Dufry’s Díaz warns of online threat to business

The first day of this week’s Trinity Forum 2015 at the InterContinental Hotel in Hong Kong saw a very interesting presentation from Julián Díaz, CEO of Dufry in the ‘global perspective’ session, where he entered into more of a centre stage stand up conversation with the audience about sustainable business – rather than a routine presentation.

Talking entirely without notes, Díaz characteristically wasted no time in coming to the point when he said the industry must change if it is to be sustainable.

The future is not going to just happen he said and the industry needs to change it, as he listed a number of geo-political challenges it faces in future in Brazil, the Middle East and elsewhere, including continuing currency pressures and devaluations in emerging markets.

He said it is clear to see following the long term 78% devaluation of the Brazilian real, the 20% devaluation of the Mexican peso and other troubled currencies and while these are huge concerns, he reserved his main comments for the threat from the online retail business

Díaz said he is looking at this from a global perspective as a company operating in many countries in 440 airports with 2,200 stores and with 30,000 employees. In his view, the questions to ask are is it possible to move from global retail stage to online and is online retail affecting all of the main aspects of the business today – and he rhetorically answered affirmatively.

In his opinion, online retail is already changing the entire face of downtown retailing and he believes it will do the same to travel retail in the next five to ten years.

He then showed a series of slides (too small to be reproduced here) depicting total sales online in major countries to make the point that the online business continues to grow strongly and it cannot be ignored. But he also agreed that it is a challenge for everyone.

Even airlines are working to build direct connections to their customers and Díaz said the industry cannot afford to miss this boat.

After all, it was only ten years ago that many companies still did not have a strategy to work with travel retail, which, he pointedly remarked, is a different business to duty free, in the same way that online retailing has its own unique characteristics.

The evidence that this business is already having a major influence on duty free shops is there within the duty free stores themselves he says, with research showing that an estimated 43% of travellers use online services to get information about duty free prices and five to ten per cent compare prices online whilst inside the duty free store – all at the touch of a smart phone.

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Díaz said that if this trend continues then landlords will see an erosion of their duty free attractiveness, alongside reduced revenues and a diminished airport customer experience.

Right now he says the industry has ‘a face in the shop’ but there is a very real risk this could diminish if it does not recognise the threat from online retailers and right now he is convinced it is not doing enough.

He then invited everyone in the audience to contact Dufry with their comments on the subject to a dedicated email address created especially for this Trinity event at: DIGITAL_IMPACT@DUFRY.COM

Interestingly, Julián Díaz told *TRBusiness* way back in February of this year that the company’s next big geographic target would be the Asia Pacific region, but the retailer was not going to play the high minimum guarantee game that has snarled many others in the past.

Whether the retailer ultimately decides to construct an online business of its own in Asia is a fascinating question that *TRBusiness* put to him after his presentation in Hong Kong today, but Díaz did not comment.