

Dubai Duty Free at 35: The inside story

Colm McLoughlin, Executive Vice Chairman and CEO of Dubai Duty Free, is in jovial mood when we meet at company headquarters in the run-up to the operator's 35th anniversary on December 2018, writes Aijaz Khan, Publisher, Gulf-Africa Duty Free.



From left: Dubai Duty Free's Colm McLoughlin with Gulf-Africa Duty Free's Publisher Aijaz Khan, celebrating the retailer's 35th anniversary

And he has every right to feel cheerful, as just a few weeks later, the world-leading operator announced that it had smashed through the US\$2 billion sales barrier. What a record-breaking year it has been – and what a remarkable achievement from the unstoppable Irish businessman, who has headed and shaped the industry-leading retailer for more than three decades.

So, as the year draws to a close, how has the company been celebrating the 35-year milestone? McLoughlin says: “We started celebrating last week [mid- December], going to different areas, giving staff awards, such as People of the Month, and cutting the celebratory cake. And on the night of the 20th, we held a small function with senior people, which we’ve been doing business with every year since we started.”



A ceremonial cake-cutting to mark DDF's 35th anniversary

Musing on the possible final end-of-year sales figure, McLoughlin reveals: "It's certainly going to be the best year we've ever had from a sales point of view, and fingers crossed, providing the rest of December holds up, we will crack US\$2 billion this year. Last year we were at US\$1.91 billion, and this year we're +4-5% up on last year - it's a terrific thing for our 35th anniversary."



DDF hits a new record raking in US\$2 billion in sales in 2018

McLoughlin has just returned from a celebratory visit to Dubai Duty Free's border store operation with Oman. "I visited the store last Thursday and met staff and cut cakes. I was walking round, shaking hands, joking that 35 is my age!"

The year 2018 has been busy. Concourse C has been refurbished with a new fit-out, and it's turning out to be a sales success, served by flights from Emirates and flydubai. "It's just about complete now and it looks fantastic," enthuses McLoughlin. "We're taking about 1 million dirhams (US\$272,400) a day there.



Birdseye view of the newly refurbished Concourse C

"We've introduced some new shops - we opened Victoria's Secret a few weeks ago, and that's doing very well. We've opened a refurbished Ferragamo store and a new Gucci store in Concourse B. There are no new areas, but we're upgrading a lot of what we have. And the big exciting thing for the future is the new airport [Al Maktoum]. We have 4,000 square meters there now."

Big Chinese spend

Sales have held up strongly despite the introduction of 5% VAT in the UAE on January 1, 2018. "VAT is charged on Arrivals at Dubai, so we've lost maybe close to 100 million dirhams (US\$27.2 million) versus last year on Arrivals, but it's more than compensated for by a similar increase in sales in similar categories on Departures. So it has made a difference, but the bottom line is it's positive for us," explains McLoughlin, adding that a refund system has been recently set up, with desks being installed at the airports. Passengers have to spend a minimum of 250 dirhams (US\$68) before they can claim the VAT.

McLoughlin ponders the huge operation that Dubai Duty Free has become over the years, both in terms of its sales and its sales force. "We now have 6,200 people working for us. Our tennis tournament celebrated 27 years in February, we've held the Golf World Cup for 26 years... and we've won about 700 awards. Sinead [El Sibai, Senior Vice President for Marketing] has just been to Los Angeles, where we collected Best Duty-Free Shopping in the World for the 12th consecutive year at the Global Traveler Awards. And I've just attended the awards for MENAA, where we were presented

with a second Customer Delight Award and CEO of the Year.”

Dubai Duty Free’s success is due in no small part to the Chinese traveler. To attract these high-spending passengers, the retailer employs more than 800 Chinese sales staff. “15 years ago we had two or three Chinese staff and now we have 840 – our third largest group,” he says. “There are 16 flights a day from Dubai to Chinese cities and Hong Kong. To the end of November, the Chinese accounted for 4% of traffic through the airport but accounted for almost 17% of Dubai Duty Free’s business – which is why we have Chinese-speaking staff. It’s very positive for our business and doing very well.”

Dubai Duty Free has a contract with Ctrip, one of China’s biggest travel agencies, in which customers booked through Ctrip get a discount with a minimum purchase. The retailer was the first operation in the Middle East to accept China’s UnionPay payment card. From January 1 to the end of November, UnionPay accounted for 6.4% of Dubai Duty Free’s business and it is now the third largest payment card after Visa and Mastercard. For years, the company took more than 50% in cash payments, and now 55% of its business is on cards, notes McLoughlin.

He says the Chinese like to buy a lot of skincare and makeup, watches, Chinese cigarettes such as Chunghwa, and high-end liquor such as Hennessy Cognac. Also high on their shopping list are handbags, ready-to-wear fashion, Gucci, Hermes and Chanel. The company actively seeks to identify products they want to satisfy what he calls their “big spend”.

Dubai Duty Free’s success also owes a lot to its close partnerships with suppliers. During December’s Black Friday event, Lancôme did a special promotion giving a 20% discount if people bought two of particular product with more discount if they bought three. “We took 10 million dirhams (US\$2.7 million) in sales, and one Chinese group spent 1.2 million dirhams (US\$327,000) on lots of Genifique face treatment.”

Another loyal supplier is Pernod Ricard, whose turnover at Dubai Duty Free reached 168 million dirhams (US\$45.8 million) last year. For the operator’s 35th anniversary, the French spirits group hosted a dinner in Dubai in December for 35 guests only. Each guest received a bag including a silver quaich engraved with their name. The hosts ended the evening by presenting a 35yo Scotch whisky – only 35 bottles of which are available at Dubai Duty Free– retailing at US\$10,000 per bottle. “Collectors will buy this type of product and it will probably double in price,” he smiles. Indeed, one of McLoughlin’s former neighbours has ordered a bottle.

He goes on to tell the tale of a similar gift from Diageo, who once gave him six bottles of Johnnie Walker with his name on the bottle. “I gave one to each of my three kids, one to [wife] Breeda’s brother-in-law, one to my former Indian neighbour, and I kept one for myself. I put it on the shelf of my bar but of course I’d never touch it. One of my brothers visited – he always has a tippie of whisky at night – and he opened it. That much of the whisky had gone. I was angry and wrote a note on the label – ‘Do not touch – rat poison!’ I waited for his reaction before he left. I said: ‘You didn’t touch that, did you?’ We had great fun about that.”

Boosting airport capacity

Dubai Duty Free also plays its part to boost travel numbers to the Emirate. Last year, for example, the retailer sent two staff on a sales trip to China with the Dubai Tourist Board (DTCM). The company also has contracts with recruitment agents in China who do promotions and attend events on its behalf.

Traffic through Dubai International Airport hit 88 million last year, and is forecast to exceed 90 million this year. With the new Al Maktoum Airport now being built, its capacity is set to grow from 5 million

to 27 million. A decade from now, spending there is set to reach US\$42 billion, notes McLoughlin. The airport will boast three runways and capacity for 135 million passengers at the start, rising to 260 million in the onward plan.

As well as its famous duty free stores, Dubai Duty Free operates shops in the Emirates Airline First and Business Class lounges. The company is finalizing plans for a Concierge service where products are brought to your lounge seat.

The company is also looking forward to the Dubai 2020 show and is in discussions with the organizers to see what kind of services it could offer. "We're positive about it. They are talking about 22 million visitors during the six months. It will create a lot of traffic."

After achieving so much in his stellar career, is there anything McLoughlin can't turn his hand to? Well, despite Dubai Duty Free's extensive use of social media, he does confess: "Instagram - I don't do it!"