TRAVEL
EXPERIENCE
VOICES

Pathways to growth

Contents

Foreword

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by Dag Rasmussen, Chairman & CEO, Lagardère Travel Retail

It has been fascinating to witness how our industry has switched from survival to growth mode and how quickly it has found a sense of normality again. Yet, market dynamics are changing fast and all of us have to define new strategies to adapt to the new playground, seize emerging opportunities and counter headwinds.

Today we are at a crossroads and the decisions we make now will define our ability to succeed in the years to come. I believe that we have a major opportunity, as the Travel Retail & Dining community, to learn and be inspired by each other as we shape our future.

I am therefore delighted to introduce "Pathways to growth", the second report in the *Travel Experience Voices* series, our

global survey of airports and brands. We are extremely privileged to be counting hundreds of partners globally who have been willing to share their perspectives with us. We are very grateful to them.
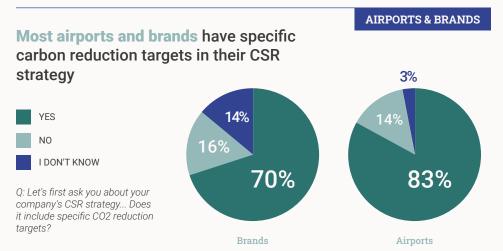
My takeaway from this report is that our industry is changing for the better. Never have we seen stronger commitment from all parties to be a force for good for the communities we serve,

for travelers and for the planet. The road may be bumpy but by working closely together we can find solutions to the challenges we face and realize our mutual ambitions.

We hope the insights in this report will contribute to inform industry discussions and help all stakeholders in our ecosystem to grasp the considerable opportunities within our reach.

Travel Experience Voices survey
Key findings

This online survey, conducted by Lagardère Travel Retail in February 2023, gathered responses from 66 airports and 144 brands in 29 countries.
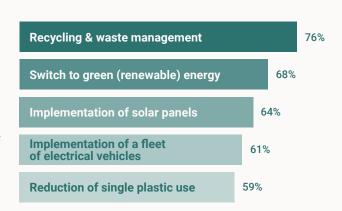
Tackling Climate Challenges

AIRPORTS & BRANDS

Most airports and brands have specific carbon reduction targets in their CSR strategy

- YES
- NO
- I DON'T KNOW

Q: Let's first ask you about your company's CSR strategy... Does it include specific CO2 reduction targets?

Brands
- 70%
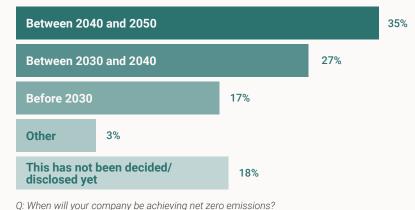- 16%
- 14%

Airports
- 83%
- 14%
- 3%

AIRPORTS

Airports' top 5 actions to reduce carbon emissions

Q: Which of the following actions is your company putting in place to reduce CO2 emissions?

Action	%
Recycling & waste management	76%
Switch to green (renewable) energy	68%
Implementation of solar panels	64%
Implementation of a fleet of electrical vehicles	61%
Reduction of single plastic use	59%

AIRPORTS

Over two in five airports plan to achieve net zero emissions before 2040

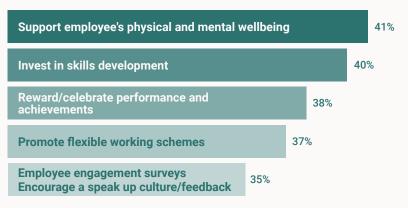|	%
Between 2040 and 2050	35%
Between 2030 and 2040	27%
Before 2030	17%
Other	3%
This has not been decided/disclosed yet	18%

Q: When will your company be achieving net zero emissions?

Supporting Employee Engagement

AIRPORTS & BRANDS

Top 5 actions brands and airports are taking to develop employee engagement

Action	%
Support employee's physical and mental wellbeing	41%
Invest in skills development	40%
Reward/celebrate performance and achievements	38%
Promote flexible working schemes	37%
Employee engagement surveys Encourage a speak up culture/feedback	35%

Q: Which actions is your company taking to develop employee engagement?

Innovating to Elevate the Travel Experience

Airports and brands state **Experience and retailtainment** as the consumer trend most likely to influence the future of airport retail and F&B

TOP TRENDS FOR AIRPORTS

1 Experience and retailtainment
2 Seamless journeys
3 Value for money
4 Health and wellbeing
5 Sustainability and ethics
6 Online and digital

TOP TRENDS FOR BRANDS

1 Experience and retailtainment
2 Health and wellbeing
3 Sustainability and ethics
4 Value for money
5 Seamless journeys
6 Online and digital

Q: Which of these consumer trends are most likely to influence the future of airport retail and F&B?

Airports and brands rank **3.4/5** the potential for hybrid stores in the future of airport commerce

Q: How strong is the potential for hybrid stores in the future (blurring lines between retail, convenience, F&B)?

Celebrating Culture and Communities

74% believe 'Sense of Place' should be regarded as a category in its own right and should benefit from a specific operating model

Q: Do you think 'Sense of Place' should be regarded as a category in its own right and should benefit from a specific operating model?

Overall, airports and brands rank **3.7/5** the power of 'Sense of Place' to support local economies & producers

Q: How strongly do you agree with this statement: " 'Sense of Place' is a powerful means to support local economies & producers?"

83% of airports and brands are developing actions to support the community

Q: Is your company developing actions to support the community?

Top 3 actions developed by airports and brands to support communities

76% Promote local employment

55% Promote local sourcing

48% Donations/ fundraising

Q: Please can you select the top 3 actions your company is developing?

Introduction

The Travel Retail & Dining industry may have been floored by the Covid-19 pandemic, but it is fair to say the pace and strength of recovery have exceeded the greatest hopes. The reopening of Chinese borders earlier this year removed the last obstacle to the full rebound of global air traffic, with little left to hamper the unstoppable forces of global mobility.

In a recently published quarterly traffic outlook, the Airport Council International (ACI) is stating that traffic should recover to 92% of pre-pandemic figures (or 8.4 billion passengers) this year. The long-term view is looking brighter, pointing to the continued growth of air traffic, which is estimated to rise to 19.3 billion in 2041[1]. The proportion of international passengers in total traffic is also expected to rise steadily over the coming years, with traveler sentiment gaining positive momentum. Against this backdrop, geopolitical and macroeconomic headwinds continue to create uncertainty, as looming impacts on air transport demand and global Travel Retail sales are cause for concern.

But the industry is known for an unrivalled resilience and ability to project itself in the future. The strong fundamentals underpinning growth are unchanged and the Trinity ecosystem is fully committed to rebuild and futureproof their businesses to achieve long-term, sustainable growth. With an ambition to help partners on their pathways to growth, the *Travel Experience Voices* research is spotlighting three aspects that are at the top of the industry's agenda.

First is the sustainable transition of the industry in a context of climate pressure and rising consumer awareness. All parties in the ecosystem are recognizing the importance of reducing their carbon footprint and investing into sustainable practices. This report will highlight the industry's progress towards a more sustainable future and the critical role of partnerships to achieve mutual goals.

Second is our capacity, as an industry, to address changing consumer demand and to recognize how the emergence of new technologies are set to transform airport commerce and F&B. Innovation will play an increasingly important role to deliver world-class traveler experiences, enhance physical interactions and eliminate pain points. If the ecosystem finds consensus on how to collectively capitalize on customer data, opportunities will be limitless.

Third is the importance of Local Authenticity, to meet travelers' expectations for genuine and memorable experiences, to maximize revenues and to make a positive contribution to local economies and communities.

We hope insights from this report will assist our partners, and the industry at large, as together we navigate this rapidly changing landscape to enable us to thrive in the years ahead.

Steps towards a more sustainable future

⊚ Industry players are working intensively to reduce their energy consumption, but it will be a longer road to complete the transition to a full net zero economy

⊚ Airports and brands aim for the long-term pay off of their sustainability investments, recognizing it is key to future business growth

⊚ Onboarding employees and travelers to support sustainability roadmaps is an essential step towards achieving goals

⊚ Industry players have strong commitments to making positive contributions to their communities

The industry recognizes the role it must play to mitigate the impacts of climate change and of the significant threats it poses to the environment, human health and the global economy. Driving action while working collaboratively to find solutions to lessen their contribution to greenhouse gas (GHG) emissions and implement more sustainable practices is at the top of the industry's strategies. This is also driven by consumer demand for more environmentally friendly products and a growing awareness of the impact of climate change. Great strides of progress have been accomplished.

Industry bodies have come together in recent years to set ambitious targets towards carbon reduction and certification frameworks have been implemented to effectively encourage and track progress. In 2022, 42 countries signed the Toulouse Declaration, a text that advocates a goal of net zero emissions from air transport by 2050. Many airports globally have also signed the declaration. Similarly, the Airport Council International (ACI) encourages its members to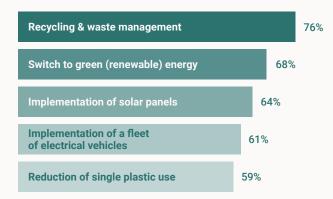 invest in their long-term capacity by adopting cleaner technologies, reducing carbon and greenhouse gas emissions, and exploring new market opportunities, all while preserving their long-term growth. The Airport Carbon Accreditation (ACA) launched by the ACI is a global carbon management certification program for airports. It recognizes the efforts of airports of all sizes, to manage and reduce their carbon emissions through 6 levels of certification: 'Mapping', 'Reduction', 'Optimization', 'Neutrality', 'Transformation' and 'Transition'.

THE JOURNEY TO NET ZERO

Most industry players have set very clear targets to achieve carbon reduction[2]. In the *Travel Experience Voices* online survey Lagardère Travel Retail conducted in February 2023, 83% of airports and 70% of brands stated their company has set specific targets to reduce carbon emissions.

When it comes to finding effective ways to reduce their carbon footprints, airports and brands have deployed a wide range of initiatives, with some having already implemented solutions for many years now.

AIRPORTS' TOP 5 ACTIONS TO REDUCE CARBON EMISSIONS

Action	%
Recycling & waste management	76%
Switch to green (renewable) energy	68%
Implementation of solar panels	64%
Implementation of a fleet of electrical vehicles	61%
Reduction of single plastic use	59%

A first effective measure identified by airports and brands is the switch to renewable energy sources. Airports are significantly investing into solar panels, wind turbines, and other renewable energy sources to power their operations. For example, Nice airport completed the switch to renewable energy in 2015 and Terminal 1 is now heated and air-conditioned via a water-tempered loop using the city's wastewater. Geneva airport has installed 23,500 sqm of photovoltaic panels on its roofs and is planning to increase this space to 55,000 sqm by 2030, making it one of the largest photovoltaic spaces in Switzerland. By implementing the new Genilac network in 2026[3], a 100% renewable innovative thermal solution, Geneva airport will reduce its CO2 emissions heating and cooling by 60%, using water from nearby Geneva Lake. In the Americas, Dallas Fort Worth Airport purchases 100% renewable electricity from Texas wind farms. Increasingly, airports are developing these solutions to make their buildings entirely self-sufficient in terms of energy consumption.

The switch to electric vehicles is another effective solution to be actioned. Many airports are quite advanced on this journey – most of them having completed 80% to 100% of their transition, and fast-charging stations are popping up everywhere airside. Airports are supporting green mobility within the airport community, investing in electric buses and other electric vehicles to transport passengers and staff around the airport. As an example, Geneva Airport has implemented a number of mobility measures to avoid employees using their own cars, including six morning Aerobus lines serving the airport free of charge from Geneva and neighboring France. Passengers can also take advantage of these shuttles.

On the brands' side, several measures are also being explored to reduce the cost to the planet. The Coca-Cola Company is leading by example on sustainability and has a bold ambition to achieve net zero carbon emissions by 2050 globally, and by 2040 in Europe. In order to achieve this ambition, the company's main bottling partners in Europe, CCEP and CCHBC, have fully switched to renewable electricity sources. The company has also moved 80% of its electric consumption in its European head offices to renewable electricity (PPA signed).

French B-Corp certified Cojean, a leading F&B brand which pioneers responsible business practices, can take pride on a carbon footprint which is five to nine times smaller than that of traditional burger fast-food chains. Among the many initiatives the brand is developing to cut down its emissions, it will be banning beef from all recipes in 2023, offering a 99% Clean Label menus, and sourcing locally a majority of its ingredients. For instance, they have developed a partnership with Berry Graines[1], a French farming company supplying bulgur and chia pearls, instead of sourcing from Brazil. In 2021, over 70% of Cojean's food and packaging expenses has been realized with French suppliers.

Brands are focusing on reducing the amount of packaging, such as using thinner and lighter materials or redesigning packaging to be more efficient. On packaging, Coca-Cola's "World Without Waste" strategy focuses on three pillars: Design, Collect and Partner. The company aims to make 100% of their packaging recyclable by 2025, and to reduce the use of virgin plastic by 3 million tons in five years. By 2030, the company aims to collect a bottle or can for every one they sell, and use at least 50% recycled material in all packaging.

In 2022, The Coca-Cola Company announced an industry-leading goal to significantly boost its use of reusable packaging. By 2030, it aims to have at least 25% of all beverages globally across its portfolio of brands sold in refillable/returnable glass or plastic bottles, or in refillable containers through traditional fountain or Coca-Cola Freestyle dispensers.

The Coca-Cola Company's purpose is to refresh the world and make a difference and use their global presence to build a more sustainable future for their business and the planet.

Finally, how waste is being collected, sorted and recycled is a concern for all parties, but the pace of progress is uneven. Dallas Fort Worth Airport has a plan to achieve zero waste over the next two decades and has implemented clear sorting streams to manage solid waste from terminals. The airport has also piloted an AI and robotics-based smart recycling container to sort materials at the point of disposal. They have set up a composting program whereby food waste is collected and transported to local organic farm and composting facilities. Bangalore airport is commissioning their Integrated Solid waste management system in-house, to turn waste into sustainable fuel which will be used by the airport. Digested sludge will be converted as manure and will be used within communities nearby. Cojean has been the first and currently is the only brand with 100% of the restaurants fully sorting their waste, as required by French regulation. But in many places, there is still a bulk approach to waste collection and the level of investment required to develop an effective strategy is still under debate.

THE LONG ROAD TO ELIMINATING AIRCRAFT EMISSIONS

AIRPORTS' PLAN TO ACHIEVE NET ZERO EMISSIONS

Between 2040 and 2050	35%
Between 2030 and 2040	27%
Before 2030	17%
Other	3%
This has not been decided/disclosed yet	18%

As the aviation industry continues to grow, it is critical for airports to continue to implement sustainable strategies to mitigate climate change. However, a significant challenge for all of them is to tackle the largest impact of aircraft emissions, which make the bulk of the aviation carbon footprint, and which are accounted for by airports. As described by a CSR executive at Nice airport, "we have control over 4% of our Scope 3 emissions. The other 96% come from aircrafts emissions (takeoff, landing and cruising) over which obviously airport operator has no control but the duty to facilitate and influence airlines to reduce them".

According to our online survey, 35% of airports aim to achieve net zero emissions between 2040 and 2050, 27% say their goal is before 2040 and 17% as soon as 2030, as it is the case for Dallas Fort Worth Airport.

Sustainable Aviation Fuel (SAF) is a promising aspect to reduce the aviation industry's carbon footprint. SAF is produced from renewable sources such as biomass, agricultural waste, or solid waste, and has the potential to reduce greenhouse gas emissions by up to 80% compared to conventional jet fuel. According to the International Air Transport Association (IATA), in 2021 SAF accounted for less than 0.1% of total jet fuel consumption, but the goal is to reach 2% by 2025 and 5% by 2030. Despite the progress, there are still challenges that need to be addressed to scale up the production and use of SAF and bring down the cost.

A MATTER OF RESILIENCE

Climate events are increasing in both frequency and intensity. They have become a main concern for airports, in particular for those which are located on high-risk land. Possibly one upside of the pandemic was the industry becoming more conscious about the impact of global scale events and it is now investing significantly to futureproof their businesses to survive in a fast-changing climate.

A question that is still hanging over heads is, as climate-induced risks become a major area of focus for businesses, individuals and investors, is it even realistic to believe in the continued growth of international air traffic? Flying is likely to be impacted by climate change in several ways; the availability of suitable landing and takeoff conditions, changes in fuel prices and regulations, and shifting demand from more environmentally conscious travelers. Overall, it is difficult to predict exactly how air traffic will change, but brands and airports maintain strong confidence in the future of the aviation and Travel Retail industries. Providing they can successfully adapt their models and innovate to develop more sustainable solutions for the future, they will continue to benefit from people's desire to travel. As executives at Dallas Fort Worth Airport put it: "As a society we are so highly dependent on air transport, we cannot decouple people from that need".

"Turning our waste into biofuel serves our ambitions in terms of circularity and resource efficiency."

Bangalore Kempegowda International Airport

"Working with airlines and manufacturers to reduce aircraft emissions is a medium to long-term goal. The easiest way to do this is to increase the use of SAF and leverage new technologies and we are involved in government efforts to move even faster towards this ambition."

London City Airport

Green up to the shop floor

As part of its global CSR strategy, PEPS (Planet. Ethics. People. Social.) and commitment to achieve its contribution to a global, collective carbon neutrality by the end of 2023, Lagardère Travel Retail has implemented several key initiatives to reduce the environmental impact of its store operations.

Opened in 2022, the Discover store in Changi Airport, Singapore, has undergone eco-design through a life-cycle assessment approach to reduce carbon emissions. Circular and sustainable initiatives, ranging from modular and re-usable hoarding solutions to paint made from food waste resulted in a 34% reduction in Carbon dioxide emissions compared to a traditional approach. Similarly, the world's first Aelia Duty Free eco-responsible store, which opened at Geneva airport in March last year, achieves a 40% reduction in the carbon footprint of its furniture and POS materials. The store fully integrates a 3Rs (Reduce/Reuse/Recycle) approach to optimize resource efficiency.

More responsible store design is gaining pace in many locations where Lagardère Travel Retail operates. For example, in France a Relay Green Lab is being piloted at Paris Charles-de-Gaulle Airport.

The Aviation Sector: The imperative to transform in the face of the climate crisis

Mike Barry / Former M&S CSR Director, Sustainable Business Change Consultant

The world is heating fast – 1.1°C above the long term average already and projected to hit 2.7°C by 2100. This has been enough to unleash record flooding, drought, heat and wildfires globally, impacting lives and livelihoods. These impacts will only grow.

The aviation sector is already under the spotlight for its contribution to this climate crisis. Today it is responsible for between 2.5-3% of global CO_2 emissions but as demand grows and other sectors decarbonize it will become proportionally an ever more important source of emissions.

The sector risks underestimating the pressure it will be under to start to cut its carbon footprint significantly in the next decade. It will face a growing price on its emissions (both voluntary through the CORSIA scheme and potentially regulatory too e.g. the EU's Emission Trading Scheme); policy interventions such as the French Government's to shift short haul passengers on to high speed trains; pressure on airports such as Schiphol to cut flights; a growing customer expectation that flights are materially less impactful than today; marketing bans on high carbon activities such as flying; more campaigns such as 'flight shaming' asking people to commit to fly less; and corporate customers cutting back on business travel (part of their Scope 3 emissions) to save costs, emissions and time too.

In addition, every pathway to a net zero aviation sector depends heavily on carbon offsetting, much of which today suffers from low quality and transparency, in turn giving rise to accusations of greenwashing. Only partnerships with the offset originator and civil society, as opposed to the commodity platform they can be bought from, will provide the re-assurance that they are credible.

The aviation sector is crucial to the economy and society globally. But it faces a massive climate challenge. Only systemic partnership, not just at an airport level but across the sector with plane, engine and fuel producers, as well as suppliers and business partners will enable it to deliver the level of decarbonization that secures its long-term future. It needs to focus less on offsetting and instead invest into new sustainable fuels, engines and planes that provide an opportunity to deliver a step change in emissions per customer per km. And it cannot shy away from the ultimate challenge of demand management. Policy, tax and consumer pressures will, in a climate disrupted world, see only the most committed parts of the sector prosper in the long term.

MAKING THE BUSINESS CASE FOR SUSTAINABILITY INVESTMENT

Making business models and operations fit for a low carbon future comes at a high cost, however there is an industry consensus that all stakeholders will see the investment pay off over the longer-term. What is good for the planet and good for the people is also good for the bottom line. Investing into sustainability is even regarded by some as the key to their company's survival, to continue to meet consumers' expectations and maintain an ability to secure investment and government funding. A top executive at Dallas Fort Worth Airport is very clear about what is at stake: "The question is not about how being responsible can be more expensive. The cost of not being responsible is far greater, by creating a risk of being downgraded by lenders and weakening our ability to secure affordable funding. Therefore, an effective sustainability strategy must also complement the business performance."

"Some investments to make our business resilient in the face of climate change won't immediately pay off. But if we don't do it, the business. But if we don't do it, the business will not be sustainable. The pay back here is our long-term survival as a business. We believe Sustainability is a Voluntary license to operate."

Bangalore Kempegowda International Airport

For brands in particular, demonstrating higher green credentials and developing more environmentally friendly and responsible products is a way to ensure they remain relevant to travelers. A survey by M1nd-set has shown that 75% of travelers feel that Duty Free brands have taken more steps towards being sustainable in the last two years, and 76% believe that brands' efforts towards being more sustainable is credible and genuine. If brands successfully demonstrate how they are changing to meet these expectations and adequately investing into more sustainable practices, they will undoubtedly develop

"CSR criteria should be integrated into tenders from the very start, in the same way financials or service quality are."

Aéroports de la Côte d'Azur

sales to more conscious consumers and bring together profit with purpose.

The long-term gains to be expected from investing into a more sustainable model are ranging widely from cost efficiency (through less energy-intensive infrastructure), enhanced brand reputation, mitigating risks, greater ability to attract and retain talents and unlocking new business opportunities.

"We want to tackle the paradigm of being sustainable both economically and environmentally."

Dallas Fort Worth International Airport

PARTNERING FOR CHANGE

Brands and airports alike agree that the materialization of their CSR agenda can only be achieved through strong industry partnerships. The most common way is through sustainable procurement practices. The weighting of sustainability criteria into tender documents is increasing steadily. The industry is working to ensure partners and suppliers are adhering to responsible practices, such as reducing waste and GHG emissions and using eco-friendly materials. Many companies are also investing in programs to help suppliers improve their sustainability practices, sometimes with a financial incentive.

When it comes to onboarding operators to support their sustainability roadmaps, airports are more about the carrot than the stick. As part of its sustainable engagement, Bangalore International Airport is currently working on a program which will not only encourage and incentivize customers to shop and consume sustainable products but also its retailers and brands to adapt sustainability initiatives, whereby they would be rewarded with Green Points every month which can be redeemed against their concession fee. This strategy is being investigated by commercial teams at Dallas Fort Worth Airport, which is the "largest carbon-neutral airport" in North America and the first global airport to achieve a 4+ ACA ranking. They are willing to explore more favorable lease terms for partners who are most committed to operating sustainably.

Respondents to the *Travel Experience Voices* online survey have named many practical ways to encourage partners to support their sustainability roadmaps. Beyond communications and best practices sharing, financial incentives are named by many. Most notably, airports and brands are strengthening their procurement and tender process to ensure their partners meet high standards of environmental and social practices.

Another area where strong partnerships are needed is waste management. Significant amounts of food, plastics and other waste are generated by commercial areas at airports. There are significant opportunities for landlords

"Airports must be more discerning about who they work with. That's how we achieve to make a difference."

London City Airport

difference, they are more likely to be engaged and invested in their work. Employee engagement is an important and highly regarded business priority. Respondents to the *Travel Experience Voices* online survey have given a 4.2 ranking (out of 5) when asked how important employee engagement is to their company's people strategy.

Our online panel of respondents said they are pursuing several different initiatives to onboard their employees. The most popular way is through dedicated training and communication campaigns to raise staff awareness of environmental and social challenges. Involving employees into volunteering activities is also a very practical way to engage them. Finally, companies are also giving an increasing importance to CSR into their governance frameworks, turning sustainability goals into strategic ones and tying up their senior executive incentives and rewards to them.

At Bangalore, staff can dedicate half a day every month to pursue their interests and support airport's community driven CSR commitments. They are involved in volunteering activities such as teaching in adopted schools, working with F&B operators and charitable organizations to make food donations which results in more than 1,000 meals being distributed every month to the community. In Nice, the focus is on raising employees' awareness of climate risks. Every month, nearly 10 sessions of the Climate Fresk[6] workshops are organized for staff members.

"We need to give our employees meaning. They are very proud of the progress we have made and this definitely supports their engagement."

Aéroports de la Côte d'Azur

In the UK, London City airport is organizing two large-scale community volunteering initiatives every year, supported by their own staff. The Coca-Cola Company is investing into education and awareness, through a two-year program called 'Sustainability Essentials'. This will help employees embed sustainability into business practices. Dallas Fort Worth Airport is taking a similar approach by investing into education and

awareness to demonstrate how sustainability is tied to employees' personal lives, and how every individual can make a difference. Key to developing this company culture, Dallas executive teams are also incentivized on environmental goals.

Beyond employees, creating awareness among travelers is an important goal for all companies and there is a real benefit to be expected from greater, more targeted storytelling on their CSR roadmaps.

"Our airport is an amazing platform to showcase our innovative ideas to the world."

Dallas Fort Worth International Airport

Creating value for all is a clear priority for companies in our industry. Airports have a huge impact on their communities. They bring jobs, they attract businesses and they foster infrastructure development, but they also trigger significant noise and air pollution. For airports that are located within a short distance of a city, such as London City Airport, the challenge to mitigate negative impacts is even greater. The airport has therefore set up a number of actions to positively influence its East London community, and the three million people who live there. Working with local authorities, London City is dedicated to improving skills in the community through investment in school initiatives, to developing short supply chains by creating networks of local suppliers, and to creating direct employment opportunities by educating community members about career opportunities within the aviation sector.

Bangalore airport has developed a very comprehensive program to support their community. Through the airport's foundation – Kempegowda International Airport Foundation (KIAF) – the teams are committed to create social value through targeted interventions for the communities around the airport and the social ecosystem at large.

More than ever, the road to successfully achieving common CSR goals for the future will require that all stakeholders share the same understanding of what is at stake and collaborate closely to make a real difference.

"Our partners are very supportive of our efforts, and we must ensure this becomes contractual. We also need to implement a more effective way to monitor their performance, to ensure we are on track to collaboratively achieve our decarbonization targets."

London City Airport

to work more closely with operators and brands to define waste reductions strategies, including food donation initiatives, sorting streams, and recycling processes.

Passengers can also be onboarded on the industry's journey of change as more and more passengers are willing to compensate their flight emissions. A survey by McKinsey has shown that the vast majority of air passengers were willing to pay somewhat more for carbon-neutral tickets, with travelers aged 18 to 34 willing to pay the most[5]. Another way to help them do this is to allocate Green Points, which can be redeemed in stores by buying the most green or ethical products on offer. A flagship program, rolled-out over a decade ago by Australian air carrier Qantas is 'Fly Carbon Neutral', whereby travelers can offset the carbon emissions from their flight by contributing to an environmental project. Qantas matches each contribution dollar-for-dollar.

PEOPLE MATTER

Helping employees to understand and embrace their company's sustainable agenda is a critical step. One of any organization's most important group of stakeholders, their own employees can contribute to promote a culture of sustainability and play a significant role in reducing the company's environmental footprint, minimizing waste and preserving resources. A clear and ambitious roadmap to a greener future is a very strong cause for employee engagement. If members of the staff feel that their efforts are making a meaningful

Elevating the traveler's experience

⊘ Changing consumer demand and the emergence of new technologies are transforming airport commerce and F&B

⊘ Delivering world-class experiences remains the unquestionable focus of the industry, which is harnessing new tech to enhance physical interactions and eliminate pain points

⊘ Views as how the ecosystem should manage customer engagement differ, despite strong consensus that sharing data is the right way forward

⊘ Lines between categories are increasingly blurring to meet travelers' expectations of more holistic experiences and maximize both revenues and retail space

The health crisis has challenged airport commerce and F&B in unprecedented ways but in most markets the rebound has been fast, and strong. Brands continue to see the channel as a powerful platform to express their DNAs, to launch exclusive products, capture new consumers and act as a growth lever. Airports are also relentlessly working with their partners to upgrade their retail and dining offers to exceed passenger expectations and maximize non-aeronautical revenues. However, there is an industry consensus that there is a before and after the pandemic. Travel has changed, and so have travelers.

The first measurable impact of the crisis is a change in passenger profiles and spending behaviors at the airport. Greater numbers of younger and less affluent travelers, who are expected to make up to 50% of all travelers within the next couple of years, is leading to declining demand for traditional airport products and services. Business travel is on a downward trend, and there is no certainty that the high number of

Chinese travelers prior to the crisis will remain high in future years. Greater competition from online channels, the erosion of the Duty Free price advantage and more digitally-savvy consumers are also driving both airports and brands to scale up new technologies and identify meaningful ways to engage consumers.

In a recent article published by consulting firm Bain & Company, the authors are referring to this transformation in progress as a perfect industry storm: "Change was inevitable, but Covid-19 sped up the shift, creating a perfect industry storm. Airport management companies and retailers now must rapidly overhaul their sales and marketing strategies, while grappling with flat to declining revenues, sharply lower profits, declining passenger traffic (compared with pre-Covid forecasts), and vacant retail space."[7]

Rising to the challenge, all stakeholders in the industry are demonstrating pioneering, innovative mindsets to improve the customer experience and increase revenue.

EXPERIENCE FIRST

"The power of choice is everything. Travelers are more conscious about what they like and what they want."

Puig Travel Retail

This may be the digital era but when it comes to airport retail and dining, the physical experience supersedes it all. Results from the *Travel Experience Voices* online survey show that for brands and airports alike, experience and retail entertainment is the consumer trend which is most likely to influence the future of airport retail and F&B.

The Extime concept developed by Aéroports de Paris is the best incarnation of the industry's greater focus on hospitality and experience. A part of Group ADP's 2025 Pioneers strategic roadmap, Extime intends to build the foundation of a new airport model focused on hospitality, sustainability and performance. Through branded services, a loyalty program, a marketplace and a Boutique Terminal design, Extime offers passengers a unique experience in a restricted area. Taking its inspiration from the concept of boutique hotels, Extime

"People are looking for experiences, not for products or services."

Lima Jorge Chávez International Airport

aims to transform the reserved areas of airports into a collection of terminal shops, offering excellence in hospitality and service quality to their passengers.

Increasingly, airports are mirroring the model of high-end shopping malls to become more experiential. The example of Hamad International Airport in Qatar is named by many as the ultimate best-in-class reference for luxury and experience. In addition to featuring over 65 retail and dining outlets spread across three levels, the airport has also developed an extensive range of spa services which are accessible to all passengers. According to Puig Travel Retail, "Hamad airport is breaking the codes of what an airport can do, they have successfully managed to capture the entire customer journey by introducing the luxury vibe of a department store".

Brands are investing into their airport presence to deliver their visions and bring their DNAs to life. They no longer limit their offering to perfume and cosmetics or accessories, but instead push for much larger spaces where all categories can be featured. Moving forward, the range of services airports offer will expand to better deliver the experiential ambition that we all share. Spas, treatments pods, skin and makeup diagnosis are high on the radar of beauty brands. These services already exist in many airports, but there is a significant opportunity to further sophisticate them to make the experience more memorable and fun. The emergence of hybrid stores, fading lines between product categories, and a push towards omnichannel sales are important ways to support this trend.

"Customers want to access experiences similar to the ones they have downtown, and there is no better place to do this than in Luxury retail."

Aeroporti di Roma

> **"Innovative services have a tremendous potential to increase conversion rates and generate additional revenues while improving customer experience."**
>
> *Aeroporti di Roma*

On the back of an evolving offering of products and services, airport jobs might change too. The quality and uniqueness of the service delivered by the sales team has a huge role to play to maximize customer experiences. In the future, we can anticipate that emerging roles such as 'Maître d'hôtel', concierge or personal shoppers will become more of the norm. Some airports have made the leap already. Rome airport has introduced multi-language personal shopping services for extra-Schengen passengers (mostly US, Korean and Chinese passengers). The impact of these exclusive services on sales performance is unquestionable. For example, for some Luxury brands transactions through personal shoppers have climbed to 4% of total sales, a very high proportion. The Italian hub is also looking to develop new collect and delivery services, which 40% of current non-shoppers say they would use.

To successfully deliver these services, investment in staff skills and training is a must. Operators should consider looking at different sets of profiles with a greater emphasis on high-end customer service, product expertise and advisory.

> **"We must upskill and support sales teams to better understand consumer behaviors and in turn reach better conversion rates and a higher spend per passenger. With Extime, we are introducing more sophisticated roles, where people are better equipped to understand the travel industry and what is on passengers' minds when they interact with them."**
>
> *Aéroports de Paris*

There is a tremendous opportunity to disrupt the traditional retail and dining offerings. In future years, airports and brands would like to explore the development of art exhibitions, luxury dining, interior design stores, home collections. Passengers can already buy real estate in Dubai, or electrical scooters in Rome. The opportunities are limitless.

> **"We must be able to create unexpected experiences, stimulate new desires."**
>
> *Aéroports de Paris*

TECHNOLOGY AS A MEANS, NOT AN END

To most in the industry, the biggest potential for digital tools and new technologies is to bring efficiency and convenience to passenger journeys and to eliminate pain points. Digital tools and emerging new tech must serve these ambitions, but are not the end goal.

Airports and brands rank

3.4 / 5

the potential for hybrid stores in the future of airport commerce

As people want to maximize their dwell time, there is a greater focus on making the check-in and security checks as quick and seamless as possible. Smart gates, virtual queuing, apps to pre-order food and check for seating availability are some of the innovation that many airports have already deployed. These investments have been made to ease the passenger journey through the airport, relieve stress levels, hence leaving passengers more time and head space to enjoy their shopping and dining experiences.
Digital tools are also being implemented to enhance the in-store physical experience, facilitate and guide the product selection.

Amongst most forward-thinking company is Puig Travel Retail, which is harnessing new technologies to help customers to 'experience' fragrances and develop their scent identity. They are most notably using AI and machine learning to create profiles based on customers' most-liked references. They are exploring the power of facial recognition to read emotions when exposed to a particular scent and make product recommendations accordingly. Other luxury beauty brands are using virtual try-on technologies.

> **"We best innovate through the brand we create – Extime – our services and our people. Digital tools are only a means to support these."**
>
> *Aéroports de Paris*

When it comes to emerging technologies such as the Metaverse, augmented or virtual reality, NFTs and others, brands and airports show a different level of maturity. Many luxury brands have already made the leap and developed brand experiences using such technologies. On the airports' side, there is still a lack of understanding of most recent technologies and the potential they bear to significantly transform the shopping experience. The focus is on better use of more traditional technologies and ensuring they are leveraged to their best potential.

"Technology is meant to augment the human touch, not to replace it."

L'Oréal Travel Retail

In Dining, players are striving to innovate to make the customer experience more authentic and frictionless, while reaching a perfect blend of touchless and human interactions. When asked to name which developments are most likely to be integrated in the future of airport F&B/Dining, respondents to the *Travel Experience Voices* online survey, local dining experiences and offer were named by airports and F&B brands as their top choices. A close second are food pre-ordering and payment technologies. Other areas where they anticipate greater focus over the coming years are food transparency and traceability, an extension of the offer, and kitchen automation, space optimization and modularity.

"You don't have to create more technology but take advantage of what is already available and make the best use of it."

Lima Jorge Chávez International Airport

Seamless autonomous shopping experiences

To support the innovation ambition of airports and contribute to travelers' expectations for seamless journeys, Lagardère Travel Retail has partnered with technological experts to open autonomous stores.

Lagardère Travel Retail Belgium partnered with Atos to open the first automated Duty Free store at Brussels airport to offer passengers a quick and touchless experience. The technology used is based on the use of interactive furniture and 3D (Lidar) cameras allows the automatic recognition of products selected by the passengers. The purchase can be done swiftly and autonomously, without even the need to scan the products.

Paradies Lagardère partnered with Amazon's Just Walk Out Technology at Charlotte Douglas International Airport to open a Convenience store. Shoppers enter the store by inserting a credit card at the entry gate. The technology then detects what shoppers take from or return to the shelves in the store. When they have completed their shopping, they leave the store, and their credit card will be charged only for the items they took.

The Omnichannel Travel Retail Experience Is Now Boarding

Consumers increasingly expect online and offline experiences to be linked in airport shopping

Marc-André Kamel /
Senior Partner, Head of Bain's
Global Retail Practice

Airport retailers face the biggest disruption to their business since the industry's inception—one that will rapidly redefine winners and losers. This disruption will come from two shifts. One is the growing importance of younger consumers with different preferences from older generations: 78% of millennials would rather pay for experiences than goods, for instance. Another is the blurring of digital and brick-and-mortar shopping: 68% of consumers now expect online experiences to be linked to those offline.

As a result, digital technologies that have reshaped the wider retail industry will radically transform traditional airport shopping, paving the way for omnichannel sales that will likely combine a personalized, tailored digital interaction prior to travel with an in-store experience.

For both travel retailers and airport managers, doing this right will mean affecting the behavior of a broad share of shoppers, not just a narrow minority, while also generating a measurable impact on sales. That will require a complex set of profound changes. Among other things, travel retailers and airport managers will need to:

- Invest significantly in big data and advanced analytics capabilities
- Build an omnichannel ecosystem, or join an existing one
- Increase the level of sales tracked by customer relationship management (CRM) tools to at least 40%
- Turn physical stores into places where digital relationships are finally converted into a physical experience
- Embrace a culture of rapid experimentation in which failure in a test is OK so long as learning follows.

The payback will be worth it: Omnichannel customers are more profitable, and they consistently spend more frequently and with a higher average ticket. Bain research suggests omnichannel customers spend twice as much as brick-and-mortar customers and have a Net Promoter Score that is two times higher. Moreover, investing in digital capabilities will enable a fully data-driven commercial strategy with numerous benefits.

For instance, fully data-driven assortment and space planning can yield a 2-5% sales uplift. Dynamic pricing can improve EBITDA by 8% to 14%. Artificial intelligence in promotions planning can lift gross profit by 2% to 5%. And personalized digital marketing led by CRM data can improve marketing return on investment by as much as ten times.

The airport retail industry is on the verge of digital reinvention. Companies that take a wait-and-see approach risk being outpaced, not least because digital natives are scouting for opportunities to expand in airports.

Three strategic questions can help executive teams get started preparing for the pivotal shift ahead:

> What investments are most urgent to make the shift to being a technology-driven company?
> Should we build our own omnichannel ecosystem or is it smarter to be part of an existing one?
> Do we have the CRM expertise and a sophisticated proposition to win in a changing market?

Marc-André Kamel leads Bain & Company's global Retail practice and is a partner based in Paris.

BLURRING LINES

In line with airports and brands expectations that airport commerce will adopt the codes of the mall experience, hybrid stores combining different product categories are seen as bearing a very important potential for the future. In our online survey, airports and brands give an average ranking of 3.4 (out of 5) to the potential for hybrid stores in the future.

"Individual boutiques will be broken down into a walkthrough experience, this is the future of hospitality and definitely what consumers are looking for."

L'Oréal Travel Retail

Hong Kong International Airport has already embraced the opportunity of developing hybrid stores, such as the Caviar House & Prunier, where retail meets dining: travelers can purchase premium caviar and seafood products and enjoy gourmet menus and a champagne bar.

"We definitely see the potential of hybrid concepts. We will continue to include them in tenders and plan for more of these concepts."

Hong Kong International Airport

At Dubai International Airport (DXB), there is a firm belief that blurring lines between categories in the same space is the right way forward, not only to meet customer expectations but to maximize revenue per sqm: "In 2019, we opened a space mixing retail, bar, restaurant, and digital entertainment in one location. By landing the different categories in the same space, we have increased our revenue by 30% to 40% per sqm".

The Middle-East hub is willing to encourage the emergence of more of these hybrid concepts, to further improve the experience for its customers, while maximizing its revenue potential. As part of this trend, they anticipate that operators' brands will give way to stronger concept and product identity. Critical to the realization of successful hybrid experiences is the ability to work with partners who can bring a holistic expertise across retail and F&B. In this regard, many hubs find that working with one operator covering all categories and segments is the best way to improve the guest experience and achieve greater financial performance.

A holistic approach to travelers' needs

In 2022, Lagardère AWPL teams have unveiled Bound, a bespoke hybrid concept including bookstore and boutique espresso bar created for Brisbane Airport. The store celebrates Brisbane and Southeast Queensland providers and features local coffee & pastries brands. Bound also provides a best-in-class book offer with a wide range of genres, including the Top 50 fiction, children's, business, lifestyle, and notable titles of interest.

In France, Lagardère Travel Retail have recently opened a tristore at Brest Quimper Bretagne Airport, bringing together 3 brands: RELAY (Travel Essentials), Bread&Co (Foodservice) and Aelia (Duty Free). This new space illustrates the diversity and complementarity of Lagardère Travel Retail's activities and allows travelers to find travel essentials such as literature, press, snacks, but also a food offer made on the spot, and finally a large selection of Duty Free best sellers.

BREAKING SILOES FOR CUSTOM-MADE JOURNEYS

The industry recognizes the many benefits of developing omnichannel sales strategies to elevate, customize and make the customer experience seamless. The combination of physical stores, e-commerce platforms, social media, mobile apps, and other digital channels is explored to increase customer loyalty and engagement by facilitating interaction at multiple touchpoints. By expanding their reach, industry players are capitalizing on omnichannel sales to increase revenue while gaining a better understanding of travelers' behaviors and preferences.

Personalization is a key trend in Travel Retail. Retailers are using data and artificial intelligence to offer personalized recommendations and promotions to customers based on their browsing and purchasing history. Facial recognition technology has been implemented in some airports to identify customers as they enter the store and are able to offer tailored promotions based on their previous purchases.

Creating tailormade experiences requires all parties to have an in-depth understanding of who customers are and what they expect. Key to this is our ability, as an ecosystem, to break siloes, share our data, and divide up the passenger journey based on different touchpoints. If there is consensus over the fact that sharing is the best way to grow the pie, views differ on where the ownership lies.

"None of us can do this fully, it's about the three of us working together transparently to optimize the customer journey."
Puig Travel Retail

For some, the main ownership is with the airport, who should act as an umbrella for airline, food, retail, and hospitality, providing a relevant and consistent customer journey. Dubai International Airport (DXB) for example, believe the airport is not just a landlord or a building manager, they have a mission to speak to the end customer too: "We have invested in social media

channels with integrated digital platforms, and have a high interest in developing the customer experience. We want to offer passengers a consistent digital, food and hospitality strategy in the commercial area".

The same perspective is shared by Hong Kong International Airport. Through their own App, the airport is offering to build a window into the entire ecosystem by promoting retail, airline and food offers. The opportunity to present a united front to travelers through airport Wifi and an App is very clear, but the costs attached to these are high, and it seems that many players still struggle to find the right economical model to meaningfully engage passengers throughout their journeys.

"Airport apps have a very strong strategic value to recruit new customers, and we have launched our retail specific loyalty programme to enhance passengers' shopping experience in our airport."
Hong Kong International Airport

For brands, customer engagement should start when they book an airline ticket, well before they even get to the airport. As an example, L'Oréal Travel Retail works with travel players such as TripAdvisor to ensure the consumer's attention is captured before their journey even starts. At the airport though, they see the lead to be with the operators, who should address travelers in close partnership with the brands. In any case, the only winning strategy is one of collaboration and value creation at all touchpoints of the passenger's journey. For another luxury beauty brand, the responsibility to digitally engage customers sits more naturally on the brands side, who are ultimately best placed to convey their brand image and universe, however this is extremely costly. The financial investment required by social media influencing has reached an all-time high. The challenge would therefore be for operators to come up with comprehensive, powerful loyalty programs but according to this other brand, the right model is yet to be found.

If all parties agree that combining their data and customer knowledge is the best way forward to

design tailor-made customer journeys and boost the experience, it seems like it will take more time for the industry to agree on the best way to do this.

To unleash innovation and become more agile, airports are increasingly investing in their capabilities, setting up incubators and adopting a start-up mindset. The best example of this is ADR Ventures, the new company launched by Aeroporti di Roma to foster the development of projects with high innovation potential, operating from the Innovation Hub at Rome Fiumicino Airport. ADR Ventures also aims to operate as an engine for the development of young entrepreneurship by supporting prospective startups from raising investment to the commercialization of their innovative solutions.

Innovation is shaping the future of Travel Retail and dining. All players are committed to embracing new technologies and trends to improve the customer experience and increase revenue and as the industry continues to evolve, it will be exciting to see what new technologies and trends emerge to meet the needs of tomorrow's travelers.

"Passengers don't belong to us. Where the information comes from doesn't matter to them either. What we must do is create the best ecosystem to improve their experience and ease their journeys."
Lima Jorge Chávez International Airport

The power of authenticity

⊘ Local authenticity is expected to continue to be a strong revenue driver, in particular as 'local' shoppers are less sensitive to price

⊘ Storytelling is a very important aspect to consider when promoting local products. Airports and operators have a role to play to support brands to bring this to life

⊘ Local teams with in-depth market understanding are key to delivering genuine, hyper-localized offerings

⊘ More suitable business and operating models should be found to maximize the value of local authenticity

Crafting very localized experiences and offers is a very strong area for differentiation. In Duty Free, shelves are stocked with international brands' top sellers which makes it quite difficult for passengers to find that local vibe. This is also true in dining and convenience shops. Driving greater local authenticity isn't just a way to meet travelers' expectations, it is also a powerful way to support local communities and producers, and to showcase what makes each location truly unique.

It's a great way to boost sales too. Practically speaking, local products are an important spend driver, as more people want to take home a reminder of their travels. M1nd-set consumer studies have shown that in 2022, one in five passengers can be categorized as 'Local Touch Seekers', meaning that when shopping in Duty Free stores, these travelers are mostly looking at purchasing local, authentic products. There is a common understanding across players in the industry that 'Sense of Place' will continue to overperform as a category and to be an important

driver of revenue. At Lagardère Travel Retail, where locally empowered teams work to promote local offers, overall Duty Free sales from local products have increased from 4% in 2015 to 9% in 2022. On specific platforms, this is even higher. In the Schengen area of Rome Fiumicino, 31% of sales come from the local offering. Shoppers' price sensitivity on local products of which benchmarks are harder to find, it is much less than on traditional products.

"We need to give people reasons to shop when traveling, and one way to do this is through products and experiences which are unique to the region. If we do this right, then price is less of an issue."

Cairns International Airport

THE ROAD TO LOCAL

Everyone agrees that differentiating the offer is more than essential. Local and regional communities are increasingly important for airports and landlords are looking for ways to reflect those communities in their retail spaces.

But how is local authenticity best delivered? To most people, the range of products is what matters most. According to the results of the *Travel Experience Voices* online survey, airports think that localness is best embodied through a broad range of local products and an in-depth understanding of local markets.

But what is a local product? Finding consensus on a definition seems to be out of reach. When asked which statements best describe a local product, the airports respondents surveyed online rank the following as their top three choices:

1. A product manufactured at a city level, *eg. Catania*
2. A product manufactured at a regional level, *eg. Sicily*
3. A product manufactured at a national level, *eg. Italy*

The closer the product comes from the area, the better. For Marseille airport, local authenticity is a way to express how it is deeply rooted in Provence and to showcase the region's success stories. Local products should be a cultural incarnation of each place, while steering away from clichés. This is felt strongly by one executive at Naples airport: "If we want our local offers to continue to be drivers for sales, we must be consistent. When I started to work in Naples, too many retailers were selling mozzarella, because it's a best seller. This is wrong. A smaller, more specialized high-quality offer is the recipe we should aim for". This is also echoed by Marseille airport: "A destination airport must be a window into its territory. It must be an elegant experience, not a gross interpretation of cultural clichés".

The industry also stands with one voice when pushing away the idea that a local product can just be a representation of a local cultural element. It is felt strongly that local manufacturing is a must, to avoid any kind of 'local-washing'. For Cairns airport: "If you sell an Australian boomerang, you can't portray it as being authentically Australian if it's been manufactured in China, even if it's cheaper. It would undermine the product."

Localized sourcing is also a way to gain better control over the quality of the products. For Kama, a Czech clothing brand specializing in merino wool: "Our company has a long-standing commitment to keep our production locally, despite having many incentives not to do so. In our supply chain we only work with long-time partners, primarilly sourcing locally if the quality criteria as well as sustainable environment standards are met. Yarn producers supply us from the plant which is based only 50-km from Prague. This creates a good example of the close loop production established by Kama".

If everyone agrees that the range of products is the most important vehicle for authenticity, the concept design, communications, and storytelling have a role to play to support local producers. Operators are demonstrating a very high level of sophistication when creating immersive and authentic in-store designs that convey city, regional, and national authenticity. An example is the recent celebration of la 'Fête du Citron' de Menton at Nice airport by Aelia Duty Free France. In a yellow-tinted décor, travelers could discover a large selection of lemon-based products made in the local area: lemon madeleines from Maison Colibri, lemon olive oil from A l'Olivier, Limoncello from Maison Gannac, and terrine with preserved lemons from Maison Telme.

Airport dining is also an important channel to leverage to create honest, authentic and memorable experiences for passengers. There has been a real shift in recent years towards a great balance in the F&B offering at airports, with more and more concepts dedicated to promoting local cuisine and gourmet foods. In convenience stores, local product ranges are becoming more of the norm as well, particularly in the souvenirs category. At Lagardère Travel Retail, Discover stores are a good illustration of how a global concept can become hyper-localized, not only through the offering but also in the concept design.

"**Local authenticity is what makes the difference. It is how airport stores can move from being 'non places' to becoming a true embodiment of the local territory.**"

Tasca d'Almerita

CONNECTING THROUGH STORIES

Behind each local product are stories, and creating the right storytelling is critical to drive sales. In fact, airports and brands agree that there is real room for improvement on this front. Operators need to be able to build closer links with the networks of local producers whose products they sell, and to create training programs to enable sales teams to deliver the right narrative to their customers, adding to the authentic touch.

"If shops assistants knew more about the product they sell, they would be more engaged in the process. Those are nice stories to tell, it can create better engagement."

Kama

To serve this ambition, technology can also be leveraged. The Future is Local concept, developed by Lagardère Travel Retail teams in Prague airport, offers customers the chance to discover individual stories through QR codes. To most airports and brands, the offering of local products could be enhanced through live animations, which is another way to promote producers and their unique know-hows.

"Airport retailers have a role to play to support local producers and promote destination branding. By showcasing local offers through live animations at the airport, we as producers can better work on our brand and products' positioning and improve the effectiveness of our storytelling, with far less dispersion of resources."

Tasca d'Almerita

To do this right, airports, retailers' merchandising teams and local producers must work hand-in-hand to craft the right stories, train the teams and deliver the stories to the travelers. For an executive at Cairns airport: "We need to closely connect with suppliers to better demonstrate the strengths of their products, through testing and other in-store animations for example".

In Vancouver, where the globally recognized Lululemon brand was founded in the late 1990s, the airport commercial team is working with the brand to promote their story and commitments, in particular how they are actively supporting the empowerment and financial inclusion of women in the community. Vancouver's airport has also recently introduced a Ladurée carriage, the brand's first airport location in North America. The business is owned by an immigrant, female entrepreneur, and the airport has worked hard to support her exceeding her sales targets. Making these local brands more personable, connecting them with real life issues that matter to travelers proves a very effective way to support buying choices.

LOCAL KNOWLEDGE IS KEY

Building a meaningful local offer and forging networks of producers cannot be done from behind a desk thousands of miles away. Being authentic requires an in-depth understanding of the local culture and economy, something only very localized teams of experts can deliver. Airport commercial teams, who have an unrivalled knowledge of their local environment and surrounding communities can achieve this by working in close partnership with locally empowered teams on the operator's side. An Executive at Vancouver airport supports this collaborative approach to identifying local brands and sourcing their products is the best model. Recognizing that the airport team is best placed to spot new trends and up and coming brands, they expect a similar level of knowledge from their partners: "We need people who understand not just Canada, but what is so unique about British Columbia and Vancouver. This is how we stay relevant and ultimately support sales growth".

By building teams of local buyers, who actively scout the local areas for new producers, operators are best positioned to develop unique, high quality local offers and animate them over time. For Marseille airport: "Having teams specializing in local offers is a great added value. It is critical to present the offer in a meaningful way and enable sales team to do so too".

At Lagardère Travel Retail, local buyers are mandated to embody local traditions and know-hows by sourcing, negotiating, and implementing products into the store, while ensuring the offers remain relevant and are regularly brought to life through animations. When partnering with new local producers, they follow very strict specifications such as a commitment to high standards of social and environmental responsibility. They are always on the move, searching for the best, most authentic references which will contribute to broaden traveler's choices and improve their experience.

"We want to surprise travelers by creating bespoke, ephemeral experiences about local initiatives."

Marseille Provence Airport

In Prague, the Future is Local

Future is Local is a sustainable concept store at Václav Havel Airport Prague, where both the range of products for sale and the entire concept are in line with sustainability and ethical values. All products are exclusively sourced from nearly 30 Czech and Slovak brands, made from quality materials, in a sustainable way, with respect for the environment and the community. The wide selection of products is divided into three sections for easier orientation: Slow Fashion, Clean Beauty and Gift Items. Each brand has its own unique story that is presented to the shoppers in an innovative way, through QR codes placed on shelves, hangers and showcases dedicated to each supplier.

SHIFTING MODELS FOR GREATER VALUE

Over 74% of airports and brands agree that local product ranges should benefit from a dedicated operating model[8] to ensure they are viable from an economic standpoint too.

"If we want to build local authenticity we need to review the model, local operators may not have the capacity to work with us if we don't. Our thinking has to shift."

Vancouver International Airport

Very often, the very high cost associated to operating within an airport are an obstacle for local brands. Referencing local brands is very different from international ones. With no scalability possible, the room for negotiation is very limited. A local producer could be introduced to more than one platform, but this would have to stay very regional. For example, you can't sell Sicilian-made olive oil in Frankfurt and claim it's local. Often, very small businesses also are not meeting the solvency criteria that operator's buying teams have in place.

These barriers should be eliminated, or at best mitigated, in order to deliver diverse and authentic local experiences. A way to respond to this challenge may be to consider alternative models such as pop ups and more off-the-shelf, low-capital formats. Another way is to become more flexible on the pricing of local products. Travelers are much less sensitive to the price positioning of local products than they are to Duty Free prices. Within reasonable limits, a bit of elasticity on the price tag of local products could be a way to make the local offer more economically sustainable, especially when considering that the category, compared to traditional categories, is overperforming.

BOOSTING LOCAL ECONOMIES

A very important consideration when thinking about investing into local offering is how their strategies will positively impact their communities. When asked how strongly they agree that "Sense of Place is a powerful means to support local economies & producers", airports and brands give an average ranking of 3.7 (out of 5). Our online survey results also show that 83%, a high number of respondents, are developing actions to support their local community and the top two specific initiatives they name are 1) to promote local employment (76%) and 2) local sourcing (55%). At Marseille airport, procurement strategies are designed to support local communities, resulting in two-thirds of the airport's suppliers being based in the department of Bouches-du-Rhône. When airport retail or F&B showcase locally made products, they are indeed supporting the local economy and small businesses, helping to improve the livelihoods of people in the local community. Lagardère Travel Retail teams in West Africa are striving to embark surrounding communities into their commercial projects. When developing the 'Képar Café' concept in Senegal, the teams called upon the talents of local communities. Menus have been developed by local chefs, the design and furniture of the restaurants have been created and manufactured by local craftsmen, and 50% of the restaurant staff are hired from the neighboring village.

This is an important consideration for shoppers too. In addition to indulging themselves with an authentic experience and souvenir to bring back home, they value the fact that their purchase will positively impact the local community. A small act that greatly contributes to boost local economies and create jobs.

Localness also benefits the planet. Driving greater local authenticity into stores is also a very effective way to contribute to preserving the environment. An important reduction in the emissions of carbon can be achieved through local sourcing, along with a much shorter supply chain.

CONCLUSION
Positive Change

The Travel Retail & Dining industry is experiencing a significant shift in its mindset towards positive change. In recent years, stakeholders in the industry have come together to tackle environmental challenges, improve the traveler's experience, and drive local authenticity, demonstrating a highly collaborative approach towards success in a fast-changing environment.

An important pillar of this transformation journey has been the collective desire to make a positive difference to the planet and the lives of the people in the community. Companies are increasingly seeking ways to bring together profit with purpose, developing solutions that benefit society at large.

This journey towards positive change has led to companies becoming more people-centric than ever before, with a focus on futureproofing their businesses for a stronger future. By embracing a collaborative and innovative approach, stakeholders are working towards creating an ecosystem that overcomes barriers, generates greater value for society, and creates unrivalled travel experiences.

The silo mentality is slowly being replaced by a mindset that values cooperation, recognizing that stakeholders can only succeed by working together towards a shared goal. This approach will be key to ensuring the industry remains competitive and sustainable in the long run.

Definitions

CONTRIBUTION TO GLOBAL CARBON NEUTRALITY
Concept with short-term focus focused on scopes 1 & 2. Anthropogenic CO2 emissions are balanced by CO2 emission reductions (through different measures), and CO2 removals, over a specific period. A business which has put solid reduction measures in place in all its operations, which uses 100% of renewable energy, and which offsets (compensates) the residual emissions from its scopes 1 & 2 can currently be considered as 'contributing to a global carbon neutrality'.

NET ZERO
Concept with a long-term goal, including scopes 1 & 2 & 3. A net zero target is the ultimate ambition. It requires a robust strategy involving all 3 scopes, and all greenhouse gases, based on the measurement of the organization's full environmental impacts and understanding of its key emission sources as part of a full-scope carbon footprint analysis, followed by the development of ambitious action plans and a solid reporting. All measures mentioned above, combined with carbon removal and carbon capture, with off-setting used only for residual emissions, need to be taken into account.

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About the research

Travel Experience 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 the future outlook for the Travel Retail industry around the world.

This report, "Pathways to growth", is the second in the Travel Experience Voices series. The insights are based on face-to-face interviews with 14 airport and 7 brand senior executives globally, and on results from an online survey of 66 airports and 144 brands in 29 countries across our five regions. The interviews and surveys were conducted between January and February 2023.

Qualitative face-to-face interviews were conducted with the following airports and brands:

Airports
01. Aéroports de Paris, France
02. Bangalore Kempegowda International Airport, India
03. Aéroports de la Côte d'Azur, France
04. Hong Kong International Airport, Hong Kong
05. Vancouver International Airport, Canada
06. Aeroporti di Roma, Italy
07. Lima Jorge Chávez International Airport, Peru
08. Geneva International Airport, Switzerland
09. Dubai International Airport (DXB), UAE
10. London City Airport, UK
11. Dallas Fort Worth International Airport, USA
12. Cairns International Airport, Australia
13. Marseille Provence Airport, France
14. Naples Capodichino International Airport, Italy

Brands
01. Cojean
02. The Coca-Cola Company
03. Dior Parfums
04. L'Oréal Travel Retail
05. Puig Travel Retail
06. Kama
07. Tasca d'Almerita