The Impact of Covid-19 and How To Face It

The Travel Retail & Duty Free (TRDF) industry is suffering massively from the impact of the coronavirus. Airports have lost over 88% of their passenger numbers to date; an increasing number of airlines are grounding their fleets and some have already gone out of business; and retailers are left with little to no customers. With most European countries (to the exception of Sweden) having imposed a nation-wide lockdown for an undetermined amount of time, it is difficult to see how and when the industry as a whole will be able to bounce back and stakeholders are struggling to meet their obligations, keep employees onboard and look positively to the future.

TRDF has always been depicted as a particularly resilient sector, weathering countless crises over the years. But the Covid-19 pandemic is of unprecedented scale and depth, impacting on all sectors and countries. And as such, it requires unprecedented, industry-wide action to ensure that everyone will be able to bounce back once the crisis is over.

The current challenges are straightforward: no travellers means no revenues for airports (both aeronautical and non-aeronautical), airlines, retailers and brands – and by extension consultants and the whole services industry. Yet these still have obligations to meet up: employee salaries, maintenance, leases, landing fees, bills, etc. How can these obligations be addressed to reflect the lower revenue streams so that all stakeholders may survive the crisis?

Needless to say, it needs to be a concerted approach. According to the International Air Travel Association (IATA), only the top 30 airlines in the world had enough reserves and a low enough debt to weather the storm; the rest are in serious straits and, according to the association, are facing bankruptcy. Similarly, the Airports Operators Association (AOA), based in the UK, had sounded the alarm bell early on, stating that many airports would be forced to close down within weeks if no help was received.

Airports Council International (ACI) has proposed five global policy measures that could go a long way to supporting the industry as a whole:

- Protection of airport revenues by alleviating airport charges or introducing discounts;
- Alleviation of airport slots usage requirements to enable airports to adjust their schedules sustainably;
- Considering the waiving of airport concession fees or rents;
- Tax relief for the aviation sector
- Government assistance.

Some governments have heeded this desperate call for help across Europe implementing certain support measures, such as the German government pledging to support the aviation industry and the Spanish government introducing an exception for AENA, saying they did not have to bear the financial obligations for suspended contracts; but others have yet to declare their support or even changed their approach, such as the UK government, which initially stated it would earmark part of the £330 billion package to support the economy for aviation industry support only to then say the government would only step in as a last resort once the industry had exhausted all other avenues.

Government help is also needed for retail operators and brands who are also suffering greatly from the crisis. CEETRA and The European Travel Retail Confederation (ETRC) are already working with retailers as well as national and regional associations to ensure adequate financial support for TRDF companies and some airports have already taken steps in this direction, such as Hong Kong International Airport announcing on March 23rd a HK$1 bn (€119 million) package of relief measures for their partners, as reported on The MoodieDavitt Report.

"Restrictions by governments are still very varied," says Patrick Bohl, Chairman of CEETRA. "Policy makers in the CEE region have yet to understand that many restrictions in place for retailers simply make no sense at an airport, especially limiting opening hours, store access or reserving trading periods for those over a certain age. These measures are simply not feasible in transportation hubs."

We have asked Peter Mohn, Owner and CEO of Travel Retail research agency m1nd-set, what his thoughts were on the impact the Covid-19 crisis will have in the medium-to-long-term for the industry: "We at m1nd-set think that there will be a different impact on people's travel behaviour," he explained. "For the **experienced and frequent travellers**, we expect travel to pick up rather quickly again and there will probably even be some sort of compensation of the reduced ability to travel during the crisis, which means they will travel more in the first six months to be able to meet their clients, friends or family and even to finally go on holidays again, which they have been used to do several times per year. The segment of **medium travellers** will want to go back to their routines and maybe catch up on a missed holiday soon. In this second segment we don't expect big changes. The third segment, **infrequent travellers**, will most likely be scared to travel again soon after the crisis is over and prefer to stay in their home country/city. Alternatively, they may choose to travel by car or other means for a while until they trust it to be safe again to travel by plane. This last segment will most likely have a negative impact on the traveller's numbers for around a year."

There is another important segment, according Bohl: "The first passengers to take to the skies are probably those CEE citizens who work and live in Western Europe, as well as those visiting friends and relatives. Combined with attractive fares, there are high hopes that traffic can be stimulated."

According to Mohn, m1nd-set expects travel to eventually rebound again to last year's figures but, "we think it will take up to a year after the most important economies have reached their previous economic growth levels again. Overall we expect Q2 to be a total loss, but that flights will start picking up again country by country and region by region in Q3, and hopefully in Q4 travels will be back to over 50% again" of last year's figures.

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