

CATEGORY INSIGHT

A Special Report on Confectionery & Food in Travel Retail

September 2020

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Changing appetites

Towards a new travel retail market in confectionery & fine foods

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Kinder Maxi T18 is a bar-shaped multipack containing 18 individually-wrapped Kinder Maxi 21g bars.



Dermot Davitt

Introduction

Welcome to this latest edition of Category Insight, our supplement series dedicated to travel retail's major categories. This time, we home in on the confectionery & fine food sector, with a view of the post-COVID-19 landscape through the eyes of leading retailers and suppliers.

For every category, questions about when consumers will travel again and what they will seek from travel retail once they do, are top of mind. So too how stores should be adapted and engagement planned to ensure any spend can be maximised. Crucially, all of that requires an industry acting in concert – a theme that is repeated by many players in the pages ahead.

Lagardère Travel Retail Global Duty Free Food Director Nicolas Blancho offers, we think, a important view of partnership in these unsettling times.

“Our role as a retailer is to have a complete offer with world-renowned brands and small local producers,” he says in an interview on page 5. “What is clear is that those who have a solid base will stand up better than others. This period has also allowed us to see that we could count on

our partners. Each of them, according to their size, has been supporting us through these challenging times.”

He adds: “A foie gras manufacturer told me that we were at his side during the avian flu crisis in 2017, which had a particular impact on this sector. He has not forgotten and is supporting us today. It is in difficult times that you recognise a good partner and despite the difficulties, you always find great stories.”

Telling great stories well is not easy right now, but it's clear that many companies in confectionery & fine food are working to do so by any means possible. For most, that means a heavier reliance on online exchanges with consumers, keeping the range simple and ensuring the category can somehow retain its reputation for theatre and fun.

That is all happening of course against a backdrop of fewer travellers and lower sales, with retailers taking logical steps to reduce their offers in the short term at least.

Aer Rianta International Global Head of Liquor, Tobacco, Confectionery & Souvenirs Paul Hunnisett eloquently lays out the thinking that he says will attract those consumers who are on the move for the months ahead (page 20).

“From a retail point of view, once the customers are in the store, they are looking for brands that they recognise, in areas that are easy to shop, with our staff on hand if required.

“What that essentially means is big brands placed prominently, and a good deal on those brands that they know and love. In times of uncertainty consumers are less willing to ‘take a chance’ on brands they are less familiar with.”

That means being tough on ranging and a plan to cut 20% of SKUs until the business returns, with campaigns around value and price-offs driving the category in the early phase of reopening.

Hunnisett also has some views on the role of discounting and multi-buys more generally in the sector, which ARI is aiming to wean itself off, he adds.

Added to these interviews that outline where the retailers are coming from, we feature a comprehensive review of brand owner opinion, about the impact of the pandemic, new ways to engage the traveller and how industry relationships should move forward (page 26).

Please enjoy this edition of Category Insight with our compliments.

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HERSHEY'S

To support communities during the COVID-19 crisis, The Hershey Company has donated millions to benefit safety net organizations, expanded its donation program to help healthcare organizations, and committed \$1 million to a new manufacturing line that will produce nearly 45,000 disposable face masks per day.

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Anticipating a new world for travel retail confectionery and fine foods

As the travel retail landscape undergoes a seismic shift amid the continuing COVID-19 crisis, how does the future look for the core categories in the channel from a brand owner and retailer point of view? In this special edition of Category Insight we assess how the confectionery & fine food sector might evolve, even against the backdrop of uncertainty about the timeline for recovery and with big questions about how consumers will react once they begin to travel again. We begin by speaking to Lagardère Travel Retail Global Duty Free Food Director **Nicolas Blancho** about how the French powerhouse retailer views the altered world of travel, and its strategy for one of its signature categories.

By **Dermot Davitt**.





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For travel retailers and brand owners, the challenge of COVID-19 has arguably been most acute in confectionery & fine food over recent months. The limited shelf life of most products and the economics of returning goods to source has meant that – without customers – alternative options for the players in the category have been limited.

Now that some travel has returned, moving what remains of that stock is driven by a discount-driven approach, one that may even entice shoppers back in this early phase.

Lagardère Travel Retail Global Duty Free Food Director Nicolas Blancho says the company has faced a “double challenge” in dealing with the crisis.

“We had to create more stop ratios to compensate for the drop in traffic and manage

overstocks generated by a sudden drop in sales,” he says. “For products such as food, return merchandise is not possible. On these low value-added products, multiplying transport is neither economical nor sustainable.

“We have therefore offered exceptional discounts to our passengers. There are really good deals to be made at the moment in duty free. It’s also a way to reward our loyal customers and create a bond during this special period.”

Finding solutions for the category remains high on the agenda for management in the duty free team. After all, confectionery & fine food represents more than 16% of the core business. After fragrances it is the leading category by value alongside wines & spirits, which has a similar market share. Within this, confectionery accounts for 8.5% and gastronomy products 7.5% of the global mix,



Nicolas Blancho:
Delivering deals and encouraging the consumer into the space

Highlighting the attractions of France at Lyon Airport



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although in some markets, including France, the latter is closer to 10%.

The wider strategy for confectionery & fine food remains in place, though it will be implemented differently according to COVID-19 regulations.

Blanco says: “The core element of the strategy for confectionery is still to ‘lead on leaders’. This implies highlighting the top sellers, giving them a preferential place in the shelf space and being perfectly positioned in terms of price.

“At the same time, we want to develop ‘golden nuggets’. We are developing new sub-categories like biscuits, healthy food and impulse snacking. We believe those categories will drive the growth of our categories in the coming years.

“Finally, we want to develop new consumer

experiences. Airports are unusual places to shop. It is normal that shops are also different. In confectionery, we do this by rolling out brand concepts such as Lindt Pick&Mix, M&M’s corners, Valrhona corners and very soon Kinder Pick&Mix.

“In fine food, we highlight the gastronomy of the countries through strong concepts and thanks to strictly selected partnerships. In Paris, we are developing a new concept with world-renowned actors of French gastronomy such as Michelin-starred chefs or winners of

New consumer experiences and brand concepts will play their part in recovery (Lindt Pick & Mix pictured)

“In fine food, we highlight the gastronomy of the countries through strong concepts and thanks to strictly selected partnerships.”

Butlers

CHOCOLATE MASTERS, SINCE 1932



THE CAFÉ COLLECTION

the title of ‘meilleur ouvrier de France’ [a competition for craftspeople -Ed].”

He adds that the ‘DNA’ of the strategy is not in question but accepts of course that the retailer has to adapt to the new world of trading.

“Lagardère Travel Retail’s primary concern during this pandemic has been the safety of our employees and our customers. The organisation of our shops has therefore been modified to allow for the implementation of health and safety measures. Communication in shops gives priority to messages concerning barrier gestures [space and social distancing -Ed]. The events and tasting sessions have obviously undergone major changes, but we have been able to adapt to the new environment.”

But how does he see the crisis affecting brand owners and their appetite to invest in the channel? Might the costs of doing business in an uncertain period threaten the presence and visibility of smaller brands?

Blancho responds with an important message about partnership during tough times.

“Our role as a retailer is to have a complete offer with world-renowned brands and small local producers. What is clear is that those who have a solid base will stand up better than others. This period also allowed us to see that we could count on our partners. Each of them, according to their size, has been supporting us through these challenging times.

“A foie gras manufacturer told me that we were at his side during the avian flu crisis in 2017, which had a particular impact on this sector. He has not forgotten and is supporting us today. It is in difficult times that you recognise a good partner and despite the difficulties, you always find great stories.”

Telling those stories in new ways is part of the challenge and here, digital will play an even greater role in the future.

“For younger generations, digital is becoming increasingly important,” says Blanco. “We conduct more interactive experiences to catch our passengers’ attention. Millennials also

“We have seen that we could count on our partners.” Global and regional brands have backed the retailer amid this tough period, says Blanco



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represent a big share of our customer base, so we need to be in line with their needs. Selfie, photo booths and 3D printing are part of our promotional plan and we are going to see more of this developed in travel retail.”

There is also room for new segments and formats as the business evolves in this period and beyond, he adds.

“For several years, we have been seeing double-digit growth in snacking products. Their success can be explained by their affordability and their merchandising positioning in the ‘hot’ zone. Exclusive and pack destinations remain a must for travel retail and their share will probably increase further. We want our brand partners to develop specific

products for us, to give our customers an additional advantage to travel and to enter our shops.

“In terms of concept, we also plan to develop the customer experience. That means more fun for confectionery which has to [break new boundaries] and more authenticity and heritage concerning fine food.”

As noted above, that will also take shape through an evolved product mix. This will change in line with consumer needs and habits. And while indulgence products will always have their place, so too must the industry anticipate a rise in the share of health-related goods.

“In recent years, well-being and healthy eating

Power displays from power brands remain a core element in attracting shoppers, says the retailer



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have gained growing interest,” says Blancho. “Some recent food scandals have only accelerated this awareness. More and more consumers have decided to adopt a healthier, more responsible and more ethical lifestyle.

“A study shows that 57% of consumers believe they have already made this shift in their lifestyle by adopting a healthier diet. Travellers are willing to change most of their eating habits and they must find the appropriate food

offering everywhere, even on holiday or on a business trip.”

Another key feature, indeed a core pillar of the Lagardère Travel Retail offer for many years, is localisation, under its ‘Here and Nowhere else’ mantra. Building Sense of Place into the range will remain vital, says Blancho, and investment here helps to create points of difference that airports and consumers increasingly demand.

Travel retail must avoid, where possible, direct comparison with other trading channels, making localisation even more critical

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Loacker

“We always respond to our landlords’ demands for specificity, even if this prevents us from globalising and achieving certain economies of scale. This is important and complex work, but we are convinced that customers are sensitive to the fact that they do not find the same offer everywhere. It is thanks to this strategy that we have renewed our operation at Prague Airport with a strong presence of local products, including even private label on food products.

“In all the tenders we are involved in, we take special care of these two product families. We want to continue to dynamise those categories in our network especially where the categories are part of the historical culture of the country because it makes sense for the consumer also as a souvenir.

“Sense of Place is set to play an increasingly important role. A recent NDP study indicated that the ability to find well-known brands is one of the main reasons for buying in duty free

“The stakes revolve around three points: the products, the shop and going beyond self-service.”

but at the same time, our customers on the move appreciate the opportunity to bring home a small piece of the country they visited.”

As the global crisis continues, is there an opportunity for the category, we ask? What are the core principles upon which growth can be built? Summing up the category’s prospects, Blancho replies:

“The stakes revolve around three points: the products, the shop and going beyond self-service.

“Regarding products, we must guarantee that these are different and exclusive from a tactical point of view, to avoid direct comparison with

The Belgian Chocolate House at Brussels Airport: An expression of a country through its chocolate offer





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the big chains in the domestic market. This is especially important from a shopper's point of view. Travelling implies a different buying behaviour. It is an opportunity for us as a retailer and at the same time the traveller expects to be surprised and astonished, and it is our responsibility to respond to this. Manufacturers also have a great responsibility in making their product compositions evolve towards more natural formulations and towards ethical and responsible production.

“Reinventing the point of sale is also a challenge. If the confectionery area must be playful, unforgettable and ‘instagrammable’, the fine food area must offer a gastronomic experience that combines artisans with the taste of the past and the present, with story telling

and the guarantee of quality as central points.

“Finally, a basic self-service concept must be modular, according to the configuration and potential of the point of sale. The borders between retail and restaurant have never been so porous. Snack corners and other forms of catering are developing within and at the initiative of classic retail chains. Many concepts, such as Eataly, allow customers to be treated in the same space, sitting in front of a plate and standing with their baskets in hand. The removal of these borders is in motion and this is what we will soon be opening at Paris Charles de Gaulle Airport.

“Travel retail is often called the sixth continent. It is normal to find products and shopping conditions like nowhere else.” 🇨🇭

A celebration of Switzerland in confectionery & fine food at Geneva Airport

Refocusing the range



Aer Rianta International (ARI) Global Head of Liquor, Tobacco, Confectionery & Souvenirs Paul Hunnisett talks about the strategy for confectionery & food across the retailer's estate. By Dermot Davitt.



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Narrowing the range, focusing on the most recognised brands and rethinking the value offer: these are some of the tools that Aer Rianta International (ARI) is using to drive its confectionery & fine food offer in the reopening phase amid the COVID-19 crisis.

ARI Global Head of Liquor, Tobacco, Confectionery & Souvenirs Paul Hunnisett says: “We undertook a lot of research into what customers wanted to see in our stores. The first thing they asked for was reassurance from a health and hygiene point of view. We have done that well and consistently across our stores and airports. Then from a retail point of view, once they are in the store, they were looking for brands that they recognise, in areas that are easy to shop, with our staff on hand if required.

“What that essentially means is big brands placed prominently, and a good deal on those brands that they know and love. In times of uncertainty consumers are less willing to ‘take a

chance’ on brands they are less familiar with,” says Hunnisett.

The retailer has taken a similar view of its category strategy across confectionery and wines & spirits, each overseen by Hunnisett’s team. “It is about the big brands at the store front, and being tough on ranging. We are looking to cut about 20% of SKUs across each of these categories.”

Value messaging and price-off mechanics are vital factors to encourage spend among the travellers who are coming through today.

“Our comeback plan was all about single unit sales,” says Hunnisett. “Rather than 3 for 2 we have single unit deals, where you can save 33%, 50% or 75%. Unsurprisingly, the closer to expiration date you get, the deeper the discount. We always think of multi-purchase in confectionery, but at -75% or -50%, you get those multi-buys anyway as you are tempting the customer. They can still make their saving and are encouraged to buy more.”



Paul Hunnisett:
Tailoring the range to today’s consumer needs

Seizing the attention:
The value message is being heavily promoted across the ARI estate (The Loop at Montreal Airport pictured)



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Even before the crisis, ARI had been examining the true value of the discounted, multi-buy approach to confectionery, which is such a staple of the category.

“We were reviewing our promotional strategy on food & confectionery and were concerned that we had become very reliant on multi-buys and price-off deals. Will these play the same role in future, especially with concerns about obesity? It’s a question of how we sell confectionery, and even whether change will be forced upon us.

“Like other retailers, we had way too many mechanics and it got quite complex. We are stripping that back and are doing it quickly.

“We have learned that even if you give people savings on one item, they will make their own decision to multi buy, without it being forced upon them.”

Another driver of the business, especially in Ireland (but also in partnerships with artisans in other places, including the updated destination offer in Cyprus), is local products.

“Sense of Place remains very important here, with Butlers, Lir and Lily O’Briens. They are vital. They will remain so, as will dynamics such as health and wellbeing. The comeback plan has proved successful, with high levels of penetration, healthy conversion to purchase and strong ATVs. We aim to continue that.” 🇨🇵

Local flavour: Fine foods to the fore at the new Larnaca Airport store



COVID-19, consumer the challenge of

In this comprehensive round-up of supplier opinion from the confectionery & fine food category, we hear about the impact of the pandemic on brand owners, we get their views on how to better engage consumers in the new world of travel and ask how industry relationships should evolve post-crisis. By Dermot Davitt.



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Q What are the major priorities for your brand/company today amid the COVID-19 crisis? How are you preparing for life after the crisis eases?

The Hershey Company General Manager, World Travel Retail Steve Bentz: The primary concern for The Hershey Company during the COVID-19 crisis has been the health and safety of our employees. As a critical part of the food supply, we've worked diligently to protect our employees to enable them to keep Hershey brands that US consumers love available and on the shelf.

During this time more people are staying home and treating themselves at home, and Hershey brands are some of the top brands in the US market and in great demand right now. From the travel retail perspective we are preparing for life after the crisis by staying connected to our retail partners now, working with them to develop promotional plans and products that will help bring travellers back into their stores to shop when travel returns. With the outlook for travel to return to 2019 levels in 2024 we are planning on a slow recovery but making sure we have all the tools needed to make it a successful recovery when the time comes.

Loacker Head of Duty Free & Travel Retail Juan Miguel Cabrera: Unfortunately some of the steps to follow will be affected by external factors such as flying restrictions, social restrictions and recommendations, fear and diversified travel policies.

We try to bear with our partners step by step, adapting to their needs. Ambition should take second place; now is the time to be creative, communicative and humble.

Korea Ginseng Corp New Business Team Leader Seri Park: Coronavirus has made people more concerned about human infection by disease caused by wild animals and livestock. There is a reluctance to use animal ingredients compared to before, while the health food industry has also seen a growing interest in and preference for plant ingredients.

This can be a huge opportunity for the Korea Ginseng Corp (KGC). In preparing for after the

Nestlé International Travel Retail General Manager Stewart Dryburgh: There are many factors – not least the development of a tested vaccine. We have seen already that the lifting of travel bans saw a flow of travellers heading overseas for their summer vacations, though this has had its own problems with governments then reimposing quarantine for arrivals from an increasing number of countries. This is having a major impact on the recovery of travel. Alongside this, consumer confidence in the safety of travel has been severely dented and while we can see airports making sterling efforts to reassure passengers, this has been less evident with some airlines. The situation is further impacted by the short to mid-term negative impact on global economies – the effects of which we are only just beginning to feel.

Despite all this, there is some encouraging news. We've seen that consumers are willing to fly again internationally when they are free to do so. The latest mInd-set research has indicated that the great majority of travellers will visit airport shops when they next fly. We remain confident that, in time, passenger numbers will recover and we will be ready to meet the needs of our future customers with an exciting and relevant portfolio.



virus, KGC is actively considering entering new countries and duty free shops. The duty free industry is on the path to a recession in the short term but once it survives this period, it is likely to enter another period of growth. As non-face-to-face purchases are increasing, the industry needs to develop online or mobile platforms and services.

Ritter Sport Managing Director Global Travel Retail Jan Pasold: [We must] solve the stock situation and BBD issues as well as all other financial-related topics in a cooperative way with the retailers. [We should] use the time for organisational and internal topics and rethink the business in terms of collaboration with the trade, engaging with consumers and shoppers, assortment and activities.

Fauchon Global Travel Retail Director Alexandre Antuszewicz: The priority has been to manage our supply chain and ensure that our stock level is properly managed. This leads us to streamline our assortment and focus on our best-selling categories. In this context, our new self-service macaroon refrigerated display is more than ever a concept we want to develop. It meets most retailers' needs to sell fresh

macaroons, which is our absolute bestselling item. It has a minimum floor staff occupation, it doesn't require staff to serve customers, it is highly visible and appealing and ultimately creates a high differentiation in duty free stores. The first roll out – before the COVID-19 crisis – of this offer at Aelia Duty Free in Gare du Nord Eurostar station was very successful.

Mars Wrigley International Travel Retail Category Director Raghav Rekhi (For Mars, Incorporated): In the face of COVID-19, our priority has been to do everything in our power to protect the health and wellbeing of Mars Associates. At the same time, associates across Mars stepped up to do our part to flatten the infection curve and safely continue to provide the products and services that our consumers count on. In the broader community, we also made a difference through our collective donations of cash and products that totalled over US\$20 million.

Beyond the near-term implications of COVID-19, we have not lost sight of the future we want to build for ourselves, society and the planet. Chronic issues of climate change, plastics, an economy that is leaving people behind and systemic racial injustice which has surfaced so glaringly must be addressed, and we're committed to doing our part.

(For Mars Wrigley ITR): In addition to the above, specifically for our travel retail channel we made available a tight range of power SKUs representing the highest selling products from Mars Wrigley International Travel Retail. That has given retailers an opportunity to sell



through existing stock while only ordering items that will sell fast, regenerating revenue as quickly as possible.

We have always been focused on putting the traveller at the heart of what we do to create better moments. This is more important now than it ever has been. Currently, we are also working hard on building an exciting, consumer-focused plan for 2021 to support the recovery of our channel and drive category conversion with returning travellers using the insights we have gained on post-COVID traveller needs. That means enabling safe and fast purchase decisions on shop floor, all with a



Butlers Chocolates Marketing Director Aisling Walsh: Once the environment for people to travel becomes more positive, we are optimistic in terms of confectionery making a strong recovery. Confectionery falls into a safe and acceptable gift space for most people and tends to be relatively affordable compared to other categories in airports. So even in times of recession

where customers are monitoring their spending on luxury items, premium confectionery can fill the need for a luxury gift at a relatively inexpensive price point.



selective range of relevant new items to better answer traveller needs, which will help the category to recover.

Finally, many travellers will be longing for the excitement and fun our channel is famous for. Through M&M'S immersive display, we will continue to bring this fun to shop floors.

Cloetta Senior Global Travel Retail Manager Berend-Jan van Egmond: Like most of us in the industry, the pandemic is affecting our travel retail business tremendously. Cloetta Global Travel Retail started its business in 2019 with the aim for global expansion in the travel

retail & duty free industry (as we already have a fantastic market position in travel retail in Scandinavia with our domestic market shares).

The strategy for our global distribution is and remains to work with strong global and regional partners, and to make sure we are available and visible everywhere. 2019 was a fantastic start of our global journey, and we welcomed many new partners with whom we continue to grow our global presence.

Most of the biggest global retailers are onboard, and we have been very successful in Asia Pacific and Middle East, which is a result of strong

Creating a sense of theatre and fun will still be vital for the category in the recovery phase, say brand owners (DR Group at KLIA pictured)

partnerships with our regional distributors.

2020 should have been the year to further expand our global presence, following the good work we did in 2019. Many big plans were in place to really increase our global business, but unfortunately the pandemic has delayed those plans.

Today, our priorities are to make sure we are

completely ready for the restart of our global journey once the industry starts to recover again. This includes another critical look at our travel retail portfolio (to be in line with consumer needs), ensure our display strategy is in line with retailer expectations, and of course to stay frequently in touch with our business partners. As an industry, we need to overcome this crisis together.

Retailers are focusing on big brand names, prominently positioned (Delhi Duty Free pictured)



Toms Group Travel Retail Director Peter

Dige: We try to minimise the investment level to fit the new world of travelling. We have lost a lot of business and try to make sure that our biggest launch with six new Anthon Berg/Baileys products in travel retail doesn't drown in the upset of the travel retail business. We are not waiting, but trying to build our cooperation with our customers in this critical situation.

**Leonidas Global Account Manager Travel Retail Nelly Sannwald:**

Leonidas is taking the long view as we believe that the recovery of our business from the effects of the pandemic is likely to be a gradual process. We have completed a comprehensive review of our operation and made economies where necessary. Some of the decisions we have had to make have been extremely painful, such as re-prioritising some projects or restructuring of certain teams and departments. These were essential for survival. We are working closely with our key partners on a daily basis to find long-term solutions where both sides make concessions to establish a sustainable business model.



Q In your view, what major factors will determine the shape and length of recovery in travel retail and in particular confectionery & food?

Ferrero Travel Market General Manager Sergio

Salvagno: As confectionery is the most universal and affordable category with the highest conversion rate, it is likely to be in a better position to recover than some other categories.

Since the outbreak of COVID-19 we have been gathering data on changing shopper behaviour and finding less willingness to experiment, and greater importance being attached to well-known international brands. We believe our brands' strong equity and awareness can be leveraged.

Rigo Trading Head of Marketing Travel Retail

Elisa Fontana: Consumer confidence has taken a terrible hit over the last six months. The major factor in our industry's recovery is passenger journeys but even once people start to travel again, we expect them to be cautious. Recovery will depend on how well airports and retailers route people through retail areas, and how effectively products are displayed and promoted. We have to be clever about the way shoppers are invited to sample too in order to boost their confidence and their enjoyment of travel.

Alexandre Antuszewicz (Fauchon): I believe travel retail's overall capture rate and average



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spend will remain pretty much unchanged (even though retailer promotional efforts to clean stocks will have an impact on the margins and on the general store appeal). Therefore it will all depend on the number of passengers that will be back flying in the coming months. This is obviously the main question and one that is still very complicated.

What we can say for now is that travel retail today relies mainly on domestic traffic or short/medium haul flight traffic (for instance, within the EU) and that international travel between the three main regions that historically drive air traffic growth – North America, Europe and Asia – is still very limited. This means that international airports will suffer more than the ones mainly driven by domestic flights. This also means that some categories might recover faster, such as convenience or electronics for instance.

Confectionery & food is purchased by all types of customers and, in this context is still a key element to create impulse purchases even though it is not the category that triggers most revenues for retailers. That being said the category's recovery depends – and that is the same issue for everyone – on the overall passenger evolution.

Peter Dige (Toms Group): With a cure in Q2 2021 we believe that we will be back on track in 2023. The pattern we see right now in the shop is that spending in some cases is increasing, but we need the passenger figures to increase.

Ricola Vice President Region Middle East and Travel Retail Andreas Reckart: Business in travel retail is obviously directly proportional to the number of people travelling. So if you leave aside all the travel restrictions that have been put in place by governments across the world, and which depend on the success of the respective COVID-19 containment policies, confidence among those who are eligible and able to travel is the key factor.

Airlines, airports and retailers in general are doing their utmost to ensure a safe travel environment and this has already resulted in improving traffic numbers. To continue this trend, a strict adherence to the safety measures put in place is required, coupled with an

Mondelez World Travel Retail Managing Director Jaya Singh: There remains a high level of uncertainty and the world around us is changing every day. We are prepared for a number of scenarios for recovery of the channel and our category. Thus, we can control our speed and quality of response to changes and seize opportunities when and where they arise. We are in close and regular contact with our retail partners and we are constantly scanning the horizon for opportunities.



Our latest insights and experience from domestic markets tell us that, as international travel resumes, travellers will be looking for brands they love, products they know and value they appreciate. Our plans and key principles for the recovery endorse these learnings as well as the uncertainty. We put high emphasis on insights and empirical experience to allow us to adapt and respond to any further evidence of how travellers' willingness or ability to shop has been affected.

'over-communication' of what is being done. This will ultimately convince people to travel and shop again.

Raghav Rekhi (Mars): Besides the obvious factors, such as how the pandemic evolves, restrictions on international travel, and economic recovery, all of which none of us can influence, there is an important role to play for us in the category. We should listen to the consumer more than we ever have, to focus on what their needs are and why they buy in our category. COVID-19 has accelerated some of the trends in consumer behaviour. By focusing on key insights we can accelerate conversion, and doing this successfully can support the recovery of the channel and category.

Berend-Jan van Egmond (Cloetta): For travel retail in general, two factors play a significant role: consumer confidence and foreign travel advice by governments.

For confectionery in particular, we know that, historically, the market has been relatively mildly affected by economic downturns. This is particular true for Cloetta's strong leading local brands.

With up to 80% of purchasing decisions made at the point of sale, brand, availability and product placement are significant success



Steve Bentz (Hershey): We believe the major factor determining the length and shape of the recovery is tied to how soon passengers will return to air travel and that will happen when they believe the spread of the virus is under control and feel safe and secure with the safety procedures put in place by the airlines.

Most consumers are willing to travel again by air once international travel bans are lifted and duty free shopping [should] be the least impacted activity at the airport. We are confident in the important role the category will play in recovery for retailers and driving footfall and conversion post-COVID. When customers begin to travel, they will again look to meet personal occasions/needs while looking for unique products and good value within the confectionery & food category.

factors. Having said that, it is likely that confectionery as a category is in a good position to bounce back, and it will be linked to the complete industry recovery.

Nelly Sannwald (Leonidas): Passenger traffic is, of course, the major factor in the recovery of the channel, closely followed by consumer confidence. The nervous, stressed passenger who is wary of personal contact does not make a happy shopper. Until passenger numbers recover to pre-pandemic levels, which will probably take a couple of years, we would not expect to see sales bounce back to the heights we were experiencing in 2019. That said, confectionery is known for its great potential to drive footfall and increase baskets, so it is likely to be leading the recovery. With an increased focus on the recovery in Europe, Leonidas represents a great fit for this more local shopper profile, which is being recognised by our partners.



Jan Pasold (Ritter Sport): Factors include the behaviour of governments; bilateral and multilateral agreements for travel bubbles and higher testing capacity, a vaccine or medication. Travellers must gain new confidence through reliability and health security measures. [We must] attract customers to come into the shop (with pre-trip touchpoints and engagement) and offer an environment of 'safe' shopping.

Q How do you think the channel should engage differently with travelling consumers to ensure a sustained recovery?

Sergio Salvagno (Ferrero): The digital trend was already evident pre-COVID-19 and was intensified by the lockdown. We expect the speed of change to increase and we need to be geared up for it.

We need to find alternative consumer 'touchpoints' – which do not involve touching! The current situation could also force the industry to address one challenge it faces, namely the under-utilisation of digital media. Ferrero is, in fact, testing a travel retail dedicated section on our global brand websites to raise the awareness of the exclusive offers available in the channel, and so boost planned purchases.

With shopping behaviour impacted by concerns over COVID-19, we see an opportunity to boost ecommerce with pre-purchase before arrival at the airport. This could also be a key trigger to drive traffic into the stores to address another challenge faced by the industry, namely low penetration.

Steve Bentz (Hershey): It will be critical for retailers to implement protocols at retail to ensure the travelling consumer feels safe and secure in their retail locations. We've tackled the same challenges recently in our own Hershey Chocolate World retail locations with great success. We will draw from these internal practices as they evolve, share those with our retail partners and see if we can identify common ground to overcome this challenge going forward.

A trend we are seeing exploding across channels is ecommerce, which allows consumers to browse, shop, and collect their goods easily during travel. It is critical in the digital retail space that we implement the same category drivers and discipline that we do at regular retail. Our travel retail category drivers include:

Ease of shop: Be Found – Win at Search on the Shelf through keywords for search, site navigation, and predictive search;

Unlocking occasions: Item availability (in stock), full portfolio offering, product name and attributes are correct (gifting, travel retail exclusives, gluten free, etc);

Maximising impulse: cross category feature, basket recommendations, checkout add-on feature;

Captivating shoppers: Enhanced content (marketing videos, extended visuals by item (unwrapped, lifestyle/usage occasion);

We have begun working with retail operators leveraging the insights and expertise of The Hershey Company ecommerce division to help bring best demonstrated practices and guidance to win with consumers in the digital retail landscape.

Jaya Singh (Mondelez): We will need to retain the channel's distinctive nature through shopping experiences that are unique to travel retail to ensure we emerge stronger in the long term. However, we also need to reflect the changes in consumers' reality, experiences and concerns that will influence their value perception. Value perception is highly complex and it goes beyond pricing; there are aspects to propositions that have gained importance either by responding to changing needs or addressing consumers' concerns.

Snacking has already been an important part of consumers' lives: six in ten adults worldwide prefer to eat many small meals throughout the day. Airports are a perfect environment for snacking considering the time spent out of home while travelling. Furthermore, it is playing an even bigger role with travellers now due to limited convenience and access to food services as a result of safety measures and restrictions. Mondelez International is one of the world's largest snacks companies with the mission to lead the future of snacking by offering the right snack, for the right moment, made the right way. Leveraging the company's experience, products and innovation pipeline, we have set off on a journey to meeting all snacking needs in travel retail with a comprehensive portfolio in 2021.

Consumers are increasingly concerned about

the environment. Sustainability is an important topic for many consumers and their concerns have only been further pronounced following recent developments. TFWA's recent survey also established that sustainability credentials influence the purchase decisions of the majority (71%) of travellers. At Mondelez International, we take sustainability very seriously and travellers will see a number of innovations in the short- and long-term that reflect our commitment to the topic.

Through upcoming product redesigns, we will put more emphasis on the communication of our achievements in this domain and make the credentials that many of the travellers (48%) are proactively looking for while shopping more explicit: 99% of our travel retail chocolate product portfolio uses cocoa that is sourced sustainably through our Cocoa Life programme. In addition, the majority (93.3%) of our packaging is already designed to be recyclable, whereas Toblerone has already achieved the 100% recyclability target. We will make sure these benefits become more familiar to travellers to improve their value perception.

Elisa Fontana (Rigo Trading): Firstly, the confectionery category has the advantage of attractive, fun products which invite people to enter the store so they should certainly be given more prominence in retail areas than was the case in the past. Secondly, we will have to rely on digital screens and QR codes to interact with

Raghav Rekhi (Mars): In general, we should ensure we are selling to travellers what they want, in the way they want it. That is why during the crisis, we made available a tight range of power SKUs representing the highest selling products from Mars Wrigley International Travel Retail. And although we will be building on that as travellers return, our future range will be more supportive of driving category performance, continuing to meet changing traveller needs in the new retail landscape.

We have the insights that the demand profile of travellers is changing. Engaging them will therefore be different as well. The keys to conversion will be: value for all, simple portfolio and fun.





Activations and promotions will change but can still be made to be compelling, say suppliers

shoppers through their handheld devices to stimulate sales. Thirdly, marketing campaigns will have to evolve to leverage the power of the internet and social media, the very channels which became lifelines during lockdown.

Juan Miguel Cabrera (Loacker): The channel has overcome many difficult situations in the past. We should focus now on what we need to offer very simply. Be emotional, be realistic, and offer new solutions like we see in China with downtown duty free shops or by activating arrivals shops in the EU.

Nelly Sannwald (Leonidas): Client engagement campaigns such as tastings have proved their efficacy in the past in the travel retail channel

but they are unlikely to be permitted in the same style for the foreseeable future so we must find alternative ways of engaging our consumer. Video walls could be one part of the solution to allow eye-catching activations in a digital format with social media engagement while respecting social distancing requirements.

As the world returns to something near normal, celebrating reunions with family and friends will be particularly important. Leonidas is perfectly suited to celebrate those special moments and we have therefore rolled out our campaign 'bringing back the smiles' where possible.

Aisling Walsh (Butlers): As sampling is not an option at the moment, the channel will naturally



have to engage differently with travelling consumers. So great merchandising, well thought out and clear ranging, clarity in messaging and compelling offers will all be critically important. For confectionery, seasonality can play a role in driving sales – not necessarily by adding seasonal lines but by way of great communications and smart merchandising using core lines in store all year round.

Jan Pasold (Ritter Sport): [We should engage by] getting in touch with the travellers before starting the travel and with attractive online shopping before the trip to drive footfall, conversion and basket size in 'physical' shops while at the airport. [We need] more online communication with travellers and more digital activities at the POS.

Alexandre Antuszewicz (Fauchon): [We should] modify the retail mix to create more differentiation and excitement among passengers that – for now – have a higher percentage of frequent flyers and do not want to see the same assortments and products every time they take a plane.



[We must] set up a real digital transformation in the travel retail industry, where click & collect and home delivery are not just words but an operational reality on a large scale. Integrating the digital paradigm will probably require a deep transformation of stores' layouts and processes: less storage, less cashier desks and more experiential spaces. Ultimately also, how can we share and leverage data between airports, airlines, retailers and brands?

Andreas Reckart (Ricola): More than ever it's essential to understand consumers. A one-size-fits-all approach never delivered exceptional results, and it certainly would be disastrous in the current situation.

There is a broad spectrum of people travelling in the modern world – on one side of the extreme people are still very scared and would like to avoid any interaction during travel. On the other hand some people are already back in the pre-COVID mindset and expect exceptional engagement. Obviously, there is not only black and white, there's also a lot of grey in the middle.

So it's important we understand what's on consumers' minds and be prepared to deliver on their expectations, obviously to the extent restrictions permit. This will then ensure a sustained recovery.

Stewart Dryburgh (Nestlé): First and foremost, consumers will need to feel safe when they enter any retail environment within the airport. The role of sales staff/brand ambassadors is one area, for example, where particular caution will need to be taken. Critical will be the actions we take to entice the traveller back into the shops, including competitive pricing, activations and promotions.

We must also be highly aware of the increased importance of digital engagement and ecommerce with more travellers wanting to

pre-order online. This is something that airports and retailers need to lead but with the support and involvement of brands.

There will certainly be opportunities present and NITR will continue to work with retailers to identify and exploit these with speed, tapping into the unique portfolio and deep category knowledge that Nestlé group has to offer.

Berend-Jan van Egmond (Cloetta): As a channel we are all responsible for a sustained recovery. It is all about good, clear, consistent and repeated communication about the safety measures that are taken, in a way that travellers will have the confidence to travel again. It will require initiatives to join forces as an industry to communicate it widely to consumers. Nevertheless, it also very much depends on foreign travel advice by governments. As such, it also requires good connection and partnerships with local and international governments to align on this.

Peter Dige (Toms Group): The passengers have to get the right feeling of safety and we as an industry have to make sure that we take all the necessary preparations towards the experience that our customers is getting.

Q Is this the opportunity to ensure industry relationships also evolve? How would you like to see that take shape?

Jaya Singh (Mondelez): For the foreseeable future, agility, adaptability and cooperation

Andreas Reckart (Ricola): There are always opportunities to evolve industry relations; obviously there is less pressure when everything goes well, while during a crisis all the fault lines become obvious and the pressure to find solutions rises.

For many years there have been talks about the unsustainable business model that many businesses in travel retail operate under, and a lot of lip service has been paid to Trinity initiatives, whose objective was to change things overall. I'm a bit sceptical as to whether this crisis will actually bring a real improvement. I hope so and look forward to a closer and more equal collaboration between airports, airlines, retailers and brands.



will remain important as consumer needs keep evolving. We need to stay in close and regular contact with our industry partners and keep scanning the horizon for opportunities together.

The convergence between the needs of the consumer, retailers, landlords and brands is clear, and we need to collaborate to find the optimal balance for all stakeholders. We're on the road of recovery to emerge #StrongerTogether, and at Mondelez WTR, we are dedicated to 'Delighting Travelers' along the way.

Aisling Walsh (Butlers): Relationships are more important than ever with the sense that we are all in this together. The absence of face to face meetings makes the opportunity to strengthen relationships all the more challenging though. Email and Zoom, while handy, are no substitute for in-person meetings. The fact that this is a challenging time for all parties, not just suppliers or retailers, is inevitably going to facilitate closer working together. There has been a huge human loss to the industry which has been saddening and I think this sense of loss is felt by everyone. There is a sense out there of us all trying to get through this by working together and when we do, there will be a collective sigh of relief which will be celebrated by all parties.

Alexandre Antuszewicz (Fauchon): Once the stocks are cleaned out, which I believe is the priority for everyone in the industry, retailers and brands could find a way to be more audacious and agile together, with a fast paced test-and-learn approach to try new products and brands. It is a big challenge for all stakeholders to develop agile supply chain and purchase processes, but that ultimately would allow more autonomy to local stores or branches in their product selection.

Stewart Dryburgh (Nestlé): From a brand owner's perspective dramatic change creates immediate threats, but also significant new windows of opportunity. Even closer collaboration with our retail partners and key airports will allow us to share our collective knowledge and better exploit these opportunities.

Berend-Jan van Egmond (Cloetta): It is a mutual opportunity for everyone to make sure the industry recovers in a sustainable way. It requires joint initiatives to reach travelling consumers, and to convince them to travel again like they used to do.

Nelly Sannwald (Leonidas): Communication and collaboration between stakeholders have always been crucial to business success but now more than ever we need to work together to overcome the immense hurdles faced by the industry. Retailers may feel inclined to hunker down and focus on big multinational brands and traditional best-sellers, but that would be a short-sighted view of the travel retail ethos of choice, diversity and innovation.

At Leonidas we urge buyers to keep their offer interesting and exciting and not to focus solely on price cutting, extreme promotions and top-sellers – variety is the spice which will bring back the sparkle to the travel retail shop floors.

Raghav Rekhi (Mars): The nature and extent of the current crisis needs stakeholders from around the industry to work together towards a sustained recovery. This includes a commercial model that is mutually beneficial. So this is definitely an opportunity for industry relationships to also evolve and for the Trinity to come together to facilitate this evolution and thereby, a sustainable recovery for our industry.

Juan Miguel Cabrera (Loacker): Now the Trinity is more important than ever. Brands, retailers and landlords should find the best ways to take action as this crisis has affected all of us.

Jan Pasold (Ritter Sport): There is a great opportunity to change the way of working within the industry, between airports and retailers and brands. This crisis is showing that we are all in the same boat and that we all need each other. We have to rebuild the business together in a cooperative way. This means for example sharing much more data about travellers and shoppers with the brands, establishing new financial models in terms of investment.

We must work together on new business models with the shopper at the centre, to give

Elisa Fontana (Rigo Trading): If ever there was a time for a tripartite approach it is now. Retailers, landlords and brands need to be working together to devise retail layouts and strategies which will regenerate travel retail. The team at Haribo would be pleased to participate in consultative panels with the major retailers (online of course) to design retail strategy for confectionery going forward.



brands more permanent space for personalisation, communication and interaction with shoppers to tell brand stories.

Peter Dige (Toms Group): We should build our business on strong relationships and differentiate with travel retail exclusive products from what the local market is offering.

Sergio Salvagno (Ferrero): Ferrero Travel Market works hand in hand with trade partners all over the world and, as a major player in the confectionery sector, we enjoy considerable respect.

We are committed to using our influence to bolster the category as a whole, ensuring it has the space it needs and the prominence it deserves in order to secure an enjoyable retail experience for the shopper and a profitable future for all stakeholders.

To optimise the retail environment and maximise sales we need to offer the shopper what they are looking for in an environment which demonstrates the highest standards of safety and hygiene.

Steve Bentz (Hershey): There is always an opportunity to improve the dynamics of the industry relationships, with the impact of the COVID-19 crisis it seems even more critical than ever. These discussions can't wait until the next industry forum but need to take place on an ongoing basis now as retailers, brands and airport authorities all struggle to cope with the financial impact of the crisis. If the Trinity of partners can't find a way to address and resolve their issues the recovery and future of the duty free channel could be irrevocably damaged. 🇯🇲

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