

DUFRY WORLD


WorldClass.WorldWide.

**CORPORATE
MAGAZINE**

ISSUE 30

March 2019



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Resilient Results in a Challenging Environment

Despite the challenging conditions we faced in some of our main markets in 2018, our turnover grew by 3.7% and reached CHF 8,684.9 million, to which organic growth contributed 2.7%. Our free cash flow increased by 32.1% and reached CHF 617.1 million, thus marking a new record level.

While in the first semester of the year we saw good organic growth in almost all locations and global growth reached 5.5%, we experienced a deceleration in the second half of 2018 in some of our key markets, particularly in South America and Spain. Conversely, we performed well in a significant number of other markets, with strong growth in Turkey and most markets in the Middle East, Asia and Australia, as well as North America showing a very robust development. Overall, 2018 confirmed once more that geographical diversification helps to mitigate risks from external factors. Gross margin improved by 40 base points, partly due to a mix effect and mainly as a result of further renegotiations of terms and conditions with local suppliers.

Supported by a contribution from the acceleration of several brand plan initiatives, resulting either in better terms or higher compensation from suppliers. Our operating profit (EBITDA) grew by 3.3% and reached CHF 1,040.3 million, equal to an EBITDA margin of 12.0%. Our net earnings also saw a considerable step-up of 22.1% and amounted to CHF 135.4 million.

New organization: full customer focus

Following the complete transformation of the company after 14 acquisitions, as well as the implementation of



the BOM, the new organization announced at the beginning of the year aims at getting our company even closer to the market, by focusing on our customers more than ever. By further integrating divisional and HQ functions and combining our former divisions Southern Europe & Africa with UK & Central Europe into the new entity "Europe & Africa", we want to respond more quickly to customer needs and increase our flexibility so we can better react to the dynamic environment, with the ultimate goal of accelerating organic growth. Read the full story and details on the three pillars - Driving Growth, Accelerating Digitalization and E-Motion, Improving Company Sustainability.

A year full of operational achievements

Looking at the content of this Dufry World Issue and reviewing the past business year, it is very evident that 2018 has seen many operational projects being achieved or considerably accelerated. First and above all, we have completed on time the BOM implementation, which created the base for an aligned way of working using the same processes, procedures and tools. And we will also see the expected efficiencies positively impacting our profitability. Second, as a sub-element of the BOM, we have successfully implemented the ONE-DUFRY initiative, which besides the "organization and process-focused" alignment of the BOM, provides all Dufry employees with the same company values and attitudes. Third, we have made a tremendous step forward in deploying our digital strategy by adding further three new generation stores, launching sales tablets across 60 locations, offering Reserve & Collect services in 153 locations and extending the reach of RED by Dufry to over 200 locations. Fourth, we have made a considerable effort in increasing our cyber security profile by implementing new rules and regulations and initiating extensive training to improve the understand-

ing of cyber security. Fifth, we have again increased our sustainability engagement both from an external and an internal perspective.

In this context, we have finalized our Dufry Suppliers Code of Conduct and have started to share it with our largest suppliers, achieving a 82% response rate and the respective acknowledgement. This is an encouraging result and we have already launched a second wave to be executed during 2019. Moreover, we have received Equal Salary Certification in Switzerland, which underlines once more our ongoing employee engagement.

And last but not least, we have further extended the reach of our HR management system Dufry Connect, which not only provides extensive employee services, but includes nearly 26,000 employees in the same database, thus providing a valuable connectivity and

source of information across the whole population of the Dufry family.

Expanding in many different channels

Looking at our Division News, I am very pleased to see how our strategy of diversification by geography and channels is becoming reality. In 2018, we made important steps in this regard, by winning and opening the MTR Hong Kong high-speed train station duty-free stores, launching the downtown operation at Genting Highlands in Kuala Lumpur and adding 16 vessels to our cruise ship & ferry portfolio, with important contracts with Holland America Line, Carnival Cruise Lines and P&O Ferries. In total we now sail on 32 ships. This is on top of several new shops at airports across the globe. ■

HQ | D1 Dufry Obtains Equal Salary Certification in Switzerland

Dufry became EQUAL-SALARY certified in Switzerland at the beginning of 2019. This certification is an important step in further developing corporate sustainability and shows a commitment to a fair and unbiased reward structure that enables employees to develop and thrive in their careers.

at the Basel HQ and the Zurich airport operation, and as result Dufry has been able to demonstrate how management systems and HR policies and processes integrate the dimensions of equal remuneration. ■

Division News **3, 7, 9, 11, 17**

People **6, 8, 10**

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Favorite Shop **20**



The topic of equal pay is receiving unprecedented support from society. Equal pay is now, more than ever, a relevant business, cultural and social matter. The certification process included three stages: statistical evaluation, on-site audits, and interviews with individuals and panel groups. All phases of the process were performed

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.

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 Muñoz, 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

D1 | D4 First Maison Christian Dior Boutiques in Europe and the Americas

Dufry and Dior have launched the first Maison Christian Dior (MCD) Boutiques in travel retail in Europe and The Americas. The MCD boutique in Europe is located at London Heathrow Airport Terminal 5 and the MCD boutique in the Americas is located at São Paulo International Airport Terminal 3.



The attractive MCD boutique at São Paulo International Airport T3 with its lip studio offering a wide variety of colors.

Both MCD boutiques were opened in December 2018 and offer a new way to showcase Christian Dior products, having been carefully designed to host the new Dior universe. Everything is made to be smelled, experienced, loved and shared. The luxurious and luminous boutiques offer a wide variety of products, such as perfumes, makeup, skincare, candles, soaps and silk scarves for perfuming. Exclusive services and new products from different Dior universes are provided in a welcoming atmosphere. Exclusivity for travelers is offered with unique makeup palettes and skincare sets, alongside well-known brand fragrances such as J'adore and Miss Dior. The boutiques also offer a new addition to the fragrance range, "Joy," created by Christian Dior perfumer François Demachy. Occupying center stage in the store, makeup products are presented in various colors and special displays, including a lip studio, captivating and attracting customers by offering a wide and unique variety of colors and lipsticks. ■



The MCD boutique at London Heathrow Airport T5 is carefully designed down to the last detail to host a new Dior universe entirely dedicated to the love of perfume.

D1 New Contract for Five Additional Hudson Stores at Zurich Airport

Dufry has expanded its footprint at Zurich Airport with the signing of a contract with Flughafen Zürich AG (Zurich Airport) to create five additional Hudson convenience stores. The contract for these duty-paid stores started in January 2019 and will run for five years.

As three of the stores are located in Terminal A and two in Terminals B and D, they serve both the Schengen and the non-Schengen departure areas. Dufry already has two Hudson stores at Zurich Airport: one in Terminal E and the other in Arrival 1. The five new Hudson stores will occupy a total retail space of 270 m² and will offer the four key product lines of food and beverage, media (books, newspapers and magazines), souvenirs and travel essentials. ■



The Hudson stores at Zurich Airport offer food, beverages, souvenirs, travel essentials, books, newspapers and magazines.

D1 15,000 Hours of ONEDUFRY

Spreading the word about ONEDUFRY requires complete dedication and lots of time. Around 15,000 hours have been devoted by the Learning & Development (L&D) team from Division 1 to ensuring that everyone, from Cardiff to Zurich and from Helsinki to Jersey, gets to know about this global transformation process across Dufry.

The journey started last year on April 23 when the team formed by Sara Butler, Mila Burazor, Dan Shefford and Spencer Kirkwood held a first session with 27 delegates from British and Swiss operations, who were all keen to learn about what this – at that point – mysterious ONE-DUFRY program was about. After that first three day session full of fascinating conversations and insights, everyone left the ONEDUFRY "headquarters" with action plans and with their heads full of new and exciting ideas, ready to spread the word and fully committed to rolling out ONEDUFRY to their locations. Seven months later,

555 store leaders, 167 office leaders, 4,728 employees and 7 ONEDUFRY experts over 48 locations are part of the ONEDUFRY Division 2 community, numbers that continue to grow as information is cascaded. The L&D team not only crossed the line in terms of numbers, but really pushed ONEDUFRY across the whole Division to spark the cultural change in each of the countries. That has just been the first part of the journey, however, and the work continues.

The original team, together with Sharon Cookson, Ylva Karlsson and Minna Pulla, continues offering follow-up meetings with other teams, to ensure full understanding of the key principles and domains of the program – and are currently working on short messages and other tactical tools to embed the message even more. A World-Class job! ■

D1 Product Roadshows in Spain

The summer season is around the corner, and brands start to roll out their plans to make a great start to the season. Roadshows are key events for brands, helping them to ensure novelties and new products are shared with our sales staff, thereby enabling them to better understand and endorse their products.



Liquor tasting for sales associates at the Malaga airport.

With this in mind, liquor distributors are visiting some of the busiest airports in Spain during peak season (summer), including Malaga, Alicante, Gran Canaria, Madrid and Barcelona. By offering tastings and presenting novelties, brands manage to give sufficient "sales ammunition" to our staff, who in turn learn new features and details about the products, thereby easing the sale to customers.

From understanding the origins of the product, to a variety of suggested pairings or cocktail combinations, all these elements help create true brand ambassadors amongst our staff. The cherry on the cake is the competition that follows. The ambitious double-digit sales increase objective set by the brands is linked to the reward

of trips to experience the origins of the product: from Iceland for Martin Miller Gin; to Sorrento in Italy, where the lucky winners can visit the home of the famous Limoncello. ■

D1 Spain - the Winner Takes it All!

Tennis player Rafael Nadal, Formula 1 driver Fernando Alonso and cycle racers Marc Marquez and Jorge Lorenzo all have something in common other than their Spanish passports: their competitive genes! It is not a cliché, Spaniards really are competitive by nature. With this in mind, Spain successfully ran a competition among the Alicante, Barcelona T2, Bilbao, Las Palmas and Malaga airports.

With very simple mechanics, each week the participating airports received points based on their performance vs KPI (increase in sales compared to previous year) for both total airport sales and by category – which also included sales made to RED by Dufry members. Barcelona, closely followed by Malaga, was the winning airport in this tough competition and all members of the operation received prizes.

In most cases, however, it was not the competition prize that encouraged our sales staff to succeed; they were fuelled by the competition itself and the opportunity to see how they stacked up against their peers in an objective and healthy contest! The results of the competition are now being assessed and the event is likely to be extended to more operations across Spain.

This competition is part of several initiatives included in a pilot program that Spain is running in the above mentioned airports. The main aim of the pilot program is very simple, and focuses on approaching the airport operation in an innovative way that eventually results in higher levels of spend per passenger. The program is the fruit of a cooperation between Dufry and the airport landlord and the first results are encouraging. ■



The team at Barcelona Airport received prizes for their success in the competition.

Staying Relevant and Developing Trust

By Kristen M. Clonan

The story of Hudson is a story of success. What began in 1926 as a small company delivering magazines in Hudson County, New Jersey, is today one of the largest and most recognized travel retailers in the world. In the US and Canada alone, Hudson operates over 1,000 duty-paid and duty-free stores in 87 locations, and serves over 300,000 travelers every day. Recently appointed CEO of Hudson, Roger Fordyce, is taking over the challenge of continuing this success story. This New Yorker, with a passion for comfort food and a good golf game with friends, takes us through the main plans for the company's future.

What is most challenging in your new role as CEO? What does it feel like to take the helm after the DiDomizios?

As CEO, I am sure there are many new challenges that I will face in my day-to-day work. I am grateful to work with a very experienced and talented team – a team that has guided the Hudson Group for the past 30 years. The strength of our Company is in our people – and I could not be more proud of our senior leadership and our workforce. I have had the privilege to work side by side with Joe and Mario DiDomizio for 26 and 30 years respectively, and I am proud of the accomplishments our team has achieved over that time span.

Can we expect any changes in Hudson?

The strategic growth focus for the company remains the same:

- 1) Continue to grow the travel retail business in the US and Canada organically through innovation and new contract wins;
- 2) Continue the growth of Food & Beverage organically through expansion of the brand portfolio and new contract wins while exploring the M&A possibilities that would result in an acceleration of that growth;
- 3) Continue to explore and evaluate the broad changes in digital technology to identify elements that could enhance the experiential component of our shops and enhance revenue generation.

What makes Hudson such an iconic brand in the travel retail sector – especially in the US?

For over 30 years, we have worked hard at building a culture of dedication and service for the Hudson brand and beyond. We have consistently delivered quality stores and quality customer service. We've even adapted our store design by listening to our customers and watching



Roger Fordyce, the new CEO of Hudson Group.

their shopping behaviors. It has allowed us to innovate and improve experiential elements in our stores to further drive revenue. We've also delivered a vast product portfolio unmatched in the travel essentials and convenience sector. Through these key elements, we have stayed relevant and developed trust with our key constituents: our landlords and customers.

Hudson is, more than ever, a global business. What are Hudson's plans for the future?

Most importantly, our focus is to remain relevant to the needs and demands of the traveler as in relation to the convenience business model. Digital technology plays an integral part in this as we continue to look at further options in the areas of payment options, experiential elements, revenue drivers and overall service innovation.

At the time of the IPO of Hudson over a year ago, one of the intentions was to win more master concessionaire contracts, similar to the Chicago Midway Int. Airport contract won in 2017. Has the company made any inroads in this regard?

The master concessionaire model remains one of many business models we continue to pursue and consider. Having the capabilities and experience to operate under a broad range of business structures provides the greatest opportunity for continued growth.

2016 and 2017 have reported growth rates in print book sales. Are paper books "back for good" after several years during which e-books were king?

Overall, as one of the largest booksellers in North America, we know firsthand that connections are made via great books. A great book opens the door to another world – and just like taking a flight to your next destination – a great book transports you into a new experience.

Print book sales indicate a positive incline, mainly due to growth in adult nonfiction titles. And this is true for the industry, too. According to The NPD Group, for instance, sales volume in the first half of 2018 in the book retail sector rose two percent, year over year, to reach 317 million units.

Noting this shift in the industry, Hudson re-examined Hudson Booksellers and developed a new book store concept, Ink. In our Ink stores and other bookstores, we hand-select the best books to represent titles that our booksellers and customers are connected to most

deeply. Ink has become one of our best performing specialty concepts in the USA, blending a customized selection of printed books with an eclectic selection of unique gifts, music (vinyl), and travel accessories. And to drive more local, we've partnered in a number of cities with local booksellers to create as strong "Sense of Place," as airports look for more local inclusion. ■

IN A MINUTE:

- A meal: "Comfort food," any form of comfort food such as a grilled cheese sandwich or french fries! I tend to eat as healthily as possible most of the time, so when there is an opportunity to enjoy something simple and good, I consider it a luxury!
- A book: As an avid reader it is challenging to choose just one book. "11/23/63," a novel by Stephen King published a few years ago, was one of the more memorable books I have read in the past few years. A unique twist to the history of the John F. Kennedy assassination.
- A city: New York City. While I was born and bred in the suburbs of New York, I still am enamored with all that this city has to offer. There is an almost never-ending breadth of experiences to excite your senses and tastes.
- A film: "It's a Wonderful Life." Just a great movie about life and human compassion.
- A hobby: Golf! I find that being outdoors among a group of friends or peers in a mildly competitive atmosphere is both rewarding and relaxing.
- A leader: Martin Luther King Jr. – while best known for his work during the Civil Rights movement in the USA back in the 1960s, it was his dream for "a better tomorrow for all" that truly defined him as a great leader.

D3 Eight-Year Contract at Salt Lake City International Airport

Hudson Group has been awarded four retail packages at Salt Lake City International Airport (SLC). The eight-year contract, which is part of the airport's redevelop-

ment program, includes 13 stores and expands Hudson Group's presence at SLC by 557 m², almost doubling Hudson's current footprint in the airport. Customers will be offered a wide selection of well-known travel convenience, luxury retail and duty-free brands including Hudson, Tech on the Go, Coach, Frye, Something Silver, M·A·C, Tumi, and Dufry Duty Free, as well as tailored local concepts including Land Speed Depot by Hudson, Central Pointe Market, Salt Lake Tribune and Utah! ■

Service Stars Day

By Ema Murphy

It was a cold, frosty morning on January 31. Everything was still and silent, frosted cars glistened in the sunlight and the Dufry Service Star winners of 2018 gathered bright and early to celebrate their successes. Hosted at the famous Mercedes Benz World in 2017, Dufry chose this exciting location to celebrate the accomplishments of 2018's Service Star winners.

The day kicked off with a welcome speech from Peter Cunningham, Retail Operations Director, UK, Germany & Eurotunnel. Winners were seated in a large, sleek and all-black, room, complete with its very own Mercedes S 650 car – a very fancy prop! Fifty Service Star winners gathered amongst some of the world's finest motor-cars, to celebrate their commitment to Dufry, and Peter was vigilant in highlighting the importance of the day to the Service Star winners, as it represented a huge thank-you for their service to the business.

Stand out attributes of the winners were a careful and genuine approach, passion and a "can-do" attitude – all of which are consistent characteristics of all the winners, aligning the businesses together as one.

Described as the event of the year by Geoff Hall, HR Director, UK, Germany & Eurotunnel, the winners were reminded of ONEDUFRY's aim of activating and mobilizing people to focus on their minds, hearts and actions, and how the winners can play their part in getting every

member of staff to act, believe and think in this way, as the customer journey is so important. As part of the celebration of the winners' first class service, they were offered an hour-long tour of the world-famous Mercedes Benz center, led by a customer service leader. The winners got a real insight into the company's heritage, from old-fashioned, vintage models to the modern, sleek cars of today, it was all there to see.

In high spirits after the tour, and with feel-good music filling the room throughout the day, the awards were a true celebration for all those involved. The winners were presented their awards by their Store or Regional Manager, who also made a heartfelt speech containing personal and humorous anecdotes about each individual.

You could really feel the emotion in the room as each Manager was filled with warmth and pride whilst handing over each award. To a roaring round of applause, each of the fifty winners was thanked for his or her dedication and commitment to our business, which took the form of, for example, supporting new recruits, mystery shoppers, store refits or taking on extra shifts.

After the awards presentation, Spencer Kirkwood, L&D Advisor, delivered a final congratulatory speech to all the winners and stressed the importance of their service to the company.

The winners are key to implementing guiding principles that showcase care and efficiency, and Spencer asked them to write down how they care, what they do to showcase this and how they are efficient. This was extremely beneficial as all the winners came together as a cross-section of people from all over the business and shared this "best practice."

Lunch came and went, from mini wraps to little lemon meringues which everyone enjoyed - but the real event of the day was the simulator fun! The winners were split into six groups and given the opportunity to sit in a life-

sized race car, and drive around a virtual track. Teams formed, allies were made and lots of fun was had! There was a real sense of camaraderie as staff gathered to watch their peers skillfully (or not so skillfully in the case of some!) maneuver their way around the track.

There may have been some questionable driving to say the least, but it was a well-deserved treat and a time for everyone to switch off, enjoy each other's company and celebrate success!

Congratulations to all of the 2018 winners! ■

Divisions

D1 New Long-Term Ferry Contract

Dufry has signed a new long-term concession contract with P&O Ferries to operate stores under the World Duty Free brand on board 15 vessels. The transfer of the operations, with a total of 19 shops across a retail space of 3,600 m², will take place from April to May 2019.

The 15 vessels serve several routes across the Channel, the North Sea and the Irish Sea. The existing stores

will be refurbished and state-of-the-art store designs implemented to provide a tailored product assortment for each route.

Passengers will be offered a distinct selection of both international and local brands from the main categories, such as perfume and cosmetics, spirits, food and confectionery, tobacco, fashion and accessories including sunglasses, as well as travel essentials, toys, souvenirs and gifts. The new contract fits perfectly with Dufry's strategy to expand its presence in the cruise and ferry business. ■



Fifty Service Star winners celebrating their awards.



P&O Ferries serve several routes across the Channel, the North Sea and the Irish Sea.

Wall of Fame



Ana Zapata
Warehouse Manager
Lima (Peru)

Rightly or wrongly, blue jobs and pink jobs have always existed. There are household tasks, for example, that for one reason or another, tend to always be done either by women (pink) or men (blue) in a relationship. However, in the same way that different skills are needed for one job or another, the line surrounding chores is getting pretty blurry in today's world. These blurred lines also happen to exist in the work environment, and previously male-dominated working areas are now open to great professionals of either sex – and rightly so! Ana Zapata is a perfect example. And when she applied for the, in principle, “blue” position of Manager of Dufry Peru warehouse, she thought that her experience and performance over eight years at Dufry would be enough to get her the job. And that was the case! Supported by the General Manager, Edgar Farfán, and the Head of Supply Chain & Logistic, Gustavo Pérez, Ana is doing great – as expected – and within a very short time has gained the respect of the rest of her colleagues in the warehouse team. Ana's case should inspire many others at Dufry as she is a tangible example that determination is the only necessary ingredient for successful career progression.



Laura Martínez
Store Manager
Ezeiza Airport
Buenos Aires (Argentina)

In Spanish, and many other languages, BOM is an onomatopoeia associated with the sound of an explosion. To some extent, BOM – the Business Operating Model – could be perceived as an explosion, due to the number of operational changes that it brings at a local level. The critical factor, however, is how controlled this “explosion” is. For the Global BOM team, having qualified “bombers,” as Laura has proved to be, is essential to securing success. Laura has been instrumental in driving change in our Argentinian operation. Attitude is everything, and she has managed to transmit the necessary levels of contagious enthusiasm that have made the adoption of the BOM process much easier. Laura is not the only one, however. There is a long list of “BOMers” who deserve their place on the Wall of Fame from all the countries where BOM is – or has been – rolled

out. But Laura really encapsulates all the great leadership skills that are required to further Dufry's way of operating the business.

Elena Flores
Global Shop Development
Brand Coordinator
Madrid (Spain)



Elena rocks! Those of us who know her in the Madrid office say that for a number of reasons. Firstly, she's a funny character who has absolutely no problem in engaging in conversation with virtually anyone. And in her case, languages don't seem to be an issue. She has an excellent command of Spanish, English and French, and quite often you can hear her speaking a few words in Italian or even Arabic over the phone. Communicating is definitely not an issue for her! Then we found out that she has singing skills. Most of her colleagues couldn't believe their eyes (or ears) during Madrid's Christmas party a couple of years ago when she took to the stage and started singing “Johnny B. Goode” with the band. Everyone went mad and started singing and dancing as if they had discovered the new Chuck Berry. Who knows, maybe one day? In the meantime, she sings from time to time with a band on weekends. And her performance during the Christmas party concert has brought more “Dufry Madrid” rock stars out of the woodwork. We are sure there will be more to come about this shortly!

Sara Butler Stevens
Division Learning and
Development Manager
(UK)



Driving change in any environment is not an easy task. It requires high levels of energy and enthusiasm, as well as in-depth preparation. Sara is responsible for gaining advocates for ONEDUFRY every day, by helping people adopt the values and behaviors of the Dufry we all envision. She injects just the right dose of passion and enthusiasm to ensure total engagement of the audience with the program in each of the numerous training sessions that have been taking place across the UK. With nearly 19 years at Dufry – she started in Nuance's operation in Cardiff in 2001 – she's a real asset in the Learning and Development team.

Wall of Fame



Simon Crump
Sales Assistant
Zurich Airport
(Switzerland)

Simon moved from the UK to Switzerland for love three years ago and joined Dufry as Sales Assistant in the Spirit of Switzerland store in Zurich airport. What he never could have expected, however, is that one day his many years spent working in security events and performances across the UK would serve in his new role in Zurich. A few months ago, during his shift, he had to put his security training into action as a passenger had fallen down and was bleeding from his injuries. Simon was the second person to attend the incident and was quick to assess the situation. He immediately took control and knew what he needed to do. After asking a colleague to call the paramed-

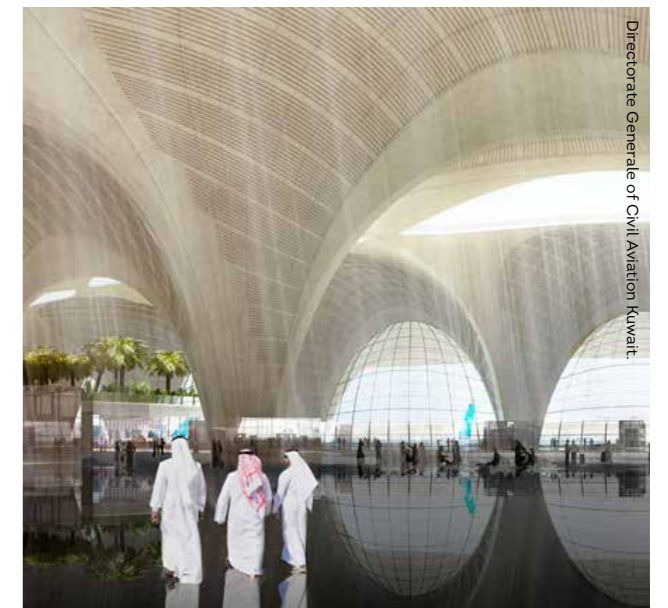
ics, he grabbed the first aid box from the store. Then he assisted the passenger, who was visibly shaking and in shock from his fall. Simon managed to calm him down, requested his boarding card (because it included useful personal information), and asked him a few more questions (age, medical history, known allergies and his emergency contact details) so he could pass on this information to the paramedics on their arrival. After a couple of minutes, the passenger was able to stand and Simon could finish the job by cleaning and bandaging his injuries. The paramedic team returned to the store later to praise the good work that had been done. Congratulations Simon!

D2 New Concession at Kuwait Airport

Dufry has been awarded a five-year duty-free concession at Kuwait International Airport's new Terminal 4. The retail space of 1,563 m² will be operated by World Duty Free in partnership with That Al Salasil. The new walk-through store is due for completion in the second quarter of 2019 and will offer a wide assortment of products across the core categories of beauty, confectionery and tobacco.

The beauty area will be a real focal point, with a large area dedicated to fragrance, skincare and cosmetics, including many regional fragrances popular with travelers in the Middle East. In addition to the core categories, the store will also offer electronics, some fashion accessories and gold jewelry.

The long-standing partnership between Dufry and That Al Salasil is a proven cooperation as it has been successfully operating at Kuwait International Airport for over 12 years, during which time both partners have built up a detailed understanding of the customer profile and expectations. ■



Spacious and with dome elements, the new Terminal 4 of Kuwait International Airport.

Directorate Generale of Civil Aviation Kuwait



Extracting and Mixing the Essence

The role of a perfumer is not an easy one. It requires mastering no less than three arts: first is extracting the essence from the desired elements – wood, flowers, plants, etc. Second is mixing them to find the right balance. And the third one, less traditional if you will, is marketing the final product. To some extent, these same three arts are required when developing “Sense of Place” in our stores. Read on and find out more ...

By Thomas McCrave, Global Shop Development Director

“Believe me: all airport stores look the same.” That’s probably the most repeated comment I’ve heard amongst my friends in the years I’ve been working in the travel retail industry. And to some extent, this can be true ... until the moment you see pictures of locations such as La Tequileria or the latest store in Toulouse!

What makes these stores different to others is a term called “Sense of Place,” a term generally used in relation to those characteristics that make a place special or unique. For example, though few people have visited Antarctica, most have some sense, an image in their mind’s eye, of what Antarctica is like. That perception may be realistic, or unrealistic, or may be dramatically

simplified, but it will usually be based on physical characteristics that the place actually has.

Why is it so important?

Most probably, the answer to this question is in the introduction to this article. It is the creation of a unique and exclusive shopping environment that then encourages and invites passengers to come into the store and shop with us.

Our store in Toulouse, which brings the atmosphere of the Midi-Pyrénées streets and stores to the airport, makes sense in Toulouse and nowhere else, and makes the space in this airport completely different and

unique. That’s something that our airport partners not only appreciate, but in many cases demand during the tender process. According to research carried out by MInd-set in 2017, based on over 20,000 face-to-face interviews on all aspects of the airport experience, 60% of international travelers rank “Sense of Place” as an important part of their overall experience.

The same report reveals other highly ranked aspects about shopper’s preferences and needs where “different,” “unique,” “local” and “authentic” experiences are among the key attributes sought by global travelers.

And how does the magic happen?

“Sense of Place” is the combined effort of the Dufry Space Design and Procurement teams and the work of both of these teams is interlinked throughout the design process.

Can you imagine the Cancun store with a limited number of tequila references? Or our London stores without some of the most iconic British brands? The path to delivering Dufry’s WorldClass, breathtaking concepts is a long one and can take several months of hard work.

The majority of the projects start with an initial presentation to the Airport Authority, either through a Request for Proposal (RFP) process for new locations, or a design presentation for an existing business. The ensuing steps include:

1. Initial research into the location - typically carried out by a design agency that supports the team through the process - that identifies for a given the elements that make it unique. It is about seeking the heritage, the design elements, the culture, the tradition... From this initial research, we then select preferred routes for the design agency to explore and develop.
2. The initial concept development, looks at how the “story line” can be developed into architectural elements within the store - in parallel to step 1, the overall store layout plan is developed with full category allocation. This defines how much space is allocated to local products based on expected sales.
3. For the third phase we work with the agency to fine-tune the concept. In some cases, it requires reworking the concept a number of times, balancing the overall design with any budget requirements.

Completing the jigsaw

Aligning layout design, the right product assortment, the restrictions of the airport, the passenger flow and coming up with a compelling design proposal is often a complicated jigsaw that requires full alignment from a number of teams. The overall approach is to ensure that all categories (not only local) are correctly propor-

tioned and the correct space to sales potential is allocated. This task involves input from Macro Space Planning and defines the general footprint of the store.

Input is received from Procurement with regard to brands and category initiatives that will support sales growth and this input is transferred to a layout plan which is validated by Procurement. While local products take prominence within the store layout, it is critical to balance all other category requirements to ensure the success of the project.

The full process for the definition of and sign off on a project is a collaborative one. It’s important to ensure that a general consensus is achieved and that individual category requirements are balanced with the sales potential for each location. Each team has a part to play in the process, along with input from marketing, local operations and IT.

Industrializing the process

Creating Sense of Place is a kind of artisan work that requires more work and coordination with a larger number of people. However, the whole process is not that different to the creation of other stores and requires good organization and planning.

The machine is well-oiled and works quite smoothly, and this enables our business to offer more and more of these concepts at all levels, either in small spaces for our souvenir stores, or in large spaces as demonstrated by some of the examples featured in this article.

The creation of these stores is probably one of the clearest examples of Dufry’s Business Operating Process in action, with the three levels of the organization working hand in hand to give stores a unique and local character with the Dufry touch.

Read on the next two pages how the Sense of Place concept has been brought to life in Cancún, Toulouse and Marrakech.

CANCÚN AIRPORT, MEXICO



Very colorful is the Tequileria which is an eye candy with its Day of the Dead sculptures.

The Inspiration – Cancún is very much about the Mayan tradition and culture, which is known for its spectacular art, impressive architecture, and sophisticated mathematical and astronomical systems. Weaving colorful cotton fabric was an art form among Mayan women and is part of this cultural legacy. Today's Cancun is about living the city, it's about wandering in Mercado 28 – the popular open market where you can find handcraft souvenirs, textile and jewelry – or staying awake all night hanging out in the hundreds of nightlife spots the city offers. Finally, there is Tequila, probably Mexico's national product!

Vibrant colors and product towers with Day of the Dead sculptures capture the attention of passengers.



Typical Mexican local products.

The Concept – Beauty from the loom. Inspired by traditional Mexican weaving looms and the textiles they produce, the store concept is a fusion of color, pattern and form. The Tequileria is the focal point of the store.

TOULOUSE BLAGNAC AIRPORT, FRANCE



Toulouse Duty Free is the latest opening in the 'Sense of Place' design.

The Inspiration – Known to locals as La Ville Rose (The Pink City) after the distinctive pink stone used to construct many of its buildings, there are few cities which feel quite as authentically French as Toulouse. Toulouse was one of France's most important trading cities and nowadays is the center of Europe's aerospace industry

and home to one of the world's largest aeronautics manufacturers, Airbus.

The Occitan Cross, also called the Toulouse Cross, is the symbol of Occitania and can be found on flags, emblems and logos all across the city.

The Concept – Heritage and future live together in the Toulouse store, which has five differentiated areas: Space and Aeronautic; the Fragrance Garden, which connects to the rich outdoor world of Toulouse; Terre D'Occitanie, a wonderful street market with a vintage van typical of the region; the Luxury Heart, connecting

with the wealth of the city at the time when it was the trading center of France; and finally, the Street Cafe Heart, the central area of the store, which is an area created for passengers to pause and socialize and where the massive digital sky sits over the space.

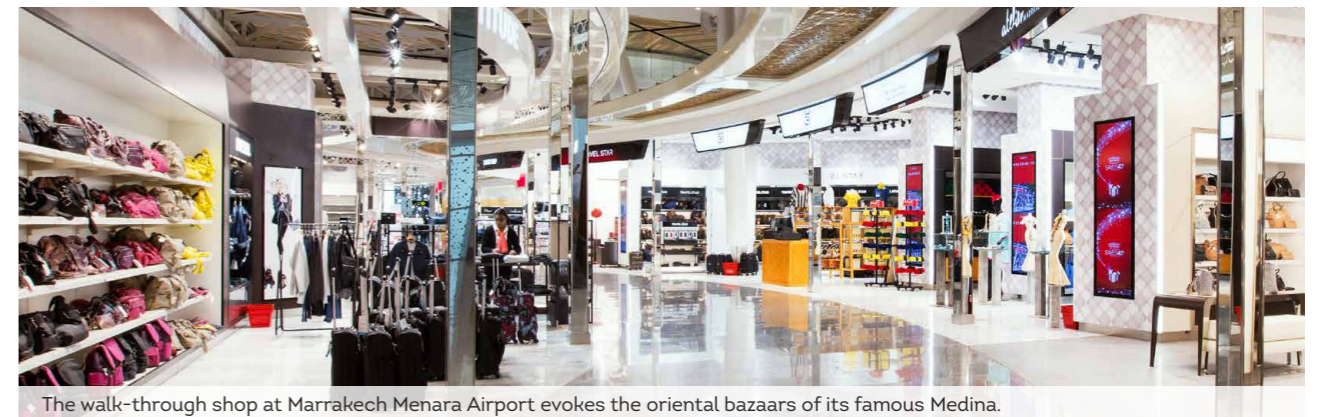


The vintage van is typical for Toulouse and the surrounding region.



The impressive digital sky on the ceiling captures the attention of travelers.

MARRAKECH MENARA AIRPORT, MOROCCO



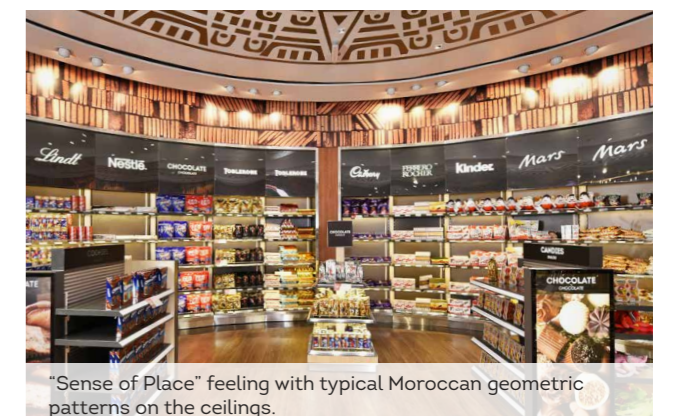
The walk-through shop at Marrakech Menara Airport evokes the oriental bazaars of its famous Medina.

The Inspiration – Probably the icon of Marrakech is its Medina, a walled city surrounded by endless labyrinths of souks (bazaars) alleyways, mosques, museums, gardens and a huge number of dining facilities.

transferring passengers to the "traditional Marrakesh of the 21st century". ■

The Moroccan doors, windows, mashrabiya and fountains, as well as the riads (traditional houses or palaces with an interior garden), are distinctive and very recognizable elements of the city. Arabesque architecture, full of intricate geometric patterns, marries with contemporary architectural elements typical of Marrakech.

The Concept – From interior gardens in the seating areas, which connect with the riads, to the Moroccan geometric design that you can find in each and every corner of the store in ceilings, walls, floors, etc., everything is smoothly integrated in this modern airport,



"Sense of Place" feeling with typical Moroccan geometric patterns on the ceilings.

New Organization to Foster Full Customer Focus and Drive Growth

On January 18, 2019, Dufry announced its new organizational structure aimed at increasing the company's agility in terms of driving customer focus and delivering strong growth by further simplifying the organization and leveraging the IOS platform.

By Renzo Radice

Over the past few years, Dufry has gone through a complete transformation as a company by consolidating the industry with over 14 acquisitions and standardizing the Business Operating Model. In parallel, we have built a solid financial base allowing us to drive further growth through acquisitions, while also returning capital to shareholders. Going forward, we need to get even closer to the market, to respond quicker to customer needs and increase flexibility to better react to the dynamic environment.

Three pillars supported by the new organization

To achieve these goals, we will build on three pillars supported by the new organization, which act as a solid framework fostering execution and successful achievement. These three pillars are:

- Driving growth
- Acceleration of Digitalization and E-Motion
- Improve Company Sustainability

Driving Growth

To drive growth going forward, we will continue to work on organic growth – focusing on increasing sales by attracting more customers and optimizing our assortments and promotions, and by adding net new retail space to increase our footprint in existing and new locations. In parallel, we also want to reassume M&A opportunities by executing small and medium-sized acquisitions, which allows us to grow faster than through organic expansion. To succeed in this endeavor, we need to get even closer to the customer and focus all our initiatives on fulfilling customers' expectations and reacting faster to the highly dynamic business environment we are facing. The four main initiatives will be:

New division Europe & Africa

The current divisions of Southern Europe & Africa and of UK & Central Europe will be combined into the new Division "Europe & Africa" headed by Eugenio Andrades, CEO Europe, Africa and Strategy. The current divisional CEOs Pedro J. Castro Benitez, (Southern Europe & Africa), and Fred Creighton (UK & Central Europe), will continue to

lead their regions and newly report to Eugenio Andrades. The scope of the other current divisions newly named such as Asia Pacific & Middle East headed by Andrea Belardini and Central & South America headed by Rene Riedi; as well as North America, headed by the new Hudson Group CEO Roger Fordyce, will remain unchanged.

Integration of global and divisional commercial and corporate teams

The integration of the global commercial and corporate teams will allow Dufry to further increase agility and customer focus. The consolidation of the global and divisional structures will allow Dufry to reduce complexity and reaction time for commercial and corporate decisions with respect to, for example, product assortment, pricing policies, promotion and the supply chain. Focus will be on further alignment and coordination of commercial and corporate aspects across all geographies.

Investing in sales staff and incentive programs

To drive customer focus and improve sales, Dufry will invest in sales staff and introduce new incentive and reward programs for shop floor colleagues. Both initiatives aim at encouraging better engagement with customers and driving organic growth.

Resume M&A activities

Based on our solid financial structure and the resilient cash flow generation capability, Dufry will resume M&A activities to acquire small and medium-sized companies that are easy to integrate into the Group, thereby allowing us to further leverage the organization and generate additional synergies at a gross profit margin level.

Accelerate Digitalization and E-Motion

In 2018, we deployed and heavily expanded our network of Reserve & Collect locations, which are now available across 153 airports in 39 countries; we launched our RED by Dufry across 200 locations in 40 countries; and we started to deploy sales tablets in 60 locations in 30 countries – and last but not least, we have added additional New Generation Stores at the airports of Zurich, London Heathrow and Cancun. All of this is supported

Changes in the Global Executive Committee and new appointments

As a consequence of the reorganization, Dufry's Global Executive Committee (GEC) will have four new members. The Divisional CEOs, Andrea Belardini, Rene Riedi and Roger Fordyce, as well as Yves Gerster, appointed CFO as per April 1, 2019, will join the GEC and report directly to Julian Diaz.



Eugenio Andrades
CEO Europe, Africa and Strategy, remains a member of Global Executive Committee reporting to Group CEO.



Andrea Belardini
CEO Asia Pacific & Middle East, joins Global Executive Committee and will report to Group CEO.



Roger Fordyce
CEO North America / Hudson Group, joins Global Executive Committee and will report to Group CEO.



Rene Riedi
CEO Central & South America joins the Global Executive Committee and will report to Group CEO.



Yves Gerster

Appointed CFO as from April 1, 2019 joins the Global Executive Committee and will report to Group CEO. Yves started at Dufry in 2006 and has so far been acting as Global Treasury and Shared-Services Center (SSC) Director. In this role, he has worked closely with bondholders, banks and rating agencies. Since 2017, he has also been responsible for Dufry's Financial Shared Services globally and for the build-out of this initiative. As part of the core finance team in the transformational acquisitions of 2014 and 2015, Yves led the financing work-stream and knows Dufry very well.

Ongoing responsibilities for their regions

Pedro Castro, Fred Creighton and Gustavo Fagundes will continue to manage their respective regions.



Pedro Castro
Southern Europe and Africa



Fred Creighton
United Kingdom and Central Europe



Gustavo Fagundes
Brazil and Bolivia

with increased activities on social media and the new online platform FORUM by Dufry. In 2019, besides continuing to further expand our digital footprint, we need above all to leverage heavily the digital base and the new opportunities we have created to engage with customers through additional touch-points and drive sales through the support of sales tablets, which improve customer service and customer information.

Improve company sustainability

Following the BOM implementation and the alignment of processes and procedures, we now need to make sure that we all continue to comply with our own rules and follow the related processes. This is a prerequisite to strengthening and protecting our company going forward and making sure that new developments and further growth can be supported with a reliable and solid

governance structure. Similarly, we need to make sure that any company data we collect – be it at a financial or commercial level – follows the same principles and is of the utmost quality. Fast-changing business environments and fast reactions, need ever more top quality data to allow the company to make the right decisions.

Reliable and certified data is also needed to best explain our business and investment opportunities to the financial community, thus attracting new shareholders. To this purpose, we will focus on installing systematic procedures and controls that foster the speed and quality of our internal data collection. In 2019 and beyond, we will also further extend the “women@dufry” initiative. This will allow our female colleagues to further develop their potential and pursue career opportunities within Dufry, while making strong contributions to the company’s development. Last but not least, we also further im-

proved our overall Corporate Sustainability Reporting as you can see in the dedicated section of the 2018 Annual Report. Based on our Materiality Matrix, which defines Dufry’s relevant topics, we made progress in all three dimensions – economic, environmental and social.

Among an economic perspective, we have started to return capital to shareholders with the dividend payment and the share buy-back program; from an environment perspective, we have finalized our Supplier’s Code of Conduct and started to share it with our main suppliers; while from a social perspective, we have implemented the ONEDUFY initiative and have received equal salary certification in Switzerland. In parallel, we obviously also continued our charity initiatives with our community engagement program. ■

So, what can we do to stay protected?

IT security starts with you. Whilst this may sound like an army recruiting slogan, it’s a cornerstone in Dufry’s IT security. You are the first line of defense! For this reason, we have put together an IT Security Awareness Program that includes several communication and training tools designed to educate users on the risks that the new technology world poses to each individual in both their private and professional lives and with tips and recommendations to reduce those risks to the bare minimum.

The program, which had its official launch at the end of last year, started with Spear Phishing, the name used to describe attempts to steal sensitive information (such as passwords or financial information), often for malicious reasons. Creating strong passwords followed at the beginning of 2019. But there is more: secure remote working, ransom ware, GDPR awareness... all these are in the pipeline for 2019. For each of the different topics, we have followed a similar approach. We have put our efforts into creating information videos, quizzes around each of the topics and have taken special care to make the language comprehensible, including examples that ease the understanding of the issues and that help dispel the myth that these issues are too complex to un-

Social engineering
is the art of manipulating people, so they give up...

...sensitive or important information

Example of IT Security Awareness Program training tool designed to educate users on the risks.

derstand. In addition to information sheets – which will be released globally approximately every two months – there are e-learning modules available through Dufry Connect that work towards ensuring complete assimilation by each of us.

Finally, we are putting together mechanisms to improve dialogue and sort out any doubts and questions you may have. To that end, Global IT Security Services will shortly be available through Service Now – the corporate IT helpdesk – to ease access to all staff. Stay tuned! ■

Defending Dufry against the Digital Dark Arts

By Wilson Dawson, Global IT Security Head

IT security, cybersecurity, terms such as phishing, malware... these are not the kind of topics that pop up naturally in a conversation while having a coffee on a Monday morning with colleagues in the office. However, hacker attacks are sadly more frequent than coffees served in our office in a random day. Every 39 seconds on average, a hacker attack targets an internet-connected computer.

And this figure continues to grow. These attacks, beyond creating some headaches for IT staff, may have a severe impact on businesses.

According to data from Juniper Research, a reputed technology analyst body, cybercrime will cost businesses over \$2 trillion in 2019, as more business infrastructure gets connected to the internet. What is probably more worrying is that 95% of cybersecurity breaches are due to human error and that hackers and cyber-criminals are very aware that humans are the weakest link in the IT security chain of any company. Panicking? I regret to say there is more! Any internet-connected device is exposed to the same risk level as a corporate computer or a large server.

These include mobiles and wearable’s (smart watches, activity trackers...) or the new fancy voice-controlled personal assistants like Alexa, Google Home or Siri.

Malicious software, also known as malware, is taking aim at these devices. And things such as spyware (to steal personal data), ransom ware (which interferes in the normal functioning of a device), and viruses that used to focus on your laptop or desktop computers, are now turning their attention to these devices as well.



D3 Hudson Supports Families Impacted by Destructive Wildfires

The North American division broke a record by raising nearly \$205,000 for the NGO “Habitat for Humanity.” The money will support long-term recovery efforts in California after residents were left poverty-stricken by wildfires. Dubbed “Camp Fire,” the wildfire burned through 125,000 acres of residential land and destroyed 6,453 homes, making the November 2018 fire the most destructive in California history. Funds will be put to use right away to support and rebuild the community. ■

D3 Ten-Year Contract at Best Airport in the USA

Hudson has won new business at Indianapolis International Airport, introducing exciting national brands and one-of-a-kind retail concepts. The ten-year contract,

which is part of the airport’s concessions refresh program, includes nine stores and around 835 m² of retail space to better serve almost nine million people who flow through Indianapolis International Airport each year.

The winning package includes a wide selection of well-known travel convenience, luxury retail and specialty brands including FAO Schwarz, Hudson, Ink, Tech on the Go, Tumi, Vineyard Vines, as well as tailored local concepts, including Hoosier Crossing and Pitstop by Hudson. Condé Nast Traveler named Indianapolis International Airport the Best Airport in the USA for the fifth consecutive year in 2018. ■

D2 Contract Extension at Gimhae Airport in Busan

Dufry has been awarded another five-year extension to run duty-free concessions at Gimhae International Airport, the gateway to South Korea’s second-biggest city of Busan in the southern region. Dufry started operations at the airport in 2013 and with the contract extension has secured its presence until 2023. ■



Hong Kong MTR Station Duty-Free Stores

The Dufry duty-free stores in the new state-of-the-art West Kowloon MTR station, which serves the high-speed rail link connecting Hong Kong with mainland China, opened at the same time as the station in September 2018.

Three stores, two of which are located in departures and the third in the arrivals area of the station, cover a total of 1,500 m². The 80,000 passengers using the station daily are expected to be mainly Chinese and Hong Kong residents and they will discover a premium offer

that has been developed to cater for the discerning and sophisticated passenger profile anticipated.

The core categories are beauty, tobacco, confectionery, fashion and liquor, which as a prominent category incorporates a wide selection of cognacs, local Chinese liquors and Japanese whiskies. ■