

DUFRY WORLD

WorldClass.WorldWide.

**CORPORATE
MAGAZINE**
ISSUE 32
September 2019



 Agile Working **6**

 Interview with
Nigel Keal **11**

 RegStaer Group **16**

Ongoing Growth Improvement and Expansion of Footprint

In the first half of 2019, Dufry's turnover increased to CHF 4,180.1 million versus CHF 4,097.1 million in the same period in 2018, representing a total growth of 2.0%. Organic growth continued to improve for the third quarter in a row and reached 2.2%. By geography, Asia-Pacific and Middle East continued to perform very well, driven by new concessions. Europe and Africa accelerated, benefitting from a notable recovery in Spain as well as excellent results in the UK and in particular at our Heathrow operation. North America was positive, strongly supported by our duty-paid business, while the division Central and South America remained challenging, but saw improvements in June and July.

Our capability to generate free cash flows proved once again to be very resilient, even if comparing to the record levels we reached last year. Our adjusted operating cash flow reached CHF 409.0 million and the equity free cash flow came in at CHF 140.4 million for the first semester 2019.

In the first half of 2019, we also succeeded in further expanding our footprint with the acquisition of a 60% participation of RegStaer Vnukovo announced in early June 2019, which will allow us to considerably expand our presence in the Moscow area. The duty-free and duty-paid shops operated by RegStaer at Vnukovo International Airport generated a sales volume of EUR 58.8 million in FY 2018. This expansion obviously



comes on top of the several new shop openings we highlight in the magazine.

Remarkable Number of Shops Refurbished

Attracting customers to the shop and presenting them tempting assortments is the key to our success. This year we have seen a remarkable number of shops being refurbished in the first semester totaling 31,700 m² of retail space. Among these, it is worth mentioning our latest New Generation Stores in Buenos Aires with 3,700 m², Macau with 1,900 m², Antalya with 1,700 m² and Casablanca with 1,200 m² as well as 13 shops in Spain covering 11,100 m² and seven shops in Sweden covering 4,200 m².

Implementing Corporate Projects in an Agile Way

In the first semester, we have launched two important corporate projects – the setup of the Integrated Commercial Platforms and the Retail Excellence Program. Both projects aim at further evolving our business operating model to become more customer-centric and focusing on market needs.

The first one aims at responding faster to market demands on a global basis, having commercial platforms serving different countries and divisions thus accelerating the decision-making process around assortments, promotions, pricing and supply chain. The second project is expected to drive sales in the stores, by improving customer engagement, in-store communication as well as the intensified use of online and digital technologies.

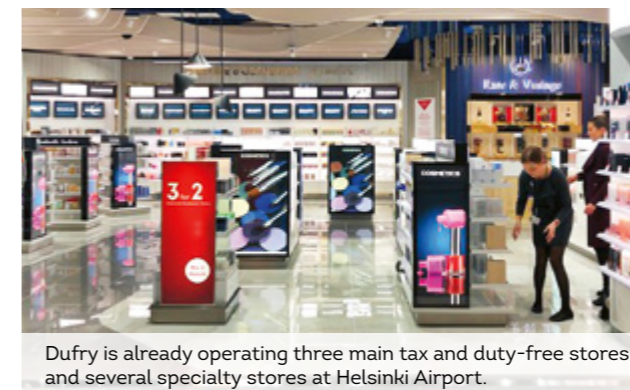
Both corporate projects have in common that their success depends on the strong and tight collaboration of several teams spread across different locations and having different backgrounds and skill

sets. For this purpose, Dufry has now started to use the agile project management (APM) approach, which allows each project to be split into several smaller pieces that can be completed and tested quickly by different teams in different locations. This new way of working based on a high level of collaboration between different functions fits well with our global structure and the need to deliver results quickly. Read the full details in our key story and the interview with Nigel Keal respectively.

Thank You for Your Ongoing Support and Motivation
I appreciate the motivation and the willingness I see to make the next steps of development, to adapt to the needs of the market and the company and to reach further levels of excellence. I thank you all for this ongoing dedication, and I am looking forward to working with you towards a successful second semester and to achieving our goals. ■

D1 New Contract at Helsinki Airport

Dufry has signed a seven-year contract with Fina-via to operate seven new luxury and premium retail shops at Helsinki Airport.



Dufry is already operating three main tax and duty-free stores and several specialty stores at Helsinki Airport.

The new agreement includes additional retail space of around 700 m² in both the Schengen and non-Schengen areas of the airport. This contract further strengthens Dufry's position at Helsinki Airport, where it will continue to operate its three main tax and duty-free stores and several specialty units, occupying nearly 4,000 m².

Three of the units will see the development of Dufry's own and unique specialized shop concepts: Collection, Timebox and Urban Attitude. Additionally, new luxury brands will also be introduced showcasing iconic international brands such as Longchamp, Coach, Jimmy Choo and Chloé, thus strengthening and enhancing the existing portfolio of luxury brands already present at Helsinki Airport. ■

Division News **3, 8, 9, 23**

People **9, 11**

WorldClass **15**

Key Story **6**

Favorite Shop **24**

Imprint

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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.

HQ One-Year Equal Salary Certification in Switzerland

Since becoming Equal-Salary-certified in Switzerland, Dufry has successfully passed its first-year audit with the Equal Salary Foundation. Dufry has shown continuous progress in the aim to be an Equal-Salary-certified employer. Creating a working environment based on the principles of fairness, inclusion and diversity will drive engagement and profitable growth.

To find out more about Equal Salary, please visit the website: <https://www.equalsalary.org>



D1 Inauguration of Ferry Store on "Pride of Burgundy"

The fully refurbished World Duty Free store on board P&O Ferries' "Pride of Burgundy" was launched on June 13, 2019.



Cutting the ribbon from left to right: Sam Bowers, P&O Retail Team; Fred Creighton, CEO for UK and Northern Europe; Janette Bell, CEO P&O Ferries; Stephanie Poulain, P&O Retail Team.

Operated by Dufry under its World Duty Free brand, the 280 m² walk-through store offers customers a wide

selection of international and local brands across the main categories of beauty, liquor, food and confectionery, tobacco, fashion and accessories, including sunglasses, toys, souvenirs and travel essentials. ■



Wide and spacious, the fully refurbished store on board the "Pride of Burgundy".

D1 Charlotte Tilbury Beauty

The Charlotte Tilbury Beauty counter situated at the front of the World Duty Free Beauty Hall at London Heathrow Airport, Terminal 5, officially opened on June 28, 2019. This is the first Charlotte Tilbury counter in airport travel retail worldwide and is a fantastic brand for Dufry to be able to offer to customers.



Charlotte Tilbury, an elegant and stylish Beauty Queen.

Charlotte Tilbury, the famous makeup artist to the stars, launched her award-winning makeup and skin care collection with the aura of expert Hollywood red-carpet and backstage secrets. The glamorous counter design has the instantly recognizable rose gold, night crimson and old Hollywood-inspired décor.



The counter displays Charlotte's makeup and skin care products.

The counter displays Charlotte's makeup and skin care products, including her famous Charlotte's Magic Cream and the iconic Pillow Talk lipstick alongside Charlotte's well-known ten-looks wardrobe "one woman, ten looks", which is at the heart of the brand. Unique to the range, women can choose by personality, lifestyle and preference. All customers will have the chance to explore, play and shop at their leisure and discover her travel beauty tips and tricks. ■



The heart of the brand are iconic Pillow Talk lipstick alongside Charlotte's well-known ten-looks wardrobe "one woman, ten looks".

D4 New Dunhill Menswear Shop at Guarulhos International Airport

Dufry has introduced one of the leading British brands in menswear and accessories, dunhill, for the first time in the Brazilian market, with a new duty-free shop at Guarulhos International Airport in São Paulo. Dufry has collaborated with Alfred Dunhill Limited to introduce the new dunhill shop in the internation-

al departures area of Terminal 3. The shop covers a retail space of 60 m² and features the main brand collection including fashion, luxury menswear and accessories, such as bags, wallets and shoes. ■



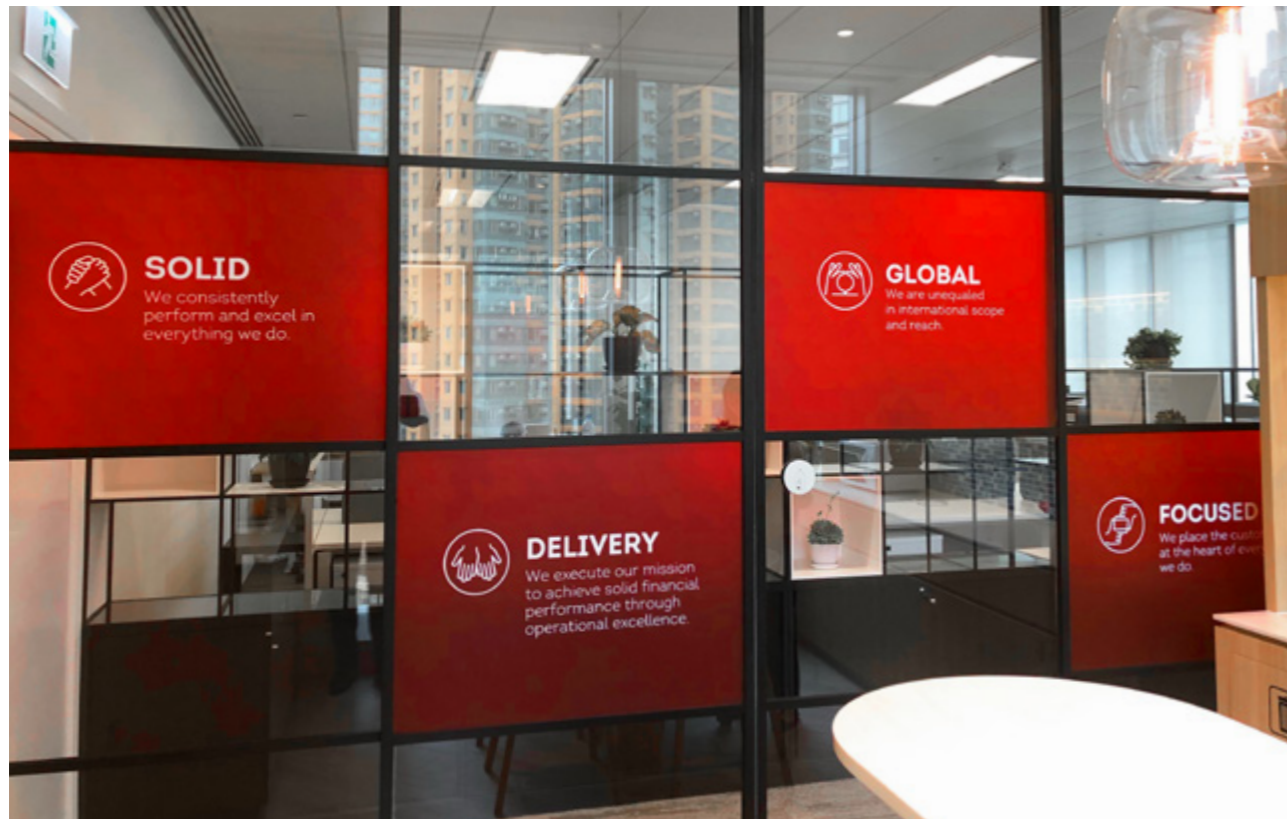
One of the leading British brand in menswear and accessories "dunhill".



Dufry has introduced "dunhill" for the first time in the Brazilian market.



The brand shop offers the dunhill collection including fashion, luxury menswear and accessories.



Global. Delivery. Focused. Solid.

Agile working. That's a term that has had resonance just lately across Dufry. But what does it really mean? Without wishing to make this story into one of those interesting but somewhat detailed articles about management, it is relevant for us all to understand the switch we are making in the way Dufry strives to work.

By Jorge Muñiz

Agile Project Management (APM) is a methodology that was first used to drive complex IT development projects and is an iterative approach to planning and guiding project processes. With the APM methodology, projects are broken down into smaller cycles or phases (called iterations) that are completed in work sessions (also known as sprints). Each section or iteration is reviewed and challenged by the project team, which should include representatives of the project's various stakeholders. Insights gained in these iteration reviews are used to determine what the next step should be in the project.

This working methodology permits teams to release segments as they are completed and allows teams to demonstrate that these segments are successful and, if not, to fix flaws quickly. A new way of working with higher collaboration across different functions and geographies.

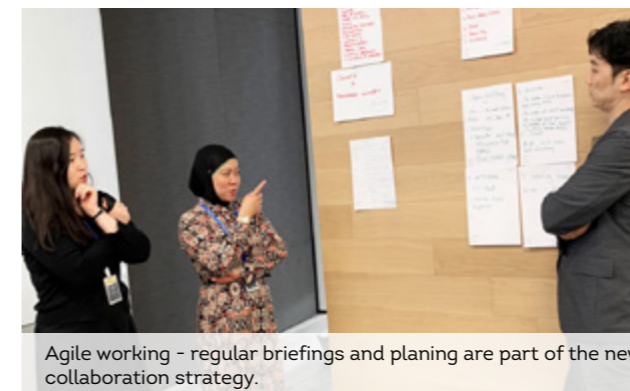
Down to Earth: Excellence Program and the Commercial Platforms

Currently, there are two key corporate projects running that have embraced this way of working. What they both have in common is the participation of many different teams from various countries, and the need to deliver the results quickly.



1. Retail Store Excellence

Delivering more with what we have. This very simplistic definition of a way of delivering organic growth is the "raison d'être" of this team. With the support of an external consultancy, a team has been analyzing what we can do better at store level to increase the revenue generated.



Based on surveys conducted in 45 top Dufry locations (accounting for 60% of our sales), and with over 20,000 face-to-face interviews, we have found there is major potential for growth. This will come from higher interaction with customers - which in turn drives a higher average customer spend.

In order to achieve this, the team focused around three areas:

- Teams: setting the right level of staffing, training and motivating them"
- In-store communication - improving the existing communication to drive in-store excitement and increasing the sense-of-place element to enhance the value proposition and differentiation
- Deploying the second phase of New Generation Stores, making the digital aspect of retail more present (staff digitalization, use of analytics, omni-channel communication, etc.) The coordination of the activity of these three areas does not really differ from other projects. What really makes the difference however,

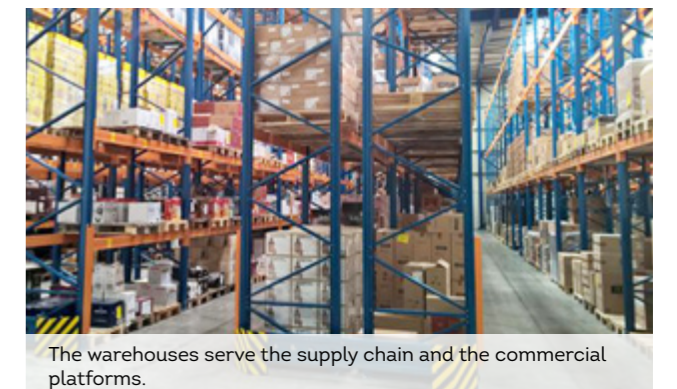
is the way this comes to life. Considering Dufry has more than 2,300 shops, delivering an individual plan for each of them, and ensuring it is the right one, would be a titanic - if not unrealistic - project.

With the APM methodology, the challenge is a smaller one, as it is around individual stores. Teams are put together to work - around a framework - to deliver a customized plan for a given airport. What is implemented in Alicante - a tourism destination in the Spanish Mediterranean seaside - might not fit 100% in Stockholm. However, individual initiatives from the Swedish airport might work in Alicante. So it is good that we can experiment and test and, eventually, transfer some elements to other locations.

2. Integrated Commercial Platforms

Our business needs to be able to respond more quickly to market demands on a global basis. To make this happen, several teams have been briefed and put to work at the same time. Spread across several locations - Americas, APAC, EMEA and UK - the new commercial platforms serve different countries in several divisions and move the decision-making power from the commercial, supply chain and logistics stand-points to the platforms, which then work in closer collaboration with both the country and division structures (for more detail on the commercial platforms, please read the interview with Nigel Keal in this issue of Dufry World).

This new structure in Dufry has learned to work as one, with teams with different backgrounds and skills but with one single focus: to drive growth and profitability - a simple mission statement that is only possible through quick decision-making processes and fast execution.



Decisions are made around the product assortment, promotions, novelties, pricing and supply chain following the above-described APM methodology. The result of this way of working is the sensible reduction in decision-making processes and quicker-to-market decisions that give Dufry more opportunities to test initiatives and, ultimately, hit the nail on the head more often.

Connected with the future of Dufry

These two projects that we have highlighted contribute to Dufry's plan to evolve its business model and respond to the company's ambition of being a One



In-store communication drives excitement and increases the sense-of-place element.

Global, more customer-centric company. As key parts of the Next Generation Dufry Retail Model, these two initiatives are expected to drive sustainable and profitable growth for our company by permitting a quicker adaptation to the changing environments in which we operate. They continue the strategic path initiated a few years ago and build on the development of a unique and global Business Operating Model (BOM), the consolidation of IOS platforms at both logistic and commercial levels, the deployment of the E-Motion strategy and, finally, the development of alternative channels, like our expansion into the cruise line business.

Aligned with our brand values

Global. Delivery. Focused. Solid. These are Dufry's brand values, but also the main characteristics of this new way of working that is gaining ground in Dufry. Agile working is enabling us to undertake projects on a global scale, focusing on resolving key issues and delivering bold results in a solid and consistent way. It also allows us to adapt very quickly to the changing needs of our industry, to consumer's buying habits and to the rapid change of pace in today's economy. ■



Activities with influencers to drive traffic to the stores and build brand awareness.



René Riedi Elected as New IAADFS Chairman

The International Association of Airport and Duty Free Stores (IAADFS) has elected René Riedi, Divisional CEO Central and South America, as its new Chairman, effective July 1, 2019, for a two-year term. IAADFS represents the interests of the American and Caribbean duty-free and travel industry, with more than 300 member companies. René is well acquainted with the Americas region, with more than seven years of experience in the Americas in total. Prior to his transfer to the US in 2012, René was Chief Operating Officer Eurasia, with executive responsibilities for all retail activities in the Middle East, Eastern Europe, CIS and Asia Pacific. ■



Nigel Keal Elected President of ETRC

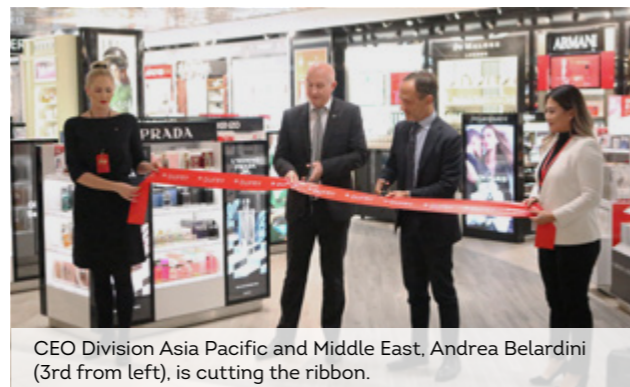
Nigel Keal, Global Commercial Director, is the new President of the European Travel Retail Confederation (ETRC). ETRC represents the industry on many important topics such as product labelling and consumer information, as well as Brexit, category specific challenges or political questions.

The organization's Annual General Meeting took place on July 4, 2019 where the election of Nigel to the role took place. Nigel has been a member of the Managing Board of ETRC since 2017. He joined Dufry in 2007 and has an in depth knowledge of the travel retail industry. ■

Divisions

D2 Inauguration of Refurbished Shop at Perth Airport

Dufry has opened its fully refurbished duty-free walk-through store, which is located in the international flights' departures hall. The 1,200 m² store incorporates a stronger focus on digital execution and offers customers a wide range of products from some of the most renowned brands in the world, across core categories including beauty, liquor, confectionery and fashion accessories. There is also a strong implementation of sense of place across the store and the design of the store's promotional areas resembles the endemic baobab tree. Another new concept in our store and unique to the airport is Perth Street Market. This area invites travelers to celebrate local Australian food, home wares, gifts and wine, providing the ultimate opportu-



CEO Division Asia Pacific and Middle East, Andrea Belardini (3rd from left), is cutting the ribbon.

nity to taste and discover the fine flavors of Western Australia. The range of housewares and gifts is created by local artisans and features a number of high-quality handmade products such as ceramics, woodwork, cushions and prints to adorn the home, alongside homemade soaps and natural skin care. ■

Divisions

HQ Dufry On Board the McLaren F1

Formula 1 is one of the biggest sports with over 506 million fans around the globe. Its races - known as Grand Prix - are broadcast in nearly 200 territories worldwide and are attended by 195,000 people on average (and bear in mind that each Grand Prix spans three days, from Friday to Sunday). In the social media world, Formula 1 has over 18.5 million followers and is the fastest growing major sport in social media.



Racer Lando Norris in the cockpit of his McLaren Formula 1 car.

A magnet for big multinational brands, the sponsorships in the Formula 1 circus is a crazy world of inches - and dollars - where the driver, the team and the position on the car in which advertising is placed make a big difference. In this context, Dufry made its debut in June during the celebration of the French Grand Prix, on board the McLaren Formula 1 cars of Carlos Sainz (6th in the race) and Lando Norris (who finished in 9th position). And again in the Hungarian Grand Prix in August.

The dizzying figures of investment required are surely out of reach for Dufry's marketing budget. So how was it possible to see the Dufry logo on the front and sides of the McLaren cars? The answer lies in a key piece of background information: British American Tobacco (BAT). The UK company is one of the main sponsors of the McLaren F1 team through its initiative "a better tomorrow", a slogan that reflects BAT's intention

of accelerating their business transformation to leverage its portfolio of potentially reduced-risk products. The controversy of this campaign – which also impacted rival Philip Morris International with a similar sponsorship of the Ferrari F1 team, coupled with stricter tobacco regulations in some markets – opened a door for Dufry to occupy that space on the cars, even if that was for just a couple of races!

our own growing brand reputation. And, for those who missed it, we will have a chance to see again during the celebration of the Brazilian Grand Prix in November. It is amazing to be part of the “big circus” even if it’s just for a few weekends and benefit from the great brand exposure these events have! ■



Dufry logo present in the two McLaren F1 cars in the French Grand Prix.



The Dufry logo in the front on the McLaren car.



The Dufry logo side-ward on the McLaren car.

However, it is not just about the partnership with BAT. It is also about international brand recognition and acceptance. Formula 1 teams in general, and McLaren in particular, have very strict rules regarding the brands they align their name with. Moreover, putting the logo on the car is not just about giving money, but also about being aligned with the values and tradition of the team. The exciting opportunity that we enjoyed – and that we felt very proud of – really demonstrates the close relationship Dufry has with its key brand partners, and



Pit stop: the co-ordinated service team needs less than two minutes.

Calling Mr. Brand

If travel retail was a country, Nigel would be one of its most prominent citizens! Working in the retail industry since the end of the 1980s, he has experience of working in operations, merchandising and procurement. Nigel moved to Dufry in Switzerland in 2006 as Procurement Director. Today he is Dufry's Global Commercial Director. The recent creation of Dufry's Commercial Platforms, which herald a new way of working in our company, together with his recent appointment as President of the European Travel Retail Confederation (ETRC), is bringing more excitement to Nigel's (professional) life.

By Jorge Muñiz

The key story in this issue of Dufry World talks about Commercial Platforms as a new way of working that Dufry is adopting. Can you please explain what these platforms are and how they work?

In a single sentence, the Commercial Platforms enable increased agility and bring the teams closer to the business. Four Commercial Platforms have been set up, one in Europe, one in the UK, an APAC platform (based in Hong Kong) and another one for the Americas (based in Miami, US). These four platforms serve the following countries and regions:

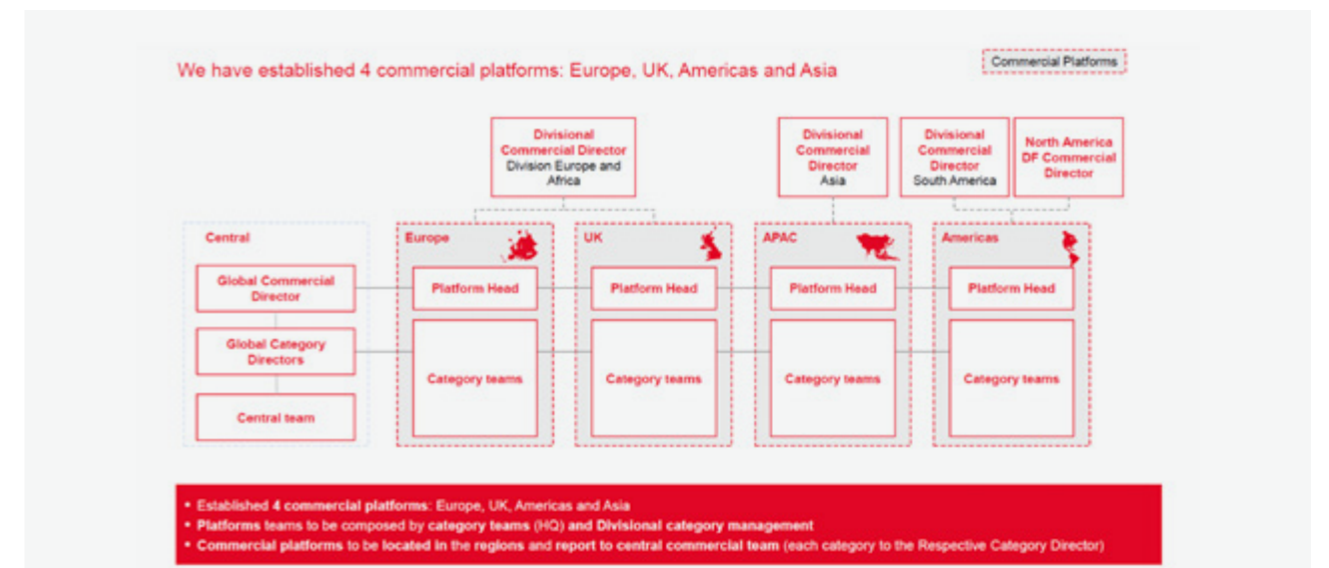
- Europe – serving Europe, Africa, the Middle East and Russia
- UK – for the UK only
- APAC – for our operations in Asia and Australia
- Americas – for our operations in the US, Canada and Latin American countries

The platforms are an extension of the central commercial team and include teams covering each of the existing



Nigel Keal, Global Commercial Director and President of the European Travel Retail Confederation (ETRC).

commercial categories: Beauty, Liquor, Tobacco, Food and Watches, and Jewelry and Accessories. These teams report directly to the central categories but have a platform “head” overseeing them. My role as Global Commercial Director is to orchestrate the



activities of the different commercial players of the organization. And in coordination with both country and divisional teams, we make decisions related to product assortment, novelties, promotions and pricing in our operations.

What is the rationale behind this newly created structure?

Basically it is about reducing complexity and increasing the speed of the decision-making process. The former structure, with a global commercial function, was a bit too far away from the front line – our stores. And whilst it worked and gave Dufry great benefits – for example, we could maximize advantages created because of the size of our company – the model could be improved to create a more efficient structure that enabled us to meet the specific needs of the countries more effectively. The strategy for the whole category and the negotiations with providers remain global, but the day-to-day operations are now closer to the business.

As you can see in the structural blueprint, each platform has representatives from each of the categories, whose role is to coordinate decisions between countries and global category owners. This position enables them to have a better understanding of each individual market, empowering them to make quicker, more on-the-spot decisions.

Couldn't platforms be perceived as an additional layer in our organization, hence making things a bit more complicated?

That is not the idea behind the platforms. If you look at the new organizational structure, the divisional commercial teams are now being transferred to the platforms. So it is not adding another layer to the decision-making process, but simply changing where the decision is made. And, yes, it is true that there is not a 100% geographical fit between divisions and platforms. However, the way platforms are structured matches the way our brand partners split the world and where products are distributed on a global basis.

How will the Commercial Platforms change the way you work with brand partners?

The platforms permit us to make more informed decisions. As I said previously, globalizing functions has benefits related to economies of scale and synergies. However, for the commercial function, particularly in today's world, one size does not fit all. We need to get more up to speed when it comes to understanding customers, what they want, what they expect from us and what can surprise them (in a good way!). Having a better understanding of the dynamics of the market and what works in an operation (and what does not) enables us to be more proactive and puts us in a better position to work with our brand partners and to develop exclusive products and more innovative promotions. We must also listen to our brand partners.

Is travel retail still an interesting channel for our brand partners, or is online taking over?

The travel retail channel is definitely still interesting for brand partners! However, it is in our hands to protect it and to keep making it appealing. It will not come as news to anyone that most of our brand partners value our channel and use some of our locations as launch pads for their products. Some airport locations in particular are highly valued by our partners because of the profile of the passengers and the international exposure the brands receive at those locations.

Our big advantage is to be located where we are. And our main focus has to stay in attracting customers to our shops and making them shop with us. The availability of exclusive products, different formats or new launches and "firsts" is our real point of difference with respect to online retailers. But we cannot put all our eggs in this basket. What really makes the difference between online and any other retailer is service and experience, something the online world cannot (so far) offer to customers. This is where we have to focus our efforts. And also being willing to listen and learn from our customers. Understand what they want, how it works and react quickly.

You were recently appointed President of ETRC. In your opinion, what are the main challenges the industry will be facing in the medium term?

I am beginning my tenure as President at a time when many challenges confront our industry, namely Brexit, product labelling and ever-increasing demands for more consumer information, concerns about sustainability and the use of plastic, alongside other specific challenges in the tobacco, alcohol and confectionery categories. ETRC is a vital strategic organization that is essential to ensuring we meet these challenges head on and as a joint effort of the industry. In addition, the EU has undergone significant changes this year with a new parliament in place and a new commission taking office in November. With the support of its members, ETRC will need to engage with regulators and stakeholders at EU level to ensure the voice of duty-free and travel retail is heard on these issues of key importance to the industry during the next legislative session. Some issues may just have a European scope; others can very quickly spill over to other regions.

On the Brexit front, the role of ETRC is twofold. We support ETRC members in understanding the implications of the different post-Brexit scenarios on the one hand, while on the other hand we work with the EU and British parliaments to bring back duty-free to European passengers.

Product labelling is a bit more complex. Since 2011, there has been a significant increase in the regional

and national product legislation governing what needs to be included on product labels (e.g. ingredients, nutritional facts, allergens, etc.). These laws aim to enable consumers to make more informed purchasing decisions. But they are designed for the domestic markets, and that creates significant barriers to trade – especially for the duty-free industry, which operates in multiple countries, with multiple languages.

ETRC advocates an electronic solution that benefits everyone. For consumers, this solution means being able to access all information in a more comprehensible (and legible) way, while for manufacturers it provides the possibility of reaching more markets and developing different and more appealing formats (confectionery, among the chief categories impacted, is one of the main options for gifting). ■

IN A MINUTE:

- A meal: Always a good steak, especially if I am in a country with a good reputation for its meat. Having said that, I am also quite partial to a good risotto!
- A book: Animal Farm (1945), by George Orwell. His analogy between the farm and the real world is still spot on.
- A city: London... what more can I say!
- A film: If..., a British drama from 1968 by Lindsay Anderson satirizing English public education.
- A hobby: I have now exchanged sports for gardening. I still do not know which is more tiring!
- A leader: As a civil leader, Margaret Thatcher. But I also admire Martin Johnson. He was England's rugby team captain when we won the Six Nations and the World Cup in 2003.

Wall of Fame



Sherrie Cardozo,
Bulgari T5 Sales Associate,
London Heathrow (UK)

In business in general, but especially in the luxury business, anybody with a loyal customer has a piece of treasure in hands. However, in an airport with as much passenger traffic as Heathrow, keeping track of all passing customers is not an easy task. This was not an issue for Sherrie, who found the use of technology to be her best ally for engaging a very particular type of customer.

When customers visit our store, they sometimes provide a lot of information. Therefore, Sherrie was wise enough to record all this in the Customer Relationship Management tool (CRM). Nevertheless, this was not the only thing that made this customer spend over 60,000 pounds in less than a year. By checking in on this customer regularly and keeping in regular contact with her, Sherrie managed to clearly understand this customer's preferences and discover what she liked, in order to ultimately build up a real relationship with her. This invaluable information was useful to the staff in store to ensure that they stocked her preferred collection "Serpenti" at the time she was visiting our store. Thanks to this relationship, Sherrie knew this customer would be in our store in June

and invited her for lunch at the best table at Gordon Ramsey's Heathrow restaurant. This regular customer of Bvlgari in Bond Street and Selfridges was overwhelmed and delighted by the treatment received, which she found superior to that provided by the London high-street boutiques. This customer's last ticket is from late August – for the Serpenti necklace in PG Malachite Sapphire, with a price tag of £ 12,000. This is an excellent example of retail excellence, superior customer service and the value of technology. Congratulations Sherrie, this is WorldClass!



D4 - Natalia López,
Country Customer
Service Specialist,
Montevideo, Uruguay

Natalia started working at Dufry in 2004 as a Sales Assistant, and in 2011 her vocation for the client led her to move up to the position of Customer Service.

Currently Natalia works as Country Customer Service Specialist, emphasizing that what she likes about her job is "dealing with clients and the daily challenge of solving new queries" as well as "the environment in which we work and the understanding nature of the managers." Natalia has been a volunteer at the Kangaroo Foundation for nine months,

Wall of Fame

where she provides emotional support by accompanying babies from zero to three months who are in a situation of family vulnerability. We are very proud that Natalia is part of the Dufry team, and we hope that with her big heart she will encourage more people to collaborate and volunteer in support of different causes.



D1 - Veronica Saapunki,
MAC Makeup Artist,
Helsinki Airport, Finland

Veronica has received superb feedback on several occasions from our customers and from our Finnish landlord, Finavia. She has the ability to make our customers feel special. Veronica has numerous positive feedback notes from customers expressing gratitude and congratulating her for the VIP treatment given to them - indeed, some of them were surprised at the standard of service and treatment they received as - in their words - they were "just ordinary customers!" Veronica takes the ONEDUFRY principle of making our customers feel special in our store as her main principle ... and this pays back! Not just in recognition of her work, but also with the loyal customers that return to store, even if it is just to meet Veronica and wish her a nice summer. Well done!



D1 - José Javier Gamonal,
Administrative Staff,
Hudson Madrid, Spain

Fast track. That is what describes José's performance in our company. A former member of Lagardère staff (former operator of some convenience stores awarded to Hudson in December 2016), he quickly found his way and progressed within our team. José worked as Specialist Storekeeper for over 12 years. At the time the Lagardère staff were transferred to Hudson, José was promoted to an administrative management role, in charge of press, books and sandwiches for the operation. With no knowledge of our internal procedures and ways of operating the business, José took the fast-track route to very quickly learn and take control of the new responsibilities and today is one of the best performers within the Hudson operation in Madrid. José's secret passion howev-

er is ornithology. He enjoys working as an expert bander for some of the most prominent ornithology associations in Spain and contributes to many programs with his work and research.



D2 - Michelle Travis,
Beauty Consultant,
Melbourne, Australia

Qualitative measures, including evaluations based on customer experience, grooming, retail operations and team spirit, and recommendations from the retail and education teams, as well as quantitative measures (individual counter performance) were all part of a performance evaluation for Michelle, who was a candidate for Shiseido's Best Beauty Consultant of the Year awards. Out of the 1,500 participants in the competition, Michelle was one of the nine lucky winners! Selected as the Best Beauty Consultant in the Fragrance Category in Asia-Pacific, Michelle, together with the other winners, will have the chance to visit Tokyo in September 2019. This is an once-in-a-lifetime opportunity to visit Shiseido's headquarters and learn more about the DNA of the Shiseido Group, exploring Japan together with Shiseido, as well as experiencing Japanese art, beauty, culture, scenery and cuisines. We are very proud (and a bit jealous!) of you, Michelle. Well done!



D2 - Stella Poghosyan,
Terminal Manager,
Armenia

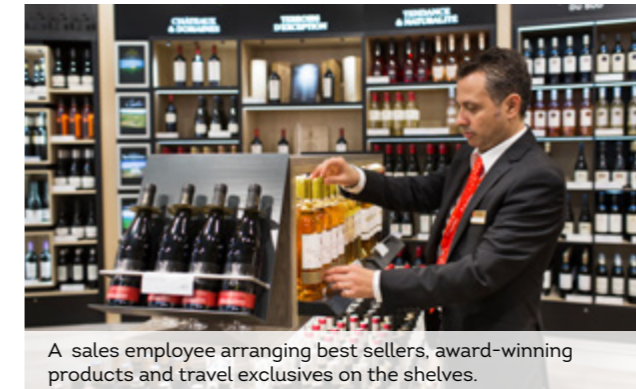
Stella joined Dufry Armenia at the age of 19 whilst still a student in state engineering at university. She joined the company as one of the first Sales Associates in 2003 when duty-free shops were established in Armenia. The company has become her first and up to now the only working place where she has made a successful career, as well as built her happy family. Currently Stella is a Terminal Manager, a wife and a mother of two lovely daughters. She has a pet and many hobbies. But her favorite hobby is her work, which feels like a second home and family! In spite of her responsibilities at home and in her job, Stella also finds time for doing sports.

Reinventing the Wine Game

You might not be that familiar with the liquor category, but for Dufry, the sale of wine and spirits amounted to CHF 1.4 billion in 2018 - that's 16% of Dufry's 2018 global revenues. Wines, however, are probably one of the harder products to sell for a number of reasons. These include volume restrictions imposed by airlines that prevent potential customers from buying, and the actual process of selling wines, which are trickier to merchandise and arguably require a greater depth of product knowledge to buy and sell.

By Jorge Muñoz

Whilst these factors might be seen as reasons to reduce the share of wine in our stores, the reality is that certain wines drive sales, especially amongst Chinese passengers, hence offering a real opportunity for the category. With these elements in mind, the wine subcategory team had the task of rethinking our approach to wine selling in our stores. The outcome of this is a change in strategy, which is being rolled out in 22 countries this year and which, briefly, aims to simplify the product management by ensuring we guarantee availability of best sellers, award-winning products and travel exclusives on our shelves.



A sales employee arranging best sellers, award-winning products and travel exclusives on the shelves.

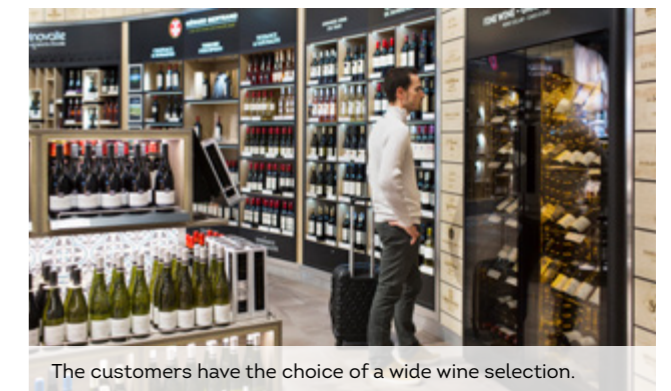
The plan in detail

Product, placement and promotion. These are the three main variables that are leading this wine revolution.

When it comes to product assortment, the wine team has simplified the portfolio by reducing the number of wine bottles available and by reinforcing the relationship with key global brand owners. The new list of references is mostly made up of best sellers and Dufry exclusives from some of the world top wineries, including Les Grands Chais of France, Bottega Distilleria of Italy, or Treasury Wine Estates of Australia. French wines (with 30%), followed by wines from Spain and Italy (13% each), Australia and the US (10%) and Chile (8%) account for 80% of the SKUs available in this new list, which includes wine references from more than eleven countries and will enable us to offer between 45 to 240 wine bottles, depending on the location. This list

will be revised twice a year in order to identify gaps in terms of price range, wine nationality and opportunities for expansion. The second pillar is very much linked to the product assortment. A simplified number of wine bottles and suppliers enables us to ensure immediate product availability via our logistic platforms located in Barcelona, Miami and Hong Kong. The overused statement of having the right product, in the right place, at the right time becomes a tangible reality, as this simplified wine assortment will be fully available in stores by the end of December.

The last pillar, promotion, helps reduce the complexity of the selling process. Destinations have been differentiated between wine and non-wine producer countries, with different ways of setting up the product and the selling areas. When it comes to the point of sale, the main difference between one group and the other is that, in wine producer countries like Chile, Argentina, Spain or Portugal the product is classified with further detail (to include the region of production or type of grape). However, compared to a simpler classification for non-wine producer countries, and with sparkling wines removed from the concept.



The customers have the choice of a wide wine selection.

The product assortment here also plays an important part. By including the largest possible number of Dufry exclusive products, for example, there is a specific history and story behind each unique bottle with a particular grape variety, color and taste. ■



RegStaer Group

In June 2019, Dufry signed an agreement to acquire a 60% stake of RegStaer Vnukovo. The operation is expected to be fully consolidated by Dufry in the second semester following customary approvals. This latest acquisition gives the business an opportunity to feature the RegStaer Group of Companies as part of the Dufry Group.

By Lubna Haj Issa

The partnership between Dufry and RegStaer started in January 2012 when Dufry acquired 51% of a joint venture with RegStaer Group's business at Sheremetyevo International Airport in Moscow, Russia, and set the base for the recent acquisition of RegStaer's Vnukovo operation.

The recent acquisition will significantly increase Dufry's presence at Moscow airports next to the operations at Sheremetyevo and Domodedovo airports. Additionally, this important step consolidates Dufry's position in Russia with regard to its existing operations in Saint Petersburg, Sochi and Krasnodar. Dufry is now present in seven of Russia's ten largest airports, with the opportunity to serve both domestic and international passengers. Dufry will now be able to maximize further operational efficiencies through

the integration of the management offices of its operations in the Moscow area. Dufry gains a great retail



package at Vnukovo International Airport, as RegStaer operates duty-free and duty-paid shops at the airport. RegStaer opened an impressive 6,800 m² new walk-through store at Vnukovo International Airport in June and started to operate its first arrivals duty-free business with the new 1,300 m² Duty Free Moscow walk-through shop.

Vnukovo International Airport is a profitable operation, which generated sales of €58.8 million in the 2018 financial year. The airport handles around 22 million passengers annually and is one of the three most important airports of the Russian capital, Moscow.



Long-standing Partnership

The acquisition strengthens Dufry's successful partnership with RegStaer, which Dufry CEO Julián Díaz

and RegStaer Founder and Chairman Alexander Baev have established over the past 20 years. The RegStaer Group of Companies was founded in 1998 and has ever since been one of the leading operators in Russian travel retail. It is one of the main duty-free operators at Sheremetyevo Airport, where the company opened its first duty-free store in 1999.

Overview Milestones RegStaer at Vnukovo International Airport:

- **2005** - New duty-free store at new international Terminal B.
- **2006** - First duty-free store for pilots, the Pilot Shop
- **2007** - A duty-free store opened in one of the largest Business Aviation Centers in Europe, Terminal 3.
- **2012** - Dufry becomes the general partner of the RegStaer Group of Companies and co-owner of a part of the assets.
- **2012** - RegStaer Group of Companies becomes the leading operator of duty-free shops at the new and most modern Terminal A. First shops of perfumery and cosmetics, watches and jewelry, alcohol and food in the zone of international departures at Terminal A.
- **2013** - First stores in the duty-paid format in the



zone of domestic departures at Terminal A. Duty & Beauty perfumery stores, Duty & Sunny sunglasses, Duty & Trendy fashion and footwear.

- **2014** - First Victoria's Secret boutique opened its doors.
- **2015** - Opening of Natura Siberica boutique.
- **2016** - First Duty & Shops store started operations in the arrivals area of domestic lines.

- **2017** - Seven stores opened at Terminal A in the zone of international departures. Haute Parfumerie stores with niche and selective perfumery, modern young fashion boutique, Michael Kors store, Hudson store, duty-free watches boutique and duty-free electronics store.

- **2018** - Opening of new stores at Terminal A. A walk-through store, the first arrivals duty-free shop and Max Mara Weekend corner in the international departures area. ■





Home to the Northern Lights

By Jorge Muñiz

Sweden is a great country widely known for a number of things. Despite its relatively small population – ten million – Sweden has made many contributions to the world. Names like Ingrid Bergman, Alfred Nobel, Abba or Avicii are just a few examples in the cultural field. Nevertheless, it is also a country associated with design (from Volvo or Ikea to H&M) and innovation (Skype, Spotify or the popular Candy Crush).

The renewal of the concession agreements to operate the duty-free stores in the eight Swedish airports managed by Swedavia in this country, for another seven years, came with the challenge of refurbishing and upgrading the stores, and so far, nine of them (located in Arlanda, Göteborg Landvetter and Bromma airports) have been completed: a great opportunity to introduce that Swedish flavor to our stores and reinforce the sense of place to improve the customer experience and enhance the passenger flow through the space.

So, which element could it be that would best connect these airport stores with Sweden? The answer was “floating in the air”: The northern lights and the Swedish natural landscape – blended with the above-mentioned exquisite design and technology – were the perfect mix.



The Swedish flavor of the shops introduced by "Sense of Place" decoration.

“Look up!” Concept Design

Sweden is a great destination for seeing the northern lights – or aurora borealis –, an amazing astronomical phenomenon visible from September until March in the very northern (and southern) latitudes. Scientifically, the bright dancing lights of the aurora are actually collisions between electrically charged particles from the sun that enter the earth’s atmosphere. The result of these collisions are lights that appear in the sky in many forms and displaying different colors, mainly pale green and pink.

The northern lights are the connecting element across the main shop of Stockholm Arlanda Airport – Sweden’s main airport and our landmark store in this territory. Supported with other elements very much connected with Sweden – such as the forests (that cover the vast majority of the territory) and the ice – different tones of the northern lights cover the store ceiling acting as themes for the different categories of the store.

Spirit of Sweden complements the strong sense of place of the Arlanda stores, as it features a unique design inspired by Nordic territories both in the design and in the product mix – which includes souvenirs and Swedish food.

A Different Approach

The new store is not just about design and the Arlanda main store is part of a new commercial concept, developed in cooperation with Swedavia, aimed at providing passengers with a new experience – an ambition that is also to be brought to life in the Göteborg Landvetter

Airport. This new concept encompasses an innovative and exclusive product mix, as well as stronger brand personalization of the store. In the product selection, efforts have been made to adjust the offer to one of the fastest growing target groups in travel retail – millennials.

The new approach also comes with enhanced in-store communication, improved services and the support of RED by Dufry – which is being introduced across all Swedish airports – as a vehicle to better communicate with customers and deliver improved value and benefits to everyone shopping in our stores.

Team Commitment

Big or small, any refurbishment is a painful process for any operation, especially when you do not have the option of shutting down temporarily while the work is being carried out.

And despite the Swedish operation having undergone the largest refurbishment since Dufry (through Nuance) started to operate this business in 2001, servicing customers’ needs, even when the store was not there, remained as the main priority. Moreover, results prove the success of this focused approach.

Impeccable coordination of the shop development, and of the commercial and operations teams at local, division and global levels, has permitted Dufry to move all the Swedish stores up a gear and take travel retail in this country to a different level. Congratulations to everyone involved! ■



Arlanda’s Northern Lights in action.



Employee Discounts at RED by Dufry

When did you last surf the RED by Dufry app? As we are putting together this short story, I am listening to RED by Dufry's playlist - which can be downloaded to hear offline! Another functionality is checking the latest releases on Forum or finding a great hotel deal for a weekend break. While the latest song from Panic! "At the Disco," plays on my earphones, more and more benefits and services are added to the app. All of which are free by the way!

By Jorge Muñiz

As part of Dufry's ongoing strategy to digitalize both the customer and employee experiences, employee discounts are next in the list of additions and will soon be available at the Red by Dufry app. What does this mean? In a nutshell, that once the employee discount is fully rolled out in RED by Dufry, you may benefit from special discounts in all the stores in the Dufry network: 2,300 shops spread across over 400 locations in 64 countries - a major shift in the employee experience!

Dufry will also load local employee benefits - related to a specific country or operation - to RED. And whilst these benefits may be different from one country to another - depending on local deals negotiated by the

corresponding HR departments - the access will be unique using the RED by Dufry app and will be relevant to the location.

Together with the access to VIP lounges, rewards, gifts and unique experiences with many brands that we are already offering to all the RED by Dufry registered users, you will have discounts, rewards and benefits all in the same place, to take advantage of - from the heart of the airport, to the heart of the city.

More will be communicated shortly. Get ready! Start by downloading the app and signing up. There is a world of benefits waiting for you! ■

D1 Camel Limited Edition Packs Launch Celebrated in Madrid

It was probably the hottest day of summer in Madrid, with temperatures well over 40°C. Nevertheless, this did not prevent us celebrating a partnership with Japan Tobacco International (JTI) to launch a Camel Dufry-exclusive limited edition pack and carton design, specific to key Dufry locations and stores using the IATA codes of Madrid, Zurich, Tenerife, Cancún and Denpasar.

JTI hosted a great party in the Madrid Office with lots of games and activities, all linked to the five different destinations of the Camel limited edition. Ping-pong, table tennis, a 3D photo booth, pinball and puzzles were all on offer - and everyone wanted to go try the different games, to get their "passports" stamped and have the chance of winning prizes.

The event also served to share with the Madrid staff all the details about the partnership. Eugenio Andrades,

CEO Division 1, thanked JTI and the Dufry teams for the hard work done over the past months to make this special edition a reality. Tom Osborne, General Manager of JTI Iberia, and Nacho Luchessa, General Manager Western Europe Duty Free at JTI, talked about the long-standing relationship between Dufry and JTI and the importance of the tobacco category for the travel retail industry. ■



Playing table football was one of lots of games and activities linked to the five different destinations of the Camel limited edition.



Employees having fun with the 3D photo booth.



The participants had the chance of winning prizes.





New Generation Store at Ezeiza Airport in Buenos Aires

Following a major renovation of Ezeiza International Airport, Dufry further developed its operations at the airport with the opening of an additional New Generation Store which was inaugurated in March 2019. This is now the third New Generation Store in Latin America and introduces the concept to Argentina. Located in the departure area of Terminal A, the store features 3,000 m² of retail space with a walk-through concept that truly immerses passengers in the digital shopping experience.

The exclusive "Thinking Argentina" area reflects the "Sense of Place" concept, where passengers can find local products that are typical of the country's culture, such as cookies known as "Alfajores" and Patagonian gourmet foods. Additionally, a special wine cellar area is dedicated to Argentine wines. The perfume and cosmetics portfolio includes iconic labels such as Tom Ford, Jo Malone London, La Mer, Benefit, Giorgio Armani Makeup, Givenchy Makeup and Coach Fragrances. ■