

Confidential

TAX FREE WORLD ASSOCIATION

Strategic Review and Future Recommendations



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1.0 Overview of Strategic Review Objectives and Process of review

1.1 Introduction

- The review of strategy with a focus on the mission/vision of TFWA was approved by the MC at the end of 2010
- The end goals of that review were clearly to understand the views and opinions especially of members in safeguarding the values and equity established by TFWA over more than 25 years, but also looking to its future and desired/required development. Recognising the need for change, to respond to the opportunities and challenges of the channel, whilst at the same time protecting the essential DNA of the Association
- Additionally, the review had a wider remit, to listen to the views of other stakeholders in the industry and consider what part and/ or how TFWA could best support the development and the defence of the channel, or in a wider sense how the association can best serve the industry – its reason for being.
- There are clearly opportunities to further develop the direct services and value of the Association for its members
- There is equally clear potential and a crucial role that TFWA could play in support of its members and an industry with a number of different stakeholders
- This paper outlines the results of that review and a series of strategic as well as practical recommendations to meet the objectives.

1.2 Objectives

- Consider the role, mission/vision of TFWA in the short and mid to longer term
- Clarify where we are today, the views of both members and the other stakeholders in the industry and what direction the Association should take in the future to optimise its value and importance to the industry at large
- Clearly state the actions required to achieve the wanted position and implications of implementation

1.3 Process

- A series of workshops with MC members and including TFWA permanent staff
- Over 90 interviews with members and other stakeholders in the industry especially retailers but also landlords, representatives of regional associations, members of the industry press, agents
- Nearly 50 detailed online research responses from members
- Working party discussions and Board discussions
- Recommendations and discussion paper for approval by MC June 2011 meeting. This paper endeavours to represent the views of those workshop and research discussions, specifically taking on board the thoughts, comments and opinions of the members. Additionally in depth discussions with the TFWA board members and MC members has been a vital part of the process and the outcome.
- Following the June 2011 MC discussion of this review a more detailed outline of the required actions and timetable for implementation as well as key resource implications for each of the key recommendations will be prepared.
- Planned presentation at AGM Cannes 2011 (possible need for a later EGM (2012) if the Statutes of the Association need to change prior to implementation of some of these recommendations)

2.0 Where are we

2.1 Member View

- Looking for added value of membership
- Looking for the added value for the role played by TFWA in the growth of the global opportunity for the channel

- Looking for the Association to provide a more proactive representation of members views within the channel and also in influencing external governmental and other bodies on key issues and threats
- Looking for the primary events of TFWA to be protected in terms of quality, whilst the Association continues to grow and develop in terms of premium supplier products and brands (i.e. not necessarily luxury or exclusive brands)

2.2 Non-Member View

- A need to proactively communicate the added value and key benefits of TFWA to the global industry
- Recognise that the industry needs a voice, a body or organisation to represent the shared views of all of stakeholders, in terms of defending and developing the global industry
- Recognise that TFWA is best placed to provide the lead for that body/organisation in part due to its resources, the global platform it has at major industry events, the permanent staff structure and the global reach of the supplier base
- Additionally it was felt that TFWA could further support the industry or be more involved in providing a global industry information resource and help with establishing a form of “hallmark” or set of standards for all main stakeholders
- It was also suggested that further support could be given to the Regional Associations especially those with more limited resources
- With regard to specifics, non members valued the TFWA events but wished to ensure that the conferences were focussed on topics and issues particularly relevant for the industry rather than wider social/ economic subjects

3.0 Key Issues

- TFWA has traditionally been an organisation established by its members to organise and manage supplier events at which the key customers have the ideal situation in which to discover, discuss and network with premium brand suppliers – protecting that core function remains a key priority
- By taking a more proactive role in meeting current and potential member needs the structure and resource of TFWA may need to change and develop – potentially requiring new or different resources in order to meet member needs
- In order to truly represent the whole industry the Association would almost certainly need to find a way to include all stakeholders – (retailers, landlords, agents and others together with suppliers) whilst at the same time safeguarding the core values, equity and established roots (DNA) of the Association
- The strategic review clearly falls into two parts.
 - o The further proactive development of services and support in order to meet member needs.
 - o The best way to establish and develop a fully fledged and inclusive representative industry body in order to meet the needs of being a global voice in terms of both development and defence of the Duty Free/ Travel Retail Industry.
- To achieve this end goal we will need to define a structure or approach that could allow for the possibility of a fully inclusive membership or an alternative approach, whilst at the same time protecting the core values and equity of the Association.

4.0 Short to long term vision and mission for TFWA

- In the short term focus on the tools, services for global business development and growth for current and future members – the suppliers of premium/quality products in the duty free/ travel retail/ channel

- In the medium/longer term play a fundamental role in establishing an effective and fully operational global body/ council or forum that develops and defends the whole industry.

5.0 Action Plan – Recommendations and Implementation

5.1 Communication

- Internal member communication and external communication should be improved in order to more fully inform on the policies, practical issues and activities of the Association in addition to event communication
- Using the web site and all appropriate forms of media including the wider international and business press, TFWA will take a more proactive approach to communication
- Wherever possible communication will invite and encourage feedback from members and non member audiences
- Specifically this expanded approach to communication will focus on:
 - o The FAQs of members – providing clear information
 - o Client information on what TFWA are involved in and activities in the industry/channel outside of the event organisation programme
 - o Statements of policy on issues facing members and the channel.
- Increasingly TFWA will not only provide a platform in Cannes and Singapore for the channel, but will clearly play a fundamental part in what is said on that platform
- In these ways TFWA will further engage the other stakeholders in the industry and gradually begin to establish an appropriate voice for defending the industry in terms of the shared issues of concern, as well as best supporting the development opportunity

5.1.1 Communication of current event organisation

- As part of the regular contractual evaluation process the locations of Cannes and Singapore for the two major events of the Association will continue to be reviewed in terms of best fit for the strategy
- The continuing focus should be to develop the Association in terms of categories and brands from every region who offer premium/quality products in their segments
- In terms of communication the selection of the location and rationale will be clearly stated recognising any relevant commercial confidentiality

5.2 Social network

- Using available social networking formats, establish a TFWA network for members
- Use the network for improved communication and feedback as well as developing the network to include the broader industry

5.3 TFWA “clubhouse” at major global industry/channel events

- Provide a members lounge/clubhouse facility at all major events
- The clubhouse facility could also include opening up the Paris office for controlled member use in a manageable and appropriate way
- This facility at non TFWA events should increase the feeling of belonging with the membership and establish a closer network of relationships between TFWA and other host event organisers

5.4 MC Issues

- As part of the process for potential members of the Management Committee there will be a clear guide on the role, responsibilities, performance demands and commitments undertaken. This process will start prior to nominations for a seat on the committee, so that potential candidates clearly understand the role and commitment before nomination.
- The regular meetings of the MC will focus less on the detailed review of event organisation and provide greater scope for discussion about the broader issues of members and the issues facing the channel. In this way the Association will also be able to form its views, opinions and ultimately policy on key issues
- In order for the supplier members to fully and openly discuss and consider issues that involve and concern them specifically, an annual member only conference and workshop will be established in conjunction with the AGM, which if with a sufficiently attractive programme, could well move from current timing in October in conjunction with the WE
- This changed approach to the operation of the MC could include:
 - o A reduction of the number of yearly meetings would continue to include a March meeting (This could also include the AGM to best co-ordinate with approval of accounts and possibly a one day conference for all members)
 - o Summer meeting (which might be the alternative date to coincide with member only daylong conference)
 - o Autumn meeting (post Cannes)
 - o The current structure and role of the Board and MC. A Board supported by an Advisory Committee which could be smaller than the current MC may well be a more effective and efficient way to redefine responsibilities and drive positive change/development through the Association A smaller committee of committed and willing members would continue to be the key part of controlling and developing the activities of the Association

5.5 Introduction to TFWA and the channel

- An 'on board' introduction programme will be established for specific requirements and opportunities
- As part of the 'new member' approval process this will help to clarify the best practice and through Q+A's clear communication to members and applicants to increase understanding of the process
- TFWA will offer a workshop to those premium/quality supplier brands who seek to seriously develop long term business in the channel/industry
- A clearer understanding of exactly what TFWA 'is' and 'does' and the guidelines for membership will be available to new entrants to the industry and new applicants for membership

5.6 Research and Information

- Developing a comprehensive industry research programme is seen as part of the role for a new global industry body rather than a development of the TFWA services

Whilst current TFWA sponsored research provides those members with limited research budgets some basic and helpful material, further development of valuable industry/channel in depth consumer research is outside the remit and resources of the Association

- TFWA should develop its role as a 'portal' to the best information/research sources so providing guidance for members in what is available, best sources of material and best process to access that research
- Nevertheless in playing a fundamental role in establishing an effective "global forum" to represent the whole industry and all stakeholders, that forum would be tasked with providing a 'fully fledged trade association research centre'
- In terms of information TFWA will collect together and endeavour to provide members with improved access to the information it currently holds which may be helpful in developing the members business e.g. mapping global retailers

5.7 Regional Focus

- TFWA will clearly communicate the role it already plays in supporting Regional Associations
- Every endeavour will be made to continually and visibly support the Regional Associations in defending/developing the industry

6.0 Establishing a Global Body/Organisation/Council for the Industry

- An essential part of this strategic review was to consider how the vision/mission of TFWA could best respond to the future needs, requirements and opportunities of the industry. There are different views on the best way forward to both protect what has been established and at the same time address how the various key stakeholders in the industry could proceed
- There is a consensus of opinion amongst members and non members that the global duty free/travel retail industry/channel needs and would fundamentally benefit from an umbrella organisation representing the interests of the global industry
- This council or global association would ideally represent all stakeholders in the industry including suppliers, retailers, landlords, agents, Regional Associations and professional service companies in the channel
- Such a body would incorporate a range of services for the industry to both defend it against the issues the industry encounters and to help develop the global opportunity
- The body would incorporate and provide:
 - o Provide a global 'voice for the industry channel'
 - o Development of policy on behalf of the stakeholders in the industry and subsequently the provisions of lobbying based on that policy
 - o Comprehensive research on behalf of the industry
 - o Provision of an extensive information centre and library of data
 - o Coordination with regional trade associations

- Whilst there is a consensus of opinion that such an organisation would be a real benefit for the various stakeholders who share several key interests and concerns, there is a significant difference of opinion on how such an organisation could be structured, managed and resourced
- A cross section of both members and non members believe TFWA could be best placed with its structure and resource to provide the basis for such an organisation. However, simply opening up the membership of TFWA to non supplier companies is not seen as the right way forward
- In order to safeguard and protect the established position of TFWA and its supplier membership an alternative approach has been discussed in the workshops and gained a level of support.

The proposal would be to establish a new Global Council/Association open to all stakeholders in the industry

- o Rather than a council of representatives from other Regional Associations this new forum or council would be open to all individual member companies
- o The structure of this new organisation could therefore include:
 - Automatic membership for all supplier members of TFWA
 - Individual retailers, landlords, agents
 - The Chairpersons of Regional Associations and other committees or groups such as IAADFS,ETRC, Frontier etc would be invited to join as representatives and therefore members
 - Professional services and support companies including research, logistics, marketing agencies who could show that they have a committed professional role in the industry could also have the opportunity to join as full or associate members
- o TFWA would act as a founder organisation to launch and establish the new Council and provide platform/workshops for its activities, an initial office facility in Paris. As the council developed it's office could be located in the most appropriate city

- The council would encapsulate the role of a fully fledged trade association representing all individual stakeholders:
 - Information
 - Research
 - Policy + lobbying on essential industry issues
 - Industry communication
 - Development and establishment of Industry Standards or Hallmark

- It would be assumed that a new council would develop stage by stage and be the industry voice to shape change, defend and develop the channel for all stakeholders

- In order to safeguard the values of TFWA but also play a major part in establishing and shaping the new council an agreement in principle by the MC to this proposal is required

7.0 Next Steps

Providing approval by the MC of the following proposed resolutions:

- A specific action plan will be established including
 - A number of projects all with clear responsibilities and resource identification
 - Proposed timeline
 - Milestones for projects
 - Communication plan

7.1 Resolutions for approval at June Cannes MC meeting:

Resolution 1 – Following the strategic review the Management Committee of TFWA agrees to proceed with the recommendations concerning, current activities, organisation and development of the Association outlined in this document, and maintaining its supplier only membership

Resolution 2 – Following the strategic review the Management Committee of TFWA further agrees to develop and action the proposal to act as a founder organisation to launch and establish a new global council for the Duty Free and Travel Retail industry.