

Beauté Luxe Duty Free sends shoots into African domestic market

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It might appear to be a contradiction that during a time of such upheaval when Beauté Luxe Duty Free's business is down 70% is when the company would choose to expand its workforce, but for David Dayan, CEO, it is not a contradiction at all. "It's in the bad moments you need to invest, so now I invest," he says. That expansion comes in the domestic market, however, as opposed to travel retail. "I need to survive. Right now the company with only travel retail cannot survive, so we will open another department while TR is down."

For Dayan, with a varied background that includes over 30 years' experience in global travel retail, the continent of Africa — where he spent much of his adolescence — is the focus. Beauté Luxe had already been expanding into Africa in the TR market, and Dayan sees this as the right place to focus domestically as well. "We have had to review our development and investment strategy, and decided to focus on domestic markets in Africa, our favoured land. It is therefore expected that for the second half of 2021, our group will deploy subsidiaries for distribution in Uganda and Tanzania."

The company currently has approximately 80 employees globally, and given two new distribution subsidiaries in Uganda and Tanzania, and Dayan says within a year he expects that number to grow to 150.



Changed landscape

Dayan says the company will never leave travel retail “it is in my DNA,” he says. But he also believes travel retail will not recover to previous levels for many years to come, we will not see previous levels by 2023/2024 as many are prognosticating, and when numbers do return they will do so to a completely different landscape. “We need to be very honest about the situation,” he says. “Even if tomorrow everyone has the vaccine I’m sure travel will not be like it was before. If you are being honest you know travel retail will never be the same. There is the world before COVID and the world after.”

Dayan believes travel retail will need to change its offer to reflect the needs of the local and regional traveler. “The psychology of the virus is very strong. The Chinese will not come to Paris. I believe there will be regional corridors — Europe, Asia and Americas. Yes, people will still travel but not like before. We need to reorganize travel retail with the understanding that our customer is now more local or regional. In Dubai for example there are products for Chinese people but you have no more Chinese travelers. In Paris, 60 to 70% of travelers in airports are now French. In the coming years Canadians for example will go to the US or the Bahamas, but they’re not going to be going to the Maldives.”

While Dayan says Beauté Luxe will continue to develop in the travel retail market, the company has already been working for several months on a new adaptation of the product offer. “Indeed, the decline in tourist traffic is forcing us to offer product lines aimed for short- and medium-haul passengers. The supply that was based on international demand is now becoming a regional supply due to the pandemic. We have therefore increased our offer in line with the domestic markets.”



David Dayan, CEO, Beauté Luxe Duty Free

Business travel is often highlighted as an area that will not return to the same levels it existed before, and Dayan agrees, suggesting this will affect the travel and tourism industry more than tourist travel

will. “Business travel is interesting. Business travelers spend lots of money on premium seats and more. But now the CFOs see you can continue to work without traveling, so when someone says they need to go somewhere for a meeting the CFO now says no you can do it by zoom. So, no more restaurants, no more hotels, no more transportation.”

The reality

Operators these days are quick to thank their brand partners for helping, and Dayan confirms that he has been offering longer payment terms. “Since the beginning of COVID, we have made every effort to help outlets as much as possible, either by extending their payment period or, in a situation of reopening, by bringing sanitary solutions to the sale. More than ever, we must support our customers following the closure of airports and the reduction in air traffic.” He adds: “I put in the maximum effort, but the problem is the passenger is not at the airport.”

He mentions that out of 12 terminals in Paris Roissy-Charles de Gaulle and Orly, only four are open. “These terminals handle only 20 to 30% of the former air traffic, and Paris is not an isolated case,” he says. “It is the same in all the capitals of the world.”

Dayan says he can't imagine how things are going for the travel retail departments in larger companies: “I don't know the reality of the market. I am talking with a lot of people in travel retail; everyone is in the same situation. I talk with TR managers of big brands saying to them, ‘How do you survive today?’ Of course, the larger brands and operators do not communicate on their state of health in travel retail for fear of seeing their stock collapse, but the crisis is real and violent. I continue to travel regularly with the sanitary constraints — I have become a specialist of the PCR test, with 44 under my belt — and believe me the landscape of the duty free is sinister!

“We have begun to adapt to a situation that is likely to last for many more months if not years with the mutation of the virus and the variants that keep appearing. But we are a long way from resuming a successful business in travel retail, so we need to find solutions to overcome, or at least to survive, this unprecedented crisis.”

Eggs in one basket

While the travel retail eyes are on Hainan, which is indisputably the global hotspot for our industry this year, Dayan is wary. “Today, the Chinese market (Hainan) is the strongest market in the world, but it is very risky to concentrate all these efforts there, because at the slightest suspicion of COVID in this region, we know that it can be closed again for several months. I am afraid to put all my resources into one place.”

Dayan is also wary of predictions. “I don't think anyone can predict what tomorrow will bring. A lot of professionals try to play Nostradamus; I can confirm that I won't. The multitude of variants greatly complicates the international vision of travel retail. But it is certain, as far as I am concerned, that the travel retail market will never return to the one before the pandemic. I think all travel retail players including brands, distributors and airports must come together to imagine the best way to respond. We must be confident that together we will find the best way to create a new El Dorado.”

Taking care

Dayan identified two priorities as the pandemic began. The first was to ensure his employees were taken care of. “My job is first to help my employees,” he says. “If they were to lose their job at this point they might not get another. They are very good to me when times are good. Now I need to be good to them when times are bad.”

Second was to develop a non-travel retail department, and it was this decision that brought the company to the creation of its two domestic subsidiaries in Uganda and Tanzania. These distribution centers currently have 10 employees each, but he is planning on 50 for the local market. They will service many countries on the continent, including Burundi, Rwanda, Zimbabwe and others: “We continue to be focused on perfume and cosmetics distribution; we have just added a new sector of development in Beauté Luxe; due to the pandemic we have to be more affordable in Africa.” He says big brand news is coming any day.

But he adds that the company is still trying to find the best way to redevelop the travel retail sector, “In a few days I am leaving with my team to visit a dozen African countries. We will see how we can help the retailers who have remained open to date.”