

Conference report – plenary sessions - 2

18th May 2016

Navigating through change – maximising the opportunity and minimising the risk

Following TFWA president Erik Juul-Mortensen's welcoming address, Jaya Singh, president of the Asia Pacific Travel Retail Association took to the stage to outline how the industry should address the challenges it faces with insights and advocacy. He spoke of the importance of a co-ordinated approach and the essential need for the industry of the region to speak with one voice.

The Association's advocacy work, he explained, is centred around the representation of the industry's position on a number of issues relating to liquor and tobacco sales. The objective is to ensure that the duty free and travel retail industry is not negatively affected by national legislation that does not take into account the unique status and retail conditions associated with the sector.

He cited breakthroughs in Malaysia and Singapore as examples of recent successes. In Malaysia, where it was planned to introduce a pictorial health warning on the front of alcohol bottles, the government has agreed to allow warning labels on the back only. In Singapore, duty free shops have been given an exemption from the ban on the display of tobacco products.

Former Singapore ambassador to the UN Professor Kishore Mahbubani, author, diplomat, Dean of the Lee Kuan Yew School of Public Policy, then delivered an uplifting speech on the geopolitical, economic and social forces shaping our world.

We are, he said, surrounded by pessimism, but this was wrong – the world is getting better and better. Less people are dying in conflicts, global poverty will be almost zero by 2030, and the middle class in the Asian region will have grown by 3.5 times to 1.7 billion which will be to the benefit of all.

We do, however, face three challenges. The first is the fact that the world is shrinking. We don't live in 'separate boats' but 'separate cabins on the same boat'. There is a crew taking care of each cabin, but there is no captain taking

charge of the whole boat, and major crises cannot be solved by any one country alone.

Secondly shifts of power and rising geopolitical competition will result from the fundamental changes taking place across the globe. And finally, many global institutions remain dominated by a few Western countries, resulting in an imbalance of power.

Strengthening the institutions of global governance is one of the solutions that will help us prepare for the world of tomorrow.

Mike Walsh, futurist, author and CEO of Tomorrow examined how to thrive in the current era of disruptive technology. Technology, he maintained, only makes an impact if it improves experience.

Surviving change has a lot to do with agility. It's not about just being fast, it's about a company's ability to respond to sudden changes in the environment.

The biggest challenge for leaders is to reinvent the way they manage and make decisions, given the rise of Artificial Intelligence. We need to use the data we have to challenge our beliefs. The future, he concluded, is not what we expect and it is not an upgrade of the present. It is an invitation to do things in a different way.

The theme of the second plenary session was adapting to change and the evolving industry landscape.

Philippe Schaus, CEO of DFS Group was the first to explore the topic. He said that while he was optimistic about the future of his business, the prospects are not all positive. For example, anti-corruption laws in China had had a significant impact on the gifting market, while the industry faced competition in a number of forms. More over, while passenger numbers continued to grow, sales have not.

DFS's response has been to focus on the individualisation of the traveller. Creating a sense of place by using local architecture and focussing on local products is important. Building a clear value proposition and offering something surprising and unique will also help to create urgency of purchase. In addition, it is, he continued, essential to manage the balance between luxury and accessibility. Developing deep personalised relationships with travellers and engaging with the customer across the whole journey from the moment they buy their ticket are also key to success.

Next to speak was Kevin Chiang, president of Ever Rich Corporation. He explained how his company was investing in the future both on and off the airport.

Ever Rich focuses on placing the passenger experience beyond everything else. Retailers should, he said, combine all industries, and local product development is essential.

He stated that travel retail should be a commercial bridge that connects global and local, and that we have a responsibility to engage with global issues.

Jack MacGowan, CEO of Aer Rianta International said that what we sell, (be it whiskey, perfume or tobacco), is 'vices and vanities'. The eternal appeal of these vices and vanities, coupled with the global popularity of air travel, means there will always be a place for travel retail. Our customers buy based on emotion and while it is tough, our business is the best in the world.

We are under pressure, but there's still room to grow. Aer Rianta's response to the challenges is to take a customer-centric approach to all decisions. The development of Dublin T1 was, for example, designed 'by customers, for customers' and the result was a 24% upturn in spend. Empowering staff to deliver great service and designing shops with a genuine sense of place is also helping the business to navigate changing times.

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