In this three-part video interview, Peter Marshall of Marshall Arts International, and Kian Gould, CEO of AOE, discuss challenges that airports and the travel retail industry are facing. Learn about different approaches to these challenges and find out how Frankfurt Airport, London Heathrow and Auckland International are digitalizing their business cases to optimize the customer experience and create new non-aviation revenue streams.

1. **What prompted you to focus on the airport- and travel retail market?**
   To be perfectly frank, we got into the airport and travel retail market more or less by accident. We have a long history of building very big global E-Commerce marketplaces for companies like Panasonic, Deutsche Telekom, Sony, etc. We got invited to a tender for Frankfurt Airport to build this huge marketplace for everything that the airport can sell: retail, F&B, loyalty program – everything. When we saw the potential of that, we actually decided to not just do it as a project, but also make it much more into a solution. So that's how we came about to develop OM^3 and put a lot of resources and staff into this, because we felt that this was something that this industry needed pretty urgently.

2. **Frankfurt was a pioneer, so it was a huge learning curve for you and airport. Subsequent to that success story – I'm sure you will walk us through what the basket size has improved to and so on – you've picked up Heathrow Boutique, another major hub, and really an even more fully-developed omnichannel, multi-retailer solution for Auckland. Just walk us through the nuances between the three different opportunities.**
   Frankfurt was pretty much the first to attempt something like this. If you are a pioneer, then you make some mistakes at the beginning. You have challenges. They set up a fantastic team internally with the right people. The brought in people from DHL, a lot of people that had experience with E-Commerce before, and they did a very thorough business analysis. There was huge learning in this process.

   The approach of each airport is quite different, because each airport has its unique own USP.

   For example, while Frankfurt wanted to capitalize on the breadth of products and the benefits of services and really create this all-encompassing marketplace, the focus for Heathrow at the very beginning was pure luxury – primarily to have that that boutique feeling. Heathrow is really one of the airports that has the broadest product range of luxury brands directly at the airport. So, that is what we capitalized on there.

For Auckland, there is actually a unique setting there, because New Zealand is still somewhat underdeveloped when it comes to E-Commerce; simply, because the market is too small for one of the big players to set up huge warehouses, logistics and infrastructure.

To give you an idea, a lot of places in New Zealand don't get mail daily, they get it every three days. Same day delivery is not a common thing that people expect there. So, for the airport, the idea there was really about how can the airport become one of the biggest E-Commerce players in the whole country. That is how they approached it, which is, of course, very different from a market such as Germany, which is very mature with hundreds of players. Amazon can deliver within four hours to very location in Germany. So, a different focus. And this is what we really try to do: To bring out the USPs in each airport and develop them.

3. Frankfurt has been up and running for about two years plus. Heathrow, under a year and Auckland has just started trading. They all start slowly, but it grows, but the vision is for it to be very broadly based for all three. How would you determine how successful your platform has been for each of these?

I think there are three ways to measure success:

1. One is the pure financial success of the transactions that you generate through platform. That is something that is growing continuously and it's very much driven by how much relevant traffic the airport can generate onto a platform. It is partner-driven, marketing-driven, reputation-driven. An airport like Heathrow, which has a reputation as the best shopping airport for ten years running, has it much easier to get people to a shopping site than an airport that is not famous for that.
2. The second aspect of how to measure success is something called the "Webrooming Effect." Because planned purchasing has increased massively over the last five years (82 percent according to M1nd-set), people are using a platform like that to research products and prices and then still decide to buy in retail. Why? Because they know it's available, they know the price and are happy with it – and they still want to look at the product. That, according to studies, accounts for up to 14 percent of all visitors to a site like that. So, if you take that into consideration, you might only be making 10-20 million in revenues digitally, but you are adding another 30 million on top of that in incremental sales to retail. That is something that is very important to keep in mind in an ROI calculation. It has shown that there is no cannibalization between the two channels. The beauty about omnichannel is that the channels enrich each other. On the other hand, if you do pure E-commerce, and don't have the physical aspect, it starts cannibalizing itself to a certain degree.
3. The third element is that airports increasingly have to represent themselves as places with real customer experience, with great service, with being modern, being digital, being ready for the new millennials. As a strategy, it's now just as important to build a digital sales channel for an airport as it was to build a retail channel 50 years ago. In our opinion, this is the 3rd reason why a lot of airports are now considering going in this direction.

4. But are they really looking at the bottom line too, where they are looking for the people who actually come through the platform, the average spend per head (SPH) and the increase in the overall basket size? For them, that's where the rub is, in truth. So, how have you delivered on those fronts?

Correct. The average basket size is a great indicator of what the appetite is of these visitors and the numbers we've seen so far are very impressive. The most impressive of these is at Heathrow, where we now have an average basket size of more than £400 (almost US$ 500). That's more than five times the retail average that we see in the airport stores. (Peter Marshall: "That's been a constant?") It's been constantly growing, actually. When we launched it, it was already in the 300-pound-range and with every additional luxury range you add, with every brand you onboard that keeps going up and we're seeing massive traffic. More than 70 percent of the sales are coming from the categories of luxury fashion, luxury watches and the very top-end electronics such as 2,500 dollar cameras or MacBooks, Tablets, etc.

5. This is obviously a tremendous result, but as I understand it Heathrow's vision is to broaden the base quite considerably and move into non-luxury items (car parking, valet parking, bureau de Change). Now, they've got some of these on different Apps, but isn't the idea to put them under one umbrella? So that it's an easy fix for passengers?

Correct. Of course, the general approach that we have with our platform is that retail is kind of the door to a much broader digitalization of services and things that the airport can provide. However, you need to think about the customer journey very carefully. The crucial thing is that you have a foundation, where, as a passenger, you never have to log in twice, you never have to give your payment details twice. You never have to remember different websites, you never have a problem booking one service together with another. However, the overlap between someone who books a cheap holiday vacation spot and buys a Hublot watch is not particularly huge. So, it is important to really think of it as an omnichannel approach. One, where you might have an entry way for the domestic passengers, who are primarily focusing on convenience, speed of service, etc. And, you have a different entry way for those high-value, VIP passengers who might want to pre-order stuff, might want to book a personal shopper, might also want to book a limousine service into the city and then combine that with a hotel booking or opera ticket. As an airport, once you have that direct communication with the passenger, you are capable of creating a seamless user experience and you can sell them virtually anything because you have that single customer view.

6. **And, it can be delivered anywhere on-airport (lounge, collection points, at the gate). That's certainly true in Frankfurt. Will that be the case in Heathrow, too – and in Auckland?**

So, what kind of delivery services an airport provides is very much part of the airport's business case and also of the local regulations. For example, in Frankfurt, because a lot of passengers we do home delivery to are domestic passengers and therefore not eligible for duty free anyway, we do quite a lot of home delivery for those passengers. But, you cannot do a tax-free home delivery, you would have to make it tax-paid or duty-paid.

In other countries, where there is not such a high relevance for that, airports might decide not to do home delivery. Instead, they might decide to use collection points. We also have a locker integration. At Frankfurt, we are soon going to launch lockers, which will be at the luggage belt, so you can collect your stuff there as you are collecting your bags anyway.

7. **A quasi Amazon solution. They are trying stuff like this at a couple of airports, aren't they?**

Yes, technologically, it's quite similar. However, you also have the airports with a high-end portfolio, where it's much more about providing a concierge-style service – where you want to say, "I have ordered a 20,000-dollar watch, but I don't want to go into the store. Can you please bring that to my lounge and show it to me before I accept it." In the end, we as a solution provider, really don't care what those business cases are that the airport focus on, because we've built this platform to be flexible to do any of it.

Read more about Omnichannel E-Commerce in Travel Retail in the transcript of Parts II and III of Kian Gould's interview with Peter Marshall.