

Video clip: DDF's Colm McLoughlin gives update on business

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Dubai Duty Free, operating at Dubai International Airport and Al Maktoum International Airport, is one of the biggest travel retail operations in existence, thanks in part to its location at one of the world's greatest hubs and also to the leadership of Colm McLoughlin, Executive Vice Chairman and CEO.

As with other retailers at other airports, Dubai Duty Free has not been without its challenges over the past year. "We're doing okay generally, but of course things change all the time," says McLoughlin. "Dubai Airport is picking up, but traffic and sales are way down. We're doing the best we can."

Unsurprisingly, McLoughlin says the budget this year is considerably less than in previous years. "This year our budgeted sales are AED2.58 billion (over US\$700 million) for the year, and we're doing very well in comparison to that budget. We have 50 airlines operating out of the airport at the moment, and Emirates is serving 120 destinations on six continents now compared to around 140 destinations pre-COVID, and they are doing a great job in opening up destinations where it is possible to do so." Previously, more than 100 airlines connected to more than 240 destinations.

Numbers slowly moving up

While McLoughlin confirms the airport saw an increase in PAX in the last quarter of 2020 and early 2021, he gives Ireland as an example of how flight numbers have fallen. "We used to have two flights per day to Dublin; Emirates now has three flights per week, and that is mainly bringing people back because there is no access into Ireland without having hotel quarantine.

"Additionally, there are no passenger flights from Dubai to Heathrow at the moment. And it's not just the flight numbers that are down. Occupancy is running at about 40%. We need more passengers. Emirates and FlyDubai are accounting for 70% of the total flights.

"Our staff is down more than 50%", says McLoughlin. "Currently, there are 2,600 people working with us whereas in 2019 this number was just under 6,000. In our existing airports a number of our concourses are still not operating, and it will likely be some time before they open. At DXB we have concourses A, B, C and D, but just B and C are operating. There is no need to open the others at the moment."

But things are improving. Passenger traffic at DXB reached more than 5.7 million during the first quarter of 2021, according to Dubai Civil Aviation Authority. In March, the total number of passengers increased by about 21.5% to over 2.28 million, compared to 1.67 million during February.

Sales and stock

Most passengers to the airport are coming from India, Moscow, Pakistan, Bangladesh and Egypt, with a small number from Bahrain and some Gulf states, says McLoughlin. "Russian and Indian passengers are spending well," he adds. "Present spend per head has increased in comparison to what it used to

be. It used to be US\$39 to \$42 per head. Now it's US\$51 to \$52 per head." He feels this indicates that people have been anxious for the opportunity to buy. Other factors include less congestion in retail areas, the clear display of goods and the number of attractive promotions in place.

"Our purchasing department is very much alive and trying to keep up to date with everything," he says. "At the beginning of the pandemic we were left with a lot of stock. We're back to normal now."

Creating recovery

The UAE is doing exceptionally well with the vaccine rollout. The Emirates' population is 9.5 million in total and as of writing the health authority has provided 9.9 million vaccines. Over 94% of the Dubai Duty Free staff have been vaccinated. "At one stage among our staff we had 300 cases of COVID," says McLoughlin. "We now have four active cases."

While the recovery is going well, McLoughlin believes it will take two to three years to return to 2019 levels. "Our main focus will be rebuilding our retail business as much as possible by working with the airport and stakeholders to gradually reopen those areas that are still closed including Concourses A and D (and AMIA)," he says, adding that Dubai Duty Free will be ready to open in line with the projected forecasts of the airlines, concourses and airport.

"We will also continue to drive sales in the current operation, ensuring that we are offering great service at good prices, and have the latest products both in store and online," says McLoughlin. "We did this with the new iPhone 12 series launch in October 2020, and there was a huge demand for that. So far we sold 18,261 units, amounting to US\$21.3 million since October."

Dubai Duty Free also launched the Home Delivery Service for UAE customers last June. "It has been very beneficial in selling fashion items and goods that are within months of expiry," he says. From launch until time of writing, home delivery has totalled US\$11.63 million, with 186,136 units sold. McLoughlin says they will continue to enhance the Home Delivery service, which has given the company incremental income since June's launch.

Home delivery is available to anyone in UAE. Customers pay the VAT on these items, along with any shipping fees. In 2020, the home delivery service saw US\$9.35 million in sales with 163,407 units sold, while the 2020 Click & Collect service, which passengers book before their flight, brought in US\$1.55 million sales with 3,800 orders made. Win with DDF online, which is the sale of Millennium Millionaire and Finest Surprise luxury car tickets, saw sales for 2020 of US\$33.6 million with 165,000 tickets sold. Both promotions saw an increase in online sales following a marketing drive and so far Dubai Duty Free has created 355 dollar millionaires and has given away 1,770 luxury cars and 450 motorbikes.

"Overall our total online sales now account for 7% of our sales; this is an indicator of how important the digital side of our business is," says McLoughlin. "Similarly, our suppliers are increasingly keen for us to host their digital boutiques on our website and to host live demonstrations on social media platforms, which are becoming popular."



Changed demographics

As the world's borders are no longer open as they were just a little over a year ago, it's inevitable that passenger demographics have changed. As an example, China had been a very important market for Dubai Duty Free whereas in the first quarter of 2021 Chinese nationals ranked 17th with sales of US\$2.5 million. Though there is very limited traffic between the UAE and China at this time, McLoughlin says passengers from that country will return.

While the demographics may be different, McLoughlin says very little has changed in terms of purchasing trends: "The top-selling categories have remained the same. The categories that continue to see trends are Perfumes, Liquor, Tobacco, Electronics and Cosmetics."



Safety of utmost importance

Dubai Duty Free is working on its own and together with brands to ensure a safe shopping environment for passengers, with a focus on a contactless environment. "We have contactless payment where possible," he says. "And brands have created contactless alternatives that will showcase their products and let customers explore them before purchase through visuals, digital assets, QR codes and acrylic displays."

When it came to re-opening the airport and the retail operation, there were clear guidelines on how to open safely and McLoughlin says they were able to implement these guidelines into their re-opening strategy. "Following the successful inspection by the UAE Government authorities, we were very pleased to receive their approval to reopen parts of our retail operation in Terminal 3 – Concourse B and Terminal 2 since its temporary closure in March 2020. Since then, we have reopened other retail areas including Concourse C in December. Overall, the UAE authorities have done a fantastic job in handling COVID-19 and in mitigating some of the situations that we continue to see around the world, even at this stage," he says.

Protocols include:

- Mandatory mask wearing and sanitizing the hands for all staff and customers
- Social distancing signs are available at floor area, counters and within the shops, making easy for everyone to maintain distance while interacting
- During payment, contactless transactions are encouraged
- Gondola and counters are regularly sanitized
- Perfume testers are available, but are not openly displayed at the gondola
- Skincare and cosmetics are available, but passengers are not allowed to have physical access to them
- Food sampling is not allowed
- Fitting rooms are operational but very restricted practices are in place

Sports sponsorship

Despite the challenges brought by the COVID-19 pandemic, Dubai Duty Free has continued to invest in sports sponsorship, which McLoughlin says has helped to favourably position the operation and the city of Dubai.

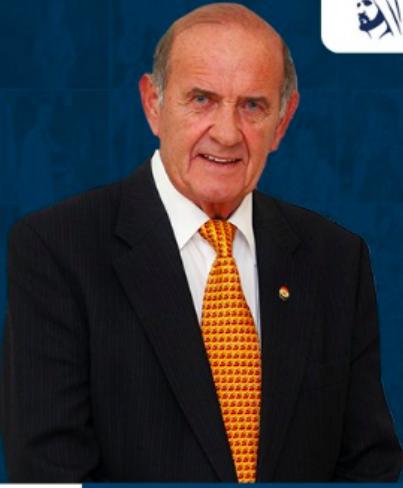
"The Dubai Duty Free Tennis Championships, which is owned and organized by Dubai Duty Free, went fantastically well," he says. "We worked hard behind the scenes to provide the highest possible COVID-19 safety measures, to host the event as safely and enjoyably as possible. This included the establishment of the tournament organizing committee — which has been working along with the Dubai Sports Council and Dubai Health Authority — and adherence to the protocols put in place by the UAE authorities as well as from the WTA and ATP tours. It was a very different event due to all these restrictions, but we are happy that we were able to stage the tournament and that it was successful." While spectators were not able watch the action in the Dubai Duty Free Tennis Stadium, an estimated 60 million viewers tuned in to watch the tournament over the two weeks.

Additionally, the flat race season in the UK has began with the Dubai Duty Free Spring Trials Weekend at Newbury Racecourse in April. "This is traditionally staged over two consecutive days, but this year the second day of the meeting was delayed by 24 hours as a mark of respect for HRH The Prince Philip, Duke of Edinburgh, whose funeral took place in Windsor on Saturday afternoon." McLoughlin confirms that he is also looking forward to returning to Ireland for the Dubai Duty Free Irish Derby in June at The Curragh Racecourse, and the Dubai Duty Free Irish Open at Mount Juliet Estates in July.



Dubai Duty Free Foundation

Finally of note, through its foundation, Dubai Duty Free donated AED3 million (US\$816,000) in April 2021 to the 100 Million Meals Ramadan campaign organized by the Mohammed Bin Rashid Al Maktoum Global Initiatives (MBRGI), which aims to provide food parcels to disadvantaged families across 20 countries in the Middle East, Africa and Asia Pacific. "The donation — allocated through the Dubai Duty Free Foundation — will help supply three million meals to families in Egypt, Pakistan, Angola, Uganda, Jordan, Lebanon and Syria during the month of Ramadan," says McLoughlin.



محمد بن راشد آل مكتوم
Mohammed bin Rashid
Al Maktoum Global Initiatives

We are honored to support the '100 Million Meals' campaign organized by Mohammed Bin Rashid Al Maktoum Global Initiatives. This is very much in line with our commitment to Social Responsibility principles that contribute to the UAE's goal of extending a helping hand during this Holy month of Ramadan.

Colm McLoughlin,
Executive Vice Chairman and CEO of Dubai Duty Free

Send the word (Meal)

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