



PERFORMANCE HIGHLIGHTS FY 2017

With a revitalized corporate mission and vision under a new Management, Duty Free Philippines Corporation (DFPC) embarked on streamlining, strengthening and restructuring efforts to sustain business growth and improve productivity and efficiency.

DFPC's Mission was revised to be more responsive to the directions of the new administration emphasizing commitment to local goods; while the corporate Vision has been restated to focus more on maximizing revenue potentials and expanding its operations.

And true to its revitalized mission and vision, DFPC entered into an agreement with the Department of Trade and Industry in July to set up a *Go Lokal* boutique at DFP's Fiestamall flagship store. The Tourism-attached agency divested itself of outdated work processes and systems and discontinued non-performing or ineffective programs, brands and outlets. Enhancement of the merchandise line up was sustained. And with the rapidly changing retail landscape, DFPC boosted its social media campaigns and continued the development of its online shopping platform.

This year's retail business, however, was again faced with bigger challenges this time brought about by the shifting retail dynamics, competitive pricing, bigger competitors (online and offline) and slowing consumer demand due to the high cost of living caused by the high inflation rate (*Inflation rose to a 3-year high of 3.2% in 2017- Source: Philippine Statistics Office*) and a weaker Peso (*average Peso to Dollar exchange rate in 2017 is P50.40 from P47.49 in 2016 – Source: <http://www.bsp.gov.ph/statistics>*). Although DFPC raised the bar in terms of marketing, promotional and merchandise support activities which resulted to a 14% increase in customer count for all outlets, overall sales turnout of \$213.5 million was still -2% short of previous year's sales..

Despite the challenges, improvements in retail operations were continually undertaken such as plans to open new shops, renovations and refurbishment of existing outlets (especially at its flagship Fiestamall store), and enhancements of store and merchandising system particularly the adoption of an end-to-end Enterprise Retail Solution (ERS) to replace the company's obsolete mission critical applications.

With the continuing exodus of luxury brands from the Fiestamall and even at the airport outlets, Duty Free was challenged to establish a store that would eventually define aspirational and luxury shopping in the country. DFP Luxe, a 3,636 sq.m. multi-level facility within the SM Mall of Asia compound, will be housing mostly high end luxury brands and construction is set to be completed by June 2018; and to capture the international travelers spread across the NAIA terminals, a 5,696 sq.m. flagship store at the Level 1, South Arrival Lobby of the NAIA Terminal 3 is also targeted to open in 2018.



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Store operations, however, has been difficult to sustain in the provincial international airports as other airport retailers offering tax paid merchandise were mistaken to be duty free shops. This challenge prevails as most privatized airports aggressively lease spaces to private sector retailers. This situation, aside from the limited product mix, led to the lackluster business performance of most Duty Free stores outside Manila. Last March, DFPC had to close its store at the Laguindingan Airport, followed by the closure of the Laoag International Airport store in July and Palawan outlet last October.

With the closure of these brick and mortar stores, DFPC resorted to strengthening its marketing programs aimed at driving its market --- the "*balikbayans*" most especially --- to avail of their duty free shopping privileges. Marketing campaigns were further intensified in all points of engagement aimed at providing shoppers a more engaging in-store experience capitalizing on the company's celebration of its 30th anniversary. Several milestone promotional activities were conducted aimed at turning the "*Ang Saya Magpasaya*" brand statement into a market buzzword. DFPC also rode on the wide global fanbase of popular showbiz icon Maine Mendoza; tapped to be Duty Free's newest ambassador and image model. Maine's social media influence significantly helped boost Duty Free's online presence, digital engagement and interaction with the online market.

All these efforts contributed to the increase in 2017 income by 24% at PhP180 million. DFPC was also able to remit PhP78.3 million to the government through the Department of Tourism, fulfilling its commitment to generate revenues for government.

DFPC's achievement of the ISO Certification 9001-2015 for all sites and all processes for four consecutive years affirmed the agency's commitment to provide the highest quality products and services to its customers.