

Marcelo Montico discusses Neutral's strategies



Since Neutral Free Shop was acquired by Top Brands International in 2019, the company has branded all nine stores with the Luryx name; seven stores with the Neutral by Luryx brand and two with the Luryx brand. Combined, these stores have 15,000 square meters of floor space across six cities. "Our priority continues to be offering a superior shopping experience, and in the current context where consumers are scarce, our competitive advantages are even more relevant. By way of example, the exclusive brands with which we operate attract a large part of the few clients that arrive at the border, and that allowed us to maximize sales possibilities," says Marcelo Montico, CEO of Neutral Free Shop by Luryx.

While the impact of COVID-19 was very large, Montico says the situation allowed the company to keep its border store operations open. "Through a series of actions we began carrying out in March 2020, we managed to drastically lower our operating costs and align our expenses and income. We have no doubts that this puts us in an excellent position to capitalize on growth opportunities when the borders open again and the market begins to show signs of recovery."

Slow recovery

Between the regional governments' restrictions and customers being careful to minimize their exposure to the risk of contagion, the industry fell about 70% in the second quarter of 2020. Since then it has gradually begun to recover, but very slowly. "Our management indicators show drops close to 45% at the end of last year, better than the business average but still far from our expectations," says Montico. "We also experienced a very profound change in the buyer's profile,

including shorter visits to stores with a focus exclusively on categories where the level of saving was maintained against the local Brazilian market.”

He says the recovery continued through early 2021, but it is well understood that a quantitative leap in sales will not take place until travel is fully open again and people feel comfortable to shop.

Health the priority

In order to help customers feel safe to shop until this point, since reopening in June 2020 the stores implemented not only the control measures established by the government, but also some other self-regulation measures to ensure the health of customers, team members and other partners. “We use all our social networks to publicize the prevention measures in our stores, to give security to our customers and convey with complete certainty that visiting Neutral Free Shop by Luryx stores does not generate any risk of contagion. As a result of our sanitation processes, we can affirm that after almost a year of pandemic, we have not had any contagion in our stores,” says Montico. “While the pandemic lasts, our absolute priority will be to preserve the health of our customers and employees, ensuring the sanitation conditions of our stores and therefore continue to deliver a superior shopping experience.”

The customer encounters these safety measures the instant he/she enters the store. First, is the mandatory wearing of masks. If the customer does not have one, the store will provide it. Then, a sanitizing mat for shoes. Next, the customer is tested for temperature. Each store has a maximum capacity of one client every five square meters. Throughout the store are gondolas, which offer alcohol-based gel sanitizer. Every team member is required to wear a mask and cashiers have acrylic screens between them and the customers.



Changes to the consumer profile include shorter visits to stores, with a focus exclusively on categories where the level of saving was maintained against the local Brazilian market

Increasing spend

Historically, customers spend an average of 37 minutes in the store; with the pandemic this has fallen to 16 minutes. Montico says increasing spend is difficult under these time constraints. “We understood that the best strategy was to give our clients the technological tools so that they could visit the stores virtually while in their homes and make the reservation of their order through our website under the Pick-Up — Contactless modality,” he says. For this service, the customer indicates the day of pick up and the store’s customer service team waits in the parking lot with the purchase ready. This service, combined with a customer service line via WhatsApp Business, allowed the company to increase spend.

Enticing the customer

In terms of commercial management, Montico says the objective has been to constantly monitor the saving against the local Brazilian market in the main brands and prioritize the assortment of stores in the pillars of each category. The current situation has greatly affected the ability to sell new or impulse items. “One of the most relevant changes in consumer behaviour is that the conversion rate rose considerably, because whoever visits us already arrives with a definite idea of what they want to buy and a previous analysis of what the reference price is in the local market. It is a much more planned purchase where it leaves little to no space for impulse purchases, which benefits some categories but clearly harms others. This determined that our communication strategy in social networks will focus on talking to this type of client much more in terms of prices and saving, with the clear objective of raising the average ticket and the number of units per transaction.”

To combat this, the company began cross promoting between categories and brands in such a way as to “tempt” the customer to take an unplanned purchase. “There is always opportunity to improve, but we are very satisfied with the result we obtained so far and how we can overcome the storm,” says Montico. “We think that as soon as this pandemic ends, consumer behaviour will increase consumption of all those products that generate personal gratification. There is no doubt that the portfolio that Neutral by Luryx stores have will comply with that goal.” That being said, he questions how the customer will buy these items, given the change in habits to shopping online.

Neutral is prepared for this future, incorporating exclusive brands (MAC, Adidas, and Pandora among others) and offering virtual shopping platforms authorized by the Brazilian legislation for purchases abroad. “In short, we think that the consumer will buy more but not in the traditional way as we have known it until now,” says Montico.

A bright future

In all, Neutral is optimistic about the future after a couple of challenging years. The company had its own circumstances to deal with, then the pandemic. “Because of the merger with Top Brands International, we recovered the solidity necessary to grow during adversity, empowered by a human group that makes a difference every day,” says Montico. “We are incorporating new exclusive brands, which will allow us to increase the flow of visitors to our stores, so we are in an excellent position to capitalize on the increase in sales that we will experience once the pandemic subsides and consumers return to their consumption habits. We are innovating in what we sell and how we sell it, and we have no doubt that we are on the right path to recover the leadership of the channel that we already knew how to have, that is the commitment of all of us who are part of this family and we are going for it.”



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