

DUFRY WORLD

WorldClass.WorldWide.

**CORPORATE
MAGAZINE**

ISSUE 27

July 2018



 Leadership
Conference 2018 **10**

 Interview with
Javier González **6**

 Cruise Business **17**

Strong Start to the Business Year 2018

By Julián Díaz

Dufry delivered a very strong performance at the start of the 2018 business year, with turnover coming in at CHF 1,820 million, an improvement of 6.6%. This is the result of good growth in all our divisions, including UK and Central Europe where we also saw a positive growth of 3.9%, if we exclude the impact of the closure of our operation in Geneva in late 2017. The overall improved performance of the company is best reflected in the strong increase in net earnings amounting to CHF 110.9 million, which more than doubled as compared to the previous year. This positive development is a great motivation to remain focused on our goals, as it shows that our initiatives are successful and provide the expected results.

Dufry's future discussed at the Leadership Conference in Switzerland

The key story of this edition focuses on the Leadership Conference held on May 16 and 17 in Zurich, Switzerland, which saw the gathering of top management colleagues from countries, divisions and headquarters. This year's Conference was held under the theme "Enhancing Customer Experience" and the three main goals where to 1) align global strategic priorities to drive customer satisfaction and increase efficiencies; 2) create a platform where top management can share their views and enhance Dufry's know-how, and 3) facilitate a physical networking opportunity to strengthen relationships. For the first time, this year we also welcomed several external experts, who made important contributions and pro-



vided our management teams with valuable insights and external inputs.

ONEDUFRY is coming alive

Another important feature of this Dufry World issue is the article on the ONEDUFRY initiative, which is key to helping us define and implement the way we all want and intend to serve our customers – both internal and external ones – in order to enhance customer experience. For our Corporate Values (Global, Focused, Delivery, Solid), Guiding Principles (Care, Showcase and Efficiency) and Focus Domains (Driving Employee Experiences, Driving Customer Experiences, Driving Business Results) we have now produced detailed behaviors guidelines that apply at all levels of the organization.

It is important that we all adopt these principles to be perceived as ONEDUFRY by all our customers and business partners.

Thank you for your efforts and dedication

I would like to thank you and all our colleagues around the world for the ongoing dedication. I appreciate the motivation I see on a daily basis. It is today more than ever important that we execute well, keep focused on our everyday tasks and enjoy our work to further improve the quality of our deliverables. I am looking forward to a successful peak season and to work with you to achieve our goals. ■

Imprint

Publisher: DUFY AG, Brunngässlein 12, 4010 Basel, Switzerland

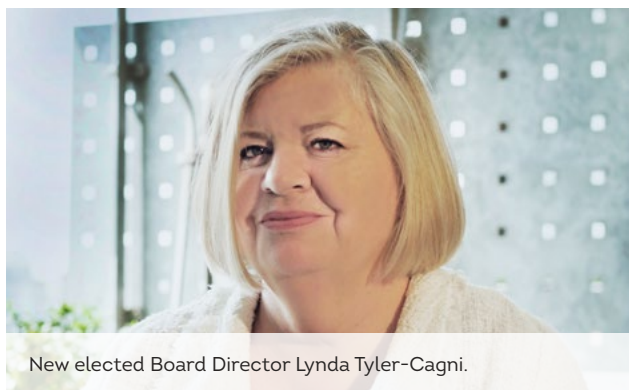
Editorial Team Headquarters: Julián Díaz, José Antonio Gea, Andreas Schneider, Javier González, Salvatore Aricò, Renzo Radice, Jorge Muñiz, Lubna Haj Issa

Design and Process Coordination: Match Communications, Zurich **Production:** Match Communications, Zurich, and x-site, Basel **Published languages:** English, French, Italian, Portuguese and Spanish

emagazine.dufry.com
dufry.com

HQ Two New Members Appointed to the Board of Directors

During Dufry's Annual General Meeting (AGM) that took place on May 3, 2018, shareholders approved the appointment of two new independent members to Dufry's Board of Directors: Lynda Tyler-Cagni and Steven Tadler. Both Lynda and Steven bring unparalleled experience in both the retail and food & beverage industries and their specialist knowledge will further strengthen our Board of Directors. Following her election, Lynda was also appointed to the Remuneration Committee.



New elected Board Director Lynda Tyler-Cagni.

Lynda Tyler-Cagni is the founder and CEO of Tyler Cagni Consulting Ltd, a consulting company advising primarily in the fashion, retail and fast moving consumer goods (FMCG) sectors. Lynda also serves as a director of Atlantia SpA, an Italian listed global operator in the motorway and airport infrastructure sector. She previously served on the board of World Duty Free Group as a non-executive and independent member and chair of the HR & Remuneration Committee (until the acquisition by Dufry). She was also an advisor to the management board of Bonpoint and held various management positions with Fast Retailing Group (Uniqlo amongst others) and Ermenegildo Zegna. Lynda holds a BA (Hons) in Languages, Economics and Politics from the University of Kingston, London.

Steven Tadler is Managing Partner and director of Advent International Corp, which he joined in 1985. Steven also serves as a director of Bojangles, a restaurant operator and franchisor listed on the NASDAQ, and wTe

Corporation. Previous board mandates include Dufry (2010 to 2013), Skillsoft (2010 to 2014) and Transunion (2012 to 2017). Steven holds a BS, with distinction, from the University of Virginia and an MBA from Harvard Business School.



New elected Board Director Steven Tadler.

Lynda and Steven replace Xavier Bouton and Joaquín Moya-Angeler Cabrera, who decided to step down from the Board of Directors. Xavier has been a member of the Board of Directors since 2005 and was a member of the Audit and Remuneration Committees. Joaquín has also been a member of the Board of Directors since 2005 and was Chairman of the Audit Committee and a member of the Nomination Committee. At the AGM, Dufry Chairman Juan Carlos Torres expressed his gratitude to both Xavier and Joaquín for their long-lasting support, dedication and contributions to the successful development and growth of Dufry. ■

Division News **4, 23**

People **6**

WorldClass **17, 21**

Key Story **10**

Favorite Shop **24**

Dear colleagues, feel free to send us **your stories, news and any other contributions** to **suggestions@dufry.com** so that we can continue to develop Dufry World as a magazine from employees for employees.

D1 Inauguration of Refurbished and New Duty-Free Shops at Heraklion International Airport

On April 30, 2018, the inauguration of refurbished shops and additional new Hellenic Duty Free Shops took place on the same day as the inauguration of the modernized Heraklion International Airport, Nikos Kazantzakis. The event was attended by numerous representatives of the Greek political and business world.

The duty-free and duty-paid shops occupy 2,054 m² of retail space and display a wide selection of products including alcohol, tobacco products and a large collection of luxury products and accessories. Customers will discover an extensive range of perfumes and cosmetics from renowned international brands. The Hellenic gourmet area offers a wide choice of



Cutting the ribbon from left to right: Christos Spirtz, Minister of Transport and Infrastructure of Greece; George Velentzas, CEO Hellenic Duty Free Shops, and Konstandinos Lintzerakos, Governor of the Hellenic Civil Aviation Authority.

traditional Greek cuisine, so customers can purchase world-famous Cretan foods and beverages and enjoy an authentic taste of Greece.

The stores have created a unique and exciting shopping environment for the millions of passengers who visit the island of Crete every year. ■



Numerous guests from all parts of society, including business, politics, the media and the clergy, attended the event.

D3 Five-Year Contract for Duty-Free Stores in Hong Kong's New Railway Station

Dufry has won the tender to operate the duty-free stores in the new state-of-the-art railway station in Hong Kong serving the High Speed Rail which connects to Mainland China. This is a significant win for Dufry as part of its drive to develop more business in Asia and is another important milestone in its strategy to expand into additional and alternative channels other than airport retail.



Futuristic design of the new Hong Kong Railway Station.

The store development will include a departures shop covering 1,200 m² and an arrivals shop of 300 m². Dufry is now focused on delivering state-of-the-art 'flagship' stores that showcase its expertise and are tailored to meet the needs of Chinese and Hong Kong travelers.

The stores will include the core categories of beauty, liquor and tobacco, confectionery, fashion and also health and wellbeing, which is a very important category in the Asian market. ■

D3 Dufry Opens First Duty-Free Arrival Shop in Astana International Airport

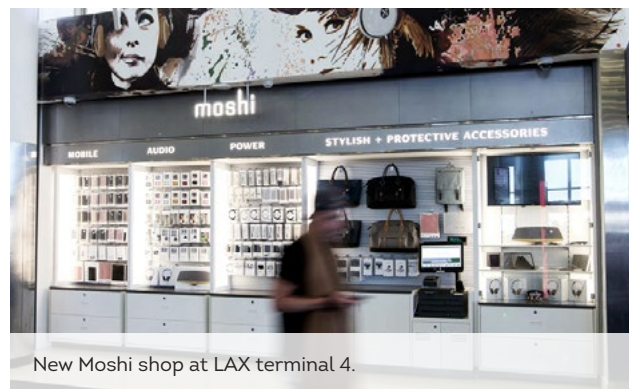
Dufry has inaugurated its first duty-free arrival store in Kazakhstan, which is an important step in the company's strategy to expand its presence in key locations within the fast-growing region and deliver an exceptional customer experience.



Sieghard Raschdorf, Dufry General Manager Astana (left), and Radilbek Adimolda, Chairman of the Board of Astana International Airport JSC (right).

D5 Hudson Group Introduces Moshi Store at LAX Airport

The new Moshi store is located in Terminal 4 and features a comprehensive selection of the company's design-centric accessories and devices for smart travelers on the go.



New Moshi shop at LAX terminal 4.

The new shop covering 80 m² offers an extensive collection of premium fragrances, tobacco, spirits, and a range of high-quality confectionery complements the product mix.

Since 2013, Dufry has been operating at Astana International Airport and the new store reflects the company's competence in creating an incredible shopping environment featuring elements of the region's unique cultural heritage. The new arrival shop will enhance the customer journey and enable travelers to experience the world of Dufry. ■

D3 Dufry Opens New Hudson Shop in Sharjah International Airport

Dufry has completed the development of its new Hudson convenience shop, which started trading on April 26, 2018. The 171 m² shop will focus on travel essentials including luggage, publications and foods and will also offer a selection of electronic items and toys.



Second Hudson shop at Sharjah International Airport opened.

This is the second Hudson shop at Sharjah International airport, the other being the Hudson News shop which is located landside. ■

Moshi is a premium accessories and electronics brand established in 2005. Moshi creates extraordinary products that enhance the mobile lifestyle. The store will include Moshi's Red Dot award-winning portable batteries (IonBank 3K and IonBank 5K) and Bluetooth headphones (Avanti Air), as well as a full assortment of the company's cables and adapters. ■

D5 Contract Extension at Pittsburgh International Airport

Dufry successfully concluded the 10-year extension of its concessions contract with Pittsburgh International Airport.

With over 1,000 m² in concession space, the contract includes the renovation of six stores. Brands represented within this contract include Hudson, Sarris Candies, Dunkin' Donuts and Ink by Hudson. Providing passengers with an enhanced travel retail, food and beverage experience, whilst creating a sense of place is a main objective of this renovation project. ■

Seizing the Digital Opportunity

Over the last couple of years we have been hearing that the digitalization of the travel retail business is probably the most complex challenge and also an opportunity that not only Dufry, but the whole industry will face in the coming years. Javier González, Global Marketing and Digital Innovation Director, gives us some hints about Dufry's plans to seize the "digital" opportunity.

By Jorge Muñiz

DW: Why is digital a challenge for the travel retail industry?

Travel retail to date has been a safe harbor. If we just take the case of Dufry, we have a reach of 2.5 billion potential customers every year; these are the passengers transiting through the airports in which we operate. The combination of potential customers with the "dwell time" – the time passengers spend after the security controls and before boarding – gives us huge exposure to customers and great selling opportunities.

Having said this, in the last few years we have witnessed how e-commerce and the digital customer journey have changed the rules of the game. To put things into perspective, global duty-free sales in 2016 reached USD 45.7 billion, just a third of Amazon's USD 136 billion in the same year. With these facts in mind, it's clear that the challenge of the duty-free industry is not just about engaging with millennials, but rather about embracing a new way of shopping, engaging with the customer and really delivering what today's customers expect.

Where is Dufry standing in this "digital" revolution?

Catching up is probably the most straightforward answer to this question. If we take the retail industry as a reference, you can easily see that we have not evolved in the same way when it comes to digital. All the high-street retailers today have somehow embraced digital and streamlined their e-commerce capabilities: something that is relatively new to Dufry and to most travel retailers. While you can access a good proportion of a high-street retailer's offering through the Internet, apps or even on social media channels, we don't have a website for each of our airport stores and the offering where we have websites is still limited.

Travel retail has evolved at a different pace for the reasons mentioned in the previous question, and probably for many others. The reality is that we are missing a number of opportunities to engage with



Javier González, Global Marketing and Digital Innovation Director, is leading the digital transformation of Dufry.

prospective customers and our plan is to reduce the gap and catch up.

But we are somehow safe from the e-commerce world because, in the end, our customers need to pass through the airport... then, why embracing digital is so critical for Dufry?

Digital is not just about making sales through the Internet channel – something that we aim to do with

our Reserve & Collect service for example. Digital goes further, as it enables earlier contact with prospective customers and gives us the opportunity to educate travelers about the products and services available at the airport, putting airport shopping front of mind and thereby increasing the selling opportunities.

We strive to align our approach with the entire airport ecosystem (airports, airlines, brands) to build a robust digital position for our business, to enable us to protect ourselves from outside e-commerce players and to give us a strong competitive advantage versus our natural competitors. Just as an example, by partnering with airlines, we can inform travelers about what they can find in store at the same time as they receive their online confirmation for their trip, and we can also highlight personalized and exclusive offers. This is a win-win relationship for the airline – it gives additional value to their customer with a special offer – and for us, as we can start a conversation with the customer just at the moment they confirm their trip.

When it comes to the travel retail industry, is the so-called digital transformation hype or reality?

Neither one nor the other. For me, digital is the opportunity of transforming an already “old” industry into a more relevant channel. How can we do that? By changing our value proposition.

Traditionally, the duty-free industry’s proposition was purely value for money. Buying duty-free in the past meant finding your favorite products at better prices than on the high street but in today’s world, price is the key proposition for many retailers and not just duty-free. Moving forward, duty-free needs to be associated with more than just attractive prices; to be competitive, we need to focus on exclusivity and novelties as well. By focusing on more than just value, we can deliver a shopping experience that meets and exceeds customer expectations. Exclusivity means products that are available in the travel retail three months before they are on high street, products and formats that are exclusive to travel retail and experiences that are only accessible through this channel – such as tastings, brand interactions, etc. This should be the mission statement of the travel retail industry.

To some extent, we are similar to the cinema industry where the consumer is willing to pay a premium for additional value, such as seeing a special screening of a film before it is shown elsewhere, or enjoying the experience delivered by the latest audiovisual technology in a theater.

Is Dufry ready to lead this industry transformation?

As I said, we are still catching up! But as the leading travel retailer, I have no doubt that we will be the change driver rather than a follower.

What’s our digital roadmap and when can we expect to see the digital transformation of Dufry?

I don’t think we will ever be able to see the job completed as we are talking about a world in constant change. Having said that, I think we will see a major evolution in Dufry in the next two to three years. Changes that will impact not just our stores or our communications with customers. We are also working on digitalizing our staff by giving them the necessary technology and tools to do their jobs better.

The digitalization of Dufry will result in a more agile company that will speed up response times and put the company in a stronger position to cope with the future challenges. ■

IN A MINUTE:

- A meal: Fried lobster in Es Caló restaurant in Formentera (Balearic Islands). It’s not just about the food, but also the environment.
- A book: I read a lot and all kinds of literature. I cannot give only one title...
- A city: I have two – Hong Kong and Tokyo – which I recommend visiting at least once in your life.
- A film: The Sting, with Robert Redford and Paul Newman.
- A hobby: Traveling across Europe – one of the perks of living in Switzerland is that you are in the heart of Europe and very close to many interesting places.
- A leader: Steve Jobs and his capacity to drive innovation and transform the industry.

Wall of Fame



Munaf Mohammed
(known as Moon)
Customer Service Assistant
Birmingham (UK)

Moon suffered a severe stroke in December 2015 and his family were told to say their last goodbyes as his doctors did not feel he would recover. Miraculously, after nearly four months in hospital, Moon was released with support from medical professionals at Moor Green Hospital and continued his recovery.

He then started to work with charities and gives up his time to talk to people in hospital about his experience and the exercises that have worked for him. Moon is going back in the next few weeks to hold further sessions with patients about getting their lives back on track and particularly focuses on those who have given up since having a stroke.

He also encouraged his son to run a half marathon for a stroke-related charity which raised in excess of 500 GBP. In addition to all this voluntary work, Moon can be found in our luxury category in our Birmingham operation and is acknowledged as an expert in sunglasses with exemplary service levels.

Moon is hugely popular with staff and customers alike and is seen as a real advocate of the Dufry business.



Mariam Momtshyan
Logistics Manager
Zvartnots Airport
(Armenia)

Mariam is probably one of our most talented staff member in Armenia. And we are not just talking here about her professional skills, but also about her artistic skills and altruistic approach to life!

Alongside her day job, volunteerism and philanthropy are a big part of Mariam's life, and she strives "to make the world a better place with a little more smiling and kindness." She is a volunteer in 'KASA Swiss Humanitarian Foundation-Adopt-a-Family' project, providing help and guidance to newly arrived refugee and asylum-seeker families, as well as families displaced from Syria because of the conflict. She also has plans to create her own non-governmental organization in the arts, which will help creative and talented people to implement their projects and realize their potential. Mariam says her goal is "to make the world more beautiful."

When she wanted to shoot her own film about wine, Mariam took a four-month course at VGIK (Gerasimov Institute of Cinematography) in Moscow. She successfully completed it and then started to make a film documentary about wine-making in Armenia. Always positive and eager to discover new things, Mariam started to study at EVN wine academy of Armenia. When she speaks about grapes and wine-making you can almost taste the wine and smell the fragrant ripe grapes!

Mariam also likes music and yoga, plays piano and guitar. Her hobby is to create things with clay. She also makes organic chocolate by herself, because she says "she puts the best of her emotions into the chocolate."

Malin Hellberg
Sales Supervisor
Stockholm Arlanda
Airport (Sweden)



With her professional and natural way of meeting customers, Malin is one of our stars and is always focused on the customer and giving the best possible service.

She is always there for her work colleagues as well, as supervisor and colleague. Malin works hard to create a positive feeling with the team and she challenges, educates, encourages and coaches everyone in the store to a very high level. Malin is an enthusiast who spreads energy all day, every day! Malin is one of the finalists in Arlanda airport's "Sales and Service Award 2017".

Biju Mathew
Warehouse Manager
Sharjah (United
Arab Emirates)



It is a pleasure to celebrate a Silver jubilee and recognize an ongoing commitment to Dufry. Biju Parappallil Mathew joined Dufry in February 1992 as store keeper and evolved professionally to finally become warehouse manager. Biju's journey started 26 years ago at the Sharjah Airport Terminal Store area which occupies 250 m² and also the portable storage facility of 40 m² in the cargo terminal. From those modest beginnings, Biju managed to develop and increase capacity to up to 1,560 m²! He introduced several operational improvements, including

Wall of Fame

the pallet racking system and a temperature-control facility in the warehouse.

Beyond Sharjah, Biju was also being responsible for setting up the warehouse and shop operations for Dufry Sri Lanka at Matala airport, duty-free Shops at Oman airport and Dubai Sea Port duty-free shops at Port Rashid Terminal.

Biju is also involved in charity work as and when he has time. He sponsored the education of an engineering student back in his home country, India. During his spare time he enjoys going to the gym, reading and long-distance driving.



Liana Khachaturyan
Operation Manager
Zvartnots Airport
(Armenia)

What are the odds for a small-size operation to become the best across the Dufry portfolio in customer service? In principle, quite limited... unless you have Liana.

As a Dufry certified trainer, Liana Khachaturyan – who has been in the business since 2003 when the first duty-free shop was established in Zvartnots International Airport in Yerevan – puts all her soul and passion into training and motivating staff. She is in charge of training and coaching the shop floor staff and communicating Dufry's vision and mission, by representing Dufry values. Leading by example, she is a charismatic and admired member of the Zvartnots Airport team and responsible in no small part for helping this operation win 1st place in the Dufry Customer Service Awards in 2013.



Cornelia Carlstrand
HR Specialist
Arlanda Airport
(Sweden)

Besides her interest in HR, Cornelia loves wing walking! For those who haven't heard of wing walking, it is a performance of different poses on the wings of an aircraft – during flight! The pilot makes numerous aerobatic manoeuvres like loops and barrel rolls. It is an incredibly daring and adventurous act – a sort of "flying circus"! The Skycat wing walkers smile and wave to the audience as they perform on the

wings at speeds of up to 125 mph and experience G-forces of up to 4G! Cornelia travels all over the world doing displays at airshows and various events. Maybe she'll visit your city next!



Robi Gaine
Fleet Sales Manager
(UK)

You will be hard pressed to find someone more in love with cruises in Dufry than Robi Gaine. Aged 41, he has been working on cruise ships and in the cruise industry for 17 years! Except for actually manning the ship, Robi has done everything on-board!

He joined cruise ships in 1994 as a cleaner and deck steward. After working his way through the ranks in the restaurant as a waiter, in the bars as a bartender and even dancing and house-keeping, he finally moved into duty-free retail in 2000 as a retail advisor.

As store manager for another duty-free company since 2001, he worked for 9 years managing stores on more than 20 different cruise ships around the world.

Robi became part of the Dufry team in 2016 when he joined as Fleet Manager working from the Miami office and looking after Pullmantur Cruises and their four-ship fleet. In January 2018, he was transferred to Dufry in the UK to take over the 4th cruise line for Dufry Cruise services which was P&O Cruises and Cunard for Carnival UK. A real young-veteran of the cruise industry is on board!



Linn Sundman
Sales Supervisor
Stockholm Arlanda
Airport (Sweden)

Linn is the perfect example that hard work pays off! She started working as a sales advisor in July 2015. She decided to study sales management and kept the contact with Dufry during this time. As a final step of the education process she returned to Dufry as an intern. Now Linn is one of our brilliant sales supervisors and we're looking forward to following Linn's future journey within Dufry!

Leadership Conference 2018 - Setting the Scene for Dufry's Next Phase of Growth

Having accomplished its growth phase - originally described as "the global ambition" - by driving the consolidation of the travel retail industry and the recent transformational acquisitions, the New Dufry now needs to implement its standardized business model to deliver the level of efficiency expected by our shareholders and enter a new growth phase moving forward.





By Renzo Radice

Julián Díaz opened the Leadership Conference 2018, held in Zurich, Switzerland, on May 16&17, by welcoming top management representatives from headquarters, divisions and countries and setting the scene for the company’s further development. He welcomed the participants by thanking them for the excellent results achieved during the business year 2017 and setting the goals for the Leadership Conference 2018: align global strategic priorities to drive customer satisfaction and increase efficiencies; create a platform where top management can share their views and enhance Dufry’s know-how; facilitate a physical networking opportunity to strengthen relationships.



From left to right: René Riedi, DCEO Latin America, Vanessa Nigro, Global Internal Audit, Loss Prevention and ERM Director and Marcus Griffith, HR Director, Latin America

Industry characterized by changing profiles and customer behavior

In order to better understand Dufry’s initiatives and the goals defined, it is important to remember and understand the current forces shaping and influencing our industry today. Travel retail and Dufry’s business environment are characterized by increased changes in customer profiles; such as millennials, low-cost airline passengers etc.; the growing importance of Asia with respect to passenger growth; the growing importance of technology and the increasing propensity of customers to spend their money to make “experiences” rather than just “buying a product”. These developments pose some challenges in the way we need to shape our business going forward as customers increasingly:

- want to create unique experiences
- search for more exclusivity and personalized products
- expect individualized offers and promotions
- request new services

Dufry on track with strategic plan

The excellent results achieved in the business year 2017 show that Dufry is on track with the goals defined in the strategic plan 2017–2021. The implementation of the Business Operating Model still stands as the most important initiative and is set to be accomplished by the end of 2018. The standardization of processes and procedures, the use of an identical set of tools and a common way of working will provide the strong foundation on which we can further develop the company within this dynamic and changing environment.

The goals of the strategic plan are to:

- Further drive organic growth
- Diversify the business across existing and new channels, in and beyond airports
 - Continue to develop airports
 - Increase cruise lines, downtown operations and border shops as well as Dufry Shopping and Hudson International
 - Expand into airport Food & Beverage as well as Master Concessions in the United States
 - Further explore new travel retail channels such as the upcoming “Circle” at Zurich airport
- Monitor and execute M&A opportunities in the near future with a focus on Asia
- Cash generation and deleveraging

Several achievements on cruise lines and Asian markets

2017 has marked a considerable step-up in the cruise line business and the expansion in Asia, which underline our capability to achieve the goals defined above. In the cruise line business we have secured several new contracts and we expect to grow this channel by 6–7% going forward. Growth in this channel, which globally sees a market size of USD 2.1 billion, comes mainly from adding new ships to the portfolio. The reason for this is that the ships have a clearly defined space available and they normally sail at “full capacity,” thus limiting opportunities to grow on a like-for-like basis. We currently expect to add an additional 14 ships to our portfolio of which 10 will become operational in 2018, and we have the potential to further expand this channel with another 17 vessels in the near future. Cruise liners have a different sales mix compared to the airport channel, as around 58% of the assortment is focused on luxury, watches and destination products. Moreover, ships have changing operating environments as they change geographies with summer and winter routes. A key success factor to satisfying the expectations of customers and of our cruise line partners is, on the one hand, the cruise competence center established in Miami in 2017 and also the divisional support satellites in Hong Kong, Miami and Barcelona, which help us effectively manage the challenging supply chain.

In 2017 and early 2018, we also saw a major development in Asia and the planned expansion into alternative chan-



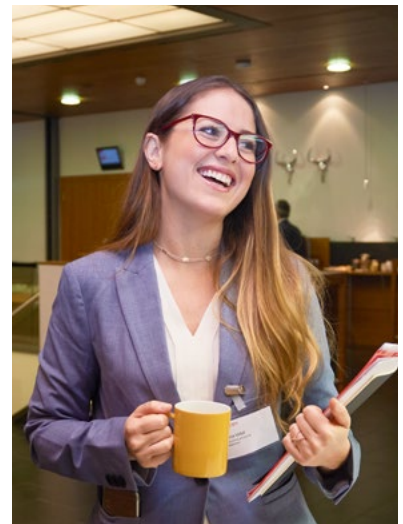
Humberto Mota (left), Division Advisory President Brazil, and José Carlos Rosa, CEO Lojas Francas de Portugal (right).



CEO Julián Díaz explains the goals of the strategic plan.



Yves Gerster (left), Global Treasury Director, and Luis Marin (right), Global Chief Corporate Officer, in a lively discussion.



Liliana Vidal, Deputy General Counsel, arrives at the Leadership Conference full of anticipation.



Isabel Zarza, General Manager Africa, listens attentively to the discussion.



CEO Julián Díaz is greeting by handshake Renzo Radice, Global Head Investor Relations & Corporate Communications.

nels. The Asian industry growth is mainly driven by the increasing wealth in China and the propensity to travel. The Asian market is concentrated in a few countries; some of them highly protected by regulations (e.g. China, Thailand) and characterized by the low product availability in high-street markets, as well as the even higher digitalization level of consumers with respect to western economies. The Asian markets offer opportunities for all our channels in and beyond airports and recent achievements show that Dufry can be competitive in this important region. Not only have we won new concessions with the JOY, which is the first cruise vessel fully designed for Chinese customers, and added a new downtown duty-free operation in Malaysia within the Genting Highlands resort. Most importantly, we have also just signed a new duty-free contract in Hong Kong's newest high-speed train station connecting the city with mainland China, with the shops expected to become operational in the second half 2018.

Building a global standard business model operating locally

The Business Operating Model (BOM) is coming alive with the implementation process having been launched in over 32 countries, of which 12 have already achieved the certification. Following the definition of the BOM blue print where organizational setups, processes and procedures have been defined by considering best practices, implementation is now being executed across the organization. As the BOM involves many operational aspects and concerns all departments at HQ, division and country level, there a many initiatives being executed in parallel. A positive change in perception of the BOM is described by the project team as "... now that the BOM is coming alive and the company starts to really work with the defined processes and organizational structures, we see a real enthusiasm from countries and departments in anticipation of its implementation ...," as they all understand the benefits of working in an aligned way.



From left to right: Pylalis Panagis - Head of Commercial Analysis, Alicia Viguri - Business Development Director Southern Europe & Africa, Carlos Grande - Retail Shops Director Southern Europe & Africa, George Velentzas - CEO Hellenic Duty Free Shops

IOS platform to maximize benefits of Dufry's negotiation power

The IOS platform which has already been set up to centralize negotiations with suppliers and is geared to generating the maximum benefits from Dufry's

purchasing power, is currently being completed through the full consolidation of the four distribution centers under one Enterprise Resource Planning tool (ERP). Completing the setup of the foundation is an important step towards the vision of using one unique master data, including the integration of the forecasting system and the unique product catalogue to handle purchases with around 1,200 suppliers, fully integrating countries and divisions. This will ultimately allow us to drive the collaborative approach to defining commercial plans with respect to assortments, inventory, pricing and promotions, all supported by dedicated tools for these specific tasks.

Bringing IT closer to business

IT is the key element and enabler for many of the BOM processes. It is therefore even more important to match initiatives to business requirements including on-time data quality, the standardization and alignment of the ERP systems and the data management overall. In this context, the IT function has been reorganized into five departments delivering a more agile development of services and tools for the countries and further increasing the level of data security. One of the key elements is that of defining the key ERPs (SAP and Gamma) to be used in the group and making sure that each division operates under the same system. In addition, new support tools will and are being provided to help develop the commercial plan, to handle the scope of the assortment with the listing of new products and to also handle advertising and promotional activities.

Motivated employees as key success factor

No processes and procedures can be implemented without motivated and dedicated employees at all levels. Human Resources has been focusing on the development of all Dufry employees and driving their engagement. The key element is Dufry Connect, which currently reaches 17,000 employees, and we aim to double this reach by year-end. Dufry Connect represents an internal employee management platform which allows both individual employees and the HR functions to execute all occupational steps from recruitment to training, from goal setting to yearly reviews and personal development within the same system, thus fostering and securing a high degree of equal opportunities for the entire workforce.

As a second element, HR and operations are driving the ONEDUFRY initiative, which aims to further unify staff and establish a common corporate culture across the organization. Originally started as the "Disney Project," ONEDUFRY is combining the more theoretical aspects of customer orientation and the service mentality to the specific Dufry needs and the business reality. ONEDUFRY is currently being implanted in several countries and will soon also be extended to internal functions, to make sure that the "customer service orientation" is not only perceived as fulfilling the needs of the "customer buying and requesting services in

the shop” but also to recognize “internal departments” as customers and ensuring that their requests are handled with the same levels of dedication and service orientation. The current focus of HR is to finalize the “technical foundation” and provide the respective tools to the vast majority of our employees, whilst at the same time intensifying training opportunities and personal development to help make all of our colleagues feel they are part of a great team and company.

Snapshot on women@dufry

The initiative to foster opportunities for women at Dufry by focusing on diversity and equal employment aspects has been gaining momentum. Heekyung (Jo) Ming and Claire Chiang, members of the Board of Directors, have contributed to the Leadership Conference through video messages underlining the importance of women@dufry. Moreover, some female management colleagues have shared their personal experiences when developing their professional careers at Dufry and the challenges they have faced and the support they received. The initiative has recently been further promoted internally, with meetings organized for all employees in several locations to coincide with International Women’s Day which takes place annually on March 8.



Noel Cho, HR Director Asia, Middle East, Australia and Eastern Europe.

Digital transformation ready for the next step

Approximately 18 months ago we first introduced the idea of the digital transformation in order to be able to respond appropriately to the changing market and customer expectations as described above. Meanwhile, the foundation for the digitalization of the stores, the digitalization of employees and the expansion of digital customer services is being built. We have already launched the New Generation Stores (NGS) in Cancun, Madrid, Melbourne, Zurich and Heathrow T3, and in 2018 we will open our next NGS in Buenos Aires; we have successfully introduced tablets for our shop associates, which allows them to better serve customers, and we’ve considerably expanded the reach of RED by Dufry, our customer loyalty program, and a new version of the RED by Dufry app will be available as of June this year. Finally, we have extended the network of our Reserve & Collect services to way over 100 locations. All Reserve & Collect locations will soon be accessible through a common website www.shopdufryfree.com,

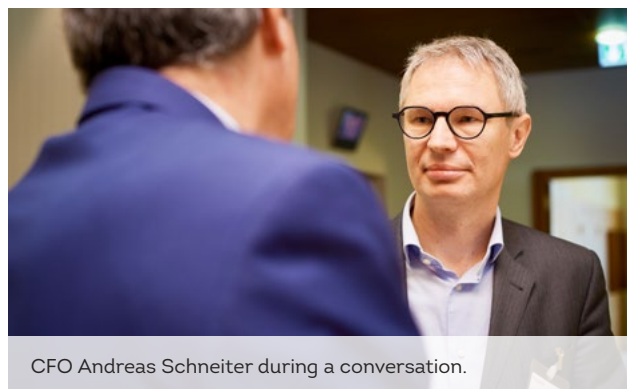
which will give our customers access to the whole Dufry universe of products.

Having set the technological foundation, the next step in the development of the digital strategy will be to partner with our industry stakeholders, such as airports, suppliers, airlines or credit card companies, to further increase the reach of our tools and services and extend the potential customer base and to leverage the value of our customer data to support our organic growth.

Leading category transformation

In line with the changing customer profiles and behaviors, product categories and assortments are facing important changes. To constantly meet customer demand, categories are following individual strategies to keep up with future expectations. The most radical change was presented by Drago Azimovic, President of PMI Middle East and duty-free. As an external speaker at our Leadership Conference, he introduced the transformation that Phillip Morris (PMI) is currently undergoing and provided the audience with a detailed insight into PMI’s current developments of their ICOS product line, for example, the “E-Cigarette” offer of the tobacco industry in general.

While the tobacco industry – also driven by strict regulation – is fundamentally reinventing itself, other categories are following more traditional evolution paths, all of them with the firm intent to maximize their presence in the travel retail channel, which they view as highly profitable. In this context, spirits as well as food & confectionery tend to develop travel retail or even Dufry exclusives and limited editions to underline the attractiveness of travel retail. They also strongly support the idea of staff upselling, based on the in-depth product knowledge of high-quality staff and dedicated promotions based on experiences, rather than just product. Customer experience is already in the DNA of the Perfumes & Cosmetics category which offers a whole spectrum of treatments and experiences with their beauty advisors – a population which within Dufry alone accounts for 4,200 colleagues on the shop floor. Dufry’s focus going forward will firstly be to drive product innovation with local and niche brands, to be followed with prelaunches and in approximately



CFO Andreas Schneider during a conversation.

one year's time also with exclusives. Exclusives have also recently been launched with the Luxury & Fashion category through a Bvlgari collaboration to create an exclusive Dufry backpack: a path to be continued in parallel with the intensified opening of brand boutiques such as those for Moncler, Chloe and several Richemont luxury brands.

Shop development beyond New Generation Stores

The newest generation of Dufry shops, known as New Generation Stores (NGS), have been introduced with the opening of the first five shops of this kind. All of them incorporate an extensive use of digital technology allowing us to really engage with customers and create new opportunities for shopping experiences beyond the pure product display. As the new generation store represents completely new territory involving not only shop design, but also close collaboration with suppliers when it comes to the provision of digital content, structured promotions etc., it will be important to ensure learnings made so far are reflected in future NGS stores. At the same time, shop design will undergo the same standardization idea inherent in the BOM, in order to optimize efficiency and to reduce the cost of building the shops.

Feeling the customer's pulse

The prerequisite to make the right business decisions is to understand exactly what customers want and how their expectations change. Not only from a time perspective going forward, but also from a regional approach to determine differences between different cultures or consumer groups.

In line with the assessment of the fast changing customer profiles and new customer behavior, Dufry has intensified its research activities to get a better feel for customer perceptions and anticipate new demands. Twice a year Dufry conducts 500 interviews at the top 40 airports, talking to customers at the shop exit to understand how they perceive shopping in our stores



José Antonio Gea, Deputy Group CEO talking to Andrea Belardini, DCEO Eastern Europe, Middle East, Asia and Australia

with respect to pricing, product assortment, service, expectations, behavior etc. The data collected is subsequently analyzed in detail and shared with operations and procurement to help us to constantly improve our overall offer and shopping experience.



Javier González (middle), Global Marketing and Digital Innovation Director, and Antonio Fabregat (right), Supply Chain General Manager Americas.

External insights

It is also worth mentioning that for the first time, the Leadership Conference saw contributions and insights from external experts on several topics such as "Transformation and the Rise of Teams," "Emerging Markets Economies & Global Trends" and "The bright future of physical shop spaces," besides the Phillip Morris transformation mentioned above. All these contributions added interesting insights and external perspectives to the current developments we face at company level.

2018's Leadership Conference clearly marked the strategic agenda for the following years, in which Dufry will complete the transformation that we are starting to see. After the announcement of the new organization made at the beginning of 2018, that heralded the need for a more agile decision-making structure to lead the growth of Dufry, we now have the complete roadmap ahead of us. Now it's up to all of us at Dufry to play our part in this exciting journey. ■



Welcome on Board!

More and more, we hear about Dufry's involvement in the cruise sector and how this is driving additional revenues for the company. We are going to take a deeper dive to better understand how the company is developing this emerging business for our portfolio and how it differs from airport retailing.

By Jorge Muñiz

The cruise business is not something 100% new to Dufry. The business started back in 2001 under the name of Flagship Retail Services and we have been operating the cruise business since then. However in 2017, Dufry took a major step forward with the transformation of the former "Flagship" into "Dufry Cruise Service". Beyond incorporating the Dufry branding to the business, and hence sending a clear sign to the industry, Dufry

significantly changed its structure, with the objective of combining and leveraging Flagship's know-how and experience with the Dufry Group capabilities.

As a result of that, a Center of Excellence was created in Miami - the capital of the cruise industry - from where Dufry develops the global strategy of the cruise business and from where we give support to the commercial development and operation of the business. Besides the current operational office based in Miami, two other local offices and logistical platforms are being created in Hong Kong and a further one to be based in Europe so that we can have our resources close to the main cruise ship hubs (Caribbean, South America, Alaska, the Mediterranean, the Baltics and the emerging Asian market).

So - what's our value proposition for cruise operators? As the largest travel retailer with a presence in 65 countries, we benefit from being the undisputed leader in travel retail. No other company has first-hand knowledge and understanding of as many customers in as many locations as we do.



Dufry has stores in 12 ships out of 16 incl. the new vessel - NCL Joy - operating in China and the new launch NCL Bliss



32 stores on ships, incl.: Carnival Valor, Carnival Sensation and Carnival Inspiration

Our database holds over 1 billion transactions that provide us with precious information on nationality, destination, ticket value and basket mix, as well as an in-depth understanding of customer preferences, with respect to product assortment and structuring of marketing initiatives such as promotions. This information is invaluable for our destination analysis and can be used to enhance the cruise operator's offering.

On top of that, Dufry's intense focus on high-quality training and induction programs, including the Cultural Awareness Training, ensures we have a team that is ready and prepared to match our global standards. The demographics of our team members are deliberately diverse in order to meet the differing needs and expectations of each of our customers.



P&O Cruises: Stores on 3 ships

And what's the rationale to further invest and pursue this opportunity outside our core business (airport retail)?

Cruising is a business that is recording an average 7% increase per annum and a business with many analogies to our core business. To begin with, the cruise sector operates tax and duty-free shop environments. It's also a business within the travel retail industry, with similarities in the demographics and profiles between airport passenger and cruise guests who have a similar appetite for global brands and demand similar products from the traditional duty-free core categories. However, running a cruise operation poses a few operational challenges. The selection of the product offer, which is always a critical

task, becomes even more challenging for cruise liners. The passenger profile, even for the similar itineraries, changes depending on the season. At the same time, the competitive environment is very different. And while at an airport the choices for spending money are very much restricted to either shopping or eating and are more impulse-driven, on a cruise ship there are more options competing for the guest's time and money: casinos, theaters, shore excursions, spas, alternative dining, activities for kids... and last but not least, passengers can decide to think about a product and whether they want it and come back a day later. Moreover, some of the ports visited – especially in the Caribbean – have very low or even no taxes on some products, which further increases the competitiveness.



Stores on Pullmantur's entire fleet (4 ships)

These however were not obstacles for Dufry to break the CHF 100 million threshold in revenues in 2017 (57% increase versus previous year) and to sign Norwegian Cruise Line's newest ship, the NCL Bliss, to its portfolio. In addition, we struck an agreement with Pullmantur Cruises to operate stores in its entire fleet and started a significant business partnership with Carnival Corporation – the biggest Group in the Cruise Ship industry – that includes not only an additional ship with Carnival Cruise Line, but also with Holland America Line and P&O Cruises. Full steam ahead for Dufry's cruise business! ■



Holland America Line®
SAVOR THE JOURNEY

Holland America – Stores on 8 ships





Unveiling Our DNA – ONEDUFRY Makes Its Entrance

By Pantelis Valentzas

When, back in March 2015, Dufry announced a transformational transaction with the acquisition of World Duty Free – which followed the one of Nuance in 2014 – we were heralding the beginning of a change that started that same day and that’s now taking an important step forward.

According to the Cambridge University dictionary, transformation is “a complete change in the appearance or character of something or someone, especially so that that thing or person is improved.” That transformation started then, from a visual standpoint, with a new logo, a new corporate identity and, more importantly, with new corporate values that served to align staff in the consolidation process that followed the acquisitions.

The three years between now and then have enabled us to learn and to take the best from each of the companies that make Dufry today, to create an unmatched competitive advantage and the DNA of the best travel retailer.

the desired behaviors have been defined. For instance, having exciting learning and development opportunities is a driver for better employee experiences; and behaviors such as encouraging teams to participate in education programs, supporting staff by providing job-specific training or caring about the staff career paths are just examples of actions that work for this driver.



The last element in this initiative, and probably one of the most important elements, is the alignment of the measurement systems and the deep dive into how KPIs are impacted by our behaviors across the three domains. A store with low store traffic needs a completely different approach from a store with a low average transaction value. Behaviors to help those stores need to be fundamentally different. Low store traffic may need, for instance, better marketing, better visual merchandising, better windows displays, whilst a store with a low average transaction value may need, for instance, better customer-facing behaviors, better product knowledge, better focus on last-minute sales.

Under this premise, ONEDUFRY comes onto the scene. Designed according to the belief that engaged employees bring more engaged customers, who, in turn, bring better business results, ONEDUFRY is an initiative aimed at activating and mobilizing our people to focus their minds, hearts and hands on three core domains:

- Employee experiences
- Customer experiences
- Business results

ONEDUFRY comes to the scene

Under these three domains, a number of drivers and



You will be learning more about ONEDUFRY in the coming weeks, but in the meantime, we have put together a set of FAQs that will help improving your understanding of the initiative – see below.



Ownership of all employees

The most important thing is for all of us at Dufry to understand that ONEDUFRY is not an HR or Operations initiative; ONEDUFRY is a transversal initiative that

requires the ownership of all our employees at all levels of the organization. We all have customers – either internally or externally – and our aim above all others must be excelling at customer service. ONEDUFRY is just a guide to help us all with the necessary alignment of behaviors and measurements, to ensure a uniform and consistent approach to our daily work – either at the office, a warehouse or a store.



FAQ

How can ONEDUFRY be practical for my daily job?

Every culture – including Dufry’s – has great stories that represent our intrinsic “corporate culture”. For example of our staff delivering extraordinary customer service, about a manager caring for his/her staff, or stories of employees going beyond what’s expected from them. For our Corporate Values (Global, Focused, Delivery, Solid), Guiding Principles (Care, Showcase and Efficiency), Focus Domains (Driving Employees Experiences, Driving Customer Experiences, Driving Business Results) not only do we have these great stories and a sense of what our culture is, now, most importantly, we have clearly defined and detailed the behaviors that apply at staff at all levels of the organization within the ONEDUFRY concept.

How are we going to make ONEDUFRY work?

1. By clearly defining the drivers of success in each of the core domains already outlined (see above) and the desired behaviors within each of those domains,
2. By aligning the measurement and observations systems with those drivers,
3. By aligning the reward and recognition schemes with those measurements and observations,
4. By aligning the training programs to address competencies in all domains.

What happened to the so-called Disney project?

Is ONEDUFRY replacing it?

ONEDUFRY is the evolution of the Disney Project and it builds on the concepts introduced with that

project. While Disney created a great basis for how we provide an inspirational customer experience, ONEDUFRY added the elements of employee experiences and business results, so they can all work harmoniously together. Also, it provides us with a clear connection between behaviors, measurement and observations reports as well as reward and recognition schemes.



Who is this initiative designed for?

ONEDUFRY is designed for all our employees. It introduces the three-fold focus on Employees, Customers and Results and the desired behaviors for all of us, office- or store-based, associates or leaders.

What is my role as an individual in this project?

All of us, regardless of our position and geography or whether we are office-based or in the field, can and will play an impactful role in creating a great place to grow and work by offering/creating exemplary customer experiences and delivering positive business results. ONEDUFRY aims to make those three core domains part of our daily dialogue, through a clear definition of desired behaviors.

**When is this initiative going to be rolled out?**

The majority of countries – including both offices and operations – are to go live between April and August 2018 with the Foundations Training – a session for office and store leaders; remaining countries will go

live before the end of 2018. The Leadership Foundations Training will be followed by a structured process of implementation of new concepts into the stores and offices.

Is this part of the BOM? How are both of these going to work alongside each other?

Both initiatives are complementary and serve the need for one common culture, one common way of doing things around the world. The Business Operating Model (BOM) is more focused on processes, procedures and structures, whilst ONEDUFRY is more focused on behavioral, cultural elements, effective rewards/recognition schemes and the content and scope of training and development. ■

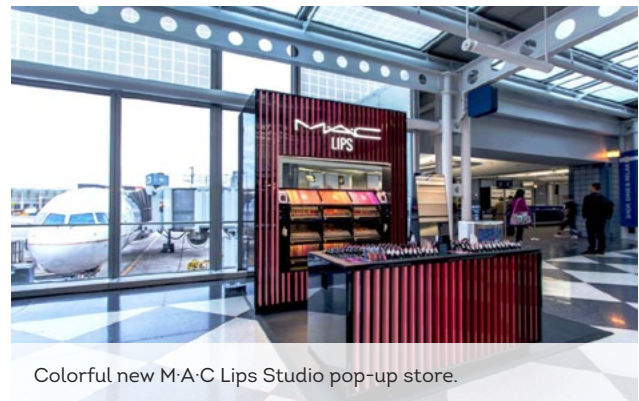
Divisions 

D5 Hudson Debuts First-Ever M·A·C Lips Studio in the Americas

Hudson, in partnership with M·A·C Cosmetics, has announced the grand opening of the first ever M·A·C Lips Studio pop-up in the Americas at Chicago O'Hare International Airport. Located in the C Concourse of Terminal 1, the new space is an example of the evolving consumer demand for "pop-up" experiences in travel retail. These temporary retail spaces create real excitement for passengers and give them the opportunity to experience brands in a very accessible way.

The location, adorned with color and offering the extensive product variety unique to M·A·C, will include over 250 items across all lip categories including lip-stick, lip liners, lip gloss and lip care. M·A·C artists will

also offer travelers complimentary lip demos and application tips for the perfect finishing touch on-the-go.



Colorful new M·A·C Lips Studio pop-up store.

Many people discover new brands when they are traveling, looking for a gift or even a quick makeover and M·A·C Lips will offer quick-stop shopping environment for the beauty-conscious traveler. ■



Best-in-Class Walkthrough Duty-Free Store at Toulouse-Blagnac Airport

Dufry has launched in April its refurbished duty-free store at Toulouse-Blagnac International Airport following extensive renovations, to create a best-in-class walkthrough retail space covering 1,700 m².

The renovated store conveys a strong sense of place by incorporating local and traditional elements, whilst also delivering a modern and engaging store space.

As part of Dufry's digital strategy and to enhance the store dynamic, technology developed for an easier and more enjoyable customer experience has been

integrated throughout the store. Digital screens with in the various product areas display engaging brand content and highlight in store events and exclusive promotions. The product mix at Toulouse-Blagnac includes a wide assortment of local products across all categories, including regional fragrance and cosmetics brands and local wines exclusive to Dufry. The "Terre d'Occitanie" space celebrates local delicacies, including foie gras, cheese and confectionery. The only Airbus corner in travel retail has been incorporated into the store design, a nod to the aircraft manufacturer's Toulouse base. ■