



## PERFORMANCE HIGHLIGHTS FY 2016

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Duty Free Philippines Corporation closed year 2016 with a consolidated revenue of \$218 million with a 2% surge in customers or a total of 1.7 million served in all of Duty Free's outlets nationwide.

The significant increase in retail foot traffic can be attributed to the continued improvements done at the airport stores and the improved Customer Satisfaction Rating based on product availability (from 90% to 94%) as the government's only travel retailer now carries more high end brands such as Coach, Longchamp, Tumi, Kate Spade, Michael Kors, and Bally.

Several promotional and marketing campaigns were implemented to create awareness of the travel retailer's products and services, drive foot traffic in Fiestamall and generate sales. Some of the major campaigns held were the *Chinese New Year Celebration* in February, the *Anniversary Sale* in May, *D'30rrific Treats* last July to August, the *Best Buys Great Finds Big Sale & Fun* held in September, and the December activities such as the *Smart Shopping Hours Raffle Promo* (Dec 9-23), *One Day Big Sale* (Dec 10) and *A Day after Christmas Sale* (Dec 26).

However, despite these marketing efforts, targets to surpass previous year's accomplishment was not reached as overall sales reflected a 3.5% dip or a \$7 million decline due to the following factors:

- *Flagship store Fiestamall's sales performance down by 14% or \$13 million and customer count declined by 13%*
- *Road constructions / heavy traffic caused by:*
  - *Laying of water service system pipeline (started April 2016; target completion set by the 3<sup>rd</sup> quarter of 2017)*
  - *Excavation of PLDT along Sales & NAIA roads (February to June 2016)*
  - *NAIA expressway construction (completed only last December 2016)*
- *Relocation of major airlines carrying OFWs (DFP's major market) to NAIA Terminal 3 (which is approximately 7 km away from the Fiestamall)*
- *Non-renewal by SM Prime Holdings Inc. of DFPC's lease contract for operations at the SM North Wing in Cebu which led to the outlet's closure in 2016 (This outlet generated annual sales of \$5 million in 2015.)*
- *Implementation of the Graphic Health Warning for cigarettes caused inventory problems and out-of-stock situations for the category*
- *Local competition: Other malls also offer imported goods and activities other than shopping*

Consequently, this year's net income fell 52% from P341 million in 2015 to P164 million mainly because of the following:

- *Escalated rental expenses*
- *Additional rent paid to MIAA (bulk of which was for the still unopened lease of the NAIA T3 landside store)*
- *Increase in Concessions Privilege Fee (CPF) Rate at Mactan Cebu Airport from 5% to an average of 12%*
- *GSIS/SSS/Pag-ibig & Philhealth contributions (employee membership to GSIS only began in January 2016);*
- *And increased expenses for Security and Janitorial services*

As an attached agency of the Department of Tourism (DOT), DFPC is mandated by law to remit 50% of its earnings to the DOT's Trust Liability Account (TLA). Hence, despite the perennial challenges to operations, DFPC was able to remit P75 million to the DOT for year 2016.

Efforts to improve merchandising and store operations were undertaken this year which led to various significant accomplishments. Tie-ups with tour guides and travel agencies were intensified specifically to promote and extend the duty free shopping privilege to diplomats, embassies and international organizations officials. This led to a 20% increase in total Institutional Sales, i.e. \$3.7 million in 2015 to \$4.5 million in 2016, while the total travel industry, diplomatic and seafarers' customer count was up by 14%.

To replace the company's obsolete mission critical applications, the first phase of the development of an end-to-end Enterprise Retail Solution (ERS) comprising of the selection of software application, procurement of software licenses and consulting services was completed this year. The Customer Registration system has been upgraded wherein a scanning device will be used to easily capture shoppers' passport information.

Also this year, DFPC once again successfully met the requirements for the Quality Management System and achieved ISO Certification 9001-2008 on all sites and all processes; thereby proving anew the agency's commitment to provide the highest quality products and services to its customers, the international travelers, most especially the *Balikbayans* and Overseas Filipino Workers.