

Dufry's Travel Experience Revolution takes off

In early July 2022, Dufry announced a business combination with Autogrill. The ambition of the business combination is to have a lasting impact on the travel retail & F&B industry by refining the experience for travellers, and create synergies for the newly combined Group. Announcing the leadership representatives of both companies as well as creating a 'One Team/One Company' spirit were key first steps of the integration process.

By Maurus Lienhard and Philipp Haumüller



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Travel industry changes set the scene for a business combination

The global travel industry is coming out strongly from the most severe crisis it has ever experienced, and while in some parts of the world the recovery process is still underway, travellers confirm their propensity to travel as well as to spend more than before the pandemic. Another important driver are the favourable market dynamics as global passenger traffic is expected to increase significantly over the next decades, having the effect of continuously expanding the customer base.¹

On top, comprehensive market analysis covering all major stakeholders, identified important changes in travellers' expectations and shopping behaviour. Customers care for more individualized offers and tailored services, which cater for their personal needs and preferences at any specific moment of their journey. This includes new hybrid formats, which combine retail and F&B assortments into a holistic travel experience.

Combining the businesses

The newly combined Group features a complementary strategic fit, supporting the company's new long-term strategy and redefines the boundaries of the industry by focussing on experiences, digitalization and innovation.

Shortly after the announcement of the combination with Autogrill, Dufry presented its new strategy called Destination 2027.² With its first strategic pillar clearly focussing on customer-centricity and providing travellers with a redefined, holistic travel experience that reflects evolving consumer trends, the combined Group features an enlarged portfolio. Next to the traveller centricity, the other three key pillars of the strategy are geographical diversification, operational improvement culture and ESG – all powered by the Groups' employees.

Step one – explain, listen and answer questions

Although the business combination was announced in July 2022, the integration process could only be launched in the following February, when the transaction was officially closed upon receiving approvals from antitrust authorities. The senior leadership embarked immediately on a roadshow visiting the main headquarters and regional offices of the two entities in Europe and the US. While such a business combination presents many opportunities, there may also be uncertainties, for instance for employees. The roadshows played a crucial role to launch the 'One Team' mind-set and the leadership team has in person explained the rationale of the combination to the employees. The town halls have also featured Q&A sessions allowing for an interactive engagement with employees.

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Combined expertise represented in the Integration Management Office (IMO)

The integration process is driven by a dedicated IMO with the aim to ensure a seamless transition, leveraging each other's strength and to build a joint organization. Accordingly, leaders from both companies are represented in the IMO to ensure that both travel retail and F&B expertise are considered and that at the same time the cultural aspects of this transformational journey are addressed. Key overarching work-streams are structured globally i.e. definition of the operating model & organizational design, culture and change management, communication and technology, while functional work-streams are covered globally or regionally. The initial weeks and months focussed on:

- Discovery: Understand how work was performed in each entity
- Planning: Develop preliminary action plans for key projects and ways of working
- Coordination & Prioritization: Coordinate across functional silos and identify interdependencies
- Launch and harvest quick wins: Start executing, mitigating risks and accelerating value creation (synergies)



Weekly integration calls and physical meetings foster the creation of a 'One Team' spirit.



While each work-stream drives its own initiatives, weekly integration calls ensure priority alignment, interdependency identification and progress tracking. Additional physical meetings support teams in having dedicated time together, allow for a mutual understanding of the cultures and foster the creation of a 'One Team' spirit.

Furthermore, the IMO put efforts in a dedicated communication plan to keep all employees regularly informed on the project status. Additionally, a culture survey was conducted to give insights on the current values and identify expectations for the combined Group.

Operating Model and Organizational Design

The work of the work-streams provided key inputs in understanding and defining the future ways of working, developing the corresponding global organization for the team leading each work-stream. The appointed leaders on level "CEO-2" were then in charge to further fine-tune their teams. The new organizational structure follows the principles and requirements to execute the Group's strategy Destination 2027.

New branding ahead

To symbolize the new Group, a new brand and visual identity will be defined – a key milestone for all employees to share a common "home" and to reinforce the 'One Company' approach. The new brand name and identity will reflect the enlarged offering, provide a clear reference to a holistic travel experience for customers and online communities, and substantiate the 'One Team' mind-set for all employees.

Challenges and opportunities of the integration

Whilst Dufry has considerable experience in post transaction integration, there are certain key challenges. One aspect for instance, is the fact that from the transaction's announcement until the closing, several months elapse, during which for legal reasons no actual implementation steps, formal plans and initiatives can be executed. This is a difficult period, even more so for employees who need to cope with a certain level of uncertainty with respect to the implications on their jobs.

Understanding and examining existing processes, operating models, and finding a common way of working posed particular challenges in this integration. Typically, travel retail and F&B offerings require distinct capabilities and processes even when handled in the same location (i.e. an airport). This needs to be reflected in the organizational setup and workflows going forward. Finally, the key challenge is to protect daily operations from disruption by the additional workload generated by the integration work.

The combined entity is an incredible opportunity for all stakeholders, bringing a unique new scope by including travel retail and F&B. By bringing together the two complementary entities, the aim is to extract more than the sum of the two and revolutionize the industry.

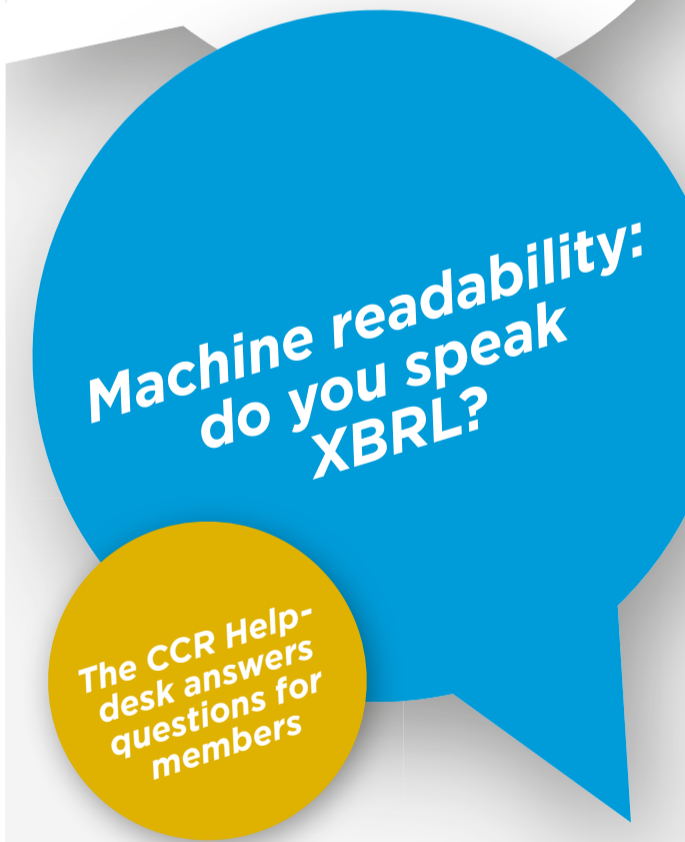
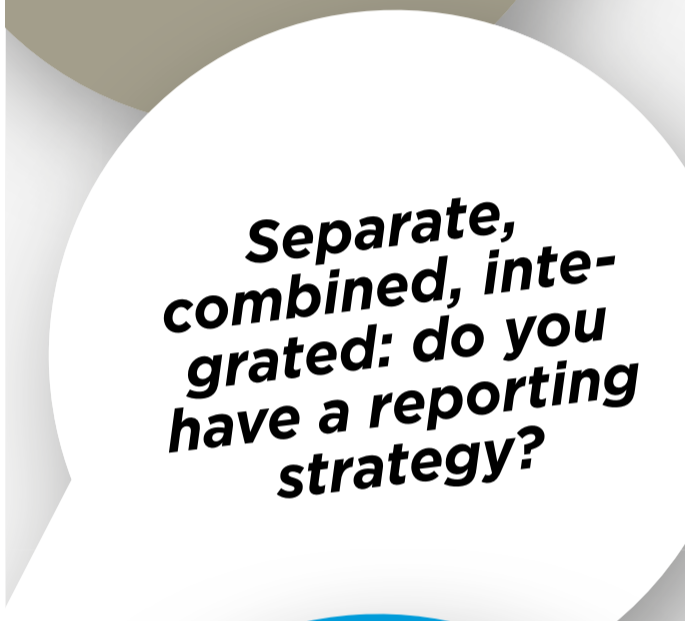
¹ACI World – an airport association – is forecasting the world's airports will handle 19.3 billion passengers in 2041, nearly triple 2022's total.

²www.dufry.com/en/company/our-strategy

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