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Tackling travel retail's relevance in a new world

Debating disruption, digitalisation and
consumer demographics at Trinity 2017



Sense of Place

Old town beauty, new look
retail in Wrocław

Happiness and wonder

Lancôme leads the way
with experiential campaigns

The Foodie Report

Instagram and the rise of
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Establishing the digital airport ecosystem

Frankfurt, Singapore and Auckland airport representatives joined travel retail consultant The Blueprint Partnership and omnichannel e-commerce specialist AOE to talk digital disruption in airport retail.

THE GLOBAL AIRPORT COMMERCIAL REVENUES CONFERENCE

1-3 November 2017 • Bangkok, Thailand



“Where impulse purchases amounted to 65–70% overall, we are now seeing less than 30% in impulse purchasing and around 70% in planned purchasing.”

–Kian Gould



A major debate around driving and combating digital disruption proved a big talking point at Trinity 2017, and generated strong audience reaction.

Moderated by Adil Raihani, Co-Founder & Partner at the Blueprint Partnership, the session brought together AOE Chief Executive Kian Gould; Changi Airport Group Airside Concessions Division, Online Retail General Manager Nicole Foo; Fraport Vice President E-Commerce Jens Paul; and Auckland Airport General Manager Retail & Commercial Richard Barker.

The panellists discussed how the digital revolution is disrupting airport retail negatively, but also how it can even help to improve the legacy model to help the sector survive and flourish.

Gould, whose company AOE has already established an omnichannel platform at Frankfurt Airport, and is now working with Auckland and Heathrow, set the scene with a provocative presentation.

Gould noted how mobile devices are the single biggest disruptor to the retail environment, in travel retail and other channels. He related how travellers tend to look up from their mobile devices on just three occasions when in the airport environment: at check-in, at security and when scanning their boarding pass.

“The disruption of travel retail is very much under way, particularly when you look at spend-per-passenger numbers,” he said. “As mentioned throughout The Trinity Forum, the passenger base is growing, but we are not converting them into shoppers.”

Citing TFWA and Generation Research statistics, Gould argued that despite the growth global passenger traffic of +5–6% year-on-year, travel retail revenues have dropped in the USA, Europe and Middle East. “And although it looks like Asia Pacific is growing, the majority of the growth is downtown – airport duty free has not grown significantly.”

Addressing what he called some myths about e-commerce in the past, Gould noted:

“For the longest time the travel retail industry thought e-commerce was not suitable for travelling consumers. But look at examples like Alibaba, which has proved you can sell almost anything – even cars – online.”

Secondly, many brands were not early adopters of e-commerce in a bid to preserve their brand identity. However, as the industry has learned, consumers will find ways of accessing the products online that are beyond its control.

Perhaps most controversially, Gould’s final “urban myth” of retail is that the personal touch is essential to in-store sales. “This might be true when those employees are ‘real’ sales people” he argued. “However that is increasingly not the case,” he noted, citing the many part-time staff he claimed that retailers employ.

Quoting a recent study from travel retail researcher m1nd-set to back up his point, Gould noted how only 2% of shoppers make purchases following advice from sales staff. “And staffing is the most expensive part of retail operations in airports besides the concession fees.”

Beyond this, travel retail is seeing a fundamental shift in passenger behaviour. “The point where travellers make the decision to purchase has turned 180°. Where impulse purchases amounted to 65–70% overall, we are now seeing less than 30% in impulse purchasing and around 70% in planned purchasing.”

“Meanwhile, only 2% of travellers are buying after they purchase in another category – so there is a potential for cross selling and upselling,” said Gould.

He cited Chinese, Korean and Japanese travellers as heavily focused on planned purchases, which Gould said was understandable because often there is a communication challenge and language barrier at the airport.

The only logical solution for travel retail to evolve and adapt to the changing consumer world, according to Gould, is for the airport to evolve and become a digital ecosystem,

Audience feedback Driving and combating disruption

How many actual commercial transactions a day in Frankfurt take place using this system? How much revenue?

Kian: if 71% is planned purchase, why should retailers and brands continue to invest in significant retail presence and experiences?

Sure, our industry has to improve our online and mobile reach, but if we neglect service just because everyone is glued to their mobiles, we will definitely die.

At Frankfurt, has this model allowed for additional skus and choice being offered to consumers to increase diversity of offer and emerging brands?

Airports and retailers have invested hugely in their shop staff. They don't just hire students.

Has AOE considered the commercials for suppliers that allow for investment in experiential activity at the airport and gives consumers another option?

If the given airport is the marketplace, how is that going to seamlessly link to other airports for the consumer?

E-commerce seems to have potential in TR, but how do retailers and brands co-manage inventory? What about space limitations?

What about privacy? Are all consumers willing to share their data and have personalised ads sent to them?

Kian said that 34% of passengers decide to make a purchase ahead of going to the airport. So why do duty free retailers' click & collect propositions not deliver?

AOE & Fraport: which product categories are sold most through your marketplace? Any difference versus Heinemann Duty Free in-store at Frankfurt?

I went through Frankfurt three times recently and had no prompt to any of this!

Yes, e-commerce will work. But is it extra sales or the same sales moving over for a better service?

and partner with other service providers to create a marketplace of its own.

Frankfurt Airport implemented AOE's OM³ (Omnichannel Multi-Merchant Marketplace) suite at the end of 2015. Commenting, Fraport, Vice President E-Commerce Jens Paul said that this was a major step forward for the organisation in how it thought about the future.

The platform, combined with a loyalty

programme, allows travellers to view the entire product range of participating airport shops online and reserve their products.

"We decided we have to be the consumer, and we use the solution to obtain data because it is the fuel of our industry. Getting the retailers onboard was a big step. Fortunately we are in a joint venture with Heinemann so it is coming along well," he acknowledged.

Gould said that since the

implementation of AOE's OM³, Frankfurt Airport had seen cross-selling and up-selling opportunities increase +35%, loyalty programme membership by +75% and basket value by +300%. "These are the results when you create a multi-merchant marketplace where people can pay for all of their products in one transaction and have one delivery /pick up."

The perspective on the debate from other airports was also instructive. Changi Airport's Nicole Foo noted: "In

the next five years, digitalisation will be part and parcel of the airport shopping experience. We need to bring the service to the customers."

Looking not just at the Trinity, but at the four parties represented in the travel retail environment (including airlines), Foo said Changi identifies the airport as the natural voice of the ecosystem. "I'm not sure how this resonates with airlines. Working together would be good for the industry but it's about identifying the



"Data is the fuel of our industry"

–Jens Paul

“In the next five years, digitalisation will be part and parcel of the airport shopping experience. We need to bring the service to the customers.”

–Nicole Foo



right approach and identifying what is sustainable for each party.

“The airlines are also doing more in building ecosystems themselves, but their ideologies are quite different to the airports.”

Collaborating with airlines will be essential to creating this ecosystem of digital where data is the key, said Gould. “With true collaboration with airlines you are able to know weeks in advance who is coming to the airport, when they are coming and prepare and personalise the experience for them.”

For Auckland Airport, establishing a common vision on its digital aims within its team is anchored by keeping the consumer front and centre, said General Manager Retail and Commercial Richard Barker. “The easiest way of doing this is asking how the team shop at the airport and we found almost all of them engage in online retail.”

The airport, which has also engaged with AOE in a partnership to create a ‘multi-retailer mall’, is exploring opportunities with Chinese airlines.

The airport’s reserve and collect service is already turning over significant revenues of over NZ\$100 million. “It has enabled us to give customers more choice and expand the categories we have in the airport. We are now looking at how we can take that infrastructure and opportunity to other markets like China.

“We are going to use this platform to partner with airlines. They have tremendous reach and distribution in their home markets and loyalty among customers,” he added.

Auckland Airport is investing A\$250 million (US\$189.2 million) in an upgrade of its international departures retail and F&B offer. Barker said the next aim is to create a virtual mall for its existing partners. “We want to create a marketplace where our partners can reach customers beyond the physical environment.” Gould’s proposition that the airport becomes a digital marketplace resonated with some delegates, though the model, it was noted, depends on the fundamentals of great product selection, data and services.

“We want to create a marketplace where our partners can reach customers beyond the physical environment”

–Richard Barker



“Both our duty free retailers (ARI and Aelia) can complete transactions online. At the Aelia arrivals store, customers can scan a barcode and a robot will deliver the product to them. We are pulling information together with a single view of the customer and linking it to a loyalty programme.

“We are simply giving our passengers choice and enabling them to shop at a time and place that’s convenient for them.

The scale of the investment, said Barker, is not about incremental revenue tomorrow, but looking further beyond. “In five years’ time, I want to be in the position where we have a viable business platform for duty free retailers to partner with us. It’s not just about creating resilience within our own business model, but also forming opportunities to grow.

“If we don’t start to embrace the future we will become irrelevant. We will end up with airports that have really good F&B, a few souvenir stores unique to the country, and that’s all. This is the prospect we face unless we learn to embrace and partner with the likes of Alibaba.”

The airport environment does have some advantages over e-commerce players such as Amazon and Alibaba. “We have immediate product availability which is something only an airport can provide. There is also the low cost of returns, whereas 30% of e-commerce cost is in returns and shipping. People tend not to make returns in duty free. Finally, there is no cost in traffic acquisition,” Gould noted.

The ultimate aim, he said, is for airport e-commerce to become “unobtrusive”. “Much like with Uber where you barely notice that you have spent money. That is what interacting with e-commerce in an airport should be like.”

Furthermore, once each airport establishes its marketplace, the industry can start uniting airports around the world to enable more cross-border traffic and e-commerce. “In the end the airport is creating a marketplace for shopping, services and payment. It is a facilitator of every service the traveller needs.” 