



RIO DE JANEIRO DUTY FREE

# Duty Free 2.0

Review Travel Retail  
Principals with the  
Customer as centric  
approach

ASUTIL  
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 DUFRY

What does duty  
free mean to you?

# The Travel Retail Industry - 6th Continent of Retail



Duty Free is a Global Industry, considered as the 6<sup>th</sup> continent of retail, specialized in selling goods to travelers,

The Travel Retail sector was born in 1947, in Shannon Airport, Ireland, when the aircrafts would stop for refueling,

Weitnauer/Dufry also entered the duty free market in 1947, initially as a pure wholesaler and in 1952 as a retailer, opening the worlds second Travel Retail store at Le Bourget airport in Paris

In 2016, the Travel Retail market was valued at **35B \$**, growing at an **+8.4%** compound annual growth rate (CAGR)<sup>(1)</sup>

The 2016 World Airport Traffic Forecasts (WATF) projects a passenger traffic growth rate of **+5.2%** per annum to 2029<sup>(2)</sup>

The Travel Retail industry is not driven by large volumes but by a power to **influence** markets



# Dufry has lead this consolidation process of the Travel Retail Industry over the last 12 years

This Process started in 2004 with Weitnauer..



### 2003 FY Financials

Revenue	685M CHF
Gross Margin	46.4%
Ebitda Margin	7.1%



..which was soon transformed into Dufry



**Focus on Execution and Adding Value**

# During these years, We have integrated Travel Retail Regional Leaders..

These players have each added great value to the Group..



## ..Growing the Groups Sales & Margin..

2006-2014 FY Sales Financials (CARG)	
Total Growth at cte. FX	20.7%
Total Organic Growth	6.8%

# .. reinforcing our position as the Leader of the sector

Dufry has reached over 24% market share, 8Bn CHF in sales with over 2,200 stores in over 60 countries



# DUFRY

WorldClass.WorldWide.



*Focused*

We place the customer at the heart of everything we do.



*Global*

We are unequalled in international scope and reach.



*Delivery*

We work to deliver great retail experiences and surpass all our audiences' expectations.



*Solid*

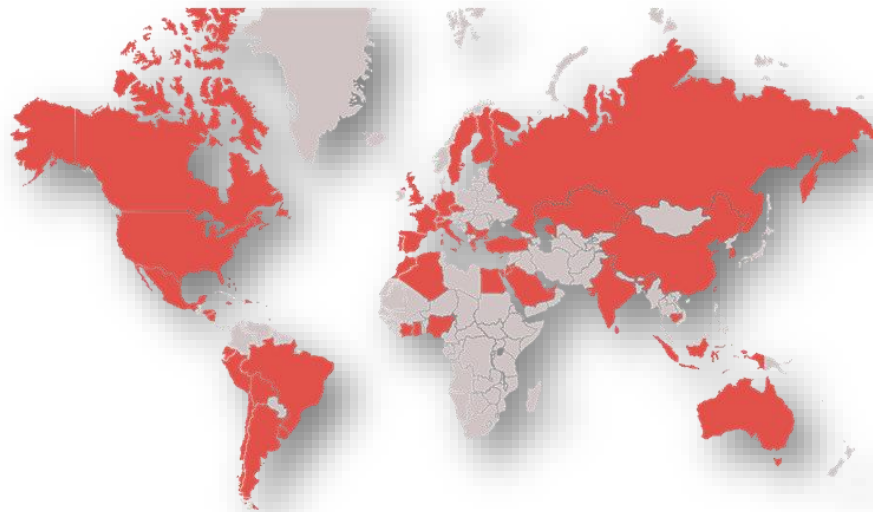
We consistently perform and excel in everything we do.

 Present in <b>63</b> countries	 Over <b>1,000</b> suppliers	 <b>2.5 billion</b> potential customers
 Operates at over <b>370</b> locations	 <b>50,000</b> products <small>Our assortment of reference items from vendors globally</small>	 <b>24 %</b> market share <small>in airport travel retail</small>
 Over <b>29,000</b> employees <small>Representing over 70 different nationalities</small>	 Over <b>2,200</b> shops <small>Dufry opens a new shop every week</small>	 Close to <b>410,000 m<sup>2</sup></b> of commercial space
		 <b>Turnover multiplied by 8 and EBITDA by 14 since 2003</b>

## After achieving great success in the Consolidation of the Sector, Dufry now needs to take the lead in the Transformation of the Industry

- Since 2004, Dufry's strategy has been to consolidate the sector, becoming the **largest Travel Retail company in history**
- Through consolidating the market, Dufry has **created a unique asset**, a global network which optimizes Brand potential worldwide
- However, if we want to continue growing, **the Strategy of the Group needs** to convert from how to consolidate the sector into how to **Transform the sector...**

...understanding the challenge that it implies to mobilize a company of this size to lead this change



*Dufry presence worldwide*

# More than ever, we are questioning the Business Model of the industry and understanding the challenges we face

Has the industry reached its **maximum potential?**..

..No, the current penetration rate is only 16%(\*). Market studies show that 43% did not purchase because they did not see Dufry offers, 25% confirming that they would have purchased if they had done..

Is the industry viable with continuing **increases in MAG?**..

..Yes, but only if we increase the volume of the market at the same or higher rate

Can we survive the **E-commerce boom?**

..Yes, if we play it right, E-commerce and Travel Retail will become complimentary and not competitive, additionally, we will still have access to the best customers -mid/high acquisition power with shopping mindset-growing 4% YOY

Is the **current Mission** of the Travel Retail industry going to **allow us to keep growing?**

..No, currently the mission is perceived as competing in price, driving volume, .. which will not allow us to drive the growth of the market

(\*) Penetration source: Internal Market study of main 32 DF stores



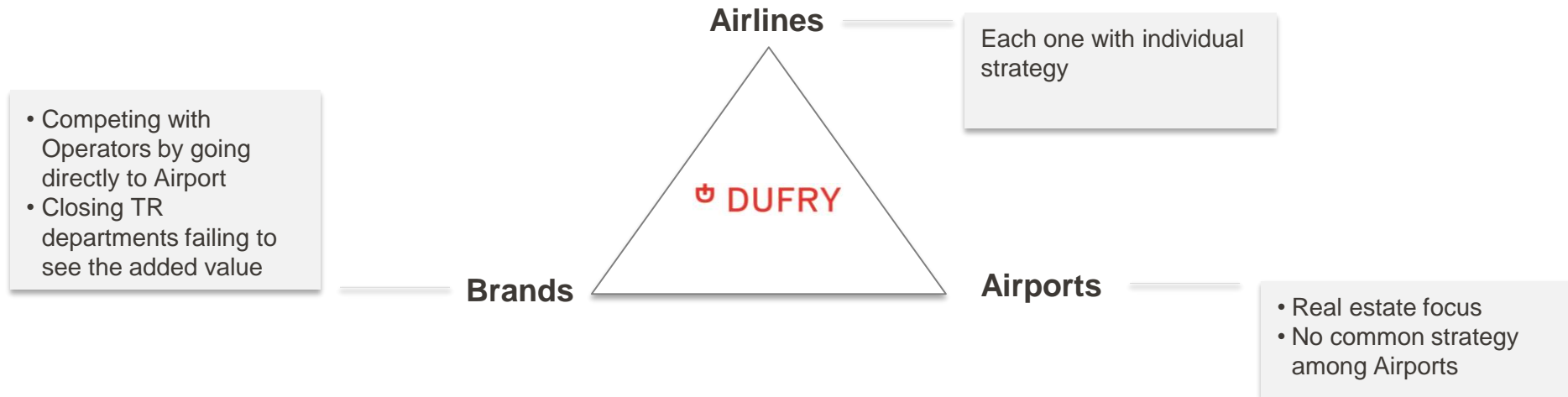
As leaders of the sector, Dufry has the **Responsibility to Lead the Transformation of the Travel Retail Industry**

**All together, we need to redefine the Mission of Travel Retail sector..**

..and we know that the only successful approach is to increase our focus on our **Customers**

But also, we understand that this transformation process will only be possible with the cooperation of all stakeholders ensuring the sustainability and growth of the market

Currently the **4 main stakeholders** have a different approach to the Duty Free business with **short term growth strategies**



**Only a Global Operator can lead the Transformation** and transmit the value of a **Customer centric approach** and the positive impact it can have on the Industry for all parties

We need to define ONE common objective

# Dufry, in conjunction with Stakeholders will take the lead in redefining the Mission of the Travel Retail Industry



What does the Travel Retail Industry have?

- Market growing 4-5% YOY
- Best Customers
  - Mid/high acquisition power
  - Open mindset to receive information
  - Influencers over their communities
  - Free time: between 45 & 90 minutes
- Best brands
- Established and Global Industry +/- 35 billion CHF

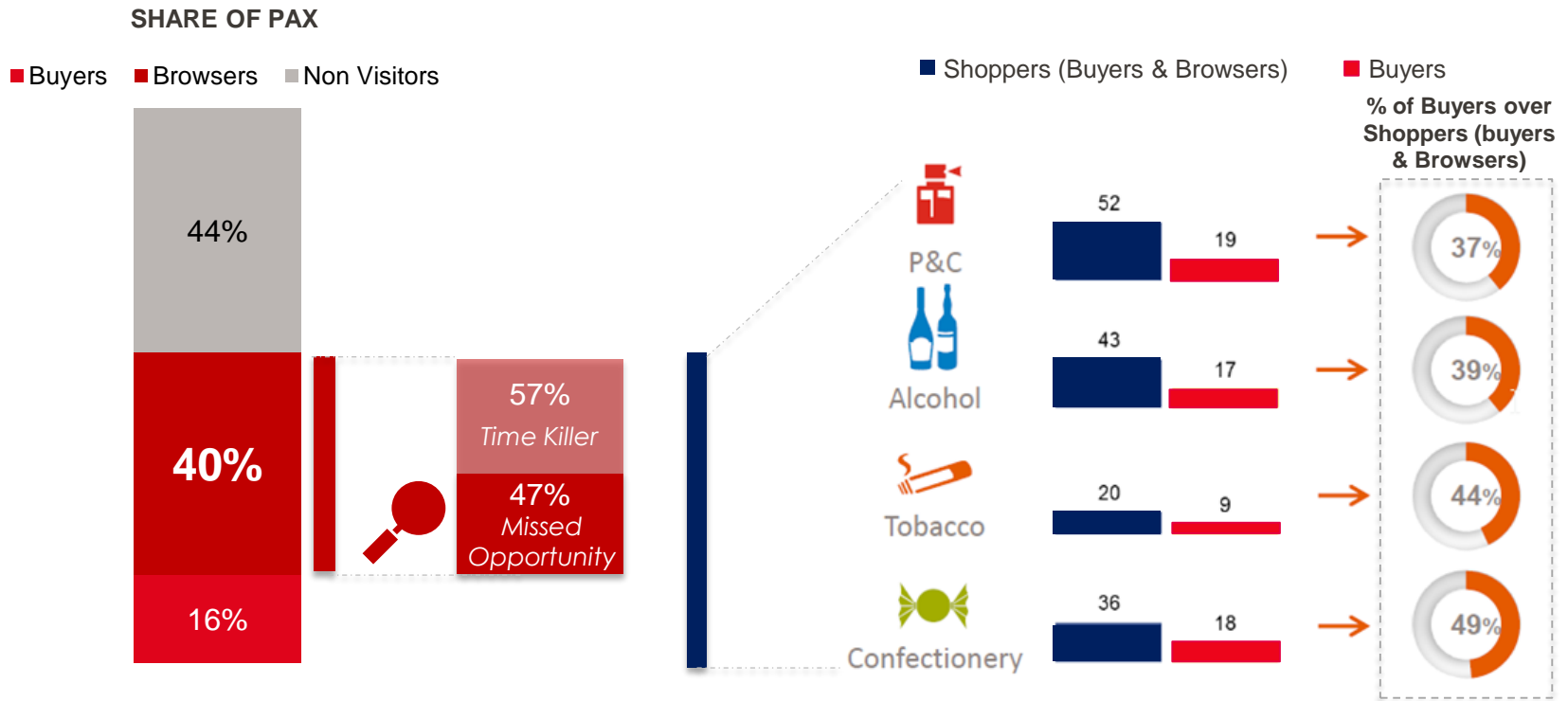


**However, We only have 16% Penetration rate** (average worldwide)

**The current Mission of the Travel Retail Sector does not capture the full potential of the Market**

Through our research, we have identified that there is great opportunity to **increase Penetration by capturing the part of the Browsers who are already inclined to purchase**, with the potential to double the market size.

 **Of total Browsers 47% did plan to buy something...**



*Description:*

- *Missed Opportunity* - Browser who planned in advance the purchase
- *Time Killer* - Browser who did not plan in advance the purchase

Sample: Total Buyers (n=8.665); Total Browsers (n=8.510)

Scope: 32 Main Departures WT stores

**However, the current Travel Retail offering is not attractive enough to these Browsers to convert them into Buyers**

# The Mission of the Travel Retail Industry should be:

**To make customers feel unique exploring & enjoying the best brand experience worldwide**

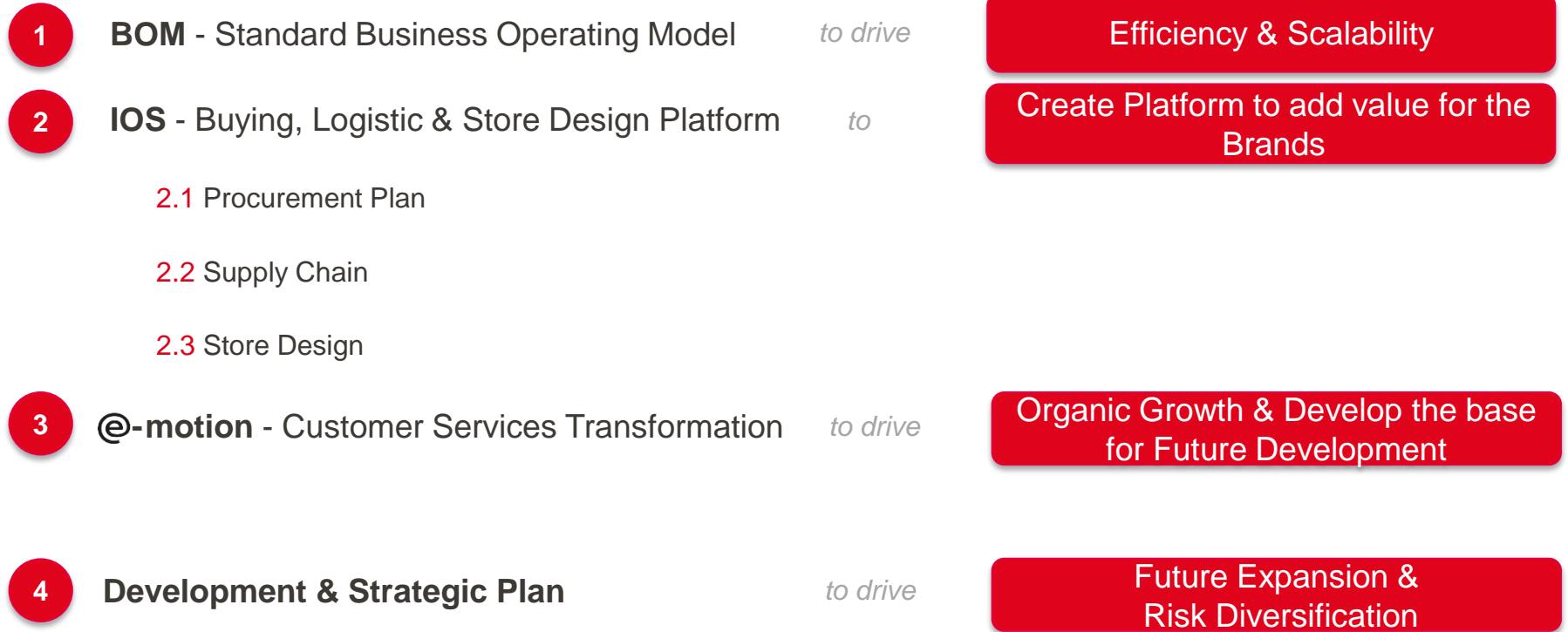
Our aim is for the Travel Retail Industry to become a “special environment” in which customers are submerged in **new experiences and interactions**, becoming the **largest showcase for brands worldwide**

Our competitive advantage can't be driven by volume or low prices, we need to leverage on the assets that the sector has and utilize digitalization to potentiate a business model which will make sense for the four stakeholders and will allow us to keep growing.

So, how are we  
going to achieve  
this?

Dufry has already  
initiated this journey.

# The “new Dufry” Model is based on 4 pillars





The **@-motion** pillar focuses on connecting brands with clients **to improve their Experience** throughout the *Customer Journey*, reinforcing the **communication** utilizing **new technologies & innovations** with the **objective of increasing Penetration.**

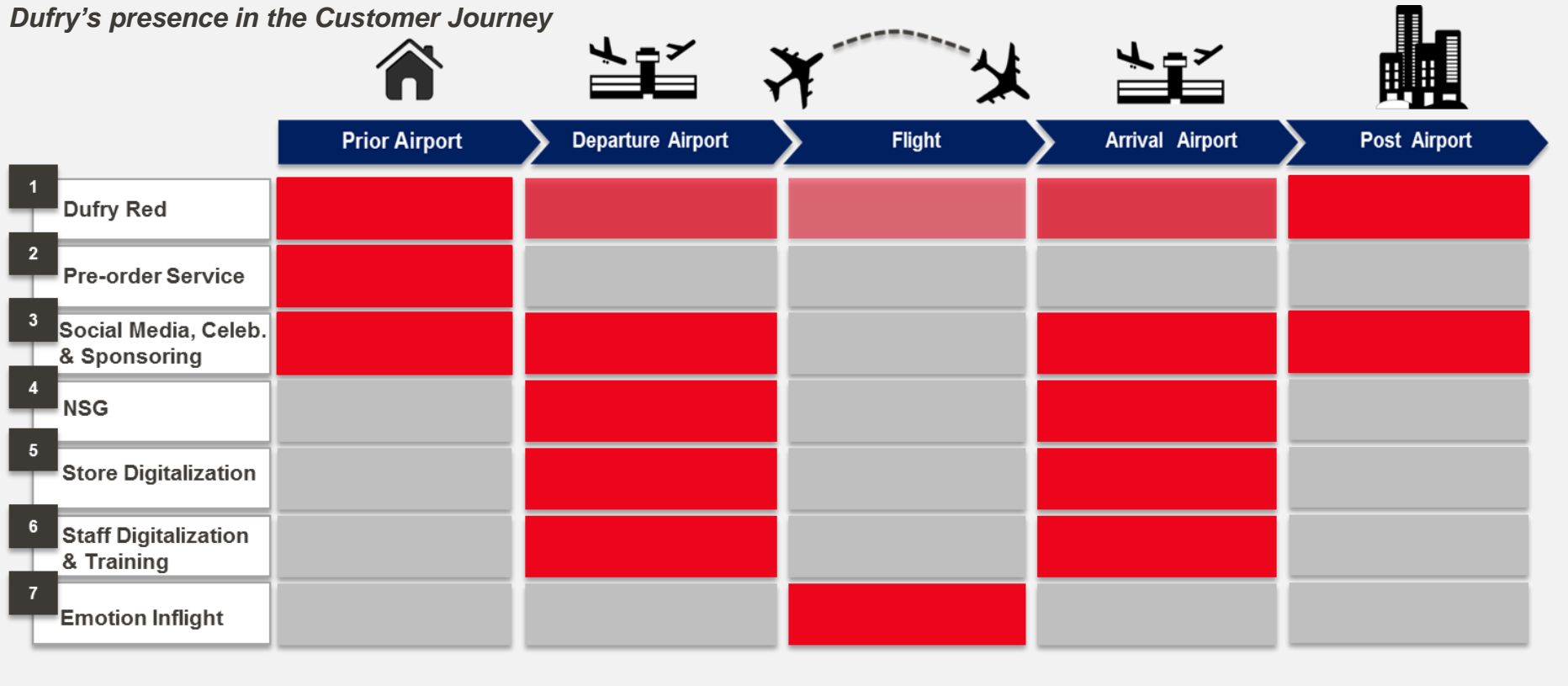
This communication can only be done through technology due to the variety of nationalities, motivations and different behaviors and profiles.

# @-motion - Customer Services Transformation

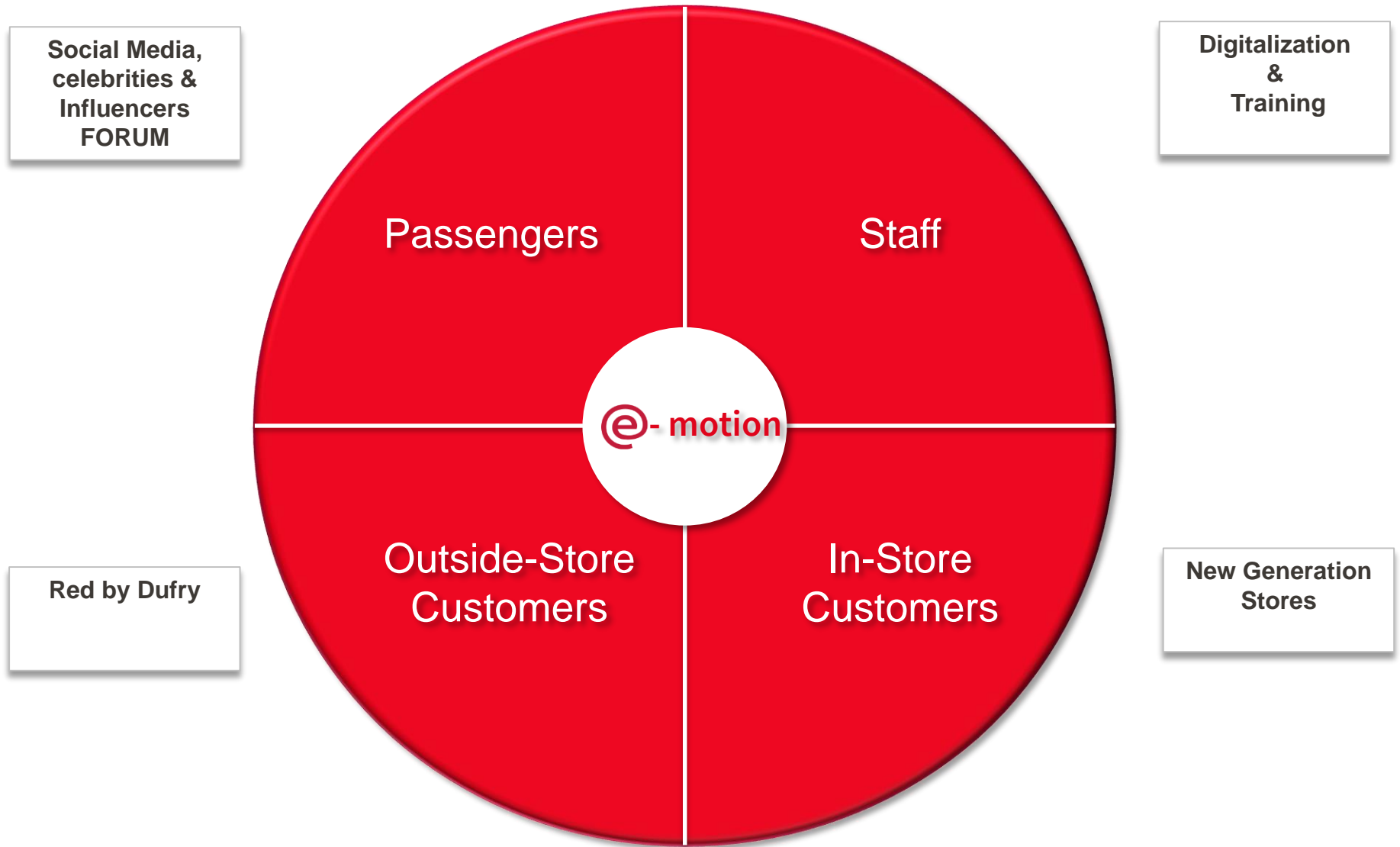
With @-motion we want to take advantage of new technologies to increase our interaction time and quality with passengers

Our aim is to be present in each one of the phases of the *Customer Journey* and improve their Shopping Experience obtaining an increase in Penetration. For this we need to connect and communicate with our Clients which will only be possible through the use of Digital innovations

Dufry's presence in the Customer Journey



# How to communicate stories and experiences from brands



# RIO DE JANEIRO DUTY FREE



Dufry Brazil  
Case Study

# Dufry Loyalty Red program

Prior Airport & Post Airport

## RIO

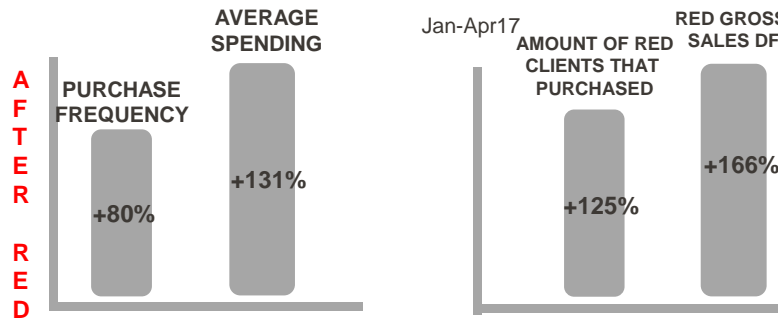
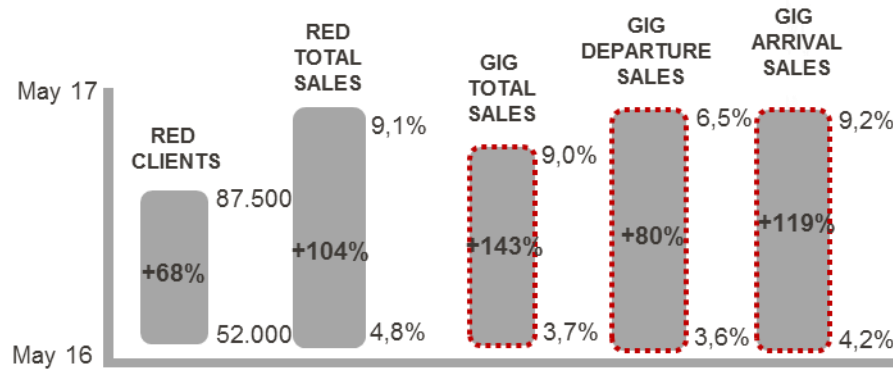
### Benefits:

- Dufry exclusive discount
- VIP lounges
- Car rental
- Travel insurance
- Airport Parking
- Preferential line
- Hotels & Restaurant discounts

### RED Performance

Average ticket  
Is  
**+190% higher**

- The aim is to develop and establish a loyalty program that allows the creation of an extensive database which will contain the “best” customers worldwide - mid/high acquisition power - that will drive sales and generate benefits for all Stakeholders



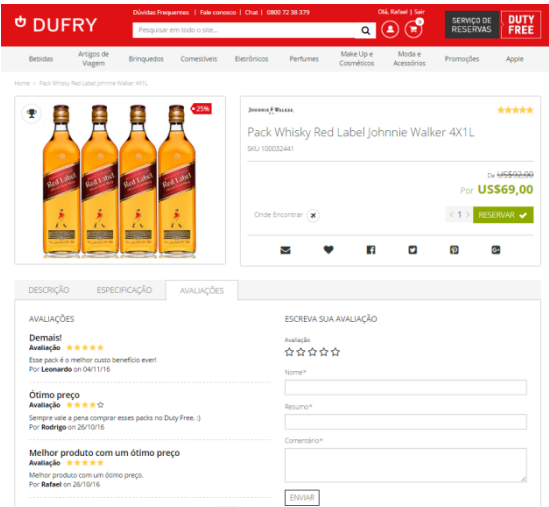
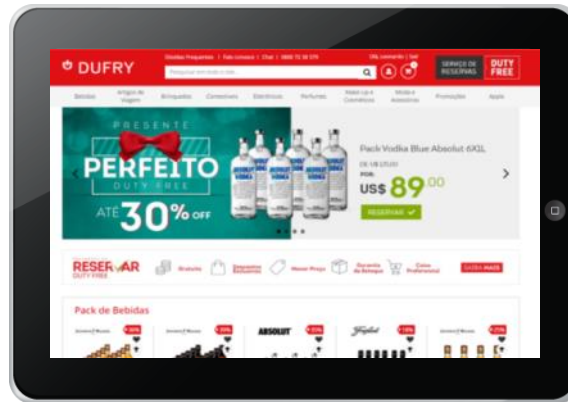
# Reserve & Collect

Prior Airport and Post Airport

Our aim is to inspire the passenger earlier in their journey and increase touch points & exposure time beyond in-store presence

## Brasil WEB NEW FEATURES

- NEW RESPONSIVE DESIGN ✓
- CONTENT SHARE ✓
- SOCIAL LOGIN ✓
- WISHLIST ✓
- REVIEWS ✓
- ZOOM IN ✓



Share Arrivals  
**9.4%**

Performance  
**+50% sales vs PY**

**Over 6% of Duty Free Brazil sales (2017)**

Customer Benefits

Convenience Easy to Use

Time Saving Not waiting in line

Special on-line activations

Ensure product availability

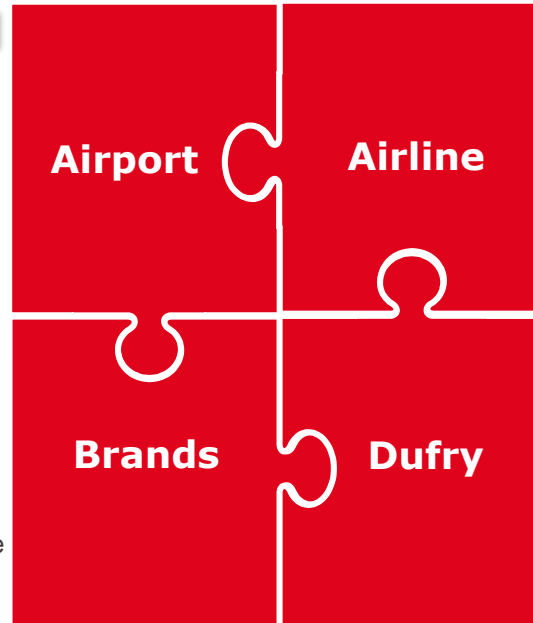
# Combine forces to create a bespoke environment where customers can enjoy a unique brand experience.

## Value Proposition

- Increase service to Customers & their Travel Experience
- Increase Sales

## Value Proposition

- **Commercial Synergies – launches, activations, .. in a standard platform with worldwide presence**
- Wider platform to offer brands
- Insight into customer profiles
- Increase awareness of new launches and exclusive products
- New interaction platform with customers/potential customers
- Increase Sales



## Value Proposition

- Insight into customers – offer further Travel Experience. (i.e. information on destinations, services, products,..)
- Inflight will be impacted by technology – increased Sales with a wider range offered and improved supply chain
- New information of Pax profile – Development of CRM base – tailor offers for the specific Pax

## Value Proposition

- Increase interaction time with passenger
- Increase penetration

The new model will not only generate value for all Stakeholders in a quantitative and qualitative form, it will also increase the unity and link between us through long term conjoint plans

# As an industry we need to agree a Protocol. **The Rio Protocol** In which define the set of Principals

- Working together, across the industry, to transform and expand the foundation for the future of Travel Retail.
- Changing the mindset from a discount model to an experience model through digital tools and experiences.
- An industry wide **treaty / collaboration** initiative across Operators, Airports, Vendors and Airlines
- We share a common customer and will all benefit by sharing & joining forces

## Airports



- Enjoyable environments and experiences focusing on customers
- Communication focusing on commercial activities
- Expand and improve services:
  - Fast track, VIP lounge, parking / transport

## Brands



- Brand stories
- Unique experiences
- Exclusive products
- Exclusive packaging
- Special Offers
- Personalization

## Operators



- Creating great retail environments
- Industry wide benefits targeting travellers
- Unique products and brand experiences
- E-commerce platforms

## Airlines



- Communication
- E-commerce / Inflight
- CRM

To deliver this transformation is **not a one off effort**. This transformation needs to be based on new strategies and actions that **changes the DNA**.



Dufry together with the  
main Stakeholders can  
lead this Transformation.

*Let's build the future of travel retail together.  
It make sense!*



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