

## Kian Gould Interview with Peter Marshall During The Duty Free and Travel Retail Global Summit in Cannes

### PART III of III

*In this third installment of a three-part video interview, Peter Marshall of [Marshall Arts International](#), and Kian Gould, CEO of [AOE](#), discuss what is needed for airports to implement E-Commerce solutions, what role price plays in purchasing decisions and why disruption is here to stay.*

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#### **1. So, what do you think is going to be the tipping point? The trigger point for airports to enter into the right kind of conversation with you? What's going to prompt them?**

If I knew that, I would be very happy. What we can say is that we have been invited by almost all the big airport groups to do tenders in 2018 or 2017. A lot of them are starting to prepare to tender, are starting to prepare the strategy. Everyone is trying to wrap their heads around “what does digitalization mean for an airport?” If you are talking to ops people and if you are talking to strategy or commercial people, those are two very different stories. If you talk to a CIO about digitalization, they are thinking about tracking, about biometric passport control, about how to ensure much more seamless workflows, baggage handling and so on. And if you are talking to commercial people, it's an completely different story, obviously.

A lot of the airports are in this situation now, they are trying to hire the right know-how, because they have never done E-Commerce before, so they do need this know-how. This is a process that we are seeing.

#### **2. You need to collaborate with the right people. In terms of the resource within the airports. You are right. To my knowledge, there is an inadequate supply of the right kind of people there. And that's missing.**

Of course we can help, because we can avoid baby mistakes. We can avoid going into situations that we have seen don't work. We know what product portfolio works online vs. what doesn't. Putting 80,000 SKUs of regular beauty and cosmetics, liquor and tobacco on a platform is not the solution for E-Commerce at airports. That's something we have learned very clearly, because the focus for passengers to go through that process is to ensure availability of that product. And if they are not concerned that that product will be available, they will not go through an online channel. That's why we have seen the major uptick from product ranges that are rare, that are expensive, that you can't buy at every Costco or every supermarket in the city. And of course, there the price wars are not as huge. If you are looking at a lot of the SKUs that are being sold at airports right now, whether it's a Hugo Boss perfume, or something like that, you can very often buy this cheaper online now. And especially in evolved E-Commerce markets like Germany or the UK, you can almost always buy them cheaper, unless it's a duty-free product. That is something that the airports and the retailers need to take into consideration. Price transparency is becoming a much more common thing, so focusing on the product ranges that might not do the

volume, but actually still give you the margin, is something that in E-Commerce is essential. And one of the things we have noticed is, this is really a new niche that the airport retailers can occupy. Because the top premium brands, they will not list on Amazon or Alibaba for the foreseeable future. (Peter Marshall: “Some have, though.”) Some have. But only if they are the actual sellers themselves. Even then, there are already big worries about topics such as gray markets, about fakes and so on. Airports enjoy a lot of trust from people. Authenticity is given. So, that leads to the fact that if you manage to get your retailers on an E-Commerce marketplace, you manage to get into the search engines with that, you manage to partner with shopping platforms in China, in Russia, in Vietnam, all around the world, then you have this niche. A niche where you can put brands that would never go online, you can put them online, because you can still ensure that the passenger goes to the airport, goes to that store, picks it up there and you still have that brand experience that the premium brands are so focused on. I think that is a niche that is largely unexplored, there are very few companies like Net-A-Porter that have managed to get more into the premium segment, due to good brand relationships. But this is something where the airports have a lot of growth potential.

**3. The airports are going to want to include their lead (duty free) retailer, as well as some of the specialty stores, Food & Beverage, and so on. Are you finding that there is a degree of resistance from the retailers and that this is very much an airport-driven item?**

Yes. It is a combination, though. So, there are a lot of retailers that are very embracing. We have also been largely embraced by the brands. The brands know they need to be more digital-ready, they know they need to embrace this. It’s been more challenging with the big duty-free operators, simply because they have started developing their own channels to try to sell digitally to the passengers. The success rate of that is questionable at the moment. For me, the main reason behind that is that passengers do not really associate with a duty-free brand unless they are a very frequent passenger and they have seen that brand and they have interacted with that brand. I would say that even the airports have a little bit of a challenge, not every airport is a brand itself either. Frankly, the biggest brand for a passenger is still the airline. So, from our point of view, the correct channel to a passenger is via the airline, through the airport to the retailer.

**4. You know as well as me that the airlines and the airports tend to operate on a mutually exclusive basis. Other than operations, they don’t really connect with each other on any other level. It’s a problem.**

It is a problem. We have managed to make first baby steps with partnerships between Lufthansa and Frankfurt Airport, and other ones happening around the world that are not yet official. Generally, low-cost carriers interestingly enough are much more open to that idea. A lot of airports make huge parking revenues from Ryanair for example, because Ryanair is very open to selling parking for the airports. I think it’s a question of two things:

- One, how do you create an ecosystem of win-win, rather than “how can I make the most myself?”
- And the second question is, “who in this ecosystem is actually digitally-ready enough to participate?” That’s actually one of the bigger challenges in many cases.

So, we have to do a lot of groundwork also in helping the different parties to become more ready for an API-based, digital commerce experience; because, frankly, a lot of the legacy systems are not capable of doing that.

**5. You just touched upon it. On airlines. You have got a fairly well-publicized contract with Singapore Airlines and DFASS. How ready is that?**

We're going to go live early 2019 with the first release. I have to say that the partnership has been really fantastic, because Singapore Airlines is an airline that has a can-do attitude, which is something you find very rarely. I have been in many meetings where problems were usually discussed, rather than the solutions to those problems. And the experience that we have made with them in particular has been quite the opposite. It's a real can-do attitude. We work really well together. I think they are very likely going to be the biggest airline E-Commerce player in the market very soon because of the way that they are approaching it. The way that they put the customer first. The way that we are going to create real "aha" experiences for the passengers, rather than a trolley being pushed down an aisle with someone shouting "duty free" ([Peter Marshall: "if you blink quickly enough, you miss them."](#)) Quickly enough, so that no one says "yes". There's a huge potential there. If you see how much the inflight sales are dropping and how much our E-Commerce pre-order and home-delivery sales are growing, it's very, very promising.

**6. And, in the airline market there is almost a domino effect, isn't there? If people see that a system like that is working, their eyes will light up and they say, well we will have some of that too. And particularly, going back to a point you made earlier, if they're not actually active in the duty free market any longer, then they can get some residual benefits from an overriding deal. It's been a pretty all-embracing interview. Thanks for your time. One final question: If there is one sentence that defined AOE and the OM<sup>3</sup> platform, what would it be?**

I think it's a tricky one. Essentially, what we are trying to do is prevent disruption and benefit from it at the same time. Because, the disruption is there and anyone who says it's not and anyone who says that E-Commerce is not a challenge to travel retail – that's just foolish. We can see it in the day-to-day, and this bubble will not last forever. Especially the young millennials. We've done interviews at airports where they said, "I wouldn't know why I should shop at an airport, it must be really expensive." It's a changing mindset that is happening. Whereas, if you target these passengers with good deals early in their journey, you make it a seamless experience. You focus on not only convenience but also ease of use, customer experience – I always like to use that phrase of "You need to order a product with the swipe of a finger." If you get to that level of convenience, then you get to a level where price becomes less relevant. One data point that supports this 100-percent: It was recently found that 95 percent of Amazon Prime members never check prices anywhere else anymore. What many people don't know, a platform like Amazon changes prices on an individual product up to 1,000 times a day. So, you cannot be sure that you will always get the best price. You have blind trust that you will always get a good deal there and the convenience of having one checkout basket, never having to add your details again, never having to add payment details again, being protected from fraud, all of that – that is why people shop there. So, if airlines and airports want to get into that kind of situation of that sort trust, then they need to do a better job.

***For more, read the transcripts of Parts I and II of Kian Gould's interview with Peter Marshall.***