



TRAVEL RETAIL VOICES

—
*Shaping a stronger
future together*

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Foreword

by Dag Rasmussen, Chairman & CEO,
Lagardère Travel Retail

In the wake of an unprecedented crisis, all of us in the aviation and Travel Retail industries are asking ourselves the same questions. How do we build back? What lessons do we draw from this? What has changed and what must we change? As skies get clearer and busier, answers must be found and recovery strategies must be turned into action.

If the crisis has taught us one thing it is that we are only as strong as the sum of our parts. Rebuilding will be a collective effort and we must learn from our partners, be inspired by them to create a more resilient and more sustainable future for our ecosystem.

Lagardère Travel Retail is privileged to work with airports and brand partners globally and we have asked many of them to share with us their

perspectives on the storm we have weathered, what matters to them most now and how they are changing for the better. We are very grateful for the incredible wealth of insights we have gathered from them in this report. They are the voices of Travel Retail.

This is a unique moment in the history of Travel Retail. Our industry is based on solid foundations and we can count on the unstoppable forces of

global mobility to continue to fuel our growth for many years to come. But we must realize the crisis is an opportunity for reinvention, one we can't miss.

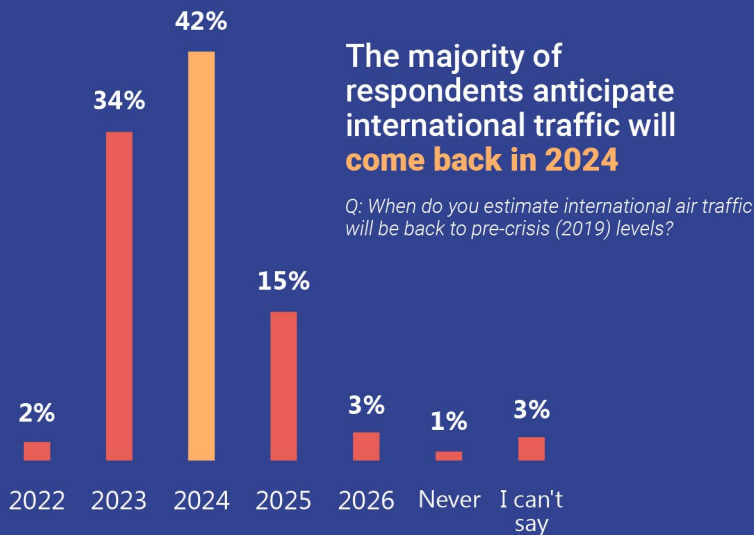
We hope *Travel Retail Voices* can contribute to opening a global conversation about the opportunities we can grasp and the challenges we must tackle. I look forward to being part of this conversation and to seeing all of us shaping our industry's stronger future.

Travel Retail Voices survey

Key findings

This online survey has been conducted by Lagardère Travel Retail. It has been taken by 62 airports and 133 brands from 27 countries between November and December 2021

AIRPORTS & BRANDS



53%

Over half of respondents feel the Travel Retail channel will be « **Slightly challenged** » in a post-Covid environment

Over a third (35%) say it will be « Strongly challenged ».

Q: How much do you expect the Travel Retail channel to be challenged by other channels in a post-Covid world?

AIRPORTS & BRANDS

The rise of e-commerce and a changing passenger mix are seen as **the biggest challenges** for Travel Retail in the next two years

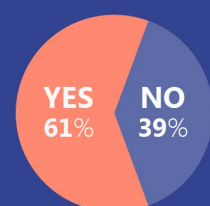
Q: What are the biggest challenges to the Travel Retail channel in the next two years?

	Overall	Airports	Brands
Rise of e-commerce	57%	48%	61%
Changing passengers mix : business vs. leisure	54%	60%	51%
Changing passengers mix : international vs. local/regional	49%	35%	55%
Reduction of dwell time at airports	23%	26%	21%
Concerns over the environmental impact of aviation	23%	16%	26%
Economic downturn	19%	16%	20%
Other	18%	21%	17%

AIRPORTS

The majority of airports agree that concession fees **should be adapted to the new environment**

Q: The Covid-19 crisis has challenged the relevance of some concession models in a low-traffic environment. Do you agree that concession fees should be adapted to the new environment?



AIRPORTS & BRANDS

Airports and brands align on “Convenience” being the top trend travel retailers must address to **meet changing consumer expectations**

Q: Which trends do you think Travel Retailers should invest in to better meet changing consumer expectations in a post Covid-19 environment?

TOP TRENDS FOR AIRPORTS

- 1 **Convenience** (Quick and seamless in-store experience) **42%**
- 2 **Authenticity & Localness** **34%**
- 3 **Online & Digital** **26%**
- 4 **Green, Healthy & Ethical** **19%**

TOP TRENDS FOR BRANDS

- 1 **Convenience** (Quick and seamless in-store experience) **37%**
- 2 **Online & Digital** **35%**
- 3 **Green, Healthy & Ethical** **19%**
- 4 **Authenticity & Localness** **15%**
- 5 **Good Value for Money** **11%**

AIRPORTS

Reducing their environmental impact and employer responsibility are the **top CSR priorities** for airports...

Q: Sustainability has become a top priority for all parties in our ecosystem and more importantly for our end consumers. As a business what are your top 3 priorities in terms of sustainability?

AIRPORTS’ TOP 3 CSR PRIORITIES



...And for brands

Q: Sustainability has become a top priority for all parties in our ecosystem and more importantly for our end consumers. As a business what are your top 3 priorities in terms of sustainability?

BRANDS’ TOP 3 CSR PRIORITIES



BRANDS

AIRPORTS & BRANDS

Airports and brands say **phygital experiences, click/shop & collect and seamless checkout** are the top three digital initiatives for the future of Travel Retail

Q: Which of these digital channels do you think have the most potential for the future of Travel Retail?

AIRPORTS’ DIGITAL CHANNELS RANKING



BRANDS’ DIGITAL CHANNELS RANKING





Introduction

It is not an overstatement to say that Covid-19 has floored the airport business – and retail with it. But while the industry may be down, it is far from out.

For most in the industry, the worst of the pandemic nightmare is perceived to have taken place in 2020 and stakeholders expect the rebound to be quite strong, helped by rising GDP growth across the world¹, even though new Covid-19 variants continue to create uncertainty. This crisis has taught us that curve balls may be just around the corner, but we also know that aviation has been a resilient sector².

The global pandemic is by far the worst the industry has ever faced yet it has been an opportunity to demonstrate once again our collective ability to weather a storm and emerge stronger from it. Airports, brands and retailers have an extraordinary ability to adapt. As skies get clearer and busier, they are getting ready to capitalize on many lessons learnt to prepare the next phase of growth and serve the needs of returning passengers.

In 2020, air passengers numbers collapsed from a high of 4.56 billion in 2019 to 1.81 billion³ – levels not seen since 2003. The general picture hides some very important regional variations. Large domestic markets such as China fared much better in 2020 with much smaller declines while internationally led regions like Europe saw the opposite. For example, traffic in

major markets like the UK and Germany plummeted to numbers not seen since the late 1980s and early 1990s respectively.

While 2020 was a write-off, 2021 was a year of partial recovery for regions like Europe and the United States. During the summer, pent-up demand for leisure saw some airports like Heraklion in Greece and Antalya in Turkey, reach or exceed pre-pandemic international traffic⁴ levels.

But these are exceptions and as one global hub puts it: "It was a phenomenal drop in passengers and a marginal recovery." There has also been a shift from global to regional travel and many observers believe that in this year's recovery phase the focus will be more on domestic and regional travel, though much will depend on how travel restrictions are relaxed.

According to the online *Travel Retail Voices* survey conducted by Lagardère Travel Retail in December 2021, views are mixed as to when international traffic may be back. Some 42% think 2024 is when it will return to 2019 levels, while 34% are more optimistic, citing 2023. A significant 15% say 2025, and that rises to 25% of airport respondents.

Brands broadly acknowledge that airports remain a place where they need to be present as they continue to be an important showcase for an affluent – and desired – consumer base. But they are now looking more carefully at where exactly to do that showcasing, and the biggest hubs and possibly more leisure-driven locations are at the top of their list.



The opportunity for a hard reset

- ⦿ Big hubs are seeing high SPPs but this may be a temporary blip due to pent-up demand
- ⦿ Revamping the commercial offer to remain relevant while managing revenue pressure is an important concern
- ⦿ Expect to see more hybrid retail and/or F&B concepts appearing
- ⦿ Despite the rise of digital, physical stores and their potential to create memorable experiences have a critical role to play

“The crisis has been an opportunity for a ‘hard reset’, to rebuild in a different way and ask ourselves the right questions”

Go Travel

Taking the next steps after a global crisis like the Covid-19 pandemic is the hard part for any business. Do you focus on getting back to where you were before the crisis, or do you rewrite the rules and start again from first principles?

The answer probably lies somewhere between the two. For their Travel Retail businesses, airport and brands have largely shunned the idea of going back to a business-as-usual scenario as it was pre-Covid – because so much has changed.

Where do we go from here?

The non-aeronautical business is being reworked. Airports are prioritizing revamps of their commercial programs – sometimes from the ground up – with a view to driving higher spending per pax (SPP). A lift in spending has been a trend during the pandemic, but possibly an artificial one due to the skew of passenger types able to travel. In reality, nobody knows exactly how the pandemic will impact traveler sentiment in the long-run. For retailers what has been clear is that – though numbers remain low – passengers are often eager to shop when they fly.

An ETRC report notes that Duty Free sales have recovered at a much quicker pace than international traffic. As of September 2021, sales marked an 8.8% growth year to date vs. 2020. Parallel to this, spend per passenger has increased significantly in 2021, with an increase of 14% in 2021 spend per PAX levels versus 2019⁵.

But will so-called ‘revenge’ spending last? A big question for airports is which consumer behaviors will stay and which will go as traffic recovers. There are no clear patterns so far. It is up to the industry to work better together to improve the passenger experience to maintain the higher SPPs.

With domestic travel coming back much faster than international⁶ there is more focus on these largely under-served passengers, especially in North America and Australasia.

“Travel Retail is no longer the cheapest nor the most convenient channel: we are in a total transformation of the industry”

L'Oréal Travel Retail



©Thierry Lewenberg-Sturm

There is also a greater appetite for airports to develop wider non-aeronautical revenue streams by targeting domestic shoppers as well as travelers. One major Asian hub could not be clearer in its assessment saying: “We’ve pivoted to non-travelers and local residents who come to the airport to shop and dine. We’re catering to the domestic market and this business is here to stay even when traffic recovers.”

More focus is also going into property and real estate, through airport city projects for example, as a way for airports to create a broad-based portfolio that will reduce exposure to future shocks.

From the brand perspective, the channel is still regarded as offering “tremendous value” helped by the fact that the aspiration to travel is an enduring one.

One global F&B brand says: “The biggest challenge to the Travel Retail channel is adapting at pace to the new normal of people’s lives. We must trade safe, reward

consumers via digital loyalty, and innovate to fit into new occasions and times for travel.”

Immediate concerns for brands include restoring staffing levels and supply chains that were disrupted or halted during the pandemic; stepping up in-store experiential programs to differentiate themselves; and revive growth by being more on top of new trends that emerge in domestic retail.

Using data better to understand all traveler segments – especially younger travelers and their sustainability focus – is going to be crucial. It will allow brands and retailers to target products more accurately and introduce new categories.

Striking the right balance between choice and value

Back inside the airport, pricing continues to drive conflicting views. Some believe that airport retail can no longer be convenience- or price-led because the channel no longer

has the means to be the cheapest due to the rise of e-commerce. Others think the opposite. One airport says: “Duty-free has to go back to basics. We’ve become department stores with broader ranges but less price competitiveness. We need to return to our initial value proposition and what makes us different.”

The pandemic shift from brick-and-mortar retail to online⁷ has, without doubt, accelerated and become a habit for consumers. Airports have little option but to exploit this to some degree if they don’t want to be seen as ‘behind the curve’, even if they have yet to find a way to make their online models fully financially viable.

An obvious e-commerce opportunity is to cross-sell and up-sell across segments such as parking, restaurants, facilities like lounges, and retail. It is a great idea in theory, but harder to achieve in practice.

Offering more of the standard product choices online using data-led selections would free up store space for bolder, crowd-pulling brand animations and for new and novel labels. At the same time, in-store SKUs could be reduced if they were available to be ordered digitally.

“70% of the product categories are the same we sold decades ago. There is an urgent need to come up with a more innovative offering and explore new products”

Melbourne Airport

Hybrid concepts: lines are blurring

Everyone agrees that differentiating the offer is more essential than ever so maintaining a large share of local products and sense of place is essential. Local and regional communities are increasingly important for airports. Landlords will therefore be looking for ways to reflect those communities in their retail spaces.

Pre-crisis moves to co-locate or combine the retail and F&B offers will accelerate. This is a way for passengers to pick up what they want more efficiently in a one-stop shop, but also allows retailers on both sides to gain a better understanding of each other’s commercial offers.

Airports like the idea of leaving space for experimentation in order to try new concepts and surprise elements with the ultimate aim of raising the productivity of each space. This includes ‘showrooming’ for companies that might want to try and sell big-ticket

items like cars, motorbikes or even an apartment at the airport.

Airports' appetites for the hybridization of retail concepts require an in-depth understanding of passengers' needs and behaviors across concepts and categories. Operators with an expertise across retail, convenience and F&B can best help airports achieve their ambitions.

“The industry needs to think about a more immersive cross-category experience”

Vinci Airports

Physical stores remain critical

Airports and brands alike firmly believe in a strong future for the Travel Retail channel as the ultimate brick-and-mortar experience. While all stakeholders across the industry recognize the challenges Covid-19 has created, they think Travel Retail will bounce back. An online survey of airports and brands conducted by Lagardère Travel Retail at the end of 2021 revealed that more than half (53%) of respondents felt the channel would be only 'slightly challenged' in a post-Covid environment.

“Shops offer a tremendous platform to engage customers physically. Virtual can never replace this”

Mondelez World Travel Retail

While digital has a strong future it is not the be-all-and-end-all. “We should be confident about what Travel Retail can deliver that digital cannot: fantastic experiences in-store,” says a global gateway. The physical shopping experience still matters.

But airports and retailers may need to consider whether to reconfigure spaces. Due to the pandemic, consumers may be reluctant to walk into smaller, compact boutiques and prefer an open-plan department store environment. This would also enable retailers to switch brands in and out to create more dynamic environments. Combining different brands in one space is not new, but mixing categories to create hybrid offerings has taken off during the pandemic.

“We must not forget the excitement of physical retail and the drama it can deliver”

Melbourne Airport

Having a bolder vision of the future

As we look past the pandemic, enough may have changed that Travel Retail can finally become a channel that drives innovation instead of following it. Few doubt that travel will resume quickly once Covid testing barriers are reduced or dropped altogether, as some early booking evidence shows⁸. For brands, Travel Retail continues to be vital for image-building and consumer recruitment.

The future is still uncertain when it comes to the underlying drivers of airport retail sales. As traffic slowly rebuilds in 2022, airports, brands and retailers will have to join forces, share data and keep a watchful eye on changing patterns if they are to find growth pockets to exploit successfully. Airports have already begun to outline their directions for development. It is now up to retailers and brands to provide their input and help steer that course in a collaborative way.



“Concepts are blurring. It’s all about getting the right balance between retail and F&B and give passengers access to a different set of experiences”

Schiphol airport

Adapting to new consumer needs

- ⊙ Passengers are getting younger, and they expect different things
- ⊙ A changing consumer mix is identified as one of the biggest threats to Travel Retail over the next couple of years
- ⊙ Agility and in-depth consumer understanding are key to adjust to changing consumer expectations

A new passenger mix

There is debate around how much change has actually taken place in terms of the passenger profile – or rather how long those changes will last.

There were fears of negative impacts from consumer shopping habits, but some brands at the high-end say this has not happened. “We see a premiumization of consumers,” said one company, and financial results from several airports bear out higher spending per pax. However ‘revenge’ spending, also very visible in the domestic market⁹, won’t necessarily continue as conditions start to normalize and a wider demographic begins to travel again. Travelers could also be squeezed financially by rising energy prices and inflation¹⁰.

In the recovery, the focus may be more on the low-cost travelers too. The quickest recovery of domestic and regional travel gives an edge to low-cost airlines and the industry must be prepared to cater to the needs of less affluent passengers and offer good value for money.

Passenger profiles altered during the pandemic, and they will continue to do so. The shift so far for airport stores has been away from business and international travelers towards regional leisure passengers, with fewer passengers connecting at hubs. This has affected demand across the category mix. In beauty, for example, there has been an acceleration in fragrance sales, with cosmetics slowing in some locations¹¹. The slowdown in the cosmetics category is

a direct consequence of sanitary measures, including face masks, being the new normal. Such changes may be temporary, however, as more people travel again.

Those passengers may well have a younger profile as more Generation Z join Millennials and older generations in exploring the world. The transition is important as the Gen Z cohort is beginning to exert a strong influence¹² on older profiles – and eventually it will also have scale.

Safety and convenience are top of mind for consumers

Sanitary safety is top of mind for consumers and, in airports, travelers are expecting more contactless experiences with minimal interactions. This is all helping to drive the omnichannel retail journey.

Shopping online “is a behavior that sticks” according to one big airport operator, so accelerating it makes sense.

Against the benefit of added ‘online footfall’, airports and retailers need to be prepared for pricing transparency and more scrutiny from consumers versus online giants like Amazon.

A ‘now’ culture exists, for younger generations especially, so convenience will also be critical to success. A large US restaurant chain says that by early next year, 50% of its orders will be placed digitally and, not surprisingly, it is accelerating digital platforms in airports.

“We need to better connect with the younger generation of travelers, better understand their needs and respond to them”

Mondelez World Travel Retail





“Passengers expect airports to create and deliver unique experiences, to reflect and integrate local and authentic products and brands, as the best way to share their local excellence with the rest of the world”

Vancouver Airport

The introduction of touchless checkout technologies such as Scan, Pay and Go in the US¹³, indicates that tech will help to create the convenience environments that many travelers want right now.

Consumers are different everywhere, but in major aviation markets there is some adjusting to do. Certain buying habits have altered but it is not clear whether there will be a shift back post-pandemic. What is certain is that passengers will continue to seek out more convenient ways to shop.

Serving passenger profiles better

When it comes to the specifics of retail, generally speaking, all parties want flexibility, a strong product portfolio, and ways to effectively showcase products while also creating meaningful experiences and interactions for passengers.

Several major airports are very keen for retailers to develop bigger and more diverse product ranges that are a strong match for specific passenger segments. They feel this will lead to optimized sales. “There are so many products we could be selling,” says one gateway which decries the lack of ‘newness’ in present-day selections. Its idea is to retire 20% of references and bring in new ones. Regularly updated offers are a way to maintain freshness for passengers, and a way for retailers to keep their airport landlords happy.

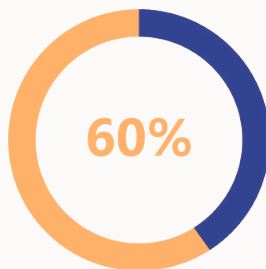
It is too early to say how the passenger mix and consumer behaviors will change over the long-term, what will stick and what won’t. Airports, brand and travel retailers will need to demonstrate agility to adapt quickly to changing consumer expectations. As these consumers broadly become more conscious about safety and responsibility, trust and purpose are two important aspects the Travel Retail ecosystem will need to convey to remain relevant. An ability to quickly develop new offerings and more experiential

concepts to adjust to consumer profiles will make a difference. The development of strong CRM programs will also be a critical enabler to better understand changing needs and respond to them.

“Passengers want airports and concessionaires to provide safe environments while maintaining high levels of customer service”

New Orleans Airport

A majority of airports sees **THE CHANGING PASSENGER MIX AS A THREAT TRAVEL RETAILERS** will have to face in the near future



THE TOP TRENDS TRAVEL RETAILERS must address to meet changing consumer expectations, according to airports and brands



A chance to form closer ties

- ⊙ Flexibility and adaptability are the new watch words in an uncertain future
- ⊙ The crisis has been an opportunity for deeper cooperation and shaping a strong future will depend on a genuine 'trinity' approach
- ⊙ The crisis has opened up the industry discussion about changing business models

The global pandemic has concentrated minds. It has forced all travel stakeholders to take stock and – in many cases – come together in solidarity. Relationships between airport landlords, retailers and suppliers have become closer, and deep discussions have been taking place.

One benefit was rent reliefs – a widespread phenomenon over the past 18 months – as well as a more proactive approach to post-pandemic scenarios. Does that mean the Travel Retail ecosystem has become stronger, and partnerships tighter?

The emphasis has now moved from crisis management towards rebuilding for the future. However airports and their retail partners are not necessarily moving at the same pace so synergies are not yet optimal. A key fear also persists about how the future will look and when traffic might finally return to pre-pandemic levels.

Are relationships changing for the better?

Airports point out that they want to help their retail tenants to do more business and grow, whether that is by adding e-commerce, concierge services, or in other ways. But all sides grapple with the data question and what should and should not be shared.

One gateway accepted that getting to know and understand a retail partner is one thing, but changing the way you work together

using data allows both parties to know the customers better – it is just more sensitive.

In Chinese airports their long-term view has not changed throughout the pandemic: they continue to support upgrades with the aim of setting global benchmarks in operational excellence. It is up to their partners to align on those ambitions. Chinese airports also appreciate foreign companies that come to the table with a strategic vision and understanding of the China market, rather than needing to be spoon-fed.

Strong partnerships work well when there are mutually beneficial goals, and when companies share in the risks as well as the rewards. The pandemic has exposed weaknesses in the concession model, but whichever model is used, relationship building between parties and full transparency will be needed going forward.

“It is in the most difficult situations that true partnerships are revealed”

Moët-Hennessy





The pandemic has paved a pathway to those better relationships and created a sense of camaraderie. Frank discussions over the past 18 months need to continue so that they lay the ground work for more open dialogue on data and strategy. Gaining ‘trinity’ insights this way can lead to growth for all concerned.

The crisis has opened up a conversation about concession models

The unprecedented conditions faced by all parties prompted the need to renegotiate contracts while parallel discussions on future scenarios also became vital.

In various locations, minimum annual guarantees (MAGs) were removed in 2020, and payment terms stretched over more than two years. One airport says that a fuller “economic rebalancing” has taken place “to distribute efforts fairly without destroying value for one or the other”.

Another hub airport commented that “MAG is not a good way to earn revenue for airports” and there is currently an openness to find new, more sustainable concession models. In Lagardère Travel Retail’s own case, it has recently forged¹⁴ a long-term partnership with Lima Airport Partners at Jorge-Chávez international Airport in Lima, Peru that includes a ground-breaking profit-sharing concession agreement. It is the first large-scale deployment of a business model that balances risks and benefits more equitably between parties while also unleashing growth potential.

The Covid-19 pandemic has questioned the relevance of the MAG structure and its lack of flexibility and adaptability in a crisis. While some airport landlords still regard MAG’s as having value by “pushing retailers to reach higher results”, many more are realizing that partnership approaches can be better. The transactional nature of the concept means that different stakeholders work in silos, the worst possible scenario during a crisis like Covid.

Fortunately, a new conversation about business models has opened up: one that can reinforce the resilience of the industry – not undermine it. An online survey conducted by Lagardère Travel Retail at the end of 2021 revealed 61% of airports agree that current concession fees are no longer fit for the new environment, and that fees should align to passengers volumes, at the least.

Flexibility is the way forward

On concessions, brands are vocal, some more than others. One says: “The challenge is to bring landlords to their senses and explain that we must equally share risks and rewards. We can’t have too many constraints killing the goose that lays the golden eggs.”

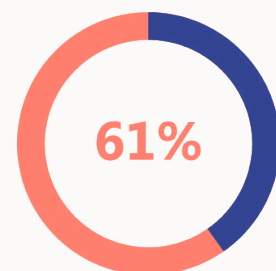
There are also calls for the criteria in concessions to be determined by more than financial elements as that has a cascade effect down to suppliers. “If airports keep being greedy and operators demand higher margins from brands, brands will want to sit at the negotiating table and be part of the discussion to defend their interests. Otherwise they will not invest in Travel Retail anymore,” says another.

This criticism is essentially a call for flexibility, something that airports generally also want. Following the pandemic there has been more adaptability from all sides on contracts, store opening times and staffing. These efforts have helped towards a more sustainable model to balance risks and rewards.

When it comes to concession contracts, there can’t be a one-size-fits all. Airports and Travel Retailers must have open conversations about the models that best serve both their needs, where the greatest value is created, and they must bring brands into them. Flexibility over the long-term is also a must in order to anticipate and adapt to changes in consumer behaviors and passenger flows. Being able to offer the full range of concession models, across scope of contract, concession fee and governance models is the right way forward.

“During the crisis, to face such a tough period with a true partnership approach, we moved to a model of a minimum guarantee per passenger”
Aeroporti di Roma

A majority of airports respondents agrees that **CONCESSION FEES SHOULD BE ADAPTED TO THE NEW ENVIRONMENT.**



“For a couple of decades, air traffic risk has been perceived as limited and the operators have carried their share of it. The unprecedented low levels of traffic in the past two years have taught us how precarious this model can be”

Vinci Airports

Digital: going beyond buzzwords

- ⊙ Consumers are ready and willing to engage with well-executed digital services, but models need to be cost effective and profitable
- ⊙ The rise of e-commerce is seen by airports and brands as the biggest threat to Travel Retail in the next two years
- ⊙ Data sharing between airports, airlines and concessionaires is a sticking point that must be overcome if the industry is to grow the overall pie

The digital journey has been on the radar of major hub airports for a long time. But putting together a credible and consistent offer has not been easy and there are contrasting views as to how far to go in digitalizing the customer journey.

For one major European hub, it should not be about digital for its own sake: "The priority remains the passenger experience, not digital itself. Digital should be seen as an enabler to improve the experience and reduce stress levels, as well as act as a growth lever."

As an information and service tool, digital remains essential – so it is not solely about revenue. Digital is an easy way to

communicate on price advantages and offers, tax-free options, and allows for friction-free payment options.

The topic encompasses so many areas that there is fear on two fronts: fear of missing out and fear of doing anything in case it fails. Some say it is the future but it is also just one part of the offer and must be seen that way. Essentially digital is an enabler or traffic driver, depending on how it is developed in conjunction with retailers.

Digital must be customized for each specific location – it is not a case of one one-size-fits-all.

More than just a spending driver

Stakeholders largely agree that pushing

up spend per pax (SPP) and improving the customer journey are the ultimate goals of digital. However, brands are keen that digital should not 'take over' and that a hybrid/augmented experience would best serve Travel Retail. There is a worry too, particularly for luxury brands, that e-commerce might turn their products into commodities.

Nevertheless, digital offers convenience and the possibility of a higher SPP by allowing constrained store product ranges to be extended indefinitely – so-called endless aisles.

In the case of Singapore Changi Airport, it has gone a step beyond and spread its wings outside its terminals through iShopChangi¹⁵.



“If we believe it is an incremental business, we need to share the pie and engage airlines”

Aeroporti di Roma



By developing an e-commerce platform for the times when its customers are in the airport – but also for when they are not, while also serving the rest of Singapore’s population – the hub’s operator has widened its reach to compete with local e-commerce players.

An airport does not have to be big to test these ambitions. A much smaller regional airport in Europe wants to put white goods like televisions and washing machines online – a sign that airports are not afraid of going head-to-head with domestic e-commerce.

In F&B, players like Costa Coffee are installing more digital menu boards in travel locations and enhancing click-and-collect and other delivery propositions. Tech is playing a bigger role in how consumers choose and order food and drinks today and expanding quickly¹⁶. That allows for greater personalization, convenience and access to information (ingredients, nutritional value and allergens).

Digital means different things to different people but no one will argue that it must engage the passenger. Whether that is through a store ambassador using an iPad, a gaming function, a digital promotions wall, or a loyalty program, it will be the way to grab a passenger’s attention. It is up to travel retailers to find the model that works for them and find a way to make it a profitable part of their wider retail offer.

It is clear that the Travel Retail industry is still in the exploration phase of the right model in digital. Airports do not have the same level of maturity and travel retailers should work closely with them to help define their needs and collaboratively develop a stronger digital value proposition which will both improve the customer experience and unleash revenue opportunities.

The data challenge: how to share?

When it comes to data, there is consensus that sharing it is the best way to grow the travel retail pie.

“I hope we’ll be able to work better together in the future because, from a passengers perspective, they need an integrated, end-to-end product, and we need to enhance the customer experience,” says one airport. Sharing data opens up a bigger conversation about how to drive opportunities together.

Suppliers also see the data sharing potential between all stakeholders. Some say that potential is ‘massive’ and something that needs to be accelerated urgently in order to be competitive versus mainstream giants like Amazon and Alibaba for example.

“Operators are only as good as the information they receive. We need to provide them with our traffic/passenger data if we are to grow the cake together”

François Bourienne, Abu Dhabi Airports

Frankfurt Airport’s operator, Fraport, has made good progress with digital, enough that the world’s largest early-stage investor, Plug and Play, gave it a Travel Innovation Award last year¹⁷. According to Plug and Play, Fraport has launched several pilot startups with good prospects of a rollout.

Fraport has focused on projects with quick yields. Among them are passenger flow analysis allowing better forecasting of waiting times; dynamic pricing for near-terminal parking so that users pay less to park in times of lower demand, and more when it’s high; and sensor-based analysis of which shops passengers visit and which products they purchase. “By developing and deploying creative digital solutions today, we are shaping tomorrow’s world of travel,” says

Claus Grunow, who heads up group strategy and digitalization at Fraport.

Other airports¹⁸ are also following an incubator-style model to embrace technological innovation. All parties in the ecosystem can cover the entire passenger journey and therefore contribute usefully. Airports generally believe that relevant stakeholders should share data, at least at an aggregated level. However, with every airport having its own methods, and each country its own rules, the issue might need to be addressed collectively at an industry level.

The era of Covid has softened attitudes to data sharing: competitors have become allies to an extent, including airlines. “It is a way to see our business through a different lens and putting the customer at the center of the model,” says one South American airport. Sharing airline data in particular will grow the pie to everyone’s benefit. The pandemic is still squeezing everyone so each incremental gain counts.

THE DIGITAL PRIORITIES FOR AIRPORTS

In-store “Phygital” experience **45%**

Seamless Checkout **35%**

Click/Shop & Collect **29%**

Digital technology to support back-office operations **11%**

Sustainability matters

- ⊙ Key airports have specific deadlines to reach carbon neutrality while also supporting their local communities directly in areas such as noise reduction
- ⊙ Employee well-being and reducing environmental footprints are the two biggest CSR priorities for brands and airports
- ⊙ Communicating a sense of purpose to consumers through stronger storytelling must be a focus

Sustainability matters to all. No question. But priorities and perspectives can differ between airports and landlords. It is all a matter of approach.

An industry-wide effort on carbon reduction

Corporate social responsibility (CSR) and carbon reduction efforts were high on airport agendas well before the pandemic and focus on these topics is increasing given aviation's high profile when it comes to CO2 emissions. Retail has its own role to play as part of a wider picture.

In February 2022, the Toulouse Declaration¹⁹ was made by 85 airport operators. It is the first-ever public-private initiative supporting European aviation's goal to reach net zero CO2 emissions by 2050. It aligns all EU stakeholders on the principles and actions needed for decarbonization.

Many European airports have set an earlier date of 2030 as their target to become

carbon neutral while others, for example Vancouver Airport²⁰, have a more ambitious aim of being net zero in the same year. To achieve their various goals, gateways like Melbourne Airport have built solar farms and committed to removing single-use plastics by the end of 2022, a goal that needs close cooperation with F&B players.

As a result of these various targets, sustainable buildings and efficient services are part of almost every terminal development or expansion.

Overall, airports expect travel retailers to focus on areas customers value the most, such as infrastructure and utility, plastic use and wastage and a more responsible product offering.

Action on environmental issues is considered paramount in order to attract passenger loyalty. In the non-aviation business, commitments to local communities – and as a responsible

employer – mean that, as part of concession contracts, sourcing regional products is becoming a requirement. Travelers also want healthier options, a trend that has accelerated during the Covid-19 pandemic.

Conveying a sense of purpose

Brands expect travel retailers to do better in conveying their own sustainability messages and efforts to the final consumers, and to sophisticate their storytelling.

Sustainability priorities can be very different for retailing and catering activities. F&B is focused on packaging and accessories like lids, napkins and cups. At Lyon-Saint Exupéry Airport in France, for example, deposit-refundable glasses are being tested.

Costa Coffee is completing the roll out of plant-based containers²¹ in key markets in 2022, and increasing the use of reusable cups through enhanced loyalty rewards while stepping up reuse trials across global markets.

“We believe in generating value beyond our operations. We are committed to tackle climate change through a responsible supply chain, and to promote a diverse and inclusive work environment”

Lima Airport

Some luxury houses have made decisive moves towards using less, or completely recyclable, packaging, exemplified by Ruinart Champagne²² from Moët-Hennessy. The company feels that travel retailers must do their bit as well and says: "A plastic bag should not be offered at the checkout when efforts have been made on products to reduce packaging."

Beauty giant L'Oréal is pursuing a 'zero destruction' policy and that entails improving stock flows which would be another win for the channel.

Whether the changes are big or small, companies want to see such options across all their channels to help drive a rapid change in consumer behavior everywhere.

Travel Retail is recognized by brands for the great showcasing opportunities it offers their products. This also applies to messages on sustainability. "Not only sense of place, but also sense of purpose," says L'Oréal Travel Retail. Storytelling on sustainability needs to be stronger so that consumers get the message.

That message should not be a thinly-veiled promotional strategy, which would be a turn

off for shoppers. "We have to commercialize with purpose. It's about DNA change," notes Mondelez World Travel Retail.

Although airports and brands have a similar emphasis on CSR, their priorities differ slightly, as revealed by the *Travel Retail Voices* online survey.

"We must deliver purpose to customers. Creating social responsibility has become a growth factor"

Mondelez World Travel Retail

Cooperation is key

Integrating sustainability from concept and sourcing, through to final execution is an ultimate goal for all stakeholders. Brands and travel retailers will have to work together to achieve the zero waste ambitions of their landlords.

"Everything done tomorrow in the airport must relate to CSR to demonstrate the industry's desire to reduce its carbon footprint. Therefore our partners must reinvent themselves," notes one European airport.

While airports are looking for more input from retailers, they are not necessarily taking them to task – just yet. They appreciate that retailers will have their own rules and agendas: "we don't dictate anything to them" says one. But the consensus remains that airports can't achieve their plans on their own so a very collaborative approach is essential.

However, the longer that landlords don't have a fixed sustainability road map from their retail partners, the more likely it is that they may impose one through contracts. In public tenders several airports incorporate sustainability, human resource, and corporate governance elements as an incentive to service providers.

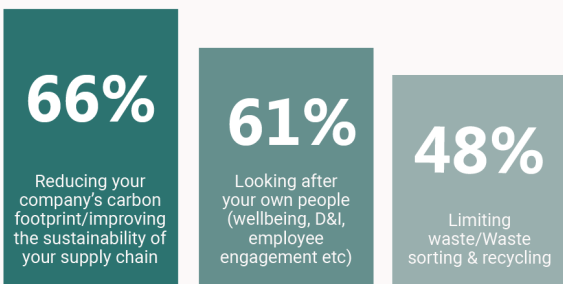
As time goes by, all stakeholders are likely to see more tangible reputational benefits from being more sustainable. Commercial viability remains important too and that will depend on defining specific sustainability KPIs for retail – and working hand-in-hand to meet them.

"Passengers are also looking for sustainable products and actions. We, as airports, also need to continue to play an active role in supporting our communities and take a leadership role in shaping a greener and more resilient future"

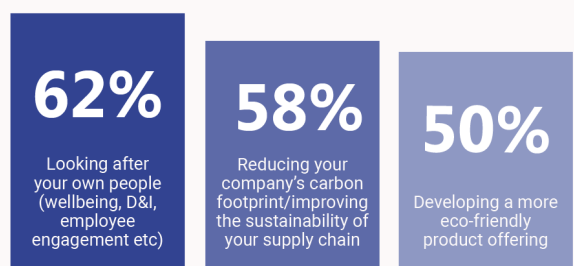
Vancouver Airport



AIRPORTS' TOP 3 CSR PRIORITIES



BRANDS' TOP 3 CSR PRIORITIES



About the research

Travel Retail Voices is a B2B research survey into global Travel Retail trends, developed by Lagardère Travel Retail. It provides insights into landlords' and brands' attitudes and behaviors towards the current state of, and future outlook for, the Travel Retail industry around the world.

This report, "Shaping a stronger future together" is the first in the *Travel Retail Voices* series. The insights are based on face-to-face interviews with 18 airport and 7 brand senior executives globally, and also on results from an online survey of 62 airports and 133 brands in 27 countries across our five regions. The interviews and surveys were conducted between November and December 2021.

[Qualitative face-to-face interviews were conducted with the following airports and brands:](#)

Airports

01. Melbourne International Airport, Australia
02. Brussels South Charleroi Airport, Belgium
03. Vancouver International Airport, Canada
04. Prague Václav Havel International Airport, Czech Republic
05. Toulouse-Blagnac Airport, France
06. Vinci International, France
07. Aeroporti di Roma, Italy
08. Shanghai Hongqiao International Airport, Mainland China
09. Beijing Capital/Daxing International Airport, Mainland China
10. Jorge Chávez Lima International Airport, Peru
11. Dakar Blaise Diagne International Airport, Senegal
12. Changi International Airport, Singapore
13. Geneva International Airport, Switzerland
14. Schiphol International Airport, The Netherlands
15. Abu Dhabi International Airport, UAE
16. London Heathrow International Airport, UK
17. Louis Armstrong New Orleans International Airport, USA
18. Dallas Fort Worth International Airport, USA

Brands

01. Go Travel
02. Coca-Cola
03. Mondelez
04. Moët-Hennessy
05. L'Oréal
06. Costa Coffee
07. Chick Fil'A

This report has been produced before the war in Ukraine. Its impact has therefore not been analyzed.

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Published by Lagardère Travel Retail, Paris.
www.lagardere-tr.com

Contact: Auriane Potel, Group
Communications Director
au.potel@lagardere-tr.com