

Motta Internacional's Erasmo Orillac discusses travel retail

Recently, IAADFS hosted an interactive webinar, "Managing Through COVID: From Crisis to Recovery." The event was hosted by Rene Riedi, Divisional Chief Executive Officer, Dufry America, with guests including Michael Payne, President & CEO, IAADFS; Jackie McDonagh, General Manager, North America, Aer Rianta International; Matthew Greenbaum, VP, Business Development, International Shoppes; and Erasmo Orillac, Chief Executive Officer, Motta Internacional, SA.

Throughout the webinar, participants discussed all aspects of travel retail life within the world of COVID-19. This included topics that all the world is discussing, such as a forthcoming vaccine and how that will affect travel, along with topics that are affecting all businesses, such as the possibility of government support, and travel or travel retail-specific topics such as increasing per-passenger spend and unifying the international response to the pandemic.

Travel retail at a standstill

Erasmo Orillac, Chief Executive Officer, Motta Internacional, SA, reported on the general conditions in travel retail throughout Latin America, including the topic of staffing and new staff procedures. Much of what he reports mirrors what is happening throughout the world: Travel retail staff are working from home as much as possible. Salary freezes are in place for all who remain working. As the existence of the webinar itself can attest, there is a growth of virtual communication as opposed to in-person meetings.

As for business travel, the corporate world of travel retail in LATAM is once again a reflection of other industries throughout the rest of the world. Business travel is all but nonexistent, and companies have been forced to find ways to make things work virtually; business travel may never again reach pre-COVID levels as corporations worldwide have slashed their travel budgets.

Air travel and sales figures down drastically

Meanwhile, sales for travel retail operators in the region are down drastically. As Orillac states, the survival of travel retail and duty free is tied to airlines, but air traffic is so low and airline losses so great that airlines are "on life support." Before COVID-19, says Orillac, there were upwards of 160,000 flights per day around the globe, and that number is now 63,000 flights per day. In Latin America, 2019 saw over 300 million passengers, whereas in 2000 that number will be approximately 96 million. Researchers, associations and airlines are forecasting that LATAM will not see the return of 2019 levels until late 2023 to early 2024.

Among other difficulties in the revival of travel and, thus, travel retail, are the differing rules from country to country. Orillac states that across Latin America and around the globe, there are many variations of testing and/or quarantine rules and regulations, differing health insurance policy requirements and even differing limitations of number of people allowed in-store at any given time; collectively these mean travelers are lacking a coherent overall picture.

Negotiating with landlords

This has all — unsurprisingly — resulted in a drastic reduction in travel retail sales. "The brutal effects of COVID-19 has been an issue mentioned by all the panelists," says Orillac. He says negotiations with airport authorities will be more difficult as minimum guarantees are no longer guaranteed. If these

negotiations do not take into consideration the possibility of a pandemic, or a pandemic-proportioned problem, then retailers will face a situation where they have the same costs but with fewer passengers. Orillac states that airport concessions must be extended, and that negotiations in future must take into account the possibility of something like this happening again.

A few bright lights

While this might sound only negative, Orillac also pointed out some positives. First, he expresses thanks for brands for offering “extraordinary support,” with payment terms, returns and discounts.

He also reminds us that Millennials continue to travel in higher numbers than other demographic groups. This group are already well versed in innovation and technology, and so it is easier to cater to them — and the industry must — when it comes to range of products, merchandizing and digitalization.

Finally, while according to the answers to another question posed by listeners, the majority of participants believe that 2021 revenues will continue to be down relative to 2019’s, they also believe that the next 12 months will outperform the current period, and that is cause for optimism.