



“Our Business Model Is Here to Evolve and Expand”

Rajshree Dugar, Chief Strategy Officer Heinemann Asia Pacific, and Nico Reifkogel, Director Business Development Sales, talk about growth opportunities.

Gebr. Heinemann is already a global player – so where do you see further growth potential?

Nico Reifkogel: In the EMEA region, Middle East and Africa is one of our significant growth markets. We have already established successful partnerships there and now aim to expand further. Our special focus will be on Saudi Arabia. We recently won retail concessions for AROYA cruises and Jeddah International Airport. It's a new market for Gebr. Heinemann, but through this future business, we will gain insights and new contacts. In Africa, we already have a strong presence in our retail joint ventures at airports and as distributors. It's a dynamic market and in close cooperation with our Sales colleagues, we developed a strategy to evolve in it. We are looking to expand into new markets there in order to exploit distribution and retail opportunities. Generally speaking, diversification across channels is an important cornerstone of our approach to growth. We have in-depth knowledge about various sales channels, so it's just a matter of finding the right opportunities – the pearls. A significant part of our strategy is to actively diversify from the airport business and to also grow in other channels such as border shops.

Rajshree Dugar: Looking at Asia Pacific, this is the most dynamic market across all industries worldwide. In the past, travelers here accounted for about 37 percent of the world market while the travel retail turnover accounted for 54 percent. So, there is a specific spending differential to Asia Pacific that is higher than in other parts of the world. Together with the expected high passenger growth that makes it a very attractive region. The travel retail markets in Asia Pacific are mixed. There are mature markets like the Oceania region, Hong Kong, and Singapore, while China and India are still evolving and emerging.

What role do the different sales channels play in this diverse region?

Rajshree Dugar: Besides the classic channels like airports, border shops, inflight, cruises, and ferries, in Asia Pacific, it's also about downtown duty-free or duty-free islands like Hainan. The domestic channel is also developing as travel-focused locations are emerging inland. As a valuable travel companion, we can and should reach out to travelers at borders, at airports, and domestically.

Following the extension or acquisition of concessions, there were also new openings and further developments at other Heinemann locations in 2023. Can you give some examples?

Nico Reifkogel: After we were able to extend the contracts at Oslo, Stavanger, and Bergen airports with our joint venture Travel Retail Norway (TRN) in 2021 and win back the concession for the Düsseldorf location in 2022, it was now great to see how we turned the plans and promises from the tenders into a reality. The new tax-free experience at Oslo Airport and the opening at Düsseldorf Airport show how we are taking our retail offer to the next level.

Rajshree Dugar: Heinemann Australia unveiled its stunning new Luxury Beauty, Fashion and Accessories store at Sydney Airport, completely rethinking its store design and world-leading assortment across Fragrance, Skin Care, Makeup,

Watches and Jewelry, and introducing Fashion and Accessories. And we are proud to continue partnering with Sydney Airport on now delivering exciting and unforgettable shopping experiences across all three terminals, as we have opened the first domestic terminal department store concept in Australia.

Airports are still the largest sales channel for Heinemann. How do you partner with them today?

Nico Reifkogel: At Gebr. Heinemann, we maintain open and trusting partnerships designed for the long-term. We want to share the opportunities as well as the risks. That's why we have defined some red lines in response to the pandemic. We are actually experiencing a change in perspective and the willingness to optimize the business models with lots of potential partners.

Rajshree Dugar: We are also actively searching for airport partners that are balanced when it comes to risk sharing, and where there is alignment in our values and joint long-term growth ambitions.

Taking a closer look at the Asia Pacific region: What are some of the unique qualities that are shaping how you approach your expansion plans?

Rajshree Dugar: While Asia Pacific is offering tremendous growth opportunities, it is also a very complex market. There are changes at every border you cross: culturally, politically, in currency, in spending power, in rules and regulations. Let me give you an example: in China, we cannot operate a duty-free business in majority, only a duty-paid business. Whereas in India, it's vice versa. It's all very nuanced and that's why strategy plays such an important role here. Markets are evolving fast – therefore, adaptability is crucial. To have a balanced portfolio, we must prioritize our investments carefully. Our main focus lies on deepening our presence in our key markets Australia, New Zealand, Hong Kong, and Malaysia.

Heinemann in Asia has made some significant moves into the domestic market with domestic airport terminal shops in Sydney and Gold Coast. How do domestic channels fit into the larger regional strategy?

Rajshree Dugar: We have our operational set-up in Australia, Malaysia, and Hong Kong. On top of that, we have offices and logistics in Australia, and because of our long-standing presence there, we fully understand the Australian consumer. So, extending our partnership with the airports from international to domestic is a logical move. All stakeholders, including the brands, benefit from this. From a traveler perspective, this can be compared to the travel value concept in Europe. Early indication suggests that this was a good move. Now, we are looking to expand like this in other countries as well.

Heinemann has recently announced its expansion into New Zealand, a new market, with Auckland Airport, a significant city pair for Sydney Airport. How does Heinemann want to grow in Oceania?

Rajshree Dugar: In our stores in Sydney, the Australians are our major customer group, along with the Chinese and the New Zealanders. We

know their shopping behavior very well. Therefore, the obvious next step is to go to New Zealand. We have actually gained concessions at Auckland in the last few months – for Fashion and Accessories, and Watches and Jewelry. Operations start in the second quarter of 2024. This way, we have an opportunity to get deeper insights into New Zealand travelers and the country's larger luxury ecosystem. Also, we are looking at off-airport developments. Many airports in the region are becoming real estate establishments with hotels and off-airport shopping malls. We are ready to explore these opportunities with our airport partners.



Nico Reifkogel, Director Business Development Sales

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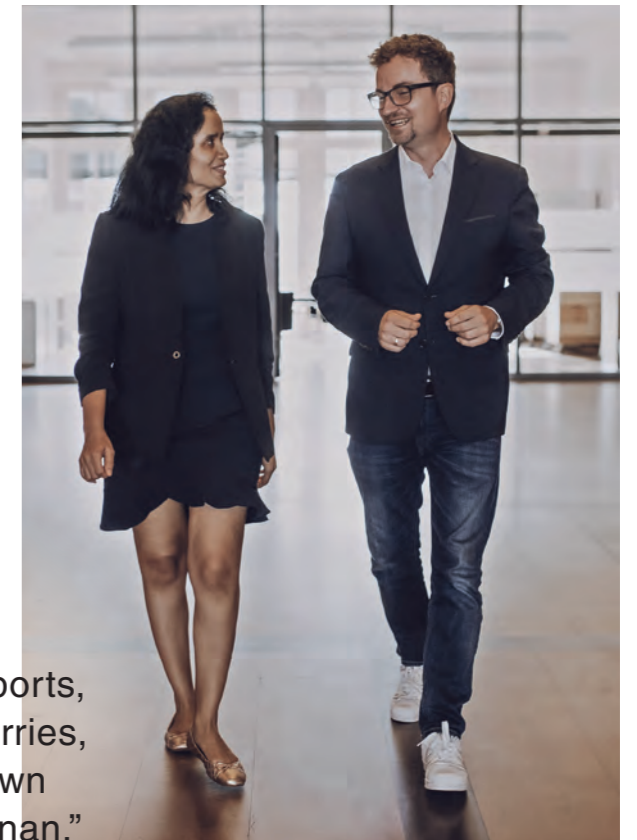
With AROYA cruises and the tender for Jeddah International Airport, Gebr. Heinemann will enter new markets and channels within MEA. What is significant about them?

Nico Reifkogel: First of all, they are both very important first steps into this region for us. And both projects prove that our industry expertise, broad diversification across sales channels, and the unique Heinemann way in which we approach business opportunities are strong success factors. We had made contacts in Saudi Arabia with a view to taking part in airport tenders when another business case in the form of AROYA cruises came up, Saudi Arabia's first-ever cruise line. Because of our agility and commitment, we became their preferred partner. The retail concession at Jeddah International Airport is, of course, of great relevance to us. We took the right approach and, together with our colleagues from Sales Experience & Excellence as well as Purchasing, developed a vision even beyond what is possible so far. Together with our partners from Jordanian Duty Free Shops and ASTRA Group, we are happy to have provided a strong and convincing offer to Jedco, the Jeddah Airport company. The airport and the cruise retail concessions are important anchor points for us in this new region and we are very excited about the journey ahead.

Before we close, let's take a look at the newly established Business Development Sales unit. What is your strategic approach to developing the Gebr. Heinemann business model further?

Nico Reifkogel: The idea behind it is to professionally cover the different phases of the process for the development of new businesses. During the process, we work with specialists of almost every department of Gebr. Heinemann in a highly integrated manner. It is part of our strategy to enter into international partnerships – whether with retail partners, wholesale customers, joint ventures, or landlords. In these cooperations, we always take local requirements and cultural nuances into account in line with our own corporate values. Our Business Development team

works closely with the sales departments of the various markets and sales channels to position ourselves as a value-adding player in travel retail. We also act closely aligned with the Business Development of our global network in Asia Pacific and in the Americas. This allows us to make use of our regional know-how which – as Rajshree has pointed out – is key to meet our international ambitions. Many new opportunities are visible out there. And ours is not merely a strategy about regions and channels. Our business is here to evolve and expand – also into new business models.



Rajshree Dugar, Chief Strategy Officer Heinemann Asia Pacific

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