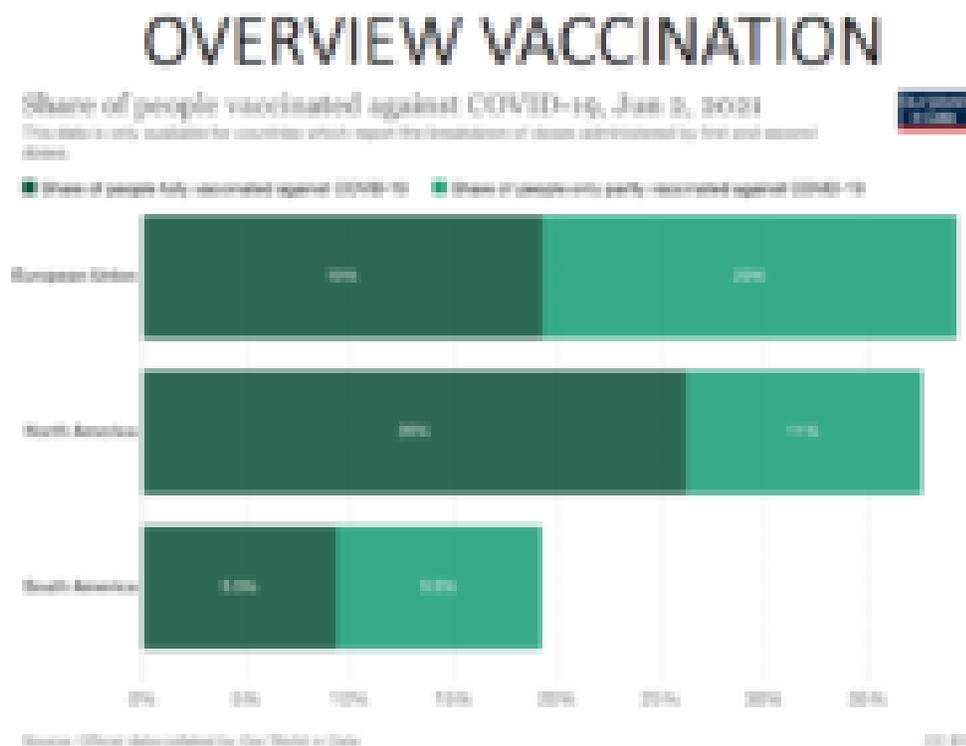


ASUTIL webinar reveals complex travel picture in South America; boost for Uruguay market as border stores reopen

SOUTH AMERICA. A complex picture on freedom of movement in South America emerged from yesterday's Asociación Sudamericana de Tiendas Libres (ASUTIL) webinar, which addressed the issues being faced by travel retailers and in particular duty free border stores in the face of COVID-19.

Speaker Carlos Loaiza, Secretary General of CEFSU, the Chamber of Uruguayan Free Shop Operators, imparted good news from Uruguay, which gave clearance for border stores to reopen on 24 May following a government announcement three days earlier.

He explained that because of the COVID-19 P1 variant from Brazil, the Uruguayan Government decided to close the stores in March. Loaiza said: "They said our stores were attracting Brazilian public [from further afield], even though borders were closed and stores were only able to sell products to residents of the twin cities [on the Brazil-Uruguay border]."



The graphic shows the ground that South America needs to make up on the COVID-19 vaccination front, to keep pace with the EU and North America (click to enlarge)

"Since then, we've been in constant contact with the Uruguayan authorities, showing them that the duty free

shops were not the principal cause for the P1 variant spread in Uruguay, having in mind they [the shops] met with the highest health standards and protocols.

“And today, with the P1 variant being predominant in the whole Uruguayan territory, we can proudly say that some of the border jurisdictions of Uruguay have the best COVID-19 statistics in comparison with the rest of Uruguay and particularly with Montevideo.”

Loaiza said his organisation has been working alongside the Ministry of Economy, the Customs Authority and the Tax Authority of Uruguay with the purpose of achieving a level playing field between the Uruguayan and Brazilian regimes on two main topics.



Speaking during the ASUTIL webinar are, clockwise from top left, Carlos Loaiza, Marcelo Montico, Jose Luis R... and Enrique Urioste

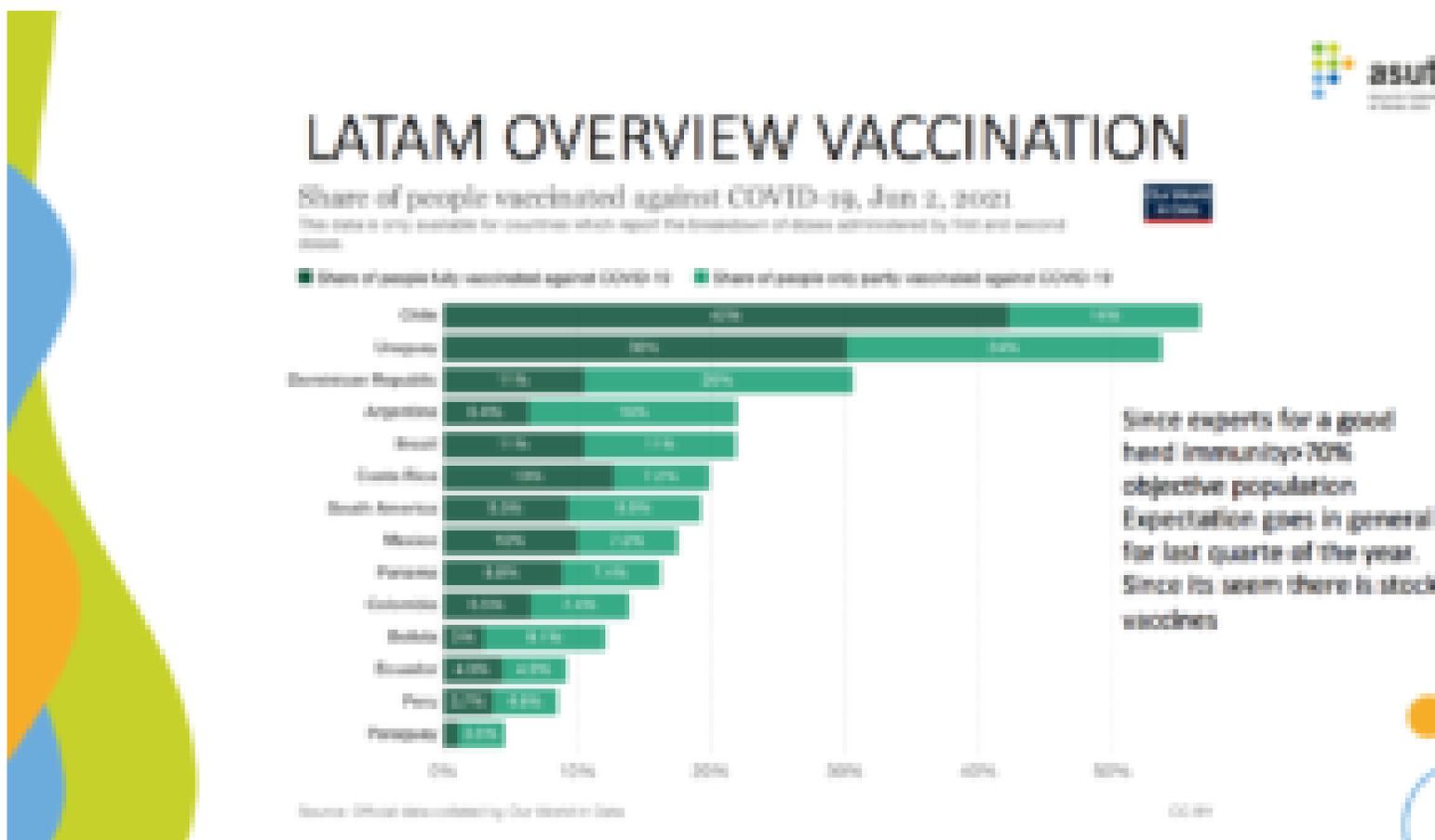
Firstly, CEFSU is collaborating in revising the list of products that can be sold in border stores under the Uruguayan regime. Loaiza said: “Currently, Uruguay has a positive list of products specifically allowed to be sold, which does not include a significant number of products that could be sold under the Brazilian regime. Brazil and Uruguay failed to put in force a homogeneous list among MERCOSUR countries. Our goal now is to

have an identical list of products for both regimes.”

Secondly, on the subject of ecommerce, Loaiza said his organisation is talking with the authorities to figure out how to sell products online to foreign customers, developing a new “technological and logistical mechanism” to transport those goods sold online.

Insights into the challenges faced by Uruguay/Brazil border stores were shared by Neutral by Luryx Duty Free Shop CEO Marcelo Montico, which operates nine such shops. Sales for his company fell by -38% last year compared to 2019 due to factors including extended store closure periods and a fall in the average time consumers spend in store, from 37 to 16 minutes.

Montico highlighted Luryx’s concentration on developing its ecommerce and click and collect offer, which helped to minimise losses since COVID-19 struck. He said: “The question was what do we need to do to minimise the drop in sales? And the main thing was to go more to a digital platform to reach the consumer on their phones. Because when pandemic hit, the consumers want to buy, but they also want to preserve their health.” [Click on [this link](#) to access our April Magazine, featuring an interview with Marcelo Montico, in which he notes some of these initiatives.]



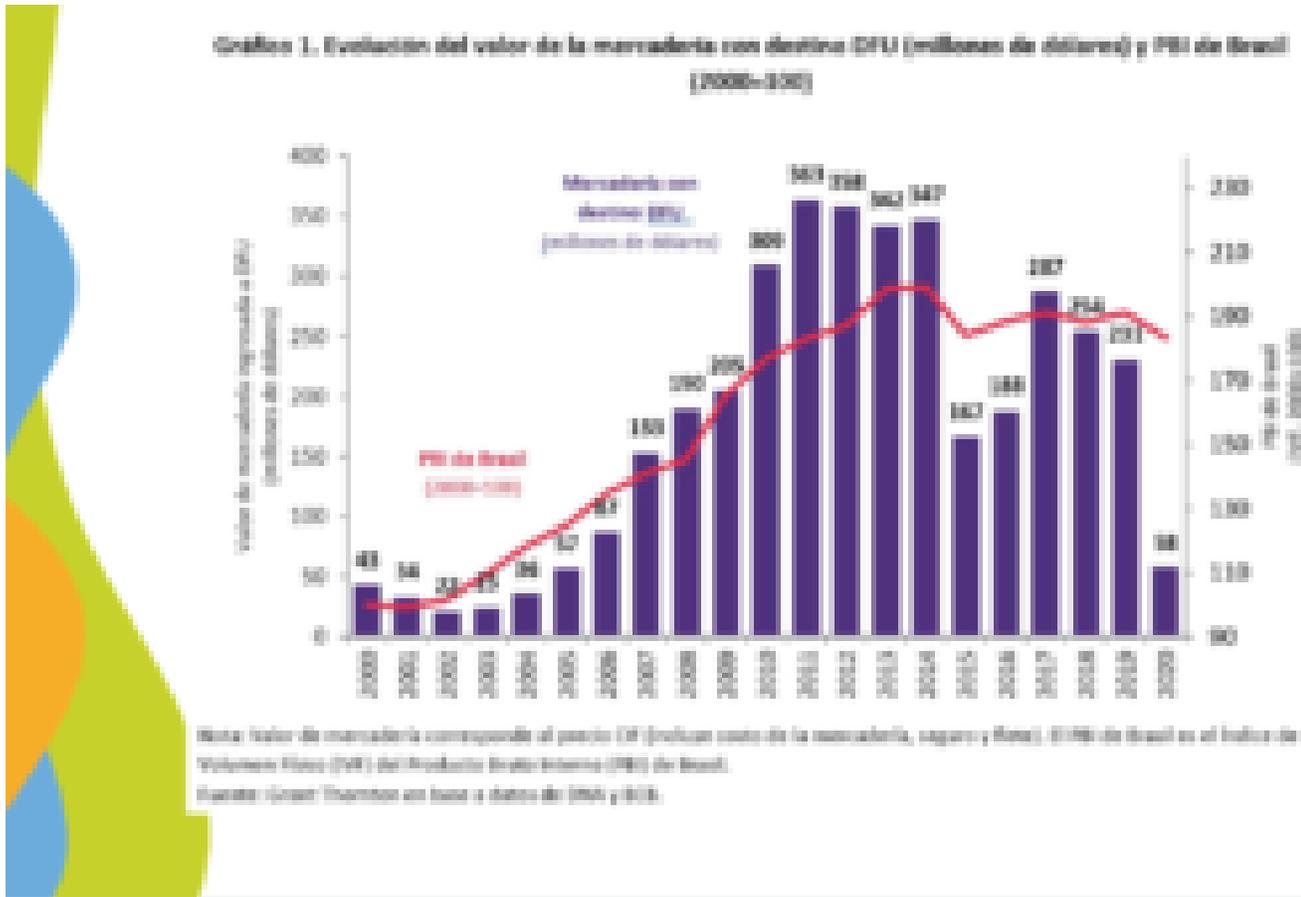
Chile and Uruguay have made significantly more progress with their COVID-19 vaccination programmes in comparison to other Latin American countries (click to enlarge)

Finishing on a positive note about what these changes meant for the business, he said: “We are much stronger than when the pandemic began.”

Opening the webinar, ASUTIL Secretary-General Jose Luis Donagaray had noted that full aviation market recovery could come in 2023, a year earlier than expected, according to research from sources including the

International Air Transport Association (IATA) and mInd-set. He also gave an update on progress in South America with vaccination programmes, which he noted are “very far [in a negative sense] from what is happening in North America and the European Union”.

Donagaray also spoke about ASUTIL’s discussions with South American governments to bring forward measures to support its members. He said that given the long duration of the pandemic, “the reduction of cost is not enough”.



The value of merchandise sold into the Uruguayan border duty free zone across the past 20 years, which shows the huge drop in revenues last year. The red line represents the annual progression of Brazil GDP, which partly illustrates relative spending power across the years. (click to enlarge)

He laid down ASUTIL’s main demands to governments that would help duty free operators to generate an urgently needed increase in sales. These included the granting of further increases in allowances per passenger during the pandemic; allowing travellers to buy duty free online 15 days after arrival at their final destination; allowing the pre-sale of duty free goods online prior to departure; and help with social security costs.

Two senior figures from leading travel retailer Dufry contributed to the webinar with updates from their South American territories. Dufry General Manager Sub-Cluster South America Enrique Urioste spoke positively about the eagerness of people to travel and increases in spend in Dufry stores from those able to do so.

He said: “For me this is an important scenario because I think that the foundations of the [travel retail] industry are there, and we will see that when we come back to openness. Quarantines are the single measure that is hitting our industry more because nobody wants to pay additional costs for hotels in which to be quarantined. It’s really more a prison than a hotel.”

AIRLINES FREQUENCIES

FRECUENCIAS AEREAS 2021 vs 2019			
	Internacional	Domestica	Total
Argentina	-81,0%		-81,0%
Bolivia	-61,7%		-61,7%
Brazil	-68,7%	-45,1%	-66,9%
Chile	-62,4%	-41,6%	-60,9%
Colombia	-64,0%	-21,0%	-59,0%
Ecuador	-41,0%		-41,0%
Peru	-79,0%		-79,0%
Uruguay	-88,0%		-88,0%

The fall in airlines frequencies in major South American aviation markets, when comparing 2019 to results for the year to date (click to enlarge)

Urioste looked forward to increased travel between South American countries and to North America, adding: “We hope to see a continuous progress in the opening of the skies as of June.”

The final speaker at the webinar, Dufry Brazil Operational Director Jose Luis Rego, noted that domestic air traffic in Brazil (currently running at -45.1% this year compared to 2019 levels) “is pushing the business up a bit”. He added: “The airports inform us that this number should reach around -25 to -30% by the end of this year.”

Rego also revealed that the Brazilian government has announced this week that the vaccination of all airport employees, including Dufry staff, will be prioritised.

“That’s good news for our people and the whole country,” he said. “People have been scared of going to the airport and working there. Brazil I think from now on will be purchasing a lot of vaccines. The government says we will have 100% of the São Paulo population vaccinated by the end of July, so that’s good news. Maybe that can change everything for us.”

In the video below, see an in-depth discussion on the pandemic challenges facing the border store duty free business, from the recent Summit of the Americas event. The event was co-organised by The Moodie Davitt Report, ASUTIL and the International Association of Airport Duty Free Stores (IAADFS).