Qatar Airways Group Chief Executive His Excellency Akbar Al Baker shared details of a new duty free delivery-to-gate concept destined to replace Qatar Airways’ inflight trolley service on day one of the Trinity Forum 2019 (30 Oct-1 Nov).

The event is hosted by Qatar Duty Free (QDF), Hamad International Airport (HIA), Qatar Airways and organised by The Moodie Davitt Report, ACI World and ACI Asia-Pacific.

Following an address to more than 290 attendees at the St Regis Doha hotel in Qatar, Al Baker said in a Q&A with The Moodie Davitt Report’s Martin Moodie that the decision to suspend the inflight service earlier this year is aimed at slashing costs while creating more galley space to enhance the passenger experience.

“A lot of airlines do not realise that inflight duty free is not a big revenue generator – KLM was the leader,” he explained. “The fuel burn we sustained carrying duty free was not worth it. Now we are working on a website where you will be able to order duty free online for delivery at the gate at Hamad or the arrival airport.”

DIA REFURBISHMENT IN 2021

He said the new platform means passengers avoid having to leaf through pages in the inflight catalogue.

“I can say comfortably 50% of the time you don’t get what you want from inflight duty free because it is limited and this disappoints people,” Akbar continued. “We will do it on the ground.”

Meanwhile, passengers in premium cabins will also have the option to pre-book F&B at the time of their booking.

In May, TRBusiness learned Qatar Airways would be replacing the current inflight retail concession with a ‘five-star offer’.
During his address, Al Baker also outlined that Doha International Airport (DIA) will receive a full refurbishment in 2021 to cater for significant traffic volumes across both airports and three runways in preparation for the 2022 FIFA World Cup.

He then turned to Hamad International Airport’s second phase expansion project.

As reported by TRBusiness, the expansive plans were revealed last week during the Cityscape Qatar show in Doha (22-24 October) and include 11,720sq m of landscaped retail and F&B space and other impressive features such as a 10,000sq m indoor tropical garden.

[To view an exclusive video interview with HIA Chief Operating Officer Badr Al Meer, click here].

Geared towards the 2022 FIFA World Cup, HIA’s ambitious project will allow it to process 53 million passengers annually. This is expected to lift to 60 million in the years following the football tournament.

Passenger numbers at HIA grew to 35 million last year and Al Baker says he expects this to increase above 40 million in 2019.

“Our neighbours and competitors should be satisfied that we do not intend to compete with them on size; we will always compete on quality,” he said, in doing so eliciting a round of applause from the audience.

“When we reach 70 million [pax] capacity, we will stop there. That is the size of the hub the country needs. With capacity growing, it is even more important to provide an airport experience like never before to our passengers.”

Having recently been appointed in another role as the Secretary General of the Qatar National Tourism
Council, Al Baker said the country continues to stand firm in the face of adversity following what he labels the ‘illegal’ blockade of Qatar several years ago.

He expressed surprise at the ‘vicious agenda’ and ‘wicked ideas’ pursued by certain GCC bloc countries against Qatar since the blockade began in mid 2017.

Akbar Al Baker mounted a passionate defence of Qatar in the context of the enduring regional diplomatic blockade.

He said the result of this wiped out overnight a US1.75bn market, alongside 18 destinations. Nonetheless, Qatar did not shy away from growth, said Al Akbar.

It replaced the 18 destinations with 24 destinations and planned infrastructure developments all over the country that continue apace.

Since the blockade began, Qatar has grown to become more independent and self-sufficient as a nation, he continued.

“Even against a massive challenge we stayed calm, composed and made sure that today we hold our head high with pride, dignity and protect our sovereignty.

He expressed dismay that neighbours [Saudi Arabia, Bahrain, UAE and Egypt] once considered allies continue to sustain a dialogue that Qatar deems ‘illegal’, ‘false’ and perpetuating ‘disinformation’.

“These people who wanted regime change have failed and what surprises me is they still pursue the same ideas, thinking down the line we will stumble and capitulate.”
Asked whether a solution to the blockade is a possibility in the future, Al Baker made clear the country would take ‘a thousands steps’ towards its neighbours should they decide to approach Qatar with a view to reconciliation.

Reimagining the Trinity’s role in a ‘phygital’ world is the theme for this year’s event.

‘MORE THAN GOOD PRODUCTS AND PRICES’

Regarding the World Cup, a crowning sporting event and supremely lucrative investment, he said the preparations are 80% ready.

In the context of the forthcoming spectacle, it is therefore critical to remain innovative and creative in airport retail.

He commented: “The retail environment at airports plays an important part in a passenger’s journey, and the Qatar Airways Group is unique in the industry in its ability to manage and deliver an outstanding customer experience across all touch points through our own Trinity of airline, airport and retailer.

“As we expand Hamad International Airport, it is even more important to provide an airport experience like never before to our passengers. To do this, we will be looking to continue our longstanding relationships with existing partners, as well as introducing new ones. The 2019 Trinity Forum provides a great opportunity to foster new partnerships.”

Qatar Airways currently serves 160 destinations worldwide via more than 250 aircraft at its hub at HIA.

Al Baker said the aim of Qatar Airways Group is to provide smooth and seamless journeys that exceeds
passengers’ expectations every time.

On the retail experience at the terminal, he added: “It is incumbent on us to get the entire customer experience right. Today’s international traveller expects much more than just good products and prices. Passengers do not want to spend their time at airports scanning through aisles of discounted products, no matter the quality or price.

“If they find the airport and its shops stressful, whether at departure, transit or arrival, it will colour their view of our industry.”

Al Baker then spoke about the importance of retaining the Group’s commercial concepts inhouse, emphasising partnerships without giving away business.

“I don’t believe in any business that is a one way street – it has to be win-win for everybody,” he said.

Angela Gittens, Director General, ACI World.

UNLOCKING VALUE

Touching on Qatar Airways’ own ‘Trinity’ of airline, airport and retailer, Al Baker said the mutually beneficial relationship allows it to take a long-term approach and avoid a ‘never-ending, short term cycle of tenders that actively discourage investment’.

“We can truly keep a laser focus on customers’ journeys and empower the long term health of business by allowing us to look forward and implement next-generation ideas and enhancements.”

This year, QDF and HIA have presided over a flurry of new shop openings and a number of ‘firsts’, including the inaugural Qatar Airways Boutique at HIA, a world-exclusive Penhaligon’s Made to Measure pop-up shop, and an airport first Harrod’s Tea Room. This adds to HIA’s two existing Harrods outlets.

Meanwhile, HIA also staged the largest airport podium for Paco Rabanne and Carolina Herrera under the Pacomarket/Carolina Hotel fascias.

The theme of this year’s Trinity Forum is ‘reimagining the Trinity’s role in a phygital world’.

Setting the tone for an insight-laden conference, co-moderator Martin Moodie began by thanking the event’s committed co-hosts.

He praised Qatar Airways’ vision and triumph in launching a raft of new routes in the past few years in not easy circumstances given the enduring blockade of Qatar.

Moodie then shared a few thoughts about global airports and their positioning at the ‘crossroads of humanity’.

He referenced Daxing’s ‘astonishing’ architectural prowess; the combination of sense of place and people using airports gives commerce the most ‘enviable’ of platforms.

Turning to formal proceedings, a tribute was made to Patti Chau, Director, ACI Asia-Pacific, as she prepares
to leave her roles later this year.

Director of Economics Stefano Baronci is set to depart ACI World to assume the position of Director General of ACI Asia-Pacific in Hong Kong in December.

Meanwhile, Patrick Lucas, Head of the Airport Business Analytics Unit within the ACI Economics Department has been appointed the new Director of Economics at ACI World, effective 2 December.

**PAX +3.6% IN 6M**

ACI World Director General Angela Gittens then presented delegates with an analysis of key global passenger traffic indicators.

Drawing on data from the World Annual Airport Traffic Report (WATR) 2019, Gittens said global passenger traffic rose by 6.4% in 2018 to 8.8 billion, and by 3.6% in June year-to-date.

“While international passenger traffic remains the main driver for growth in 2019, the global economic slowdown has slowed overall growth levels,” she outlined.

Regionally, Asia Pacific exhibited meagre growth (+1.9%) in June year-to-date versus Europe (+4.3%), Latin America-Caribbean (+5.5%), the Middle East (+2.5%), North America (+3.9%) and Africa (+7.1%).

Referencing the latest ACI Annual World Airport Traffic Forecasts, Gittens said global passenger traffic
demand is tipped to double by 2037 based on a projected growth rate of +3.8% a year.

ACI forecasts that airports located in emerging and developing economies will account for 50% of passenger traffic by 2024 and handle 1.4 times as much traffic by 2040.

Globally, Asia Pacific is expected to handle half of global growth over the next 22 years.

“The exponential growth of air service demand promises more jobs, higher GDPs, and a wealth of social benefit, not to mention a more connected world. This will only be possible, however, if we make the necessary preparations in the short term—2040 is not far from now.”

Non-aeronautical revenues remain a crucial artery for global airports as aeronautical incomes on average do not cover fully the capital costs associated with operations, indicated Gittens.

“Worldwide, retail concessions remain the leading source of non-aeronautical revenue for airports, representing over 30% of the total, growing by 10.1% in 2017,” she said.

Alluding to the changing discourse in airports’ commercial activity, Gittens says the so-called ‘phygital’ experience is a natural by-product of the digital and physical convergence taking place across global aviation.

“From the viewpoint of the passenger, predominantly millennials and generation Z, a phygital experience may mean a more personalised and individual experience, one that offers a seamless flow through the airport,” said Gittens.

There is a strong correlation between passenger satisfaction and non-aeronautical revenue development, Gittens continued, stating that on average a 1% increase in satisfaction results in a 1.5% lift in non-aeronautical income.

**UNTAPPED LOYALTY POINTS OPPORTUNITY**

Following the address and Q&A with HE Akbar Al Baker, attention shifted to a panel session entitled ‘The
The discussion featured Kian Gould, CEO and Founder of AOE; Chris Pok, CEO, Krisshop; and Lalitha Sivanaser, CEO, Ourshop (AirAsia) and spotlighted a number of issues related to inflight retail and ecommerce.

These included whether it is time to extend the ‘Trinity’ to airlines and what effect the development of onboard marketplaces of the likes of Singapore Airlines, AirAsia and Avianca means for conventional airport retailing.

Kicking off the discussion, Kian Gould of leading non-aviation revenue digitalisation specialist AOE painted a picture of a US$44bn aviation travel retail market that has been steadily declining in recent years.

With that in mind, the question of whether travel retail is growing in real terms via its main currency – spend per head – was raised in the context of a 30% rise in passengers against a 14% drop in SPH in the five years to 2018.

Notwithstanding that, the market continues to show promise, but is changing markedly in terms of distribution of sales by channel and region in favour of digital maturity, Gould explained.

He said operating in an airport or inflight environment accounts for approximately 25% of the potential to connect with passengers. Drawing on m1nd-set research, he said 81% of travel retail purchases are made in advance versus 19% on impulse.
Attendees to the opening cocktail were urged to ‘think pink’ in support of Breast Cancer Awareness Month.

Interestingly, he pointed to a reported $50bn balance in unused loyalty points that rest as debt liabilities on airline balance sheets.

“If you are looking at this $50bn loyalty potential using these points to buy travel retail; you are almost looking at doubling the entire travel retail market but very few have tapped into this properly,” he said.

As such, the ecommerce opportunity for airlines is being significantly under exploited and the power of data cannot be underestimated, Gould asserted.

Picking up the discussion was Chris Pok, CEO, Krisshop, which is Singapore Airlines’ reimagined ecommerce platform powered by AOE.

Pok says the advent of ecommerce has eroded cross-border pricing disparities, with the inflight sales business becoming tougher due to a perceived gap between sales and supply.

According to Pok, the firm’s modus operandi lies in being the partner of choice for premium, omni-channel retail services through excellence and innovation.

Discussing the dynamics of the Krisshop website and services, Pok says it will look to roll out a solution as early as next year.

The final presentation of the session was made by Lalitha Sivanaser, CEO of Air Asia’s ecommerce marketplace Ourshop.

She says Ourshop aims to be the ‘one-stop-shop’ for shop before you buy. It does this at present via two modes of fulfilment, pickup at airport or instore.

Sivanaser says since June/July, Ourshop has established itself as an independent entity, revealing to delegates that in 2018, Ourshop’s data revenue grew by 1,000%, superseded by growth in duty free shopping of +2,000%.

The average basket size is now 50-80% higher, with conversion rates 20-30% higher with 30-50% month-on-month growth in website traffic.

Ourshop boasts partnerships with the likes of Guardian, Regent Asia, Eraman, Plaza Bali Duty & Tax Free, Lagardère Travel Retail in Australia and Lotte Duty Free in Indonesia.
CONCESSION MODEL: FIT FOR PURPOSE?

In one of the standout panels of the day, a well-respected lineup comprising individuals from two leading travel retailers, an internationally acclaimed airport and the globe’s second largest wines and spirits company gave their views in a session entitled ‘Trinity Perspectives’.

These were Mohit Lal, Chairman and CEO, Pernod Ricard Global Travel Retail; Fraser Brown, Retail Director, London Heathrow Airport; Charles Chen, President, China Duty Free Group and Board Director at its parent company China International Travel Service; and Grant Fleming, Head of Strategic Development Asia, Lagardère Travel Retail and President of the Asia Pacific Travel Retail Association (APTRA).

Collectively, they addressed the following questions: Is the airport commercial model fit for purpose? How can it be modified while delivering satisfactory returns for stakeholders? What if the model was reinvented and what would that look like? What is the airport perspective and what do they want to see from the Trinity?

Pernod Ricard’s Lal asserted more travellers will continue to travel and fly, but if the travel retail market’s ecosystem wants to flourish and retain its vitality, it will need to adapt and change to survive.

Growth in the market has traditionally outpaced that of global GDP and that is set to continue doing so, Lal continued, but in doing he warned that it is the traveller that fuels entirely the viability of each and every government in this so-called travel retail ecosystem.

By standing still and not evolving, alternative models will emerge to challenge the viability of the industry by taking share away from it, he suggested.

“In the four years I have been here and in the conversations that one has... more in narrow corridors and closed rooms, it would appear that the health of the ecosystem is actually declining. If that is happening, when do we need to act?”
Lal emphasised the captive audience, retailer concentration, ‘vastly superior’ shopping experiences and travellers’ openness to spending as important USPs of travel retail.

“I see much more of the glass half full than the glass half empty,” he commented. “It is an arena guaranteed to see robust visitor growth and an arena where the perceived value of any brand is significantly higher [...] and an arena where the actual price you pay to buy the product is normally cheaper than anywhere else.”

He called on the Trinity to establish itself as year-round conversations – rather than an annual meeting – that culminates in conclusions through workgroups to identify issues that assess future opportunities.

“This is a high risk and high investment business and one way to eliminate high risk is to ensure you have higher duration of business existence,” said Lal. “The franchise model doesn’t allow high risk to convert into opportunity.

APTRA President Grant Fleming said the political turbulence in Hong Kong had resulted in a ‘big drop’ in sales, customers and penetration. However, the contribution from the Lagardère/CDF Duty Zero store, plus Lagardère Travel Retail’s circa 30 others spread across Hong Kong Airport are steady. In some cases, growth levels have actually increased.

“I often see retail likened to a factory. Why would you set up a best-in-class factory to produce best-in-class products, if you knew by the time you had it up and running and stable you would quickly need to allow someone else to build an identical one peddling the same products to the same set of consumers?”

He then questioned why the premium value of products available at airports isn’t producing maximum value for the concession ecosystem, primarily through the use of partnerships and data sharing. Governments also have a role to play in emphasising the competitive nature of their airports’ commercial
Heathrow Airport’s Retail Director Fraser Brown – the cover star of TRBusiness’ August issue – then delivered a succinct analysis based around four core questions: What, if anything, does the concept of Trinity mean for Heathrow? How does Heathrow see its role versus the traditional passive landlord approach of yesteryear? Where does the airport sit in the evolving world of digital shopping – self-disrupt or becoming a disruptee? And finally, how does Heathrow see its relationship with brands versus third-party retailers now and in the future?

He began by acknowledging that the debate often centres on the validity of the concession model, but stressed the importance of cooperation.

“If we work from the sub-optimal goal of designing things with a model in mind over an individual shareholder or stakeholder in mind, you get by definition sub-optimal answers.

“Our vision is grounded on delivering the best airport service in the world to 80 million people who come through Heathrow every single year, from different parts of the world, with different reasons of travelling, incomes and motivations and it is how we get the power of Trinity behind that – not discussing a business case. We need to start defining the Trinity around the passenger.”

Fraser Brown, Retail Director, Heathrow Airport (far left and on screen): “It is not about relationships, it’s about passengers: if you don’t get the right relationships you won’t have a business, but if you don’t serve the passenger with what they want, no matter how good the relationships, you are not going to be successful.”
He went on to state that the challenge facing airport retailers is so big, you cannot do it with one stakeholder.

“We do not see ourselves as rent collectors; as an airport operator, it is our role and responsibility to look after travellers, passengers and consumers of the ecosystem, ‘Team Heathrow’. We see ourselves as a consumer business.”

Brown said the airport achieves this via three signatures: Notice and care, share what we know, and make things better.

As ACI World’s Angela Gittens reminded delegates in an earlier session that worldwide retail concessions account for over 30% of total non-aeronautical revenues, Brown said Heathrow’s metrics are a lot higher, with non-aeronautical income accounting for approximately 42% of total revenue. Within that, shops and F&B only takes a 40% share.

While acknowledging the success of Terminal 2 and 5’s openings, Brown said it isn’t possible to simply ‘buy your way to better service’, in doing so referencing some of the airport’s success factors over the years. These include dwell time, exchange rates and Chinese pax growth.

The rise of online shopping remains a ‘threat’ and therefore it is important not to be complacent, he continued, using the example of failed US shopping malls.

“Those businesses that haven’t adapted have, very painfully for a number of shareholders, died.”

Obtaining the correct spacing for categories by redefining them and distinguishing the offer – by ranging and price - is important, said Brown.

In turn, strengthening relationships with brands and third party retailers not to mention advertising concessionaires is an fundamental component in achieving great digital and experiential, well-mapped space and good sku selections at the right price points.

“It is not about relationships, it’s about passengers: if you don’t get the right relationships you won’t have a business, but if you don’t serve the passenger with what they want, no matter how good the relationships, you are not going to be successful,” he concluded.
Kevin Roche, Global Retail Sector Leader delivered an interesting presentation arguing the case for design to be leading discussion at the boardroom table.

CDF is set to unleash its commercial offer at Beijing Daxing International in late November. As reported, the airport officially opened its doors in September.

Chen began by emphasising the growing volume of Chinese travellers worldwide and that the company aims to be the face of the Chinese traveller.

As informed members of the industry know, CDF has embarked on a meteoric rise in recent years, securing new duty free concession contracts inside and increasingly outside mainland China, notably at Hong Kong International Airport in a joint venture with Lagardère Travel Retail.

The company leaped from eighth position in the TRBusiness Top 10 Operators report in 2018 to fourth spot in 2019, accruing sales of US$5.2bn.

Asked about Hong Kong, the political turbulence of which has been – and continues to be – volatile hitting the downtown domestic retail market heavily, Chen chose to focus instead on the concession partnership with Lagardère Travel Retail, which he said has been strong this year. Penetration and ATV in the first half of 2019 has improved a lot, he added.

Fleming was asked the same question on the enduring Hong Kong situation and its impact specifically on retail commerce.

He said there had been a ‘big drop’ in sales, customers and penetration due to the political issues. However, the contribution from the Duty Zero store, plus Lagardère Travel Retail’s circa 30 others spread across Hong Kong Airport are steady. In some cases, growth levels have actually increased.

Meanwhile, Lagardère Travel Retail – like CDF – will feature a number of stores at the new Beijing Daxing International Airport.

Conversation then turned to the recent Singapore Changi Airport liquor and tobacco contract and why the tender only received three bidders – Shilla, Lotte and Heinemann. Lotte subsequently went on to win the contract.

Asked what influenced both retailers not to bid on the contract and whether it underpins a wider imbalance in the airport tender model, Chen said CDF does not typically comment on single airport bids. He stressed that the airports, brands and retailers are at the same table when things like this are negotiated.
He said CDF is obviously revenue-conscious and has a strategy that informs its reasons whether to bid or not.

**CDF’S ‘FUTURE INTEREST IN CHANGI AIRPORT’**

While CDF did not choose to lodge a bid for the Changi Airport concession on this occasion, Chen did not rule out making a move for future opportunities at the Asian hub.

Agreeing with Fraser, Chen said the onus should be on customers, but stressed that the concession system should be fair to ensure retailers are not losing out at the expense of brands’ profits, but more importantly suppling the best services to consumers.

As an example, the Beijing, Shanghai and even Hainan businesses have achieved growth this year of over +30% due to the great support CDF receives from the respective airports.

On the company specifically, Chen said it has created a new department called ‘New Travel Retail’ specialising in ecommerce and pre-order.

Responding to the same question on non-bidding for the Changi L&T contract, which as an anchor concession and sizeable jewel in the Asia Pacific airport commercial crown for any operator, received a noticeable lack of bids for an anchor concession this time round, Fleming said:

“We have to pick the right concessions to go for and at that point of time it wasn’t right for us to bid and we made that clear to Changi. We are still there and work very closely with them as a partner.”

On longer contract lengths, Lal suggested these can de-risk the business, resulting in greater competition bidding plus a longer contract period to recoup capex.
Guests to The Trinity Forum 2019 gala dinner were treated to sumptuous cuisine and Qatari hospitality at the Marsa Malaz Kempinski The Pearl - Doha hotel in a fitting end to the week’s business. A spectacular performance from US singer-songwriter Jason Derulo was a highlight of the evening.

Heathrow’s Brown said airports need to become more flexible and Heathrow is looking at what other concession models could look like.

“If we have a traditional model that relies on bricks, mortar and a 10-year deal, it traps everybody, not just the airport but the brand and retailer,” said Brown.

The day’s keynote and concluding presentation was given by Kevin Roche, Global Retail Sector Leader.

He examined the salience of design in the commercial planning process and why bricks and mortar still matters strongly in an age of perpetual digital evolution.

Roche’s entire career has spanned retail design, having spent 10 years with luxury conglomerate LVMH in cities such as Paris and Hong Kong.

Changi Jewel, which opened earlier this year, is a ‘gamechanger’ according to Roach.

Long gone are the days of ‘out-of-the-box’ departure halls, as travel and tourism now angles towards urban-resort style setups and lifestyle destinations.

Roach made the clear distinction between talking about sense of place and delivering it.

Creating a sense of ‘local wonder’ by intimately connecting airports to city centres is key, he said. “Terminals are taking their cues from a spectrum of lifestyle typologies,” he said.
Drawing on Allied Market Research’s prediction of US$125bn in global travel retail sales by 2023, Roche reminded delegates of the enormous potential of the market.

Drawing on an anecdote of meeting a traveller at an airport recently and where their share of wallet was headed, Roche said that it is no longer the case that the travel retailer can broadly consider itself to have a captive audience.

He presented La Samaritaine in Paris, which will open on 1 April 2020 and host DFS Group, and the Fondaco dei Tedeschi – also a DFS location – as some highlights of projects he has worked on.

He stressed why design really needs a seat at the boardroom table as a go-to, strategic resource in the same way as marketing, branding and operations disciplines. The future of transport is the way we change those experiences, he said.

“Good design is about making something intelligible and memorable; great design is making someone memorable and meaningful, when design is memorable and meaningful and experience is realised,” said Roche.

Working on airport bids, on the other hand, was not of enjoyment according to Roche, who said they are often counterintuitive to value creation.

Concluding, he said airports often talk the ‘experience’ game but do not necessarily keep up with the expectations.

“Don’t sacrifice experience for growth; drive growth from the quality of the total experience.”

Read a day two report from the Trinity Forum 2019 in the December edition of TRBusiness, available soon.