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## 2015 PERFORMANCE HIGHLIGHTS

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### *S A L E S*

Duty Free Philippines generated total sales of **\$226 million** for 2015 marking a -1.3% decline in year-on-year sales (from \$229M) and 97% achievement of the target set at \$235 million.

DFP's flagship Fiestamall store reached only \$99.6 million in sales, a -9% (\$10 million) decline over the previous year while customer count dropped -6% (18K pax).

The shortfall in sales and customer count for both the Fiestamall and NAIA stores is attributed to the following external critical factors:

- **APEC (November 17-20)**

Fiestamall sales dropped 55% or USD600K and customer count was down by 48% or 1.3K during APEC as against last year due to the road closures going to the Fiestamall store.

With several cancelled flights, airport stores posted a USD195K or -20% decline in sales and a 2.3K or -22% decline in pax count.

- **Papal Visit**

During the visit of Pope Francis, several departure and arrival flights were either advanced or delayed due to the temporary runway closure of the Ninoy Aquino International Airport (NAIA) on January 15, 17 and 19. Many roads leading to NAIA and the Fiestamall were also closed at certain times of the day on said dates.

For those three days, Fiestamall sales dropped by -19% (\$104K) against SPLY; NAIA T1 stores reported a -101% decline (\$256K) while T2 outlets' sales took a dip of -21% (\$56K) for a total of \$416K in revenue loss.

- ***Airport Renovation***

The renovation of the NAIA T1 disrupted operations of our DFP outlets situated there. Existing store structures were torn down to give way to the construction activities.

For January to October (Pre-APEC): Arrival and Departure store sales went down by USD14M against SPLY due to the continuous airport renovation at NAIA T1.

- **Road Constructions**

The ongoing construction of the elevated toll-way linking NAIA to the Entertainment City in Manila Bay has resulted in a traffic gridlock in the North-bound portion of Sucat Road beginning from the gates of DFP Fiestamall stretching to Nayong Pilipino. This is the same stretch of road whose traffic North-bound arriving passengers currently endure upon exiting NAIA and which likely lessen these potential customers' enthusiasm to visit and shop at the Fiestamall.

For January to October (Pre-APEC): Fiestamall sales dropped 7% (USD5.7M) in sales and pax count declined by 4% (9.2K) against SPLY due to the skyway constructions that caused daily monstrous traffic going in and around Fiestamall thereby discouraging arriving passengers to do their post arrival duty free shopping

- **Effects of Sin Taxes**

The Sin Tax Law has greatly affected consumer demands for Sin products (Liquor and Cigarettes). Though implemented in January 2013, this legislation only hit DFP in the 2nd quarter of 2013 due to the fact that inventory sold in the 1st quarter were purchased pre-Sin Tax 1st half of 2012. As a result, the Sin Tax Law's full effectivity in 2014 until 2015 led to a significant reduction in DFP's gross profit.

- **Natural Calamities/Typhoons**

Typhoon Lando (October) and Typhoon Nona (December):

Several domestic and international flights were cancelled due to bad weather hence affecting DFP operations.

- **No Sales Incentive Scheme**

Employee morale is down with the lack of a proper sales incentive. Add to this the ongoing transition from being a private sector entity to a GOCC which resulted in no employee salary increases since 2008.

## MARKETING

The various challenges to DFP's operations could have gravely affected DFP'S sales volumes and performance to a greater extent if not for the implementation of several marketing campaigns and promotional activities primarily aimed to drive foot traffic especially to DFP's flagship store, the Fiestamall, as well as promote awareness of DFP's programs, products and services. For 2015, the following events were held:

- 1<sup>st</sup> Quarter : Joined the 22<sup>nd</sup> PTAA Travel Tour Expo in SMX Convention Center, Chinese New Year Promotional Event, Win an Ipad Raffle Promo
- 2<sup>nd</sup> Quarter : DFP 27<sup>th</sup> Anniversary Blast promo, Home & Office Mid-Year Sale, Fashion End of Season Sale
- 3<sup>rd</sup> Quarter : Sunday Madness Sale
- 4<sup>th</sup> Quarter : Peso Power @Php44  
Smart Shopping Hours Raffle Promo  
Launch of Hello Kitty Cafe

Both traditional (print, TV, radio) and non-traditional (web/email/social media) forms of media aside from the other in-store product promos and marketing strategies were utilized to further boost market awareness and generate sales.

## STORE OPERATIONS & MERCHANDISING

DFP opened its first arrival store at the New Bacolod Silay Airport in Negros Occidental last May 2015. Sales generated from May to December 2015 amounted to \$297K. The establishment of new Duty Free stores is in line with the agency's vision to establish outlets in all of the country's international ports of entry and major tourist destinations.

To achieve a more attractive, dynamic and functional retail environment to cater to the discriminating taste of its shoppers, made up of international travelers, tourists and *balikbayans* (arriving Filipino residents), renovation works were undertaken at the Departure and Arrival stores at the NAIA Terminals 1 and 3. Aside from the stores' new cutting-edge design, state-of-the-art interiors and amenities, DFP also boasts of an impressive line-up of the world's best travel retail brands that would allow international passengers to truly indulge in luxurious shopping comfort and fun experience.

Part of DFP's continuing merchandising process is the expansion of its product line-up and introduction of new brands to meet the demands of its discriminating customers. DFP introduced several new brands/products at the Fiestamall such as Bath & Body Works, The

Body Shop, Michael Kors watches and shades, La Mer skincare products, and Toni & Jackey hair products, to name a few.

DFP also continues to develop its Philippine products category to help introduce locally-made yet globally competitive products into the international travel retail market.

## **2016 KEY PLANS & PROGRAMS**

- **Store Development Program**

True to its mandate, DFP plans to establish new and develop existing duty free stores in all international ports and select major tourist destinations.

- **NAIA Terminal 3 Landside Store Expansion**
  - Level 1: July 2016
  - Level 2: October 2016
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- **Opening of DFP Luxe at the Entertainment City**
  - 3<sup>rd</sup> quarter of 2016

- **End-to-End Retail Solution (Integrated Finance, Merchandising and POS System)**

Currently, DFPC has distinct and separate solutions for its Financials System, Merchandising System and Point of Sales (POS) which requires interfaces in between them and is in desperate need of an update to keep up with the demands of the retail business. To make DFP stores competitive with the increasing presence of new malls sprouting all over the country, what is needed is a complete, fully integrated, enterprise software solution specifically designed for the retail business. This would allow DFPC to actively monitor majority of its business processes and activities in real-time and make intelligent business decisions using advanced data analytics, self-service BI, to name just a few.