Heinemann continues commitment to TR industry

As part of its continued commitment to travel retail, Heinemann will be taking part in TFWA WE in Cannes this year, though with a smaller team: “The event itself will be smaller, restarting the dialog is important, and Cannes is the perfect place to restart it”

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The pandemic offered the company the chance to look at its strengths and weaknesses with a much higher level of awareness, asking: “What is our niche?”

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While normally the annual press conference would be held in person with a post-conference lunch, this year's took place in the digital realm

The background setup of 2021's Heineman press conference

This year's Heinemann press conference was held in a virtual realm, with participants joining via Zoom. Representing the company were Co-Owner Claus Heinemann, CEO Max Heinemann, COO Raoul Spanger and CCO Dr Dirk Schneider, with the event hosted by Director of Corporate Affairs Dr Jennifer Cords.

The overarching message was that the company continues to have strong faith in the travel retail channel, demonstrated by its continued investment. Recent developments include a small downtown store in Macau and investment into the cruise channel, both of which are a beginning that are expected to lead into something bigger, with Heinemann staying true to its cautious nature. The company has also invested in "Heinemann Cloud," and is pursuing partnership opportunities.

An important discussion point was that the contract model needs changing. Heinemann has suggested a "red line" beyond which they will not cross when it comes to airport negotiations. The minimums that used to make sense have now been revealed as untenable during a crisis situation such as the one we've seen. The suggestion is that a better system than fixed guaranteed fees might be a percentage of sales, whereby the retailer would not be decimated by trying to reach minimums when it's impossible to do so, but the airport would also benefit more when sales were good.

While Hainan continues to be the biggest travel retail story in the world and Heinemann "has not been blind" to what's happening in the province, it also does not believe opportunities there will disappear, and is therefore taking its time before jumping into that particular pool.

Financials strong despite losses

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After an introduction by Dr. Cords, Max Heinemann was the first to speak. He stated that the company has used this time of the pandemic for restructuring. The company had been planning on doing this restructuring anyway, but as has happened with organizational processes the world over, the crisis accelerated the timeline.

COO Raoul Spranger stated that 2019 was the most successful year the company had ever seen, and this was followed by the "most devastating" year ever. Over its 142-year history the company thought it had seen everything, but there had always been a balance to make up for losses in one area; this was not the case through 2020. The result was an overall -67% loss, despite an especially strong beginning of the year with sales up +14%. March and April this dropped to -95%.

Spranger stressed that it was important to be a positive influence on staff, and that this seems to have been fulfilled. While there was an unfortunate drop of 25% of the company's labor force, those that remained showed a high degree of satisfaction and loyalty. Despite this, he stated that it's not easy to run a company with 75% of the work force.

Because the company has always been prudent, it has remained in good financial position despite the losses of the past year. Heinemann has a history of being careful with paying out dividends, and its five principal banks have all shown continued trust in the company.

Path to recovery

According to Spranger, land border business has begun to ramp up, buoyed by household shoppers purchasing regular household items. After border business, ferries are beginning to pick up. Next is airports. He says the airport business has been very country specific, with some countries completely closed and some allowing some entry.

The company is optimistic that recovery will begin in earnest in Q3-Q4 of 2021, as vaccinations have been ramping up globally and a significant portion of the population is expected to have been fully vaccinated by then. The reasonable goal is to hope for 50% of former business by the end of the year, with the expectation of full recovery in post 2023, but Spranger states how important it is to have a global resolution.

Local flavour

Other things the company are currently working on include the differentiation of each shop, which Spranger expressed amusement at; while in recent years the company had been focused on making every store look the same, the next 10 years will be spent ensuring every store looks different, from the design to the assortment, reflecting the local environment. He also states that there will be a commitment to smaller airports, with duty free goods, foods, newspapers and books.

Heinemann is intending to ensure that the environment is inviting and playful, offering "twinkle in the eye" pleasurable shopping.

Healthy present and future

The company has invested in areas that have helped people to shop during the pandemic, and which are expected to remain an important aspect of shopping after the crisis is resolved. These include a click and collect system that has become popular throughout Europe and which was previously not especially popular, and a digital cloud system. Heinemann Cloud is a communication and infrastructure platform.

Heinemann has reduced its permanent stock by 30%, allowing it to be "fast and flexible." To support

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the comeback, the first step will be the buffering of stocks, second will be seamless and quick action and communication with key suppliers, and third is risk minimizing.

In general, spend per passenger has increased during this time, and Heinemann has certainly seen this trend, with average shopping basket up 20-50%. This is in part because travelers were not the average customer. They tended to be higher value, and would plan their shopping ahead of time. Additionally, promotions were a big help. Heinemann has seen a boost in sales of smaller niche, high end brands, and offered rare unique items such as high-end liquor.

The traveling shopper continues to exist, and in fact the company expects the “revenge shopping” trend to ramp up, meaning that this situation must be taken advantage of and not taken for granted

According to Heinemann, the industry has been a little too comfortable, always going in the same direction, and this experience has brought about the awareness that change is necessary. Customers are more digitally savvy, for example. “They want to be understood, and communicated with in the way that they want.”

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