

Autogrill Group Making the traveller's day better



Autogrill for **CIR PARIS 2010**
Brands and concession markets

Paris - June, 10th 2010

Arthur D Little
Marketing





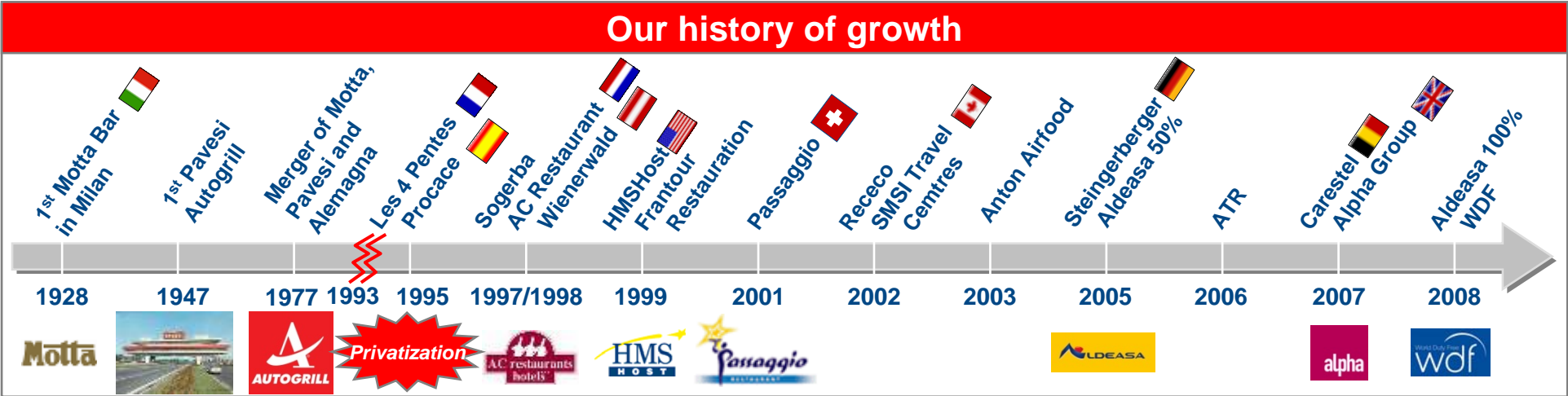
1. Autogrill Group overview

2. Autogrill experience: Branded F&B value proposition effectiveness in concession channels
3. Conclusions and learning – the role of brand
4. Outlook on new trends



1. Autogrill Group overview

Autogrill Group experienced a strong international growth since its privatization in 1995; we now operate more than 5.300 concepts and 1,200 locations in 42 countries



1928 - 1993

- **Footprint:** Italy
- **Channels:** Motorways
- **Sector:** Food & Beverage
- **Brand Portfolio:** 1 Brand

1993 - Today

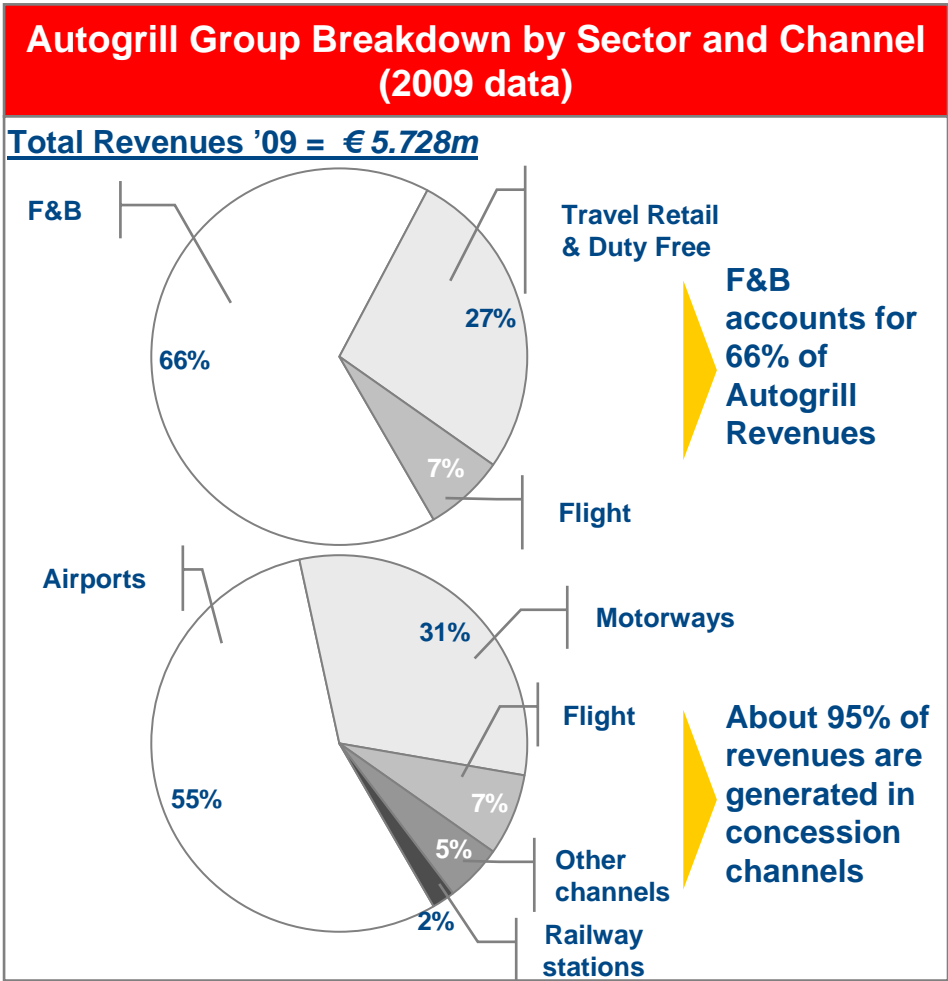
- **Footprint:** Global reach (42 countries)
- **Channels:** Motorways, Airports, Railway Stations, High Streets, Malls, Trade Fairs, Museums...
- **Sector:** Food & Beverage, Travel Retail & Duty Free, Flight
- **Brand Portfolio:** > 350 Brands





1. Autogrill Group overview

As the leading Group in F&B and Retail service for travellers, we have a focus and a long standing expertise in concession channels, where we operate through more than 350 brands



Source: Annual Report 2009

ATG Concept Portfolio

- Selected proprietary and franchised brands -

Proprietary brands

~ 50

Franchised brands

~ 300





1. Autogrill Group overview
2. **Autogrill experience: Branded F&B value proposition effectiveness in concession channels**
3. Conclusions and learning – the role of brand
4. Outlook on new trends



2. Autogrill experience: Branded F&B value proposition effectiveness in concession channels

Operators must overcome the *brand paradox* mixing top of mind brands with local concepts and proprietary brands to assure and enhance the in-store experience uniqueness



- The brand paradox**
- *Top-of-mind brands drive sales thanks to their awareness and trust*
 - *But they also make every location look the same*
 - *Moreover, locations appears saturated when the same brand is replicated*
 - *Finally, top-of-mind brands need to be adapted to locations' features*

- The challenge**
- *Attract and serve all customer segments*
 - *Preserve and enhance the in-store experience uniqueness*
 - *Accompaign and support Landolord's projects*

- Operators requirements**
- Make the correct blend of:*
- *Top-of-mind brands to attract large segment of customers*
 - *Local themed and internally developed concepts to make the value-proposition unique*

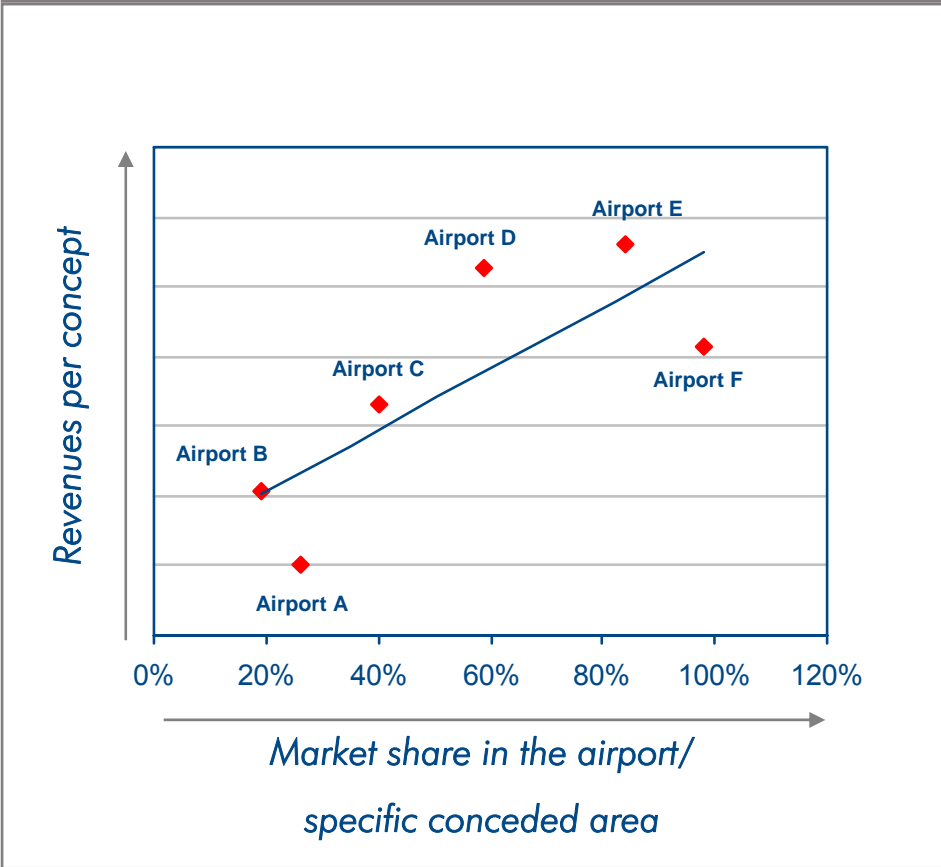




2. Autogrill experience: Branded F&B value proposition effectiveness in concession channels

Managing the whole offer of a concession with a selected mix of brands and concepts allows operators to build an "Holistic System" with superior sales generation

Impact of penetration on economic performances¹⁾
(# Managed concepts/tot.concept VS Revenues per concept)



Highlights

- The higher is operator’s penetration within a given location, the higher is its ability to develop higher performances in terms of revenues managing flows
- Where this condition is verified, operators can develop an “holistic system” of outlets network:
 - Segmenting to avoid/mitigate cannibalization risk
 - Diversifying offering in order to catch all relevant market segments and interesting niches
 - Adapt offer to major changes in traffic flows within the location
 - Optimizing logistics and other operational aspects

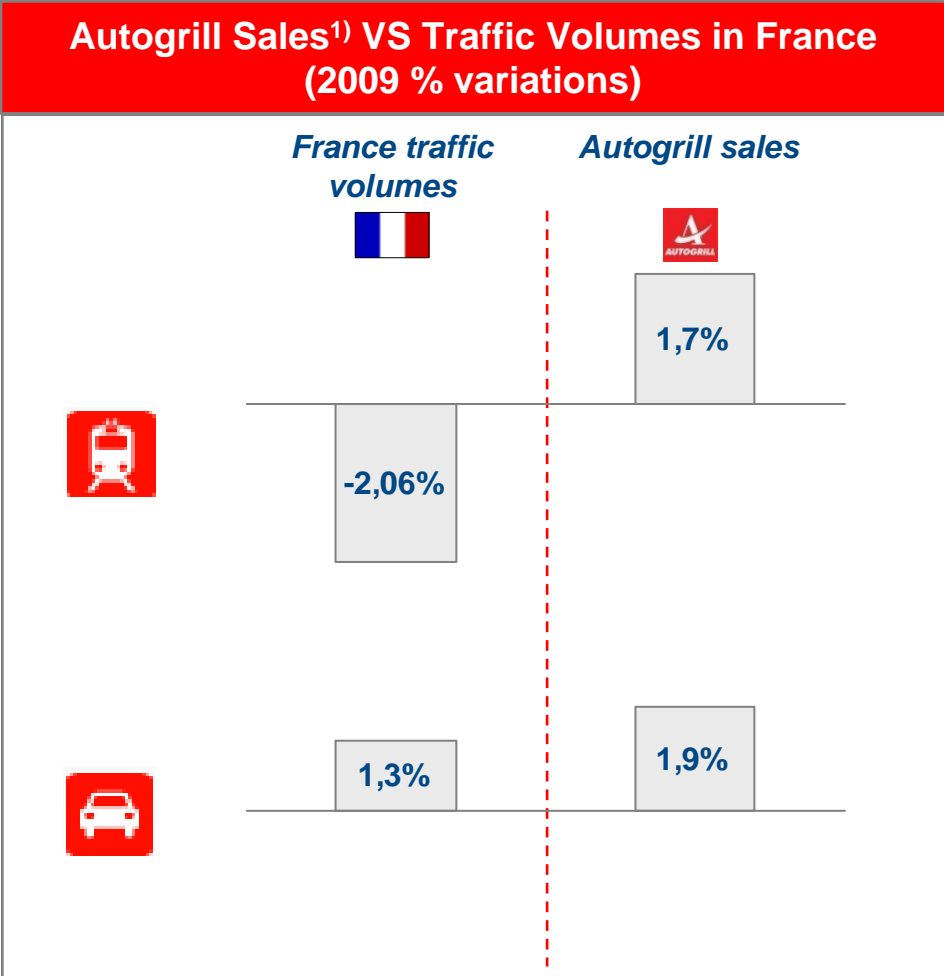
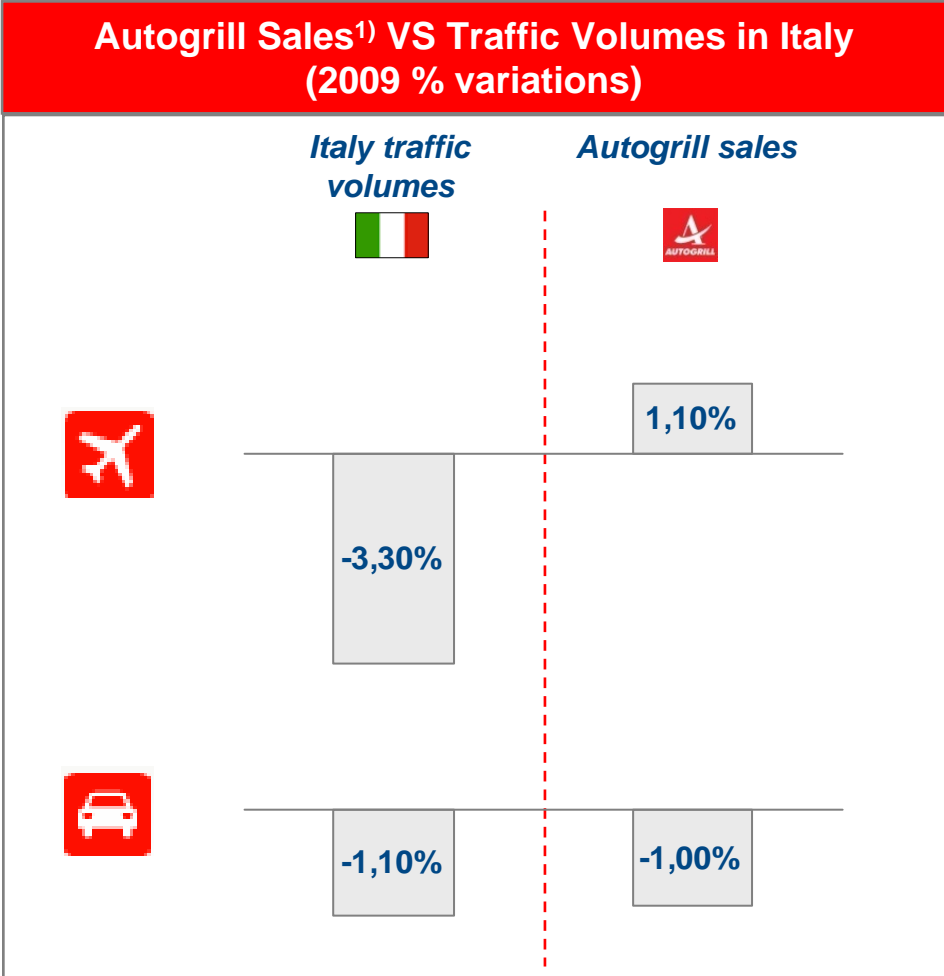
Source: Arthur D. Little analysis on Autogrill data; Note 1): analysis performed on a panel of European airports provided with outlets operated by the Autogrill Group





2. Autogrill experience: Branded F&B value proposition effectiveness in concession channels

Our know-how in mastering F&B services for travellers allowed us to face and overcome current global crisis, significantly mitigating the impact of traffic volumes drop on our sales



Source: AISCAT, ASSOAEROPORTI, International Transport Forum – OCDE, Autogrill Group
1) For the sake of comparability only outlets already available in 2008 have been considered





2. Autogrill experience: Branded F&B value proposition effectiveness in concession channels

3 experience of our 350 brands portfolio to outline key results of branded value proposition in concession channels





2. Autogrill experience: Branded F&B value proposition effectiveness in concession channels

Key learning on critical dynamics of F&B business within concession channels coming from our case histories

Our learning	Case Histories
<p><i>“Global Top-of-mind F&B brands harvest exceptional performances when operated by leading operators with strong know how in concession channels”</i></p>	<p>Starbucks Coffee at Schiphol Airport</p> 
<p><i>“Global Operators can leverage their global brand portfolios, targeting new customers segments and mitigating the Brand Paradox through the introduction of established concepts in new markets”</i></p>	<p>Brioche Dorée at Chicago Airport</p> 
<p><i>“Branded F&B value propositions harvest better results than unbranded one; moreover, managing a system of outlets within the same location allows superior sales performances”</i></p>	<p>Espression Lavazza at Bucharest Airport</p> 





1. Autogrill Group overview
2. Autogrill experience: Branded F&B value proposition effectiveness in concession channels
3. **Conclusions and learning – the role of brand**
4. Outlook on new trends



3. Conclusions and learning – the role of brand

Case histories clearly highlights main Key Success Factors for a Food and Beverage player to succeed in concession channels

Key success factors

1

Advanced knowledge of concession channels, in terms of customers behaviour and needs, traffic flows, logistics, operations, is critical

2

High penetration/coverage within the same location through a multiple presence is the key to:

- *Mitigate/Avoid cannibalization*
- *Exploit synergies among brands in terms of mix and service types*

3

Proven and consolidated relationships and trust with landlords is fundamental

4

Well established and top-of-mind brands provided with high awareness are the basic element

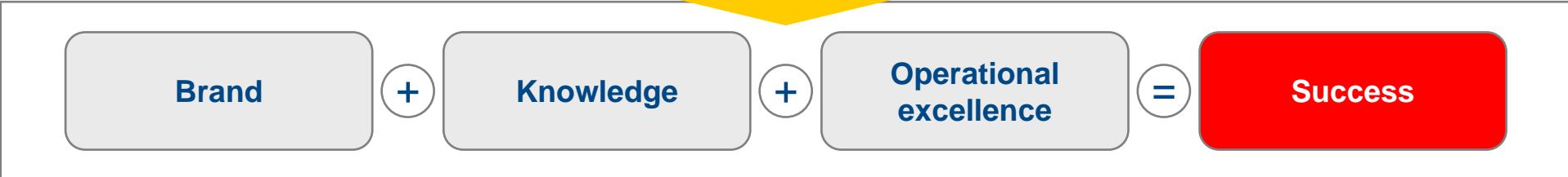


3. Conclusions and learning – the role of brand

The partnership between a highly specialized Global Operator in concession markets and a well positioned and recognised Brand lead to success in concession F&B markets

Alliance among exceptional brands and operators is key for success

- Top brands are one of the elements within operators’ offering system and they can contribute in improving operators’ performances when introduced within the correct mix and in the correct locations
- Brand awareness by itself does not necessarily turn into success in concession market
- The knowledge and the operational excellence of leading specialized operators coupled with strong brands turns into further relevant benefits





1. Autogrill Group overview
2. Autogrill experience: Branded F&B value proposition effectiveness in concession channels
3. Conclusions and learning – the role of brand
4. **Outlook on new trends**



4. Outlook on new trends

Arthur D. Little, “Mastering Airport Retail: Roadmap to New Industry Standards”

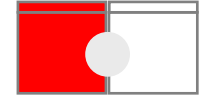
According to a study performed by the management consultancy Arthur D. Little, 2 major trends will affect our industry over the coming years





4. Outlook on new trends

Arthur D. Little, “Mastering Airport Retail: Roadmap to New Industry Standards”



Several experiments have been conducted within the industry have been conducted jointly by operators and airports through cooperation aiming at the improvement of their performances

Airports – Operators cooperation examples

- **Passenger footfall optimization**, through cooperative development of new layouts such as:
 - **Walk-through shops**
 - **Last-minute specialties** close to boarding gate for passengers that spend less time airside
 - **Flight-information panels** in restaurants to reduce pressure on passengers
- **Revenue optimization**, through collaborative definition of actions such as:
 - **Targeting arrival passengers** by positioning “restaurants on arrival” (to enlarge potential customers)
 - **Customizing offered cuisine** basing on the nationality/ culture of passengers within a given airport area (to increase average spending)

Walk-through shop at London Heathrow Airport





4. Outlook on new trends

Arthur D. Little, "Mastering Airport Retail: Roadmap to New Industry Standards"



Main players are currently involved in the internationalization of their operations and in external growth initiatives, driving to a globalization of the competitive arena

A Strengthening of global operators and industry consolidation

- Along with consolidation, internationalization creates a **global playground** with few key global players
- **Global players** will increase their **competitive advantages** compared to local players
- These advantages have resulted in a recent increase in global operators' market share at the expense of local operators
- **Local operators will survive** by repositioning themselves:
 - In **niche categories** (e.g. local gastronomy)
 - In **regional airports** (not attractive for global operators)
 - As **partners** for Global operators, helping them in the early stage of new market entries

Food-court at Copenhagen Airport





4. Outlook on new trends

Arthur D. Little, "Mastering Airport Retail: Roadmap to New Industry Standards"

As a result of outlined trends, the industry value chain will be re-shaped in the medium-long run, driving to the proliferation of JVs among Global Operators and International Airports

Historical Value Chain



Long-term forecasted Value Chain





Making the traveler's day better™

