Alpha LSG has been working on evolving its modular retail service proposition, resulting in record annual sales for Thomas Cook. Source: Thomas Cook.

A solid performance from Alpha LSG’s inflight retail division year-to-date owes much to a ‘resurgence’ across its boutique and core duty free categories, TRBusiness has learned.

In an exclusive interview, Inflight Retail & Managed Services Director Alan Hayes says the strong trajectory in passenger numbers in its airline portfolio has resulted in organic sales growth of more than 10%.

“Duty Free has seen somewhat of a resurgence for us,” he said. “The traditional categories remain strong like liquor and tobacco but the growth in the main is largely down to the innovative merchandising work we have put in place - altering loading levels of key brands on different routes and departure bases to properly reflect the demands and tastes against these differing demographics.

“Sales of boutique products are encouraging after a couple of tough seasons. Jewellery has recovered well with an 80% growth year-on-year after losing some key brands a couple of years ago to the inflight category. Cosmetics is trading 4% up year-on-year and gifts & accessories is 14% up. However, fragrance growth is more moderate.”

POST-MONARCH ‘DYNAMISM’

The predominantly UK-based inflight catering, onboard retail and logistics services firm – jointly owned by dnata and LSG Sky Chefs – generates combined revenues of more than £300m ($385m) per year.

It boasts an airline portfolio including major leisure carrier Thomas Cook, Tui Airways, Japan Airlines, Lufthansa, Malaysian Airlines, SAS, United Airlines, Singapore Airlines and many others, providing a spectrum of services from merchandising provision to full inflight retail management.
The demise of Monarch Airlines last year – a carrier considered by many to have been a British institution – spelled a difficult time for concession partner Alpha LSG, but the loss of a ‘key’ customer has not held back its continuing innovation efforts.

“We had a wonderful and long-standing relationship with Monarch Airlines and their employees – many of who became good, personal friends over the many years that Alpha LSG worked in partnership with the airline,” commented Hayes.

“With the support of our shareholders – dnata and LSG – we have developed a flexible and dynamic operating model for catering, premium culinary, logistics and retail services. We work with many different aviation carriers within this model.

“Growth across many of our existing leisure customers has been impressive – with many of the millions of Monarch customers continuing to travel but with our other airline partners. That way they’re still enjoying the food, product and services developed and supplied by Alpha LSG.”

Alpha LSG reveals it is working on some exciting technological developments to tailor its ranges and stocks to specific routes.

These feed into a broader, creative narrative designed to spark interest in boutique retail categories to entice new and innovative brands and suppliers back into the inflight shop window – many of whom may have turned their back on the channel.

“We’re moving away from traditional merchandising methods into something much more dynamic,” explained Hayes. “Digitalisation takes that on to the next level. What we’re working on will be a huge change in this area, really fine-tuning what stocks are needed dynamically day-by-day, route-by-route – underpinned by robust technology.

“This will be a huge benefit to our customers’ onboard service proposition, supporting not only inflight retail revenue growth but also satisfaction scores; from a slicker service onboard and customers getting their first choice every time.”
LOW-COST, LONG-HAUL OPPORTUNITIES

Indeed, the rising low-cost, long-haul phenomenon is sparking increased competition between carriers, in part due to advances in fuel efficient aircraft, and this spells advantages for inflight retail concessionaires, as Hayes explains.

“Some of these aircraft are capable of operating on a lower price per passenger, enabling the low-cost long-haul phenomenon – and in some cases the airline does not have to sell-out the aircraft to make a profit,” he said.

“This creates great opportunity. Services can be un-bundled and re-sold on an ‘on-demand’ basis to keep the seat ticket price low – and that opens up opportunity for us to be more novel through innovation and new retail offerings that meet the food, drink and shopping needs of the flight experience.

“This could be things like pre-purchased food and drink packages, taster boxes, home delivery gifts – to maintain an airline revenue stream but without the cost of loading it for impulse, keeping the ticket prices low.”

Looking ahead, the trading signs remain strong for Alpha LSG as it seeks to continue capitalising on healthy demand for air travel via its strategic retailing drivers. However, there is no space to stand still, says Hayes.

“If brands continue to turn their back on the inflight travel retail market, then this will be a huge hurdle for the sector over the coming years and as an industry we’ve got to collectively work doubly hard at convincing these brands to stay and support the market, as well as look for new and niche products, services and brands to keep the revival momentum going.”

For the full interview, watch out for the October issue of TRBusiness.

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