

Exclusive interview: The LSG Group on acquisition, digitalization and market trends



LSG Group CEO, Erdmann Rauer (left) and CFO, Karin Sonnenmoser, discuss being acquired by AURELIUS Group, plus a look at digitalization and market trends

The [LSG Group](#), formerly owned by Deutsche Lufthansa AG, was acquired by the [AURELIUS Group](#) in April of this year, a move that positions the company to shape its processes in an optimized way with a focus on future growth. The LSG Group is retaining its name amid the acquisition as it becomes a stand-alone organization, including [LSG Sky Chefs](#), [Retail inMotion](#) and [SCIS Air Security](#).

In this interview, *PAX International* speaks with the LSG Group CEO, Erdmann Rauer, and new CFO, Karin Sonnenmoser, about adapting to the recent acquisition, the future of the aviation industry and the business outlook for 2024.

Sonnenmoser joins the LSG Group

Sonnenmoser, who joined the LSG Group as CFO in November, tells *PAX International* she felt confident stepping into the role because of the company's strong foundation, reputation and financial security.

She brings an impressive background in finance and controlling to her role, having held similar positions at the Volkswagen Automotive Group, Zumtobel Lighting Group and electronics retailer Ceconomy. Sonnenmoser also has experience in procurement and as a supervisory board member in different industries.

As the company enters its new era as a stand-alone business, she says there is opportunity to optimize processes.

“There is potential for us to be faster in the processes,” she explains, citing finance and human resources as specific area where operations can be more efficient.

Charting market demands

In the first half of 2023, the LSG Group reported a consolidated revenue of EUR€1,107 million (US\$1,208 million), compared to EUR€857 million (US\$935 million) during the same period in 2022, which translates into a 29 percent increase. The company says this is thanks to continuing positive trends across all geographical regions post-pandemic.

While some regions are taking longer to catch up, others are experiencing growth, putting the Group on track for continue future growth, particularly North America and Asia-Pacific, Rauer tells *PAX International*.

“Asia is such a huge region; it needs to be distinguished even by certain countries. Specifically, if you look just at the numbers for Singapore, the passenger figures are back to 90 percent,” he says. “Looking at our revenue, we are already surpassing 2019. It’s a little bit of growth, a little bit of inflation, but we’re getting to where we want to be.”

He points out that the region, and China specifically, has regained domestic. This is not, however, the case for the international outbound long-haul market due to capacity constraints facing airlines in locations such as Hong Kong, Singapore and Japan.

Rauer references most airlines grounding at least part of their fleets during the pandemic, which led to slot restrictions and a condensed seat offering in corresponding markets. But, he predicts Asia will rebound in the next two years.

“I clearly can say that in 2024 and 2025, the international business in Asia will come back.”

In North America, and specifically in the US domestic market, demand is returning to pre-pandemic levels or even exceeding it.

“The US was always domestically strong, it never stopped during COVID,” Rauer explains. “Catering a little bit due to restrictions, but on the base load, I would say the market never went backward.”

Meanwhile, he says, US international traffic is experiencing a slower return, sitting at about 85 to 90 percent of 2019 levels.

Another major region to examine by country is Africa. Seasonal leisure travel in “bouncing back” in South Africa, says Rauer, but otherwise the market is not quite back to pre-pandemic figures. In Europe, travel demand to some destinations continues to grow, but there are certain factors hindering markets in specific countries.

“We’re unfortunately hit by a lot of geopolitical issues like the war in Ukraine. It’s interfering with a lot of businesses. What’s happening in Israel is also impacting the businesses,” Rauer explains, adding that he predicts that the conflict in Israel will redirect travel to several destinations across Europe in

2024.

Many people will most likely opt not to visit this area, including Egypt, which borders the conflict zone. Instead, he says, travellers are more likely to plan trips to Spain, Portugal, Greece and Italy, anticipating that these European countries will benefit from an influx of tourism.

“Western Europe will be fully booked next year on the leisure side,” he predicts.

Staffing issues and inflationary effects

Rauer says “staffing is an issue,” at the LSG Group—but it is a problem most organizations and companies are facing as the global economy moves out of the pandemic. Even at a favourite restaurant or at the superstore, having fewer experienced staff willing to work is familiar for many.

This is all due to change with the conclusion of the sales to the AURELIUS Group. Both Rauer and Sonnenmoser say the LSG Group is optimistic about new members of its workforce brought onboard to help fulfill its long-term growth goals as a stand-alone organization.

“We’ve got new talents onboard, people that are really interested to work in such company environments,” Rauer says.

Referring to the change of ownership, he says, “Under the LSG Group, we have very strong brands, such as LSG Sky Chefs and Retail inMotion, recognized in the industry and on the supplier side. I hope that we continue to hire the right experts and people.”

Rauer and Sonnenmoser agree that digitalization, data analytics and technology (including AI) will play a major role in the company’s continued success. Both emphasize implementing trusted, proven automation and digital systems.

When discussing the industry-wide staffing shortage, Rauer says, “It’s another call for technology and digital. When we talk about digital and those kinds of automations, it’s very much referring to operations. On the aircraft side, there a lot of things we can do differently not only for cost saving but also for being more precise and handling consumer data. It’s the time to seriously make the change to tackle those elements, for the benefit of customer experience.”

Sonnenmoser adds, “Speaking from the administration side, we also look for digitalization. What we can do by digitalization to improve our internal and external processes, we will do.

“Digital these days is a jungle where you can get lost easily,” says Rauer. “We have to come to a conclusion fairly soon about how we invest or where we invest in it. All of us want to work with mature technology. Proven technology.”

Sustainability targets for 2030

The LSG Group published its updated [sustainability strategy](#) earlier this year with seven key targets that align with the United Nations’ Sustainable Development Goals. The targets for 2030 all have corresponding key performance indicators (KPIs) to refer to when measuring progress.

To embed sustainability in their business, the LSG Group set these goals under the broader categories of people, planet and prosperity. Within each of these categories, the company has identified specific, measurable targets that it is setting out to achieve by the end of the decade.

“We’re working very hard on that in a reliable and consistent way. Not greenwashing, we do what we have to do to become more sustainable in conjunction with our major stakeholders, our employees, customers and suppliers. We’re committed to fulfill those criteria,” says Rauer, emphasizing the

importance of the sustainability strategy and seeing it through. “The sustainability targets and areas have been clarified and we should not change it all the time, but rather focus on those. We also don’t want to over-administrate all those things because it just keeps us too busy and it’s not given the right focus.”

Business growth and expectations for next year

LSG Sky Chefs won new business and extended contracts across all regions in 2023, indicating a positive outlook for the company heading into 2024. According to Sonnenmoser, the development of the top line across various regions in 2023 can be attributed to the contracts in the last business year. It demonstrates the potential for further top line growth heading into 2024, she says, which is also expected to be reflected in the company’s bottom line.

“Our number one priority is retaining customers,” Rauer tells *PAX International*. “We are focused on maintaining the relationships we have before taking on new customers. We have a high retention ratio and are really happy that the loyalty of our customers is in good shape.”

Rauer says he’s proud of the team for retaining that level of confidence from its customer base amid the acquisition.

Last year, the LSG Group won Airline Caterer of the Year at the PAX International Readership Awards. WTCE attendees can expect to see the LSG Group returning to the show floor in May 2024. Both Rauer and Sonnenmoser will be present at the event.