

Matt Mercier, LS travel retail Pacific CEO, believes airports in Australia and New Zealand, present the major international travel retail group, with great potential for growth, with many of them currently overhauling their retail space and portfolio.

Earlier this month, LS travel retail Pacific announced that its Aelia Duty Free retail brand would debut in Australia under a new extension agreement signed with Adelaide Airport.

LS travel retail Asia Pacific made its entry into the airports of Gold Coast and Adelaide in Australia in July 2012, along with Queenstown, Dunedin, Hamilton and Rotorua airports in New Zealand through the 100% share purchase of Duty Free Stores Wellington Ltd (DFSWL).

"The airports that we work with are open to innovation, new categories, new brands and they don't mind trying new things," says Mercier. "In that respect we haven't seen everything yet."



CHINESE PAX GROWTH

Mercier said that more retailers have become interested in the region following consistent double-digit growth of Chinese passengers. "In many locations – and this is particularly true in Australia and New Zealand the number of Chinese passengers is growing extremely fast; double-digit growth for many years.

"We all know what an asset the Chinese passenger is to travel retail and how they can heavily influence the development of retail in airports. However, there are also challenges to face in terms of product Pacific has great potential for LSTR assortment and customer service."

The passenger profile at Australian and New Zealand airports is still dominated by the local populations who do also have high spending power', according to Mercier.

He says that these passengers are not always on the hunt for luxury brands, like their Asian counterparts, so the shopping experience and product assortment has to be more creative.



[Left: LSTRs Icons concept which showcases Australian gourmet food, wine and spirits, at Adelaide Airport]

ROOM TO GROW

And there is plenty of room to play with. "Just looking at the major airports in Australia there is massive room for expansion. Sydney probably has the most constraints and still they could probably double the retail space they have, should they want to.

"Melbourne has huge potential, Perth is expanding already and will expand furthermore in the future. Brisbane has launched a new project for retail, doubling their duty free footprint." But, Mercier conceded that it's not always better to increase retail space. "If you have too much retail space, the airport loses efficiency. It's about finding the right mix in the product portfolio and being able to attract the brands which is not always easy Mercier points out that because Australia only has around 23m inhabitants over such a huge expanse of land, it presents logistical challenges for suppliers.

However, on the major Pacific airports benefit from modern architecture which allow for more efficient processes, at least inside the airports themselves. Mercier draws on his previous experience at the company.

RETAIL IN THE DRIVING SEAT

"It's quite different, at least to compare with France. It used to be in the past that the architect was running the show and making the important decisions, keeping retail from being properly developed.

"The Australian airports were privatised at the end of the 90s and subsequently retail development has been an important part of their strategy. They are still doing it today.

"Because they consider retail to be such an important part of airport revenues, they do what it takes to make sure its being given the right level of attention.

As previously mentioned, LSTR entered the Pacific duty free market in 2011. "We have definitely found a region where we can grow," adds Mercier.



NEWS AND CONVENIENCE ISNT DEAD

Mercier also conceded that not all parts of the business have been thriving. "It's been challenging in traditional news and convenience. The trends that we see, surrounding this side of the business, echo what is happening in the US and Europe.

Pacific has great potential for LSTR

"That said, in Australia, if you are able to innovate and excite the traveller I don't consider the category to be 'dead' at all. It is a category that has massive potential because it has such a high penetration rate compared to other categories.

"It's part of the business that needs transformation, and it is being transformed. We are not giving up on it."

After speaking with Dag Rasmussen, Chairman & CEO Lagardère Services, in September it is clear that the group is looking to develop the convenience element of the concept and is leaning towards a travel essentials model.

Mercier explains that the Pacific region's 'Tech 2 Go' concept has been successfully implemented. "The idea was created first in Australia and we now have 13 stores. Six of them are standalone and all of them are doing extremely well. It's all about repositioning the concept as a travel essentials store."