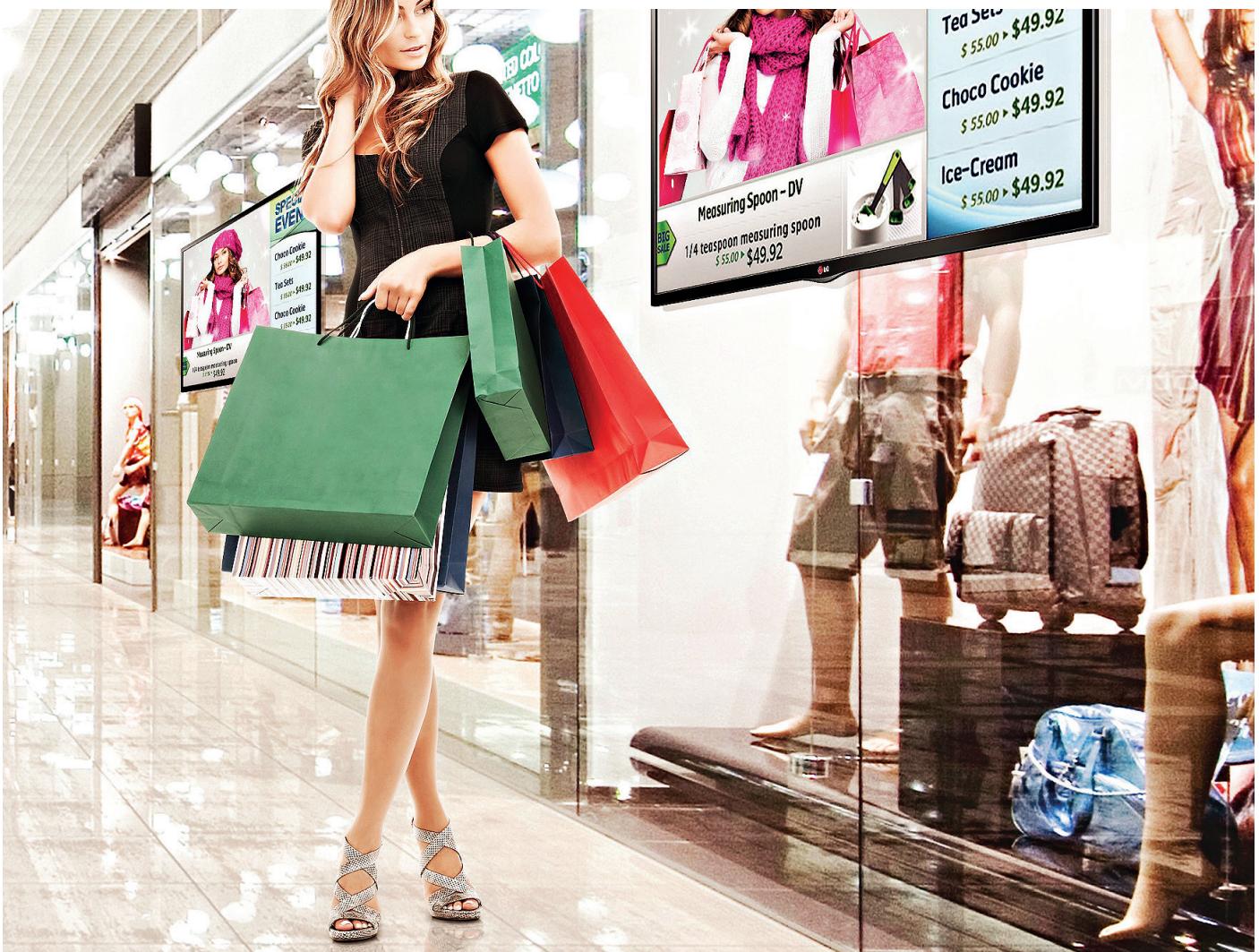




AIRPORT RETAIL: THE CHANGING LANDSCAPE

Airport retail must invest in creating an experience that at least matches, if not exceeds, the high street argues [Alex Avery](#)



Anyone in airport retail will know that consumer behaviour and retail strategy is evolving fast. Enhanced technology, more effective customer data, ever-demanding consumers and challenging macro-economic conditions have given rise to this. At the same time, the seemingly continual growth in global passenger traffic, the rise in disposable income and wealth of emerging markets, together with favourable exchange rates, have created a positive environment for airport retailers. The outcome? Passenger spend has increased, despite moderate levels of innovation.

The unique selling point and safety net of the value-driven tax and duty free proposition, together with a captive audience, have to date, sheltered airport retailers from high street competition, who have long considered it a channel of their own, insulated from market pressures of downtown. However, in the digital age, with a diminishing price advantage, global dominance and reach of the ecommerce giants, cross border fulfilment, and increasing price transparency, the pressure is on. Airport retailers need to evolve their proposition, in order to maintain and grow customer conversion and spend. That the travel retail spirits market, for instance,

is reported to have contracted 3.3% in 2015, demonstrates the current challenges faced by the airport retailers and operators alike.

Digital continues to raise consumer expectations; it's about being able to demand what they want, whenever they want, however they want. What does this mean for airport retail in 2017? We're predicting transformation, as effective digital strategies shape convenient, relevant and exciting propositions for travellers.

KEY TRENDS FOR 2017

Let's start with the key trends that we anticipate will shape airport retail in 2017.

➔ Convenience

This is about expanding reach beyond the walls of airport stores. Airports are logistics ecosystems. Their many great assets can be leveraged to improve purchasing and delivery options - click and collect in store, collect on return, or deliver to home. A well-integrated digital experience can free up customers' hands, increase the functionality and convenience of purchase, and presents an

opportunity to both maintain traditional core category sales as well as drive spend into new areas.

As Kim Gray, Head of Retail Strategy at Heathrow says, "Digital integration in airport retailing has long lagged behind the standards being set by both the major ecommerce players and the conventional high street. It is crucial for airports and operators to invest in enhancing the functionality and quality of their digital platforms, in order to improve ease of access to the product offer, lines of communication with potential customers, and convenience in fulfilment and delivery."

✈ Enhanced data capture

2017 will see online pure players continue to lead the way, through their use of transactional data, driving improved sales performance, enhanced customer experience, and more effective range planning. As data capture in airport retail becomes more sophisticated, retailers can optimise this information to encourage sales, be this through greater depth of transactional data, demographic profiling, or tracking the movement of passenger flows around the terminal through beacon and wi-fi enabled technology. Value and return on investment will only be fully realised when airport management teams employ sufficiently skilled resources, ensuring data insight translates to improved sales and profitability.

✈ Exclusivity

For high frequency travellers, the perception of an increasingly homogenous retail experience across the airport retail world prevails. The continued consolidation of suppliers in the industry doesn't help. Looking ahead, airports and retailers need to engage with more innovative strategies, providing exclusivity to their channel, in a way that neither the high street, nor online can compete. Examples of this include unique food and beverage offers like the world's first airport gin distillery, The Nicholas Culpeper, which opened at London Gatwick earlier this year. Elsewhere, specific travel retail exclusives, such as the recent DFS launch with Burberry work well. The 22 piece capsule collection, BurberryxDFS, references the brand's heritage and is inspired by key elements from the innovative straight-to-consumer runway show. This shortens the traditional gap between runway show and retail availability, and creates a personal, exclusive collection specifically for the travel retail consumer.

✈ Customer Experience

Airport retail needs to major on emphasising in-store experience to increase footfall and in-store conversion, taking inspiration from the excellent new concepts coming out of the high street. Digital can't compete with the physical experience which is still the most powerful way to communicate and convey the essence of a brand and its proposition. Excellent standards of design, customer service, and sensory experience create that point of difference. Retailers are becoming increasingly sophisticated in how they deliver their brands' values through the physical environment. The Store, a hybrid retail space beneath Soho House in Berlin, combines the best of commerce, hospitality, and lifestyle, in an engaging environment perfect for shopping, socialising, dining, or working.

The sustainably focused fashion brand Tom's flagship store in LA's Abbot Kinney Boulevard seamlessly combines the best elements of a coffee shop, footwear and optical retailing, creating a relaxing experience that promotes dwell, conversation, socialising, and loyalty-driving engagement the brand.

There is a strong correlation between customer satisfaction and spend. Greater focus on the experiential, not just the transactional is what we expect to see in 2017. At a time when consumers are arguably exposed to too much 'stuff', people are keen to seeking out different experiences. Airport retailers are perfectly positioned to make the journey less of a process, and more of an experience.

✈ Brexit and Macroeconomics

We can't ignore the significant impact that leaving the single market and customs union could have on travel retail in the UK. It could give rise to significant logistical and operational challenge for retailers as well as the opportunity of implementing duty free spend. In addition, the macro-economic conditions and high degree of exchange rate volatility continue to make airport sales a challenge amongst the highly lucrative emerging markets of Chinese, Russian, and Brazilian passengers, particularly in the luxury sector. We expect to see airports and retailers looking to mitigate these risks by widening the appeal of the retail offers beyond the narrow focus at the highest income brackets.

✈ Creating a winning strategy

Where will these trends leave the sector? The airports best positioned to respond have strong and trusted partnerships with each of their key stakeholders – the airlines and the retailers. It's about pulling in the same direction, and working together to increase the scale of the commercial opportunity, rather than fight over the distribution of the opportunity.

Airports need to invest in understanding the customer composition and how customer buying behaviours are evolving. We want to see more commitment to improving the customer experience, and recognising the need to invest in high quality design and place making. Closer collaboration and input of brands into the physical store experience will be key. And, while price is always important, good customer service and customer relations are still crucial to delivering good value. Investing in processing and security to increase airside dwell time will still drive penetration and sales.

So far, there is limited evidence of moving towards a partnership model. Maybe a greater focus on developing joint venture partnerships will allow better alignment of incentives and opportunity for stakeholders to share in the commercial opportunity their passengers present?

2017 is make or break. Airport retail must invest in creating an experience that at least matches, if not exceeds, the high street. Focusing on delivering experiences and engagement per square meter, not just income per square meter, should define airport travel in 2017 and beyond.

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