



La Croisette in Cannes

Photo Courtesy / ALISON GALLEGRO

Europe Works to Offset Collapse in Tourism

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Since mid-June and early July, however, travel bans have gradually lifted within Europe, with some flights resuming from countries abroad, including China, South Korea and Japan. Travel from the Middle East and the U.S. continues to remain restricted – as does, in some cases, even travel within Europe. A spike in COVID-19 cases in Spain has caused the U.K. to controversially put lockdown restrictions on tourists returning from the country, as has Norway, while France and Belgium have warned their citizens not to travel to Spain on vacation this summer.

The recent drop in air traffic was the most abrupt in half a century, according to Augustin de Romanet, the chairman and chief executive officer of the French capital's main airport operator, Aéroports de Paris. The executive predicted the recovery will be "very gradual," in an earnings statement this week, and doesn't project a return to 2019 levels before 2024 to 2027.

Fashion week events that traditionally brought droves of buyers, editors and celebrities to London, Paris and Milan were thus shifted to online, although a handful of live shows have come trickling back – with mostly locals in attendance.

"The lack of international visitors is definitely a problem for the city of Milan, which without the big events is less attractive for tourists compared with other cities, such as Rome, Florence or Venice," said Maurizio Naro, president of APAM, an association representing Milan's hotel owners.

"In Milan, our international guests mainly come from the United States and the Far East and unfortunately we don't expect to welcome them until next fall."

Faced with the prospect that tourists will not return in any meaningful manner before 2021, retailers and tourist offices have rolled out the welcome mat to locals while at the same time working to forge stronger links with foreigners through digital means.

In the French capital, the Office de Tourisme et des Congrès de Paris teamed with city officials and an association of guides, the Fédération Nationale des Guides Interprètes et Conférenciers, to offer tours of the city – one covers the stomping grounds of characters of the Three Musketeers in Central Paris, or, north of the capital, the site of the 2024 Olympic Games as well as the historic Basilica Cathedral of Saint-Denis. "Free for Parisians, accessible to all," reads the program.

The city's palace hotels mostly remain shuttered, including the Hôtel de Crillon, which parked an upscale food truck in front of the closed entrance on the Place de la Concorde, offering waffles and scoops of ice-cream from pastry chef Matthieu Carlin. A printed sign notes plans to reopen the hotel on Aug. 24.

When terrorist attacks in 2015 cast a pall on tourism to the French capital, the luxury trade association Comité Colbert got involved. Drawing up a list of high-end clients from around the world, the association offered them a series of exclusive tours, meals made by Michelin-starred chefs and dinner at the foreign minister's residence – to offer unforgettable experiences to their guests, who would spread the word when they returned home.

The organization is focusing on a number of projects, including rebuilding its web site to position itself as the "voice of French luxury," said Bénédicte Epinay, president and ceo of the Comité Colbert.

When the lockdown measures hit, the Comité Colbert teamed with other organizations in Europe, including Walpole and Altgamma, as part of the European Cultural and Creative Industries Alliance, and urged European commissioner Thierry Breton to ensure the region would reopen as quickly as possible, to allow tourism to resume

internally, to help compensate for the loss of Asian tourists in particular. In a position paper, the organizations listed measures to stimulate recovery including creating a "safe and trusted digital environment," tackling counterfeiting and promoting "Green Deal" practices. The absence of tourists from the U.S., China and the Middle East this year could lead to a loss in revenues in Europe of 90 billion euros.

Some brands that can afford to have hit the road, bringing their wares – and patrimony – to Asia for local consumption. Louis Vuitton's men's line plans to hold a fashion show in Shanghai on Aug. 6, while fellow LVMH Moët Hennessy Louis Vuitton label Dior inaugurated its "Designer of Dreams" exhibition in the city this past weekend, unveiling its new high-jewelry collection at the same time.

Smaller label Lemaire, which belongs to Fast Retailing, plans to open a new store in Tokyo next year, while independent fashion brand Ami plans to open a store in Shanghai in September.

"They are traveling less, but they still have an appetite for Western brands," Ami ceo Nicolas Santi-Weil told WWD last month, referring to Asian consumers.

Department stores in Paris, meanwhile, have come to rely on international visitors for a major proportion of business. Already battered by a series of crises, the coronavirus has served the traditional, Boulevard Haussmann retailers Galeries Lafayette and Printemps an extra blow.

Business had been recovering from the terrorist attacks, but then the yellow vest protests turned the Avenue des Champs-Élysées into a battle zone – just as Galeries Lafayette opened its new flagship there in 2019 – and last year's pension reform protests disrupted activity during the crucial holiday season. Things have gotten worse since the evaporation of

Chinese tourists starting in January, due to the spread of the coronavirus in Asia.

Printemps, which has positioned itself in the luxury realm, launched its new web site in France in March with an inclusive bent, with special services for disabled clients and a broadened range of sizes compared to what is traditionally offered in the country.

Printemps.com took two years to develop and features hundreds of brands ranging from luxury labels like Gucci, Balenciaga and Prada, to smaller designer brands including Y/Project, Ambush and Telfar.

"What's very encouraging is that sales are increasing gradually, from week to week, month to month," said Karen Vernet, e-commerce director for the department store.

"The curve shows it's taking off," she said, rattling off a list of key performance indicators that executives are keeping an eye on, including order numbers, the average basket, numbers of visitors and conversion rates.

"All these indicators are going in the right direction," she added, noting the conversion rate has surpassed luxury industry benchmarks for sites that have existed for a number of years already.

Excluding the absence of visitors from abroad, which traditionally make up half of annual sales at the Printemps Haussmann flagship, local business has been flat, said Pierre Pelarrey general manager of the store. Foot traffic has been down, but those who make the effort to visit the store are intent on making a purchase, he noted.

"Clients that come, really come to buy," he said, noting a conversion rate of 50 percent, up from previous "normal" rates of around 23 or 24 percent.

Galeries Lafayette Group, which casts a wider net in terms of positioning than its Boulevard Haussmann neighbor Printemps, or Left Bank counter part Le Bon Marché, moved quickly in May to implement a new personal, online luxury shopping service through live video, open to customers in France and abroad, with next day home delivery and click and collect purchases to fetch in the store. The move followed efforts to beef up its hands-free and ship-from-store services in recent months.

"Our objective is clear: making what we offer at our flagship store on Boulevard Haussmann accessible to as many people as possible, beyond its walls," said Alexandre Liot, director of the flagship, when the service was unveiled. In June, the family-owned department store group recruited a customer loyalty specialist, Guillaume Gellusseau, to help drum up activity.

"We are looking at this, but the French clientele has always remained the leading client for the group wherever we are – we have never neglected our French clientele over the years. We have implemented a large number of services and are rethinking our loyalty programs, rethinking spaces dedicated to these clients," he said, citing, for example, the group's spaces for handling duty-free services, clearing space for local clientele in the main store.

The number of Chinese consumers in France has jumped significantly over the past decade, from 715,000 in 2009 to 2.2 million in 2018, according to Atout France, a national agency that promotes French tourism. "Tourism is France's biggest employer, according to the agency, which estimates the sector is worth around 7 percent of gross domestic product.

The agency also notes that there is a high level of domestic tourism, with nearly 88 percent of trips within the country made by French people. ►



The blow-up Eiffel Tower at the Galleries Lafayette.

Real estate broker Marc C. Riebe, of The Location Group's Luxury Retail Boutique Agency, has recently signed store leases in Cannes, with brands looking to woo domestic French tourists, with La Perla and Versace moving into 65, Boulevard de la Croisette.

"The feedback of brands like La Perla is that many French people will stay in the country and they will go to the Riviera, to the Côte d'Azur and they spend their holidays within the country – then they will also spend their money in the country," he said in a telephone interview. La Perla had originally planned to open the store next year, but Riebe said he convinced them to open already this summer.

Consider it a message for other brands that people will be spending money when going on holiday, this summer and next year, as well, he maintained.

"Obviously the travel industry will still suffer in the next two or three years from this crisis and many people will decide to stay at home and won't want to travel so much abroad as before," noted Riebe, who has been working more with landlords whereas he represented tenants more in the past.

When it comes to cities like Cannes, prime locations will maintain their popularity while side streets will have more vacancies – more than during the financial crisis in 2008, he predicted, with travelers from the Middle East and Russia likely not returning before next year.

"Next year you will see we will have more vacancies, you cannot imagine, much more than in 2008, 2009, much, much more," said Riebe.

In the meantime, the Zurich-based broker is eyeing labels that are present on high streets in Europe, like the Avenue des Champs Élysées in Paris or Bond Street in London, with plans to draw them to Cannes.

Adding to his selling argument, the Cannes Film Festival could return, which would be a good occasion for a store opening celebration for the Versace store – with a photo opportunity with, say, Donatella Versace and Chiara Ferragni, he suggested.

In Milan, where traffic has slowly returned to the Malpensa international airport since mid-June and to the Linate airport this month, domestic consumption remains key. The city launched an Internet campaign "Yes Milano," in May, initially geared to locals, as people gradually returned to the streets. The web site Yesmilano.it features links to the city's monuments for virtual tours and updated opening hours and a special section dedicated to the fashion district, for example. "Milano is open and safe," it says.

Slowly returning to normality, traffic inside the city has been down 20 percent compared to the same period last year, although the center remains quiet.

"Right now, our business relies on local consumers, but with the re-opening of the boundaries in Europe, we hope to welcome more and more tourists," said Rinascente ceo Pierluigi Cocchini, referring to the performance of the company's Milan flagship located on Piazza del Duomo.

Massimiliano Vavassori, director of the research center of Touring Club Italiano, hoped that Milan might see a faster return in business compared to other destinations.

"Since 2015, Milan has succeeded in transforming itself into a tourist destination not exclusively linked to the world of business," he said. "If Milan will be able to reorganize its offering by tying it not only to events, which are difficult to sell now, but relating it to nature and the rest of the Lombardy region's offering, I think it will manage to find a relevant place on the internal touristic market faster than other cities."

Valentina Lener, director of Assaeroporti, Confindustria's association representing Italian airports, suggested that Italy's stringent lockdown rules—which she said had put Italy's airports and economy at a disadvantage, might be able to return to more competitive position.

"Until June 15, Italy imposed more rigid rules compared to other countries, which caused a disadvantage for our airports and the economy of our country, with airlines obliged

to significantly limit the onboard capacity, hence financial damage as a consequence," said Lener. "Now we can return to be more competitive."

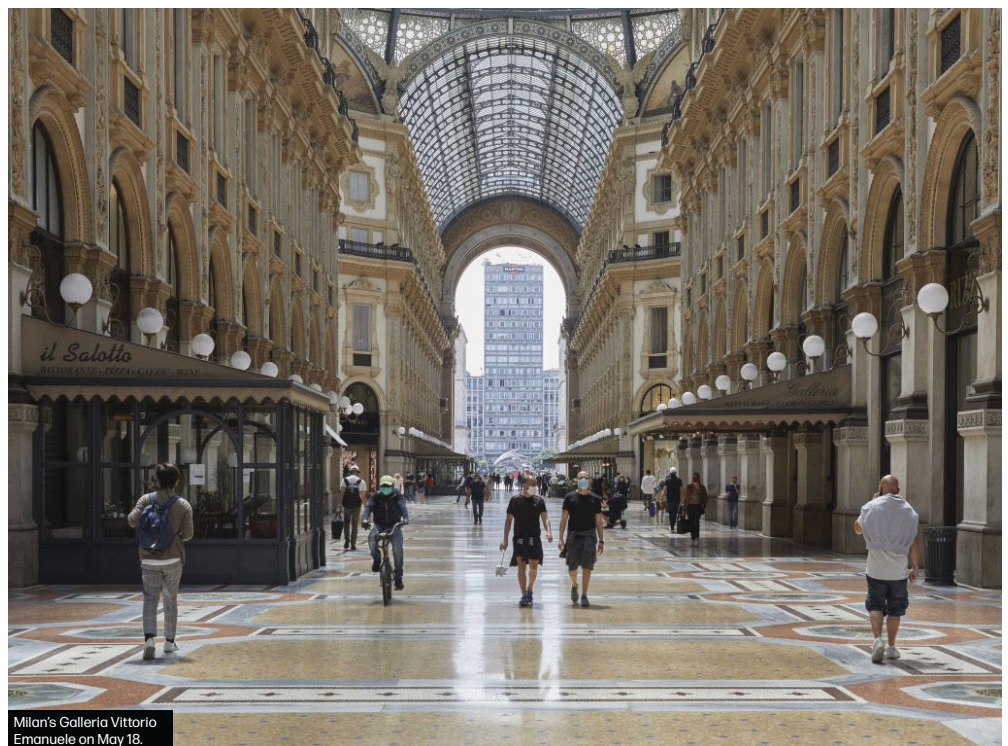
In 2019, 193 million passengers transited through Italian airports. "Before the coronavirus crisis, in 2020 we expected to slightly increase the air traffic to 200 million passengers, but the most optimistic, probably too optimistic, forecast says that we will close the year with an air traffic of 80 million passengers," said Lener. "The situation is quite dramatic but this is considered a resilient business. Researchers say that the youngest generations are keen to travel by air and that businesspeople are also returning to travel. Now we have to work on leisure travel and we have to face the next challenges, including making this industry more sustainable."

Although this summer tourist flows are expected to be mostly made up of Italians, with some other Europeans, positive signals are coming from countries outside of Europe.

"We are receiving requests of information from non-European countries. If right now Latin America is the region suffering more, we expect the Chinese cluster to be the first to return to Italy and Europe," said Ivana Jelinic, president of FIAVET, an association representing travel agencies and tour operators. "We expect that in October and November more structured tourist flows will return to travel to Italy, but operators are already focused on the 2021 Chinese New Year. We might see small groups of Russian travelers visiting Italy already this summer, but they will make a real comeback by the end of the year. Italy's goal is now to reposition itself as a safe destination for tourists. If we don't do this, it's going to be very hard to fight the competition of other European countries."

Galleries Lafayette ceo Nicolas Houzé in May said he is convinced that Paris and France will resume the position as a leading destination for world travel. "In this context, Galleries Lafayette will return to its role as a flagship for global commerce," he said.

The burning question is when. ■



Milan's Galleria Vittorio Emanuele II on May 18.