



As featured in
The CEO Magazine
For more info visit
theceomagazine.com



A World of Travel Retail

From a small family business to a major distributor and retailer for the international travel market, Gebr. Heinemann values its important history; however, it isn't letting the past stop it from moving towards an even brighter future.

Images courtesy of Gebr. Heinemann

Gebr. Heinemann is a global player in the travel retail industry. It has presence in 67 international airports in 28 countries around the world as well as wholesale clients in more than 100 countries, offering a large range of product categories including perfume, cosmetics, liquor, wine, tobacco, confectionery, and delicacies.

The business was established in 1879 by brothers Carl and Heinrich Heinemann, who decided to set up a company which would supply tax- and duty-free commodities to ship chandlers. It has since developed over four generations to become a highly

respected name in its field. Despite significant growth over its long existence, it hasn't lost its family ideals, and prides itself on staying true to its original roots, while also recognising the need to grow and enter new markets.

Gebr. Heinemann is based in Hafencity, Hamburg—a location it considers to be the gateway to the world. It has more than 5,600 employees worldwide whose welfare is a priority for the company's owners. To stay on course and steer everyone in the right direction, owners Claus and Gunnar Heinemann and the board of four directors have formulated several goals. Gebr. Heinemann aims to remain a financially

independent and family-run business for the long term and sets achievable targets each fiscal year to enable the expansion and growth of its assets.

Its key focus is on the international travel retail market; however, integrated distribution and the retail business model is being continually developed. The company aims to control participating interests by applying this model, combined with its earnings targets, to create exclusive partnerships to benefit both parties.

Gebr. Heinemann is one of the travel retail world's foremost experts in distribution thanks to >



the scope of services it provides and, above all, the way those services are delivered. Teams of specialists well versed in specific market requirements are on hand to oversee all distribution channels, which include airport shops, in-flight sales, cruise-liner outlets and border shops as well as special sales to diplomatic missions, military shops, the Vatican City, and ship's chandlers.

This expertise is highly valued by brand-name producers who choose to work with the company. In partnerships, the business is consistently developing new solutions to address many different aspects of the travel retail market to ensure the needs of a diverse range of clients are met.

Products sold by Gebr. Heinemann are chosen strategically to inspire the consumer. A keen instinct for the specific needs of travellers—from holiday-makers to senior executives—is what makes this a success. The purchasing department sets itself the task not only of identifying and meeting the wishes of multifaceted target groups wherever possible, but also of consistently exceeding those expectations.

Gebr. Heinemann has logistics centres in Hamburg-Allermöhe and Erlensee, near Frankfurt (which opened in June 2014), to ensure utmost efficiency in its distribution operations. With nearly 50,000 items permanently in stock to be delivered to numerous clients all over the world, it can prove a challenging task, but the centres make sure things run smoothly and on time. The flow of goods is controlled by the perfectly orchestrated and simultaneous interplay of thousands of processes with the aim of determining the ideal route for every order.

More than 500 staff members are based at the state-of-the-art Hamburg centre, which was constructed in 2003. Through a highly complex series of interactions between people, computers, and machines, as many as 500,000 sales units are picked, handled, and shipped to more than 1,000 distribution clients worldwide on a daily basis.

The Erlensee centre also promises ideal conditions for delivering goods to the global travel retail market. In the future, many of Gebr. Heinemann's own retail sites

and distribution clients in Germany and southern Europe will be supplied from this base.

All Heineemann Duty Free shops are fitted out by top architects to have a distinctive feel. One key feature of every site is the 'Regionals zone', which presents travellers with a particular part of the local highlights, specialities, and delicacies. To create these zones, Gebr. Heinemann collaborates at the main airports with world-renowned architects and designers in the various cities (or countries). It is their job to inject a typically local flavour into the overall design, thereby producing a special space in every store where shoppers will find classic items alongside more offbeat and unusual products selected from the regional market.

The CEO Magazine spoke to two of Gebr. Heinemann's managing directors to discover what factors have contributed to the past and current success of the travel retail business, and what factors will drive its future success. Raoul Spanger is in charge of retail and human resources while Kay Spanger is responsible for purchasing and logistics.

***The CEO Magazine:* Can you give our readers an overview of your professional background leading up to and including your current role with Gebr. Heinemann?**

Raoul: After I finished high school—in those days you had to do either military service or something in civil service—I decided to do military service which was, at that stage, for 15 months. So I was a tank driver and it was a very strange experience but also a very interesting time after always being at home and at school.

After finishing that, I decided not to study economics because, even though I was interested in it, I thought everybody was doing that. Instead, I decided to do a trainee program for two years in a company which was importing and exporting t-shirts and sweatshirts, and I liked the job very much. >



paco rabanne
INVICTUS

www.pacorabanne.com



I went into a sales position and I stayed there for a couple of years. Then I decided, because I had a lot of contacts in retail, that retail, in particular clothing and fashion, would be right for me. My first position was in a wholesale business, then I joined a German fashion retailer positioned in the mid to high price range. It had a lot of branches all over Germany and I went into purchasing. So I had a purchasing position for a couple of years before I was approached by the Heinemann family to join their company. I have now been with Gebr. Heinemann for 25 years.

Starting out, I was setting up assortments for fashion and major accessories. Then in the 90s we started to get much more retail business, taking over the shops at the airports in Hamburg and Berlin. Somebody had to take care of retail and as that was where my background had been, it was a somewhat logical development that I took care of it. I basically became the retail director of the company and two years later I was appointed to the board.

Kay: After leaving school and joining the army in Germany I did an apprenticeship with the first company who answered me on my approach—and that was Gebr. Heinemann. Luckily, because of the development of the company, I had the privilege to be able to work more or less in all of the company's departments. I have worked with Gebr. Heinemann for about 35 years.

There was a big family link because my dad had been working in perfumes in the German domestic market. I had the chance to sell perfumes for Gebr. Heinemann because I had a certain expertise which had come from my father. I stepped into the sales department where the sale of perfume was not well developed at the time—the guys didn't know how to sell it. They were not open, the customers were not open, and it was a real niche that I could step into and really start my career.

At the same time, one of the leading people on the board saw me and said that I might be good in a purchasing position. I don't like the term 'purchasing position'—it's more than just purchasing. You purchase and you negotiate. You negotiate the brand and the investment and the

pricing—it's a combination. We were a small retailer in the 70s and 80s. Then with the opening of the borders to Eastern Europe, we became a serious retailer.

What challenges have you faced throughout your time with Gebr. Heinemann and how have you managed to overcome them?

Raoul: For my first 10 years at Gebr. Heinemann our focus was Germany; for my second 10 years it was Europe; and for the past five years it has been global. Basically, the company, and also my job, has developed to become more and more international. We now have an office in Miami and four years ago we opened an office in Singapore. That has been a challenge. It is also a challenge to bring a European company into a global system. It's a positive challenge, but it is of course a challenge because it's about changing a lot of processes in our company and trying to manage that.

If I look backwards, when the duty-free privilege within the EU fell, that was a huge challenge for the whole company. We managed well because the owners and management were active in getting into new markets. We had just gotten into Russia already in the >

INTRODUCING THE NEW FRAGRANCE

LOVE STORY Chloé



WWW.CHLOE.COM - #CHLOELOVESTORY

"For Coty, working with Heinemann means sharing more than 100 years of growth, success, and values. We are proud to partner with Heinemann to bring the best fragrances and cosmetics to worldwide travellers, which is one of our key goals." - Philippe Margueritte, VP Travel Retail Worldwide, Coty



GRANGE • BIN 707 • RWT • MAGILL ESTATE • YATTARNA • ST HENRI
RESERVE BIN A • BIN 389 • BIN 407 • BIN 150 • BIN 28 • BIN 51 • BIN 8 • BIN 2

1844

THE PENFOLDS COLLECTION. A FAMILY OF FINE WINES, EACH WITH A DISTINCT CHARACTER, QUALITY AND PROVENANCE. A TESTAMENT TO THE ENDURING 'HOUSE STYLE' AND WINEMAKING PHILOSOPHY THAT PENFOLDS HAS PROUDLY UPHELD SINCE 1844.

Penfolds[®]



NUMBERS CAN BE EXTRAORDINARY

PENFOLDS.COM

Enjoy Responsibly



90s and then in 2000 we started a huge business in Turkey. In 2004, we went into Norway with another huge business and we could expand into new territory to compensate the losses which we had in 1999 when we lost a lot of our proceeds. At that time we also developed the 'Travel Value' brand. To overcome these challenges we continuously invested into the business; into new and into existing business. What we decided to do, and it was right—at least for this company—was to go for organic growth and not for extended acquisition. We have been doing this right up until now with continued success.

E-business is another challenge. For example, it started a whole heap of possibilities for our customers outside of our shops. Until a couple of years ago, our business was limited to the shop. We served the customer, we treated them well, we got the money and they left. Today we are actually already connected to 250,000 customers 24/7 via online and, of

"A continuous challenge for us is working on having good relationships with our suppliers. You need to be demanding to secure the future of the Gebr. Heinemann company, while also having the right distance and creating friendships."

- Kay Spanger



course, in the future we will create additional business out of that. I think for every retail company, and also for travel retail companies, e-business is a crucial element for the future.

Overall, this company has always been improving and is in a good financial situation. It's sometimes not bad to have challenges because it keeps you awake and opens your mind to go new ways.

Kay: A continuous challenge for us is working on having good relationships with our suppliers. You need to be demanding to secure the future of the Gebr. Heinemann company, while also having the right distance and creating friendships.

For me personally, a challenge has been the transition from doing so many different jobs when I started, to concentrating on specific areas as the company became much bigger. I had to work out what is right for me and for the company. It's a challenge to change your mindset into this direction.

There are challenges all the time for companies as business parameters change, like the duty-free ban within the EU which came in in 1999. Then, after 1999, the challenge was presented of

how we could replace tobacco, which was, and is, one of the easiest categories to make revenue.

Also, it's a challenge how we, as board members, manoeuvre the company in a positive sense like a ship. On the high sea, sometimes the waves are small and sometimes the waves are big—this needs to be managed. Around the 90s we were a nice cruise liner or sailing boat and today we are a tanker. We want to be a tanker but at the same time we want to be able to move like a small ferry boat.

To keep our Heinemann values intact we need to be flexible in that challenge. It's about how we adapt to today's times, not just in the market but also in our own challenges, and how we continue, which is our biggest challenge and our biggest target, to keep the momentum and, more importantly, the feeling and the spirit of being a family company.

How does Gebr. Heinemann invest in its staff, providing them with essential training and development programs?

Raoul: We have lots of product trainings that are organised by suppliers in the industry who have ample knowledge about the product, very intense Heinemann duty-free training, and >

EXCLUSIVE TO TRAVELLERS

NEW JOHNNIE WALKER® EXPLORERS' CLUB COLLECTION™

INSPIRED BY GREAT JOURNEYS



THE JOHNNIE WALKER® EXPLORERS' CLUB COLLECTION™ PROUDLY SUPPORTS
THE INTERNATIONAL NON-PROFIT ORGANISATION, THE EXPLORERS CLUB™
WWW.EXPLORERS.ORG

Johnnie Walker The Royal Route, Gold Medal winner at Scotch Whisky Masters 2013
Johnnie Walker The Spice Road and The Gold Route, Silver Medal winners at Scotch Whisky Masters 2013



JOHNNIE WALKER®
EXPLORERS' CLUB
COLLECTION™

ENJOY JOHNNIE WALKER RESPONSIBLY - WWW.DRINKING.COM
JOHNNIE WALKER THE SPICE ROAD, THE GOLD ROUTE and THE ROYAL ROUTE words, the Striding figure device and associated logos are Trade Marks © Johnnie Walker & Sons 2014.
The Explorers Club and associated logos are trademarks of THE EXPLORERS CLUB, a global non-profit organisation headquartered in New York City.



management trainee programs for all countries we are working in.

We have young people from Norway, Singapore, Turkey, and so on, who come from university and do an 18-month trainee program in our branches. We have very intense training because we believe in internal education. Sometimes we take on people from the outside, especially if it's an e-business or something where you have to bring in young people who have specific knowledge about that sort of thing. However, if you talk about the other key processes, like running an airport business, we believe in internal training and we are very successful at that.

We have at least five people between 30 and 35 years managing an operation of more than 200 people at airports, so

they start very young. We bring them into responsibility and we give them trust, which is a key element of our business.

Key: Basically, everybody in our management team running the airport stores has an internal education and has gone through all the processes which are necessary. Putting trust in them, quality management and believing in them are all part of our business philosophy.

How do the board and the Heinemann family work to ensure consistency across the business in terms of the different countries you're working in and the company's goals and visions?

Raoul: It is clear to everybody inside and outside that Gebr. Heinemann will stay a family

company, which makes me very proud. This is one point, and the other point is that we have two boards. We have the supervisory board with the owners Gunnar and Claus Heinemann, and we have the executive board. We are all on the same level. It is a democratic board and the owners are in the business every day.

We exchange views and we have an official board meeting every two weeks; however, we work very informally. We are not working like a stock market company. The doors are always open. If there are any special issues we talk, and the discussion is focused on the >

"Heinemann is a very strong business and we enjoy a great partnership with them. Their channel strategy is clear and fully aligned with our brand-building objectives—we look forward to driving and delivering continued growth for both Heinemann and Diageo." - Doug Bagley, Managing Director, Diageo Global Travel and Middle East



Tonic Body Treatment Oil
 Hand and Nail Treatment Cream
 Extra-Firming
 Eau Dynamisante
 Body Shaping Cream
 Instant Smooth Perfecting Touch
 Double Serum®...



In the course of more than 50 years, Clarins has put its name on a long list of legendary products, all continuously perfected thanks to an instinctive understanding of women's needs and enduring innovation. But Clarins is more than that: it is a pioneering vision of effective beauty – beauty that contributes to health, harmony and happiness.

Plants. Our science.

With plants, you can erase the signs of passing seasons from a face, streamline a silhouette, protect against pollution, reveal the natural beauty of every woman. But for that you need the knowledge, the curiosity and the persistence of Clarins researchers. You need the power of science to extract the beauty secret from the heart of each plant, to discover its most precious and effective ingredients. With plants, you can make the world more beautiful, you can do wonders.

It's a fact.

With Clarins, life's more beautiful.

www.clarins.com

CLARINS



business. In the end, we reach a decision. Never in my 25 years here has one of the owners said, "I want it this way just because I'm the owner."

What are the core values paramount to Gebr. Heinemann's business operations?

Kay: We have confidence and trust in all our people—staff, customers, business partners and suppliers. Gebr. Heinemann is still a family company and has that family feeling. That, combined with trust and confidence, is what we put the most emphasis on.

Very often when I talk to suppliers who I've known a bit longer, they say that with Gebr. Heinemann they don't just know who they are dealing with as a company, but also who they are dealing with as people. There is trust and there is continuity. I think we are a very open company. Once I asked a business friend of mine to describe in three words what Gebr. Heinemann is like as a business partner. He said: "fair, demanding, and long term".

How does the way you do business in Europe differ from your global operations?

Raoul: There are a lot of things that differ. In Europe, we are

number one and everybody knows us and respects us. When we came to Asia, of course Gebr. Heinemann was known but there was no business at all. So it was all new. We had to come in and set up the company like a start-up, which was interesting. In Europe, we have two logistics facilities, both based in Germany. We can serve all of Europe out of these two facilities.

Then when you look at Asia or take Australia or the US, you cannot do that. That means we have had to pick up the logistics which we have here, which is a huge challenge. The next generation of Gebr. Heinemann will be running a global business so they have to understand that and come on board with that. Max Heinemann, Gunnar Heinemann's son, is already managing Heinemann Asia Pacific in Singapore.

How is technology playing a big role in the purchasing and logistics side of the business?

Kay: Take our new logistics centre near Frankfurt, for example. The rollout there is all about technology. It's the most high-tech logistics centre which you can find today. We are combining five to six categories and we are supplying our customers with

"Once I asked a friend of mine to describe in three words what Heinemann is like as a business partner. He said: 'fair, demanding, and long term'."
 - Kay Spanger

single items as well as with full containers. As this is all handled under one roof, it requires profound logistic know-how and great operational skill. It's a challenge and for it to work it must have the appropriate software behind it. Currently we are implementing, for the first time, what I call 'the brain' of the logistics centre. Logistics is about permanently challenging ourselves so that we are not only being the most high-tech with the best high-tech system, but that we are also improving in every detail.

In purchasing, technology is used predominantly for analysis. I wouldn't say that we need that much more technological advancements because luckily, in this business of purchasing, it is also a question of having the right feeling for the right trends.

How does Gebr. Heinemann plan to continue its growth and success as it moves forward?

Raoul: As a strategy, we are putting all our effort into travel retail. You >

"Both Clarins Group and Gebr. Heinemann, as family owned companies, share the same vision and values: Excellence in business and respect. I truly appreciate the excellent quality in store and the impressive supply chain efficacy from Gebr. Heinemann." - Damien Tonneau, Director Travel Retail, EMEA, Clarins Group



could argue that the franchise business has ups and downs but the business always recovers, or that there are many benefits of being a domestic retailer. But we have decided, to put it in the words of the owners of Gebr. Heinemann, that it's better to be one of the bigger companies with one successful business rather than be at number 20 with five businesses. This is the reason why the Heinemann family and the board decided that travel retail business will be our core business.

“Retail, and also travel retail, used to always be about location, location, location, but in the future it will be all about consumer, consumer, consumer.”

- Raoul Spanger

We need to grow because of buying power. This is an issue that a family company is not excluded from. We are going into these new markets, which are growing faster than the European markets are growing at the moment. If you only talk about Europe, we have 4-per-cent growth there and other markets have around 11.

It's about strategy, demand to grow into these new markets, and a desire to be among the leading operators. We have a clear philosophy and we are the only family-owned company in this industry. We are different to our competitors because we are much more personal and service orientated. We have to grow, and while we don't have to be in the number-one position all the time, we have to be in, what we call, the 'champions league'. This is purely, or mainly, because of buying power.

E-business will continue into the future. What we have experienced in just the first month of

introducing our new 'home delivery' service was that, as expected, people were buying online because heavier products are more difficult to carry onboard. We experienced ladies buying very expensive cosmetics and at the greater value because they know the prices of their cosmetics and they say they don't want to carry it all around, but if we send it home for them they will buy this one and this one and this one.

We are also experiencing high-end liquor sales with e-business because we have very good prices for liquor which is only available in a few very dearly contested stores in several cities. It is not available in supermarkets and so this is where we can get some profile at the high end of the liquor market with products such as cognac and whisky.

Gebr. Heinemann is working towards creating a greater connection between the business

and the consumer. In the old days, it was always the airline—the airline has the ticket, the airline has the data—but of course if you want to be completely happy about your trip it is also of great importance to have a fantastic shopping experience.

Airlines understand that there are benefits to doing this and that there should be a closer connection from the customer to the passenger and then to the consumer. This is also a future challenge which we are a part of; knowing your customer is a key issue. Retail, and also travel retail, used to always be about location, location, location, but in the future it will be all about consumer, consumer, consumer.

The company can be proud of the past but all of us are also looking towards the future. At the end of the day, the past is the past. Gebr. Heinemann has a fantastic history and recently celebrated 135 years of business and has incredible staff

all over the world. The past sets your values and these values are very deep in our DNA, but you also have to look to the future.

Kay: I think if we continue with our philosophy of being a family company and stay financially independent we will remain a strong player within the market. There is a difference between what it meant to be financially independent 15 years ago and what it will mean in 15 years time, but we want to commit ourselves to this. I think that in doing it this way we will have a bright future. This mid- to long-term plan, in our opinion, will pay off. •

“Bacardi works closely with Gebr. Heinemann in a common spirit of partnership, innovation, and excellence. Our shared commitment pushes the boundaries and delivers exciting new experiences in travel retail, creating innovative category experiences that drive higher footfall, conversion and spend.” - Aude Rocourt, Regional Director—Europe, Bacardi Global Travel Retail

