

Increasing inflight spending habits

The missing element



- Increasing inflight spending habits ?

Section 1 Do we have a **problem**?

Section 2 Do we **really** need to fix it?

Section 2 Do we have **room to maneuver**?

Section 4 Then, how come **we haven't yet solved** it ?

Section 5 The **missing element**



Do we have a problem?

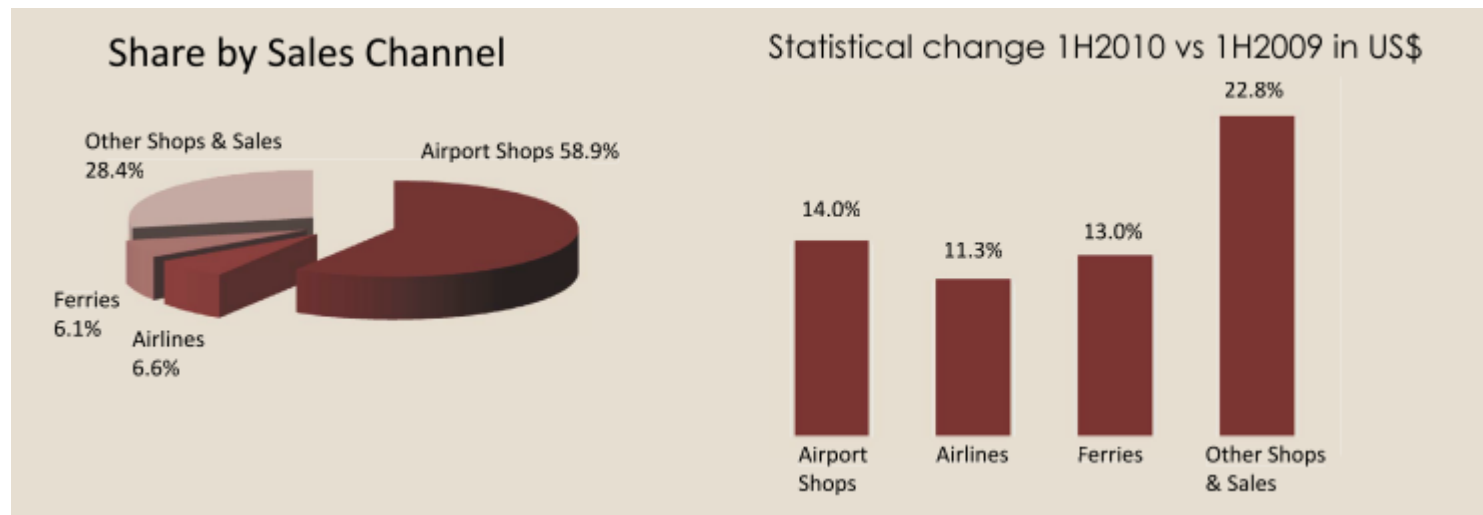
Inflight duty-free sales steadily rose from US \$ 1,766 in 1995 to US \$ 2,365 in 2009, a + 35 % increase

But in the meantime, the Duty-Free and Travel Retail market increased by 70 %

Airlines sales market share dropped by 2 points between 1995 and 2010.

2 points ! And things are not really getting any better:

All figures and charts from Generation Reserach Sweden / Best&Most



Do we really need to fix it?

■ 3 basic reasons to take action:

Ancillary revenues are the cornerstone of the new inflight business model

1

- A Max Williams statement – and the man knows what he's talking about
- A no-brainer for the LCC industry
- And still a most welcome boost to legacy carriers bottom-line

The cost of fuel puts the loading of sales trolley on board under constant scrutiny

2

- Fully packed sales basket weight between 50 and 400 kg
- Still pays for the ride, on most route, but what if fuel costs would rise another 20 %?

Competition is improving - fast

3

- Airports / landlords now put retail at the very heart of their growth strategy
- Airport shops operators are getting every day stronger through fusion & acquisition

Take action or...

More Brands might turn away from inflight retailing

Some already did, and there are rumors other are seriously considering it

Or will limit their support,

There are limits to advertising or promotion money, and suppliers will make a choice

No more ARC Conference



Do you have room to maneuver?

- OK, room has always been an issue in the inflight sales channel



Airports nowadays allocate hundreds when not thousands of square meters to the shopping area



Airlines fight back with a 0,12 m² shop (0,24 m² when using a full-size cart)

- But room is not the only parameter
 - Airlines have time
 - Airlines have the knowledge

So how come we have not yet solved the problem?

- What happened in « normal » retail over the last decade ?
 - New shop concepts, from Starbucks Coffee to H&M
 - New retail channels, from Amazon to Apple's iTunes store
 - Even your local supermarket have changed dramatically



- What changes have happened in the inflight retail channel in the meantime?

Evolution: past and present time

- Airport shops



Doctor Brendan's first duty-free shop at Shannon airport (1947)



- Airline shop



A trolley on a B.707 in 1958



A trolley on a B.777 in 2010

So how come we have not yet solved the problem?

- The missing element could well be...

innovation



So how come we have not yet solved the problem?

- Unfair statement ? **Yes**

(I am here to wake you up. Feel free to hate me)

- Innovation is available – just grab it

- The **Virtual Inventory** concept pushed by on-board computers vendors
- The famous, yet-to-come **IFE miracle**
- The tangible **TAD** concept (Targeted Advertising on e-boarding passes)
- Many more (That many ? Try to spell three)

- But how long will it take? And can you afford to wait ?



The missing element

- Take this good old ugly trolley



The missing element

- Is the onboard trolley « **a thing of the past** » ? The question was asked by Max Williams in the latest issue of *AR News*
- **Not yet**, according to experienced inflight retail specialists answering Max Williams provocative question:

« The sheer joy and excitement of being able to purchase something instantly might be difficult to replace in the short term »

Keith Hunter (Qatar Airways)

« I doubt (traditionnal on-board sales) will be banned in the near future. But in 15 to 20 years, you never know... »

Gyde Brix (Lufthansa Worldshop)

- **Uleo Holding** was founded sharing Keith and Gyde's vision for the next 15 – or hopefully 20-years vision
- The company intends to be **a source of innovation** in a traditional yet quite new retail channel: Inflight Retailing
- Capitalizing on 15 years of experience – and frustration – to bring innovative solutions to old issues
- **thinking out of the box to rethink the box**

