

# Dufry Brazil readies itself for recovery starting in 2021

Brazil's travel retail has found itself in a unique position since the pandemic began. Whereas its air borders have remained open, cases in the country have been exceptionally high. Restrictions of entry at other international locations — and the resultant loss of flights — have served to keep international travel in the country low. Despite this, airport retail in the country has not been hit as hard as in most other places because of the high proportion of domestic travel.



Gustavo Fagundes, Dufry's Chief Operating Officer - South America

“Although the Brazilian Government policy towards the air borders was one of the least restrictive, the most popular and important international destinations for Brazilians imposed their own very strong restrictions to their borders, which therefore impacted significantly on the international passenger flow,” says Gustavo Fagundes, Dufry's Chief Operating Officer - South America.

Dufry is in an especially strong position relative to other travel retailers, because long ago the company made a strategic decision to invest in duty paid in the country, creating spectacular stores with enviable offers. “Domestic passenger flow has certainly been less impacted by the Covid-19 crisis, with the duty paid share of the total business growing quite strongly during this period,” says Fagundes. “This is a good example showing how our diversification strategy of serving different sectors (duty free and duty paid) helps to mitigate external impacts even in an extraordinary situation.”

## **Opportunities at the border**

A wholly new division of travel retail in Brazil has been the land border shops, which after years of effort and lobbying finally opened in 2020. While on the surface border shops might not appear to be a boon when the surrounding land borders are closed — particularly the borders of Argentina and Uruguay, where these shops are located — the government had thankfully made the decision to allow its residents to shop there. At a time when the travel retail business is so fragile, this has been especially important. “The Brazilian border stores have continued to be able to sell to Brazilians who are based in those locations or who are traveling within the region,” says Fagundes.

As this segment is only beginning, opportunities abound. “The border stores sector is still in an early stage of development. Because of that, it has stronger growth potential when compared to other areas of the travel retail. We continue to track business opportunities in the region,” says Fagundes.

## **New contracts and extensions**

Dufry is well known as a company that consistently seeks opportunities regardless of the climate, and this pandemic is no exception. Fagundes agrees: “With respect to the border shops, we continue to monitor the situation and maximize opportunities as and when we are able to do so. However, we can also see that despite the circumstances in 2020 we have successfully increased our footprint in the region by winning important new contracts or further extending existing concessions. Among others, these include two new duty free shops at Fortaleza airport covering 1,169 square meters of retail space, as well as the extension of two duty paid contracts with a total space of over 700 square meters. Moreover, in December we also won a duty paid contract at the Santiago del Chile international airport in Chile.”

For brands, travel retail is an important channel for global launches and to introduce new products around the world. With international travel virtually halted, many of these launches and certainly any activations also came to a halt. “The partnership with suppliers has been very important during these challenging times and we have worked closely together to make alternative arrangements regarding any activations or launches that may have been planned. The current situation clearly shows how important a close collaboration between brands and retailers is,” says Fagundes. “Dufry stores will be bringing all the most relevant activations and launches of the travel retail sector to our customers as we have always done, as soon as recovery accelerates. It is difficult to make a general statement here, as these initiatives might differ location by location depending on the local traffic pick-up. In any case, we will work closely with our brand partners and suppliers to ensure that any plans are progressed in line with all required health and safety protocols, to provide a safe working and shopping environment for our staff and customers alike.”

As borders begin to reopen and international flights resume, launches and activations will be back, but now with a whole new set of guidelines that must be worked around. At least for the foreseeable future, testing of makeup or tasting of liquor will not happen in the way we are accustomed. Dufry will be working with brands and within health and safety regulations to develop ways to bring these experiences to customers, says Fagundes. “Dufry is in full compliance with local legislation regarding this topic and brand partners/suppliers will also be implementing their own health and safety guidelines in our store spaces, alongside those of Dufry, to ensure that the health and safety of staff and customers is the foremost priority.”

## **Recovery begins**

Fagundes expects 2021 to be a year of recovery, as the vaccination process gains momentum around the world and some restrictions can start to be eased. While the specific decisions and paths may

change because of current circumstances, Fagundes says Dufry is committed to moving on with confidence and conviction. “We have taken the necessary steps to ensure that we are well prepared to accelerate sales and efficiency during this recovery phase, which will allow us to emerge from the crisis in a strong position.”

Overall, Fagundes emits a sense of optimism. “It’s been encouraging to see in the shops we have reopened that our customers do want to shop with us and to travel as soon as the restrictions are lifted.”

Traveling is one concern, but those travelers also must feel safe and inspired to shop. Fagundes notes positive signs in this area as well. “We notice that customers tend to spend slightly more than before. Even if overall sales volumes are still low as compared to a normal environment, these are important indications and positive signs that customers will resume traveling and continue to enjoy the attractive product assortment and appealing shopping environments we offer. In this context, besides offering great service, a key element during the recovery phase is to give our customers the reassurance and certainty that we are doing everything we can to protect them and our employees alike, and that they can relax and enjoy shopping in a safe environment.”