am living in – therefore, currently Miami. There is still a lot to explore
- A film: The girl with the dragon tattoo
- A hobby: Golf – although not enough time to play it well
- A leader: Henry Dunant who founded the Red Cross

## D2 Rogue One: A Star Wars Story Lands at World Duty Free, Gatwick

On 23rd November World Duty Free UK, Disney and the Gatwick airport have launched in a 'trinity' collaboration a promotion, to deliver an exclusive unique Star Wars experience to travellers. Anyone flying from Gatwick and visiting the World Duty Free stores have the chance to be immersed in 'Rogue One: A Star Wars Story', the very latest Star Wars movie.

Once airside in Gatwick South, passengers can discover the costumes of the five main 'Rogue One: A Star Wars Story' characters grouped together and can interact with them, taking selfies or being photographed by family and friends.

Inside the World Duty Free store, customers have the opportunity to discover a digital glimpse of the film

with the installation of a virtual reality (VR) experience; 'Rogue One: Recon' in the store's

Contentainment™ area. In store, customers will discover travel exclusive Star Wars fragrance sets, a range of 50ml Star Wars fragrances and an extensive range of LEGO™ sets. ■



Star Wars at Gatwick Airport.

# Highlighting Outstanding Contributions of our Operations

Running an operation is never an easy task. It requires flexibility, leadership and very talented staff willing to adapt to the circumstances of any given moment. That is the day-to-day reality in all our operations. However, on some occasions, there are factors that are outside of our control that require great creativity

and extraordinary efforts to secure the business. This special section of Dufry World wants to pay tribute to some operations and individuals that have gone that extra mile and whose attitude will serve others as an example to follow. ■

## Turkey



## Adapting to a New Customer Profile

*By Lubna Haj Issa*

The region of Antalya is situated in the heart of the beautiful and very famous “Turkish Riviera” and has been for many years a favored holiday destination for European and Russian tourists. The area offers over 400 km of unsurpassed beaches framed by the massive backdrop of the Toros mountains, rising to the majestic peak of Olimpos.

Antalya’s tourist industry began to grow in the early eighties and has shown a year-on-year increase ever since. It has become the tourism capital of Turkey attracting more than 40% of all tourists arriving in Turkey. It reached its zenith in 2014 welcoming 11.2 million foreign tourists.

Dufry began to operate its exclusive duty-free business in Antalya International Airport in 1998. In 2007, Dufry was granted an additional exclusive operations contract for a period of 17 years, covering the airport’s two international terminals. Dufry currently operates an area of 4,100 m<sup>2</sup> of retail space. Around 700 employees serve the passengers in the two main departure and arrival shops and the 25 stand-alone shops.

The customer profile is mainly based on seasonal charter traffic, with 80% of business being achieved from May to October. German and Russian nationals were the largest segment of the 10.6



million visitors to Turkey in 2015, with roughly three million passengers representing each of the two nationalities.

### **Quickly Adapting to New Customers and their Changing Needs**

With the overnight loss of the Russian passengers following some political differences, the main challenge for the Turkish management team was to adapt quickly to the new customer profile. German nationals became the major market, with an increased share to 40% of total passenger numbers. This prompted the management of our Turkish operation to change all the sector-specific sensitive items, promotions and price comparisons and revise communication strategies to target German and other European customers, instead of the Russian tourists served so far.

Store layout and product assortments were reviewed to meet the changed customer profile, with further new initiatives being put in place to clear overstocked items. Replenishment orders were also adjusted accordingly.

In addition, the store management initiated German and English language training to prepare our Russian speaking staff for the new commercial environment. Further measures have included re-educating back office staff with till training to future proof the operation for busier periods. Most

importantly, the whole team has stood shoulder to shoulder to support each other, working to raise motivation levels.

The Turkish operation's target is clear; it will continue to provide service excellence to its customers by maintaining high standards. It will continue to capitalize on every opportunity, whilst making sure that it is ready for the up-turn when it comes, as it surely will.

### **Promising Outlook**

Now that the ban over charter flights and package holidays from Russia to Turkey has been lifted, together with some initiatives of the Turkish government aimed to simplify entry procedures of Russian tourists, the situation is expected to improve further with the new year. This will obviously require an additional adaptation of the whole setup of our offer.

The teams in Antalya continue to work together through thick and thin. They "keep calm and carry on". Country manager Cengiz İman concludes: "We hope that in 2017 Antalya will take its rightful place as a desirable holiday destination. When that happens we, at Dufry Antalya, will be ready. We are strong and stand together and there is already light at the end of the tunnel! We send you our greetings and hope that we will see you in Antalya next year." ■



Dufry Shop in Antalya.

## Greece



# Expand Categories, While Introducing New Brands and Store Concepts

*By Lubna Haj Issa and Eva Brouzou*

Hellenic Duty Free Shops started in 1979 with two stores in the old airport of Athens. Today the company operates 115 stores in 46 locations throughout Greece and the exclusive rights for duty-free sales in Greece until year 2048: 78 shops are located at 22 airports (37 at Athens International Airport and 41 shops in the peripheral areas); 11 shops are in border stations and 13 in sea-ports across the country. Due to the geopolitical position of Greece and its characteristically mountainous landscape, airports are a very important part of the country's public transport system. They serve as the main gateways, handling mostly international flights and significant numbers of people, especially during the peak summer period, when more than 80% of tourists traveling to Greece are visiting at least one of these airports.

Through its subsidiary "Greek Distributions" HDFS also runs stores on 26 ships of the ANEK and ATTICA shipping companies operating in Greece and Italy via the port of Patras. In 2015, a total of around eight million passengers were served through these various retail operations. HDFS employs 1,959 employees.

## **Maximize the Productivity of Existing Assets**

To overcome the recent drop in Russian passengers and the economic crises in Greece, Hellenic Duty Free shops are continuing to expand product categories and introducing new designer brands and store concepts. The management team is always aware of new market conditions, constantly redefining the business strategy and reviewing internal procedures. Their aim is to contain operating costs, to improve gross margin, to retain the workforce and to invest in the systematic development of the stores to ensure higher returns. The local management also seized the opportunity to streamline the operation and to prepare the company for the time, when economy recovers. Within these efforts the company has incorporated the principles of sustainable development into its business strategy and as part of this has implemented a social and environmental responsibility policy.

George Velentzas explains: "We updated the process of promotions and discounts by making them more creative and relevant to contemporary

needs of our customers. We utilize technology and new promotional and advertising media and we constantly monitor stock, orders and sales. We put a lot of effort into increasing the number of communication opportunities we have with customers. We implement activities that help to increase our customer database and we also use social media networks. Our main priority is to offer excellent customer service. To help facilitate this, we are investing more than ever before in price surveys and understanding the latest travel trends, as well as aiming to constantly refine and improve our corporate image.”

This reconfiguration will help increase customer penetration, thus driving sales, whilst further reducing the overall operational costs of the shops. Moreover, 14 regional airports are being renovated and Hellenic Duty Free Shops (HDFS) will be allocated more space and will be able to design and introduce new, modern walk-through stores. George Velentzas, General Manager Greece comments: “The privatization of regional airports, or to be more precise, the assignment of the management of airports to the private sector, is both necessary and imperative for the development of tourism.”

In 2015, shop renovations in the Extra Schengen area at Athens International Airport were completed. In 2016, a new store at Heraklion port was opened, a very promising location as it’s regularly visited by cruise ships. In addition, the renovation of the Intra Schengen Area at Athens International Airport will

start at the end of this year. At Heraklion Airport, the store relocation from the first floor to the ground floor, where it will cover a retail space of 1600 m<sup>2</sup>, is planned for 2017. Investment plans for 2018-2019 also include the operation of stores at the ports of Chios, Mykonos and Nafplio.

## Local Hero Teams

The efforts of three teams in particular were recognized by the Dufry 1 Awards 2016. These were the teams of the Extra Schengen Area at Athens, as well as at the Kipi Border Shop & Simi Island Seaport Shops. The teams at these locations proved that – with a strong focus on the company’s core values and goals, exceptional professional effort, high standards of service and most importantly strong teamwork – sales were not only maintained but actually increased.

George Velentzas comments: “We want our employees to demonstrate a real passion for the company and be prepared to always try to go the extra mile in what they do. A happy employee helps create a satisfied customer. We recognize the difficulties our staff faces at times and we always try to help and support in whatever way we can. We also recognize and nurture the talent and ability of our teams by investing in training and development and striving to create a pleasant and supportive working environment, in which employees feel able to communicate very freely and openly.” ■



Team Kipi Border Shop.

## Russia



# Product Range Revised to Suit New Trading Conditions

*By Lubna Haj Issa*

In recent years Dufry has substantially strengthened its position in the Russian airport travel retail market and set the basis for developing other travel retail markets in the region. The company is very well established in the Russian market, especially after the integration of Nuance, with a presence in the busiest airports.

With a team of over 700 professionals, Dufry operates 31 duty-free and six duty-paid shops, servicing over 200 million passengers in five of the most important Russian airports. Moscow Sheremetyevo and Domodedovo, Saint-Petersburg Pulkovo, Sochi Adler and Krasnodar Pashkovsky are Russia's busiest airports in terms of passenger numbers.

### **Adapting the Product Range and Extending Staff Training**

To overcome the reduced purchasing power of Russian customers the management had to change nearly everything just to maintain the business as it was. Major improvements in customer service and staff training were introduced and the product range was revised to suit the new trading conditions. High end products were replaced with more affordable ones, alongside an extended product mix; multiple promotions were introduced to ensure

the business remained competitive and pricing optimization was a key focus. Ultimately, it was about adjusting the offer and counteracting the negative price perception, whilst maintaining the highest service standards that have always differentiated Dufry from its competitors.

Programs such as Dufry Red, with its capacity to engage and retain customers, were re-introduced and improved in Russia in 2016, thus reinforcing Dufry's superior service perception. There were also a number of initiatives introduced aimed at pushing costs down through more efficient operations, a streamlined supply chain and smarter negotiations with suppliers, landlords and other stakeholders.

### **Strengthened Operations Ready to Benefit from Recovery**

Our Russian colleagues mastered the difficult situation well and strengthened the operation. Whilst they clearly couldn't just make passengers fly and buy in our stores, the quick implementation of ideas, together with the full engagement, the 'can do' attitude and contributions of every employee, helped to protect the business. The final outcome is a much stronger Russian operation that will be in an even better position when Russia recovers normality.

New business concepts have been added, including the opening of new Hudson stores in Sochi by the end of this year and partnership programs with airlines and banks to help expand the business. A focus was given to local products with the opening of a new Imperial Porcelain Shop in Pulkovo and the ranging of Natura Siberica, the first Russian brand of organic high-quality cosmetics.

David Grady, General Manager Russia & Eastern Europe, comments: "The key lesson is – never give up, and keep your eyes open to new opportunities. Certainly, there will be a lot of challenges in the future, but we have strong confidence in our ability to overcome the difficulties."

## Local Heroes

All members of the team have shown full dedication to Dufry brand values and standards. The following three are role models for their teams.

### **Evgeniy Kutischev, Lenrianta, Saint-Petersburg Shop Manager**

With the company since 2005, he started his career as a sales assistant and has been a shop manager since 2015. Evgeniy aims to set the best example for his team. He organizes them with clear, effective planning, maintains appropriate control with ongoing observation and monitoring and ensures the team delivers quality, service and efficiency, with focus on the perspective of the customer – providing 'Plus One Service', every time.



Evgeniy Kutischev,  
Shop Manager.

Evgeniy loves to spend all his free time with his son; he enjoys sports, likes to travel and relishes facing new or challenging situations and environments.

### **Tatiana Pahomkina, Moscow Sheremetyevo Supervisor**

Tatiana has been part of the company since 2008, and a supervisor in Sheremetyevo since February this year. In the tough economic times and with a limited number of sales staff, Tatiana succeeded in managing shifts in a most efficient way. She took a proactive role in planning any HR requirements, facilitating reassignment, and



Tatiana Pahomkina, Moscow  
Sheremetyevo Supervisor.

delivered 'Plus-One Service' herself to customers during busy airport hours. Tatiana is involved in various business training activities and is able to coach her staff and develop a comprehensive picture of individuals' strengths and areas for development, assisting the growth of effective

working relationships. Tatiana is a very sociable person and has a son who keeps her very busy and active!

### **Andrei Elkin, Moscow Senior Shop Manager**

Andrei has been with the company for over 12 years and is known for the professional and individual approach he gives to each passenger, his excellent standards of service and his regular staff training sessions. He has played a key role helping staff during the recession in Russia, which has brought such a decrease in the purchasing power of the passengers. Andrei's hobbies are traveling, photography and music. ■



Andrei Elkin,  
Senior Shop Manager.

## Macau



# Leveraging Customer Loyalty

By Jorge Muñiz

It was early January in 2014 when the multi-million renovation of the Atrium department store in Venetian Macao Resort was inaugurated. The extensive refurbishment was carried out following a lease extension for another five years until 2017. With a shopping space of about 2,000 m<sup>2</sup>, The Atrium is one of the largest department stores in The Grand Canal Shoppes where approximately 75% of the space is devoted to perfumes and cosmetics and with a central space for high-end electronics, fashion (handbags and small leather goods), watches and sunglasses. Macau, situated 60 km southwest of Hong Kong, is a Special Administrative Region of the People's Republic of China. It is also known for being a gambling destination (the Las Vegas of the Far East!) and its economy is largely dependent on tourism: the gaming, tourism and hospitality industry is estimated to contribute more than 50% of Macau's GDP. Macau is the only place in China where casinos are operated. Its visitors are made up largely of Chinese nationals from mainland China and Hong Kong, accounting for ca. 80% of the total visitors.

## Retaining Existing Customers

The Macau team, led by Samuel Wong, has introduced a number of measures to retain sales and profitability by adapting the retail offer to better suit the new customer profile and

competitive landscape, which is the result of an economy slowdown and new regulations in China. The launch of a "Second Purchase Promotion", a campaign aimed to retain existing and loyal customers by giving a special discount when they return to our stores to shop, has helped to retain customer loyalty. Additionally, the Atrium team started a price survey, monitoring the prices of best sellers amongst Macau competitors, helped to improve the value-for-money perception of our offer with the new, more price-sensitive customer.

Despite the change in the market landscape the team has succeeded in retaining a good customer base. The commercial activities put in place have helped in maintaining the attractiveness of the offer and in driving traffic and sales to our stores. The team has thus succeeded in coping with the new situation and ultimately delivering good numbers. In the mid-term, the team is considering further measures to improve the situation. As the existing contract is due to expire in 2017, an evolution of the store concept is being considered for the potential store renovation.

The recent opening of a temporary store, Temptations, in the Shoppes at Parisian luxury retail mall, will further extend Dufry's footprint in Macau. However, we will have to wait a little longer

before we have this cosmetics concept store of almost 2,642 m<sup>2</sup> in full operation.

## Local Heroes

### Lulu Lo, Senior Retail Sales Manager

A travel retail veteran with over 30 years of experience behind her, Lulu has lived the evolution of the group from the front line. She started in



Lulu Lo, Senior Retail Sales Manager.

Hong Kong in 1998 and saw how the Hong Kong International Airport was moved from Kai Tai to Lantau Island in record time. She has also taken an important role in the opening of both of our stores in Macau: The Atrium and the Temptation. An expert in customer service, she has led the local teams to successfully

win several local and international customer service awards, including HK International Airport Customer Service Individual and Group Awards, HK Retail Management Association Courtesy Award (Frontline & Supervisory), "Best of the Year from Travel Retail" awards in 2005 and 2007 for their Hugo Boss Boutique and a nomination for "Best in Travel Retail Customer Service" by The Moodie Report in 2012.

### Talia Choi, Senior Store Manager

Talia joined the company nine years ago in 2007, and the Macau operation was the first store she began working in. Starting as a Trainee Store



Talia Choi, Senior Store Manager.

Manager for The Atrium, she was a quick learner and gained extensive experience to become one of the most valued employees in the Macau business. Talia is now facing the exciting challenge of delivering the successful opening of Temptation, our new operation in Macau.

### Virendra Savani, Division Project Manager

This experienced interior designer and project manager joined Nuance in India in 2013, where he completed the fit out of more than 20 high end, mixed category stores at Mumbai and Bangalore. In August 2014 he relocated to the Hong Kong office where, for the past 28 months, Virendra has been involved in several projects in Asia, with Temptation in Macau's Parisian Casino being the most prominent one. During design and construction stage there were



Virendra Savani, Division Project Manager

several big challenges due to the layout of the store and a very demanding landlord in terms of design concept and high-end finish. Despite all this, Virendra ensured that the agreed delivery deadlines were met. ■



Dufry Shop in Macau.

## Brazil



# Improved Value-for-Money Perception and New Services

By Jorge Muñiz

With 126 shops in 16 airports and over 2,300 employees, Brazil, a country with continental dimensions, is one of Dufry's largest operations. In this market, the duty-free business takes the biggest share of sales. However, what makes this market quite unique is the fact that over 60% of the duty-free sales are made in the arrivals stores. Brazilians account for 94% of the customer base in these stores, due to the specific customs allowances for Brazilians returning from international trips.

This situation is further enhanced by another factor. Over 85% of the passengers transiting through Brazilian airports are flying domestically and enjoy shopping! Recent strong investments carried out across all aspects of the business are paving the way to leverage this opportunity in the near future and are bringing a "world class" look-and-feel to our Brazilian stores. Moreover, the ongoing privatization of the main airports, such as Guarulhos, Galeão, Brasília and Campinas, has enabled us to strengthen and enhance the already solid partnerships we have with our airport landlords. On top of that, the recent celebration of the two largest world sporting events - the Football World Cup in 2014 and the Olympic

Games in Rio this year - have left behind a better airport infrastructure and a positive image of Brazil as a tourist destination.

### A Dedicated Excellence Program to Improve Performance

In order to overcome the challenging economy and the reduced purchasing power of the Brazilians, the local team launched what they called an "Excellence Program", which combines a set of initiatives to streamline the operation and to drive sales at the same time. By defining personal targets on excellence of delivery the team has become more engaged and focused. At store level, the Excellence Program, which included some performance indicators and service levels, has delivered improved customer service and ultimately better performance of the stores. Some of the most important initiatives were:

- **Improve value-for-money:** To offset inflation and currency devaluation over the price perception of the products, the Brazilian team worked hand-in-hand with suppliers and landlords to develop specific strategies and promotions to stimulate and increase sales, whilst establishing an on-going monitoring of



the local market to ensure competitiveness of the products on offer. Since May, the Brazilian team ran a “Best Price Guaranteed” campaign across all of our digital and in-shop communications to give more confidence to customers buying at duty-free stores. Guaranteeing full reimbursement in the event a customer could find a better price in the local market or at any other duty-free outlets, has helped improve the price perception of the products we sell. This was reflected in the most recent local customer surveys, with the best ever score on price perception being achieved.

- **Dufry RED:** The customer loyalty program has contributed to increase spend per head, whilst facilitating the delivery of improved customer service by giving exclusive advantages to its participants, such as discounts and exclusive gifts. In less than two years, Brazil has managed to achieve a six-fold increase in the number of users (which today exceeds 60,000 members) and sales made to Dufry RED members now represent approximately 7% of the Brazil duty-free revenues.
- **Pre-order program:** Pre-order (also known as Reserve & Collect, which is the commercial name of the service) was another key initiative. Pre-order in Brazil is today responsible for a single digit percentage of duty-free sales. It has proved it helps drive spend per head as it helps customers to plan their shopping in advance and encourages them to shop even more at the arrival shops. Ambitious e-marketing and social media campaigns drive additional traffic to the pre-order website, which is expected to reach 500,000 monthly customers.
- **Olympics in Rio:** Even though the Olympic and Paralympic Games ran from August until mid September, the sale of Rio 2016 official merchandise started already a year earlier in the Dufry stores. The partnership with landlords, suppliers and the Olympic Committee, together with the experience shared by World Duty Free after their experience of the London 2012 Olympic Games, helped the business to deliver excellent results, not just during the time of the Games, but also in the following months. In its own way, Dufry has earned a place on the podium with a gold medal, as sales grew again after several months, showing a great performance in August and repeating this month after month since then.

Seizing Opportunities Whenever they Arise  
A lesson learned was that good opportunities can arise, even in turbulent times. And as proof of

that, over the last few months and following the strengthening of our long-lasting partnerships with landlords, our contracts with Rio and São Paulo airports were extended. The extensions included incremental retail space which will permit Dufry to further roll out the main duty-paid concepts, Dufry Shopping and Hudson.

In summary, the Brazil operation today is far better prepared to cope and leverage the business when the economic situation improves. In terms of results, the recent numbers showed an ongoing trend of increasing sales and a positive performance.

## Local Heroes

### **Bruna Meirelles, Textile, Watches & Accessories Sales Category Manager**

After three years in Dufry, Bruna has already proved her commitment to, and passion for, her work. She joined the team in Rio de Janeiro to help



Bruna Meirelles, Sales Category Manager.

develop the national brand shops and brand boutiques ahead of the Olympic Games, as she had previous experience from her time in our São Paulo stores at Guarulhos Airport. Her commitment was essential in order to help us achieve our goal. With nearly 8,000 transactions in one single day in Rio Galeão airport, Bruna

contributed to some of the most record-breaking moments our Brazil operations have ever witnessed. In her personal life, Bruna enjoys listening to great music on her running sessions by the beach. So for her, being in Rio de Janeiro and helping with the Olympic Games was a perfect combination! ■

## Argentina



# Motivating Customers with Powerful Promotions

By Jorge Muñiz

With over 40 years of experience behind them, Duty Free Shop is the pioneer of travel retail in Argentina. Acquired by Dufry in 2011, it operates 13 stores in five airports across the main Argentinean cities and employs over 850 staff.

Its flagship store with over 3,000 m<sup>2</sup>, is located in the Ministro Pistarini Airport – more commonly known as Ezeiza Airport – in Buenos Aires. This airport, with a more leisure-oriented passenger profile, handles mostly domestic traffic. Duty Free Shop also operates a retail space of 1,430 m<sup>2</sup> in Buenos Aires' other airport – Jorge Newbery Airport – which has a more balanced business and leisure customer profile. Argentineans are the largest passenger group here, followed by the Brazilians and Chileans.

### Emphasizing Eye-Catching Promotions

The Argentinean team set three tiers of creative actions in place to cope with an unexpected devaluation of the Argentinian currency and a reduced competitiveness of the duty-free offer caused by a change in legislation in Argentina. :

- **Adjustment of prices** – which included tough negotiations with national and international

providers – achieving on average a low double digit price reduction on the core categories of beauty, food, alcohol and spirits and electronics. Additionally, they introduced a 30% saving warranty vs. local market prices on a selection of price sensitive items to help safeguard the value-for-money perception of our products.

- **Promotions based on volume** (3 for the price of 2; 25% off a second purchase) on best sellers; aggressive discounts of up to 20% off on selected items; VIP vouchers on more affordable conditions (for purchases over \$150); 10% discount on web pre-orders, and many other commercial actions to incentivize sales.
- **Added value services** including Duty Free Locker (“Shop and Collect”), offering 10% discount for purchases over \$300 and the option to collect purchases on return. An increase too, in the number of partnerships with banks and financial entities for the financing of purchases at 0% rate interest in up to 12 monthly payments.

### Important Lessons Learned

Besides the top-class customer service offered by our staff to help gain and retain customers; three

major lessons were learned in Argentina: First, when unexpected events occur, it is important to react very quickly to changes in the profile of the customers through tailor-made product and price policies, with special emphasis on powerful, eye-catching promotions. Second, plain and straightforward communication to the customer in the point of sale as a way to influence their buying decision is of the utmost importance. Third, measures to incentivize purchase, such as "Shop and Collect", enhanced financial facilities, or discounts on second purchases, were very helpful in motivating customers to buy.

## Local Heroes

These are just some examples of top performances in our Argentinean operation that have helped us to navigate the situation:

### Carolina Prada, Beauty Category Manager

With over 15 years in the business, Carolina, mother



Carolina Prada, Beauty Category Manager.

of two sons and a tennis and shopping lover, contributed to the revamp of our beauty offer with the addition of new products and brands to meet the demand of customers, rationalizing the size of the product portfolio and hence improving the buying budget.

### Leticia Scarfatti, Sales Assistant at Ezeiza Airport

Leticia has worked in the company for more than



Leticia Scarfatti, Sales Assistant.

13 years. She loves traveling, nature, and above all, her six year-old grandson. Leticia has been an inspirational example for the rest of the Ezeiza staff achieving great results, being a real team player, supporting colleagues and showing initiative and a desire to continually improve.

### Edith Navone - Customer Care First Assistant

After 37 years in Duty Free Shops, Edith is an example of true dedication to the company. She is



Edith Navone, Customer Care First Assistant.

proud of her work and she feels like an integral part of the airport itself! She is responsible for taking care of our VIP customers and frequent flyers. Her charismatic character has made her an institution in the company. She is a very social person who enjoys a good film and loves traveling. ■



Dufry Shop in Argentina.



## The Legacy of the World Cup and Olympic Games

**The event of the year is now behind us! The Games of the XXXI Olympiad showed the world what the Brazilians are capable of delivering, despite a tough political and economic environment. Dufry, who was the official airport retailer for the Rio 2016 Olympic Games, also played its part, by creating 'WorldClass' retail environments in the airports and featuring Olympic-dedicated stores. Now that the Games are over, what's important is the legacy they leave behind. For Dufry, it's a valuable one in terms of experience, know-how and creating stores that are ahead of their time in terms of the future to come in our industry.**

**By Jorge Muñiz**

The Olympic Games in Rio leave a lot of stories behind them. These have been the first Games in Latin America since Mexico in 1986 and the world saw the swimmer Michael Phelps winning (yet again) another five gold medals (and one silver), the legendary Jamaican runner Usain Bolt win three gold medals and rising stars like Simone Biles in gymnastics achieving four gold medals and one bronze. From a purely sporting perspective, we can all say without a doubt that Rio 2016 has been an extraordinarily successful Olympic Games in which almost 100 world and Olympic records were set. From an organisational viewpoint, Brazil has shown for the second time in two years that it can successfully stage major international sporting events. And although there were some controversies during the preparation stages, the Games ran smoothly, despite the serious

political economic and political crisis that the country is going through.

Rio is also home to one of Dufry's largest airport operations. So, to some extent, it was also Dufry's Olympics. Both the 2014 FIFA World Cup and these 2016 Games were the catalyst for extensive changes in the main Brazilian airports to expand capacity and modernise infrastructures. Additionally, the airport privatisation processes which started in 2012, have introduced a new perspective on the airport's competitiveness and revenue generation, which in turn, has helped to increase the relevance of the commercial activities.

These two elements created a great platform which Dufry then built on with the upgrade of most of its

stores, taking them to the highest standards and introducing new and successful concepts such as Dufry Shopping and Hudson.

As the official retailer for the Rio 2016 Olympic Games, Dufry opened 18 Rio 2016 shops and three shop-in-shop concepts that were in operation until the end of the Paralympic Games in September. In addition, Dufry created a dedicated area for merchandise from the Olympic Games in all its Duty Free, Dufry Shopping and Hudson stores, totalling around 50 points of sale. The Rio 2016 shop concept was not only confined to Rio. It was introduced in seven other cities in Brazil, including São Paulo and Brasília.

The opening of these special stores was accompanied by extensive marketing and communication plans, with a several activations and special promotions in the main airports. In terms of sales performance, this has been in line with the company's expectations. But it is the legacy of these events that really matters. With the major redevelopment of our Brazilian operations and the increased emphasis on the quality of service and expertise, Dufry has successfully proved its ability as a "WorldClass" retailer, to deliver a vision to the world of what the future of travel retail will look like. ■

Divisions 

## D2 New UN Campaign with Geneva Airport and Dufry

The United Nations, the Geneva International Airport and Dufry, represented by the duty free shop at Geneva Airport, have joined forces to raise awareness of the 17 Sustainable Development Goals (SDGs), also known as the Global Goals, with a new campaign called #YouNeedToKnow.

Travelers arriving at the Geneva Airport in November are being greeted by a wall-size promotion of the Global Goals, and an appeal to do their part to help achieve them by 2030.

Installed just outside the duty free boutique, the campaign visuals remind visitors there won't be a second chance to save the planet for future generations. It urges them to rally around the Global Goals, and think about how to rid the world of poverty, provide quality education, guarantee gender equality and foster economic growth, among the many challenges the world must tackle swiftly.

According to the United Nations, informing two billion people about the Global Goals by the end of 2017 will be key to their successful achievement over the next remaining 14 years. The campaign encourages people to spread the message on social media using the #YouNeedToKnow hashtag.

"As the leading retailer in airports across the world, Dufry stands at the heart of global connectivity" says Julian Diaz, Chief Executive Officer. "We are delighted

to collaborate with the UN and the international Geneva community in their ambition to bring the 17

objectives to two billion people in the quest to ensure a sustainable future for all."

For his part, Geneva Airport Director-General André Schneider says: "Geneva Airport, as the entry point of the international Geneva and the UN, has a special role to lead and showcase sustainable development in the context of airport and air traffic."

The #YouNeedToKnow campaign will be visible until the end of November at the airport. Travelers can also pick up free promotional stickers at the duty free shop that carry the phrases "it all starts with you. What can you do to help achieve the #globalgoals?" and "The clock is ticking. Only one chance to save our planet". ■



New UN Campaign with Geneva Airport and Dufry.

# Dufry Brand Champions

**Mission, vision and values are at the heart of any company. Over the past few years the Dufry business has really evolved and with the acquisition of new companies, the number of employees has increased significantly. As a result of this growth, new, aligned company values have been introduced to capture and integrate the very best practice from the different companies into the Dufry Group.**



Brand Champions Basel, Switzerland Headquarters: Mike Harrington, Ian Foster, Stephen Kenyon, Maria Rosa Benavides, Ana Carolina Tapia, Steven Lazarus, Christian Lüthi, Sandra Sareen.

## By Magdalena Borowiec

Starting in June 2016, a core Brand Value Champions team was created within each of the Divisions. The mission of each of these teams is to promote and share awareness of our values across the globe.

Brand Value Champions are extremely enthusiastic people who know the business extremely well and are also very well known by their colleagues. There are many Brand Values Champions in numerous locations, and each of them is supported and represented by their Divisional HR colleagues:

- In Global Dufry Headquarters there are 11 Champions in total, represented by Stephen Kenyon
- In Division 1 there are 21 Champions in total, represented by Anna Kanari
- In Division 2 there are 28 Champions in total, represented by Alex Sheppard
- In Division 3 there are 21 Champions in total, represented by Kevin Siu
- In Division 4 there are 48 Champions in total, represented by Maddie Moreno
- In Division 5 there are 32 Champions in total, represented by Sadaf Choudhry



Brand Champions Madrid, Spain.

One of the roles of the Champions is to run initiatives to help remind us how the Dufry values can be incorporated into our everyday work. Several initiatives have taken place already, across the many different locations where Dufry operates. The activities have included 'lunch & learn' sessions in Kuwait and Madrid, which provided the opportunity to talk about values



Brand Champions London, UK.

whilst relaxing and sharing a pizza lunch. In Bulgaria and the Dominican Republic the Champions have organized values related quizzes and games. In Turkey, a recognition program has been introduced to award an employee of the month for representing the values. There have also been sessions at New York JFK Airport which enhanced the discussions on collaboration and teamwork.



Brand Champions Kuwait.

Feedback from one of the participants summarized the effectiveness of the sessions: "We've recognized that after introducing the Brand Values it's sparked a conversation on how each department can effectively work together (warehouse, shop floor, back office and

HR) towards one common goal and as a result we are seeing departments effectively coordinate with one another," said Stephen Fortune, Customer Service Manager.



Brand Champions Dominican Republic.

The Brand Champions are spreading the word and continue to launch various related initiatives. This is an exciting time to share our values, so keep a look out as there will be many more activities coming to a location near you. ■



Brand Champions New York JFK Airport, USA.



The warehouse team in Puerto Rico is showing the Dufry values.



## Over 3000 m<sup>2</sup> Retail Space Dedicated to Peruvian Culture

The refurbished walk-through duty-free store at Jorge Chávez International Airport in Lima offers a striking shopping environment. It guides passengers into a curved space which features "a complex mix of reflections and images, representing the dynamic and changing character of the city of Lima". The ceiling and floor create a flow through the store making it feel inviting and spacious. The area called "Thinking Peru" promotes local culture and heritage with its unique design

elements and materials. A colourful lattice across the ceiling evokes the traditional Peruvian fabric that tourists discover when they visit the country.

Customers can choose from 15 new brands including Tom Ford, Givenchy cosmetics, Urban Decay, Viktor & Rolf, Giorgio Armani make Up and Polaroid. Seven of these brands are not currently available to buy in the local market, which gives our stores even more appeal. ■