



Travel Retail Insight: Creating a first-class airport shopping experience

Appeal to digital-savvy Gen Y & Z travelers with omni-channel strategies

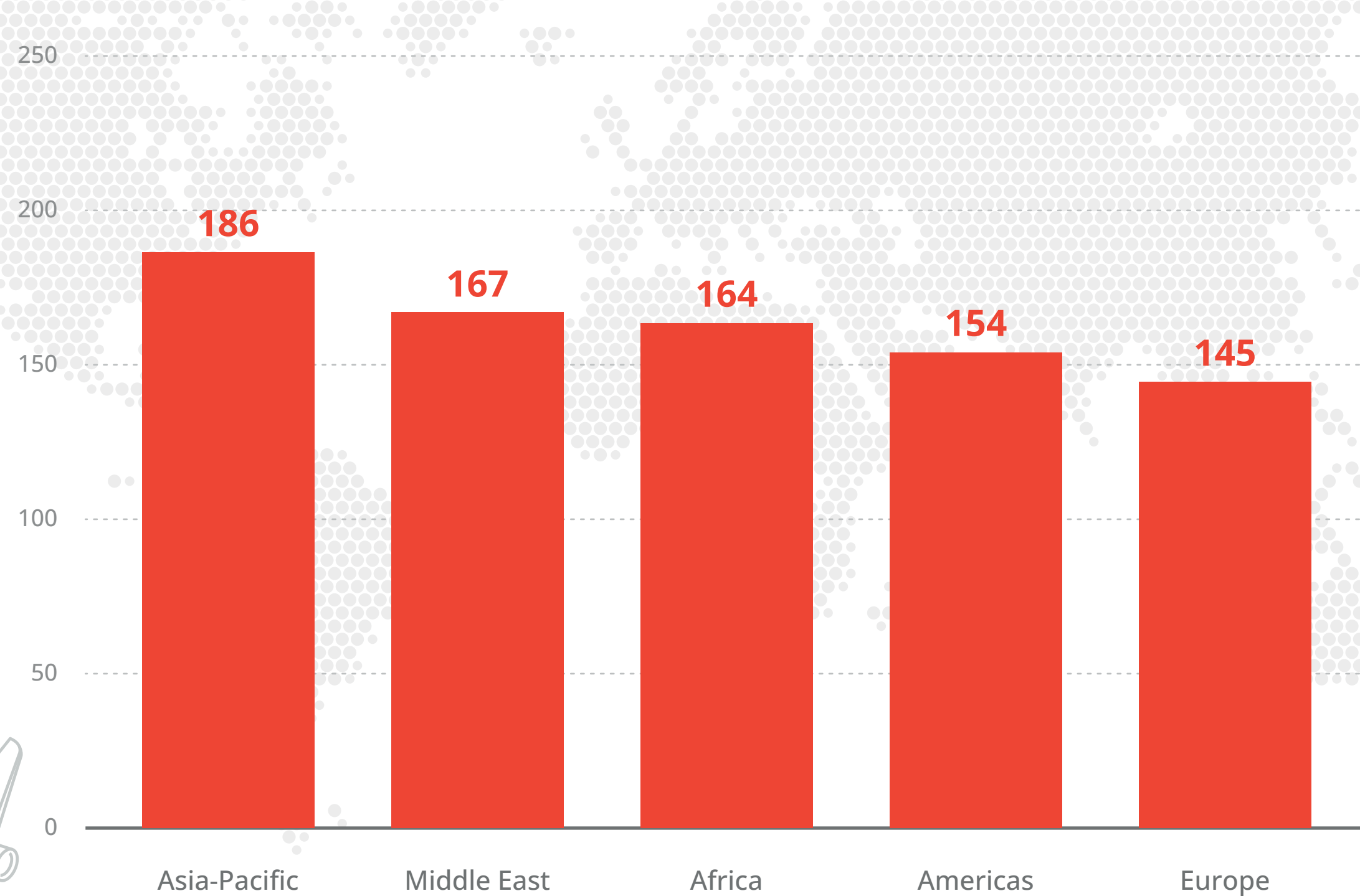


► The global airport retailing market is forecast to grow despite COVID

Since 2020, the COVID-19 pandemic and the global lockdown have had a devastating effect on air travel and airport retail sales. In 2020 1H, Heathrow Airport reported a 56% decline in retail sales, and leading duty free retailers such as Dufry reported a 61% drop in turnover and Lagardère Travel Retail saw a 55% decline.¹ Despite the drop in sales revenue, the global airport retailing market is making a comeback. By 2028, the market size is projected to register a CAGR of 5.6%, reaching US \$34,847 billion.²

The growth of the market is mainly driven by an increase in global passenger traffic and in particular, the expansion of low-cost airlines in Asia-Pacific countries. The Asia-Pacific passengers have an appetite for on-the-go shopping. In 2020, the average travel retail and duty free spending per passenger in Asia-Pacific was 128% when compared to that of in Europe.³ The surge of budget airlines in the region makes air travel more accessible to the high-spending Gen Y and Z travelers. It is expected that when the travel restrictions are lifted, the Asia-Pacific market will continue to contribute the majority of the overall sales revenue of the global market.

Average travel retail and duty free spending per passenger in 2019/2020, by region (in US \$)



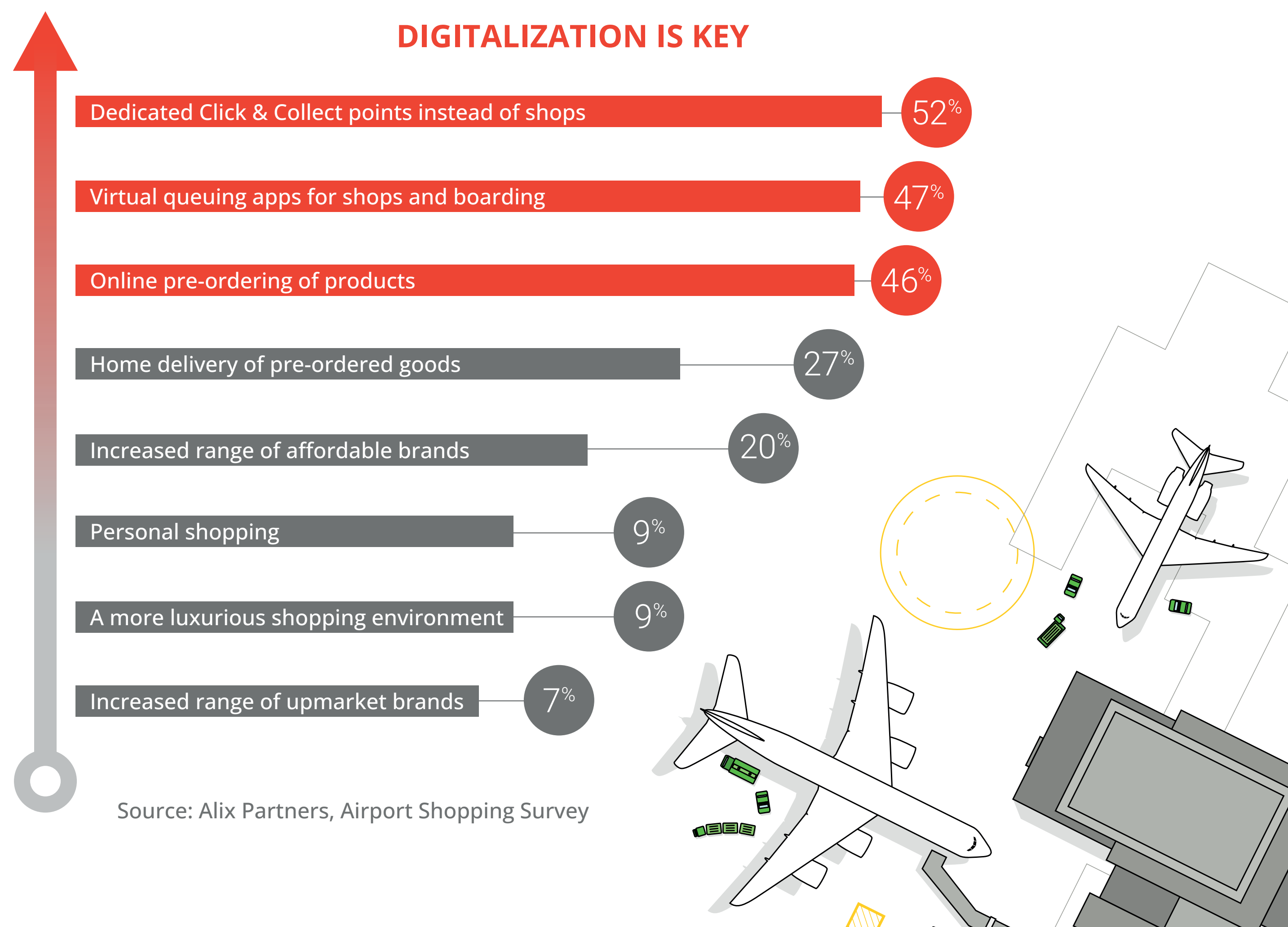
Source: Statista, Duty Free and Travel Retail Industry - Statistics & Facts

► Omni-channel retailing will help airport retail take off again

According to a survey on airport spending behaviors, more than 60% of the respondents said that they will spend less time shopping at airports due to social distancing after travel restrictions are lifted. When asked what would increase their airport shopping motivation, digital solutions such as Click & Collect points, virtual queuing apps and online pre-ordering topped the list.⁴

It is expected that, by 2025, digital technologies will “radically transform traditional airport shopping, paving the way for the omnichannel sales, the seamless connection between digital platforms and in-store shopping”.⁵ The airport retail industry hence must embrace omnichannel retailing to stay relevant.

Factors that influence passengers' shopping motivation



► Digital-savvy Gen Y & Z customers on the rise

Consumers at the heart of the journey

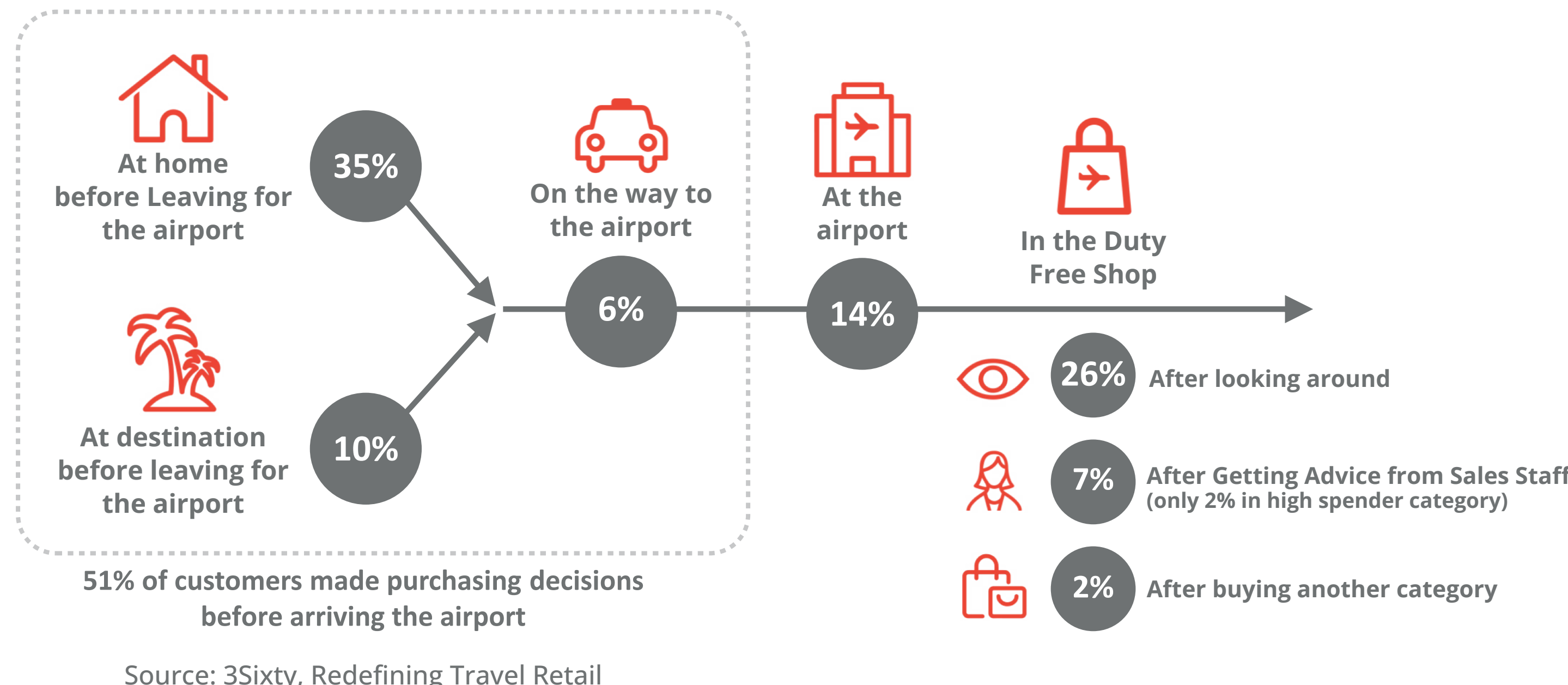


The omni-channel shift is not new in the wider retail industry. The pandemic together with the rise of the Gen Y and Z customers, have accelerated the digital transformation in the retail sector. Gen Y and Z customers are known to prefer “smarter” and more personalized shopping experiences. Omni-channel experience simply speaks to this segment. It is essentially customer-centric that puts the consumers at the heart of the journey, allowing them to interact with a brand on various channels, from online to offline, for an integrated shopping experience.

Apart from upgrading sales strategy, airport retailers will need to rethink their product strategy. By shifting to an omni-channel approach, the role of airport retail stores evolves. The stores become one of the touchpoints designed to deliver brand messages and increase customer engagement. Airport retailers shall dedicate a large proportion of space to selling brand-related experiences in addition to merchandise.⁵

► How will airport retail benefit from omni-channel strategies

Successful omni-channel strategies help airport retailers convert potential customers. Research conducted by M1ind-Set found that 51% of customers made purchasing decisions before arriving at the airport.⁶ Airport retailers who engage travelers digitally during their pre-trip journey will be one step ahead to capture potential purchases.



1 Omni-channel is the only forward for travel retail. <https://www.brandingrecords.com/blog/omni-channel-is-the-only-forward-for-travel-retail>
 2 Airport Retailing Market - Market Size & Forecasting (2017-2028) <https://www.researchandmarkets.com/reports/5450157/airport-retailing-market-size-and-forecasting-2017-2028>
 3 Duty Free and Travel Retail Industry - Statistics & Facts https://www.statista.com/topics/3107/duty-free-and-travel-retail-industry/#topicHeader_wrapper
 4 Airport Shopping Survey https://www.alixpartners.com/media/15154/ap-airport-retail-survey_infographic_2020.pdf
 5 Airport Retail: Brace for Disruption https://www.bain.com/insights/airport-retail-brace-for-disruption/?utm_medium=social_advocacy&utm_source=LinkedIn-dysi&utm_content=dac22dfc-c850-475c-9279-944986b5a934&utm_term=12453
 6 Redefining Travel Retail <https://www.tfwa.com/sites/tfwa.com/files/2019-05/Roberto%20Graziani%20.pdf>



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