

The Future of Airport Retail

How to enhance Airport Shopping Experience

Sung-Bin Im
Director

Duty Free Management Team
Incheon International Airport

Contents

1

**Duty free retail of Incheon Airport
during pandemic**

2

Changes of shopping trends

3

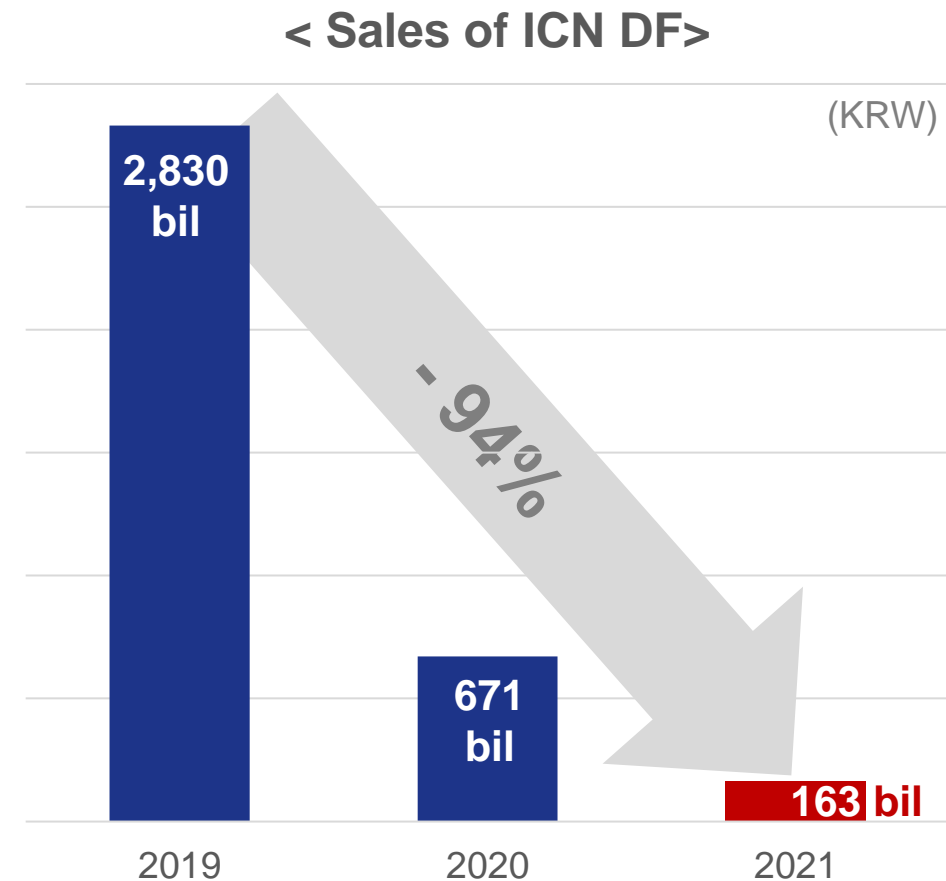
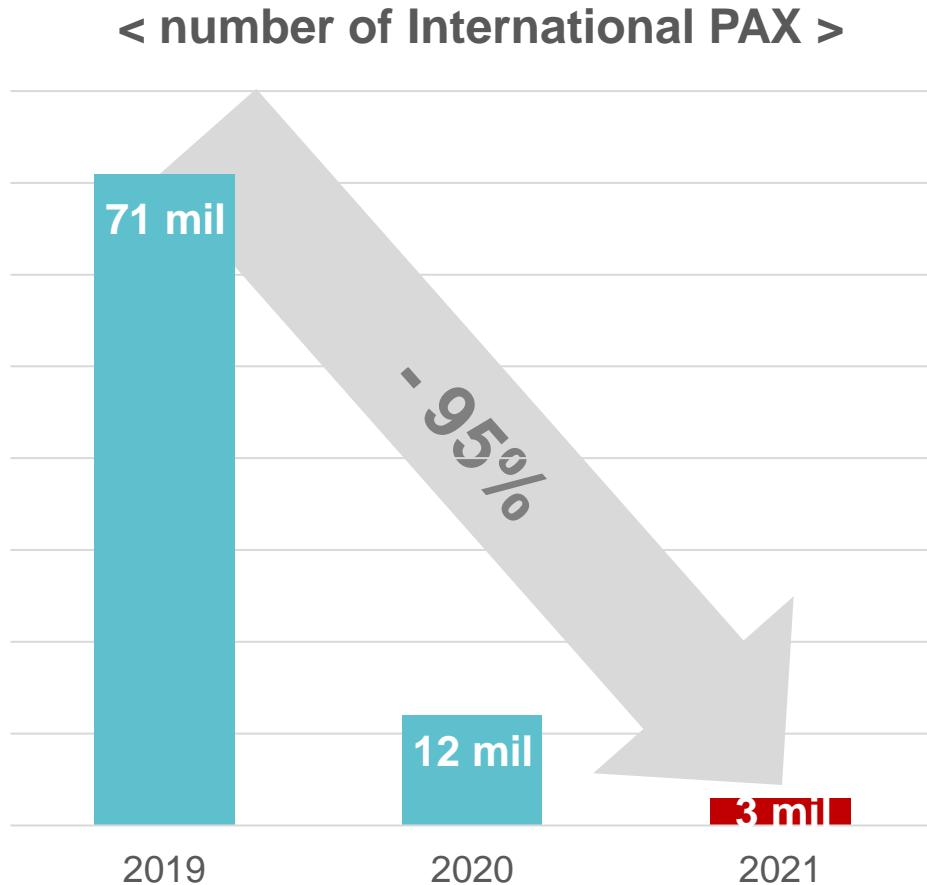
**How to enhance
airport shopping experience**

1

**Duty free retail of Incheon Airport
during pandemic**

Airport duty free retail during pandemic

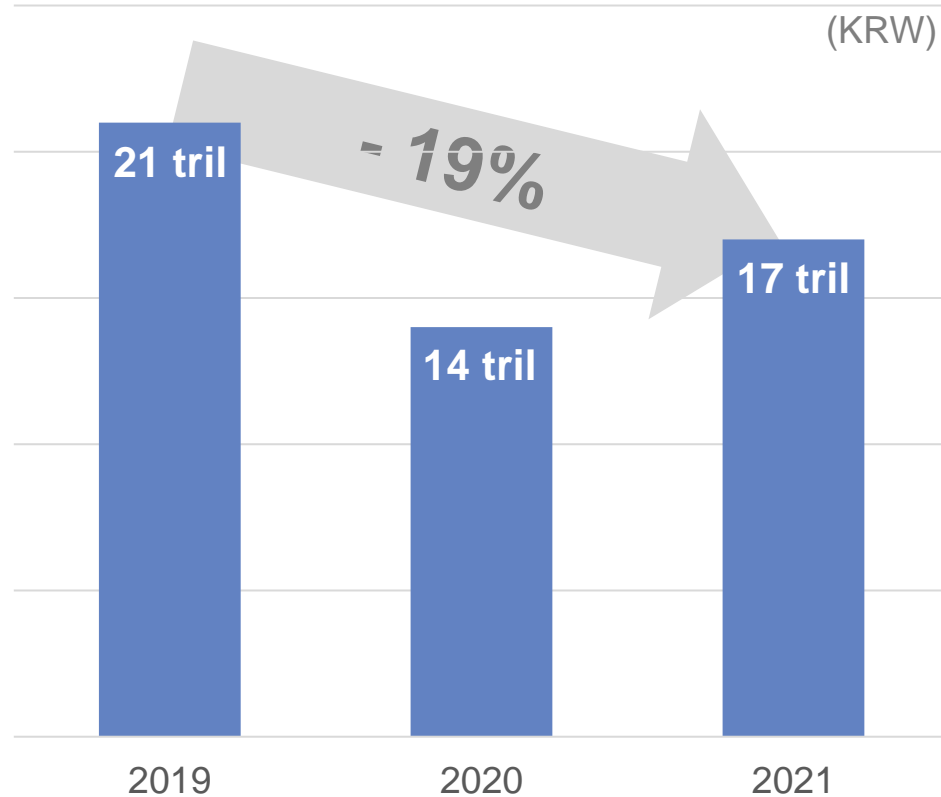
- ✓ As the number of passengers dropped, Incheon Airport duty free sales decreased by 94% during pandemic.



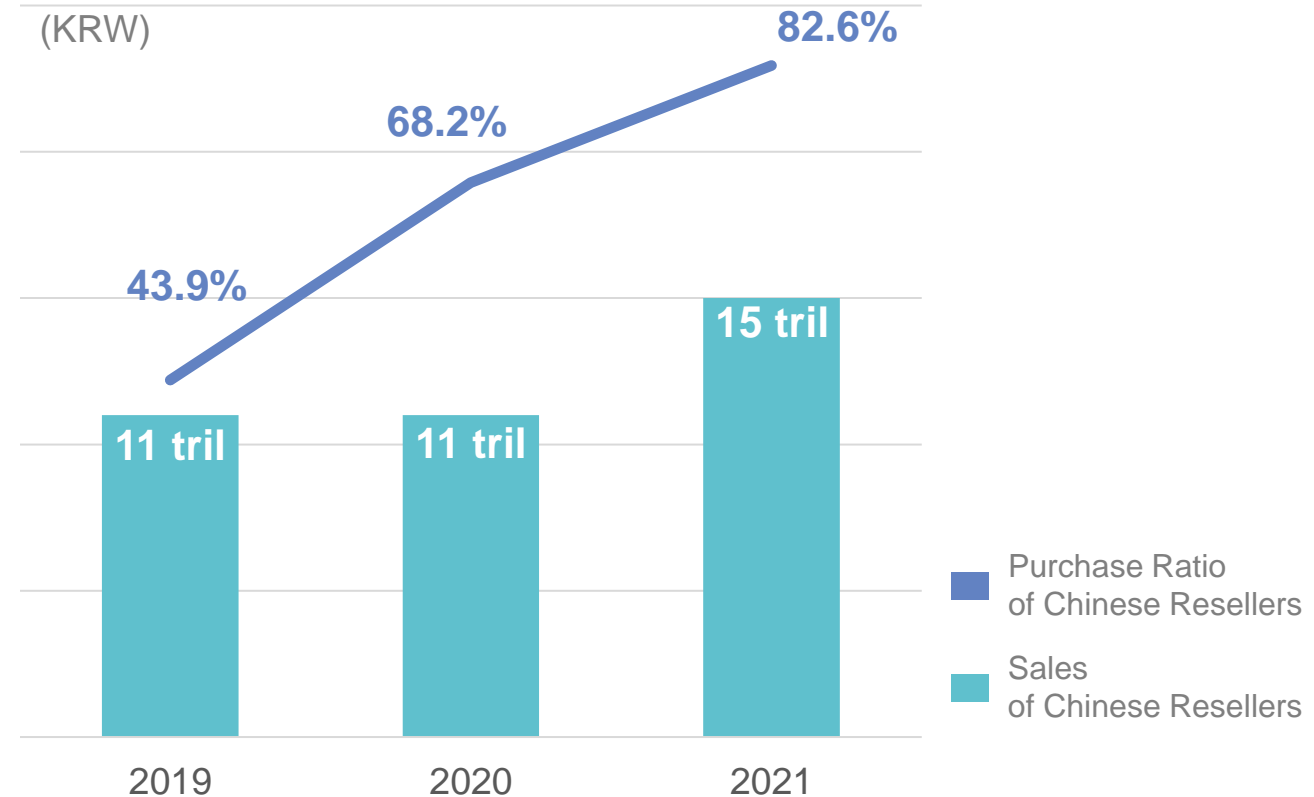
Downtown duty free retail

- ✓ Sales of downtown duty free decreased slightly because of the Chinese Resellers' sales.

< Sales of Downtown Duty-Free >



< Sales of Chinese Resellers in Korea DF >



Supports for duty free operators

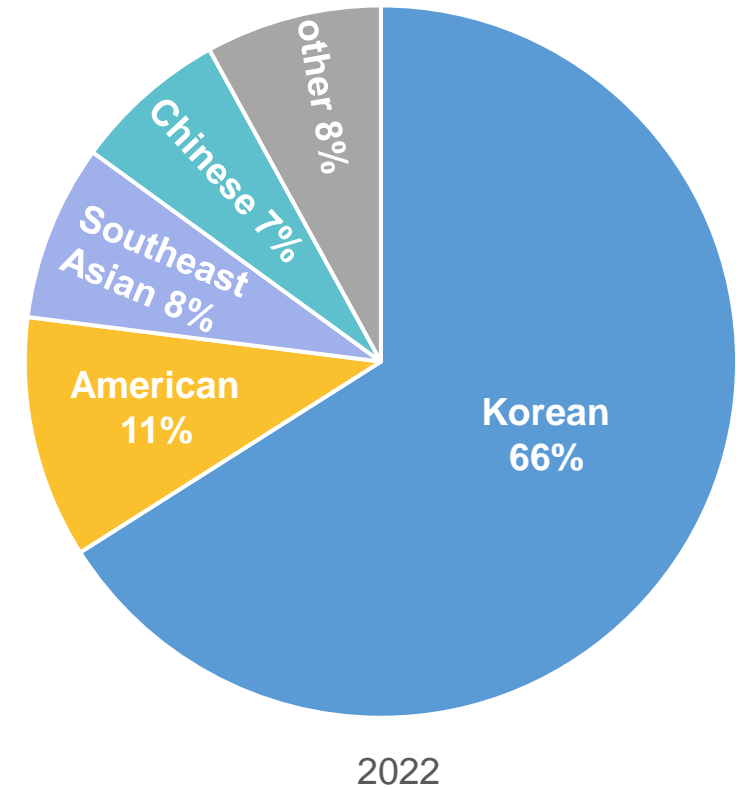
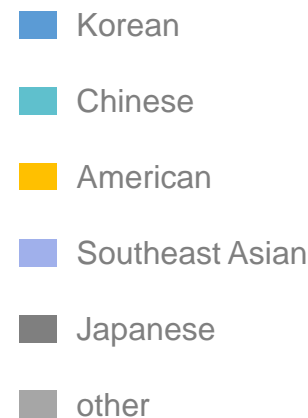
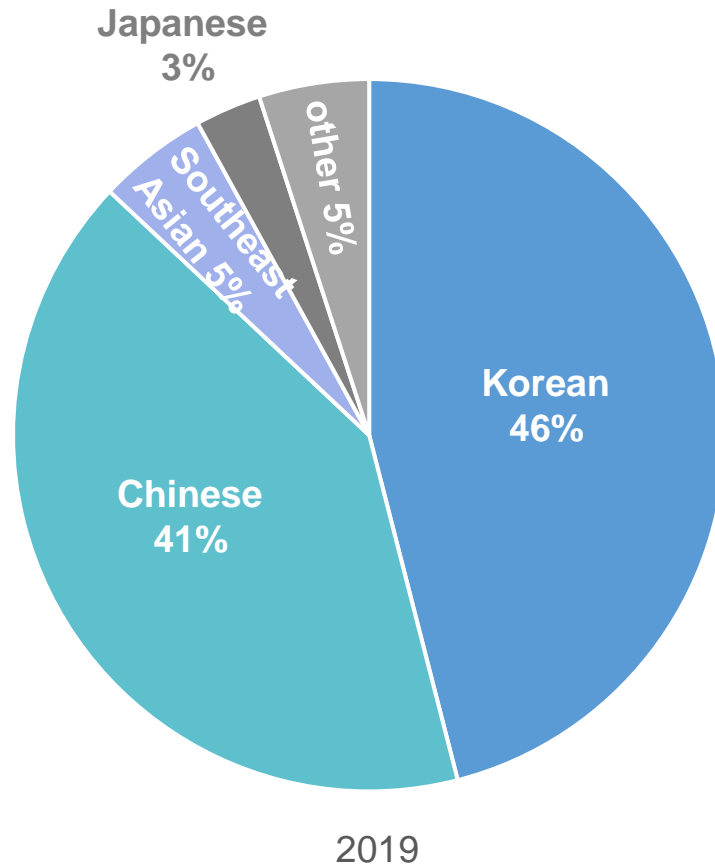
✓ To overcome the crisis together, Incheon Airport reduced rent fee for DF operators and Korea Government eased the tax regulation.



Duty free sales of Incheon Airport by national

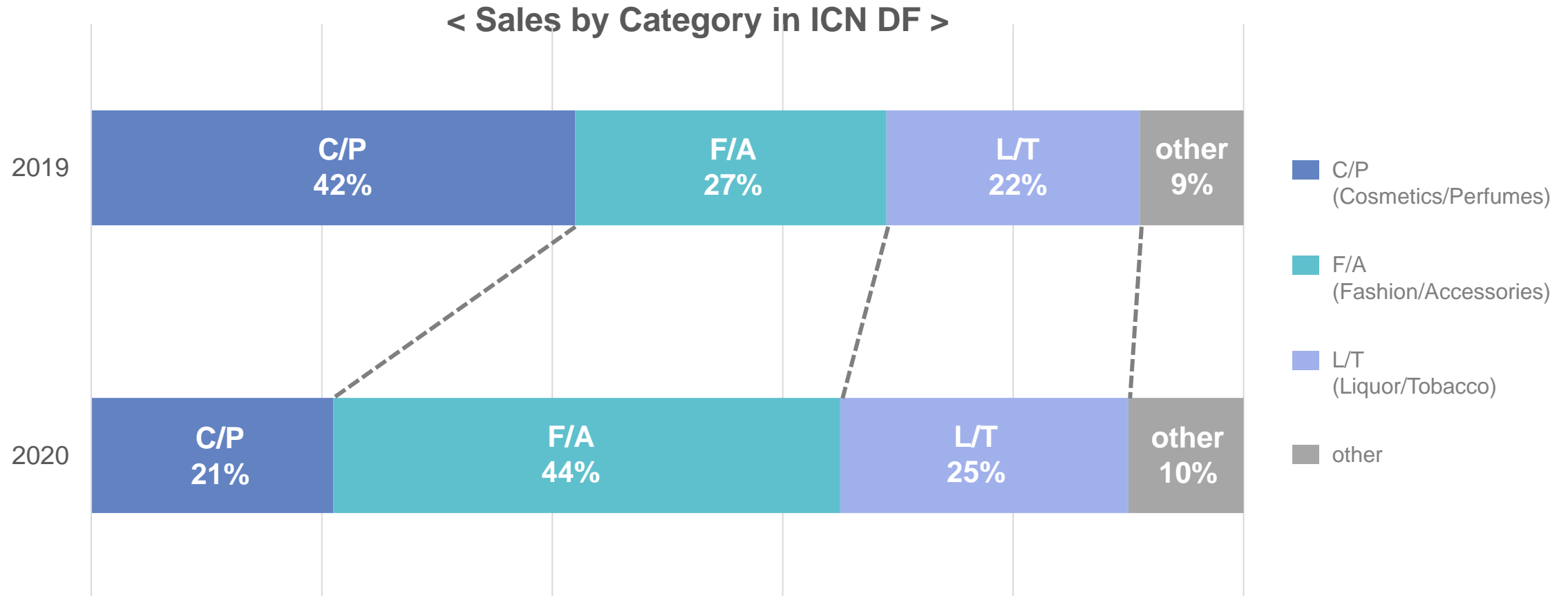
✓ The sales ratio of Chinese fell sharply and the sales ratio of Korean and American increased during pandemic.

< Duty free sales ratio by National in ICN >



Duty free sales of Incheon Airport by category

✓ Compared to C/P sales ratio dropped by half, F/A sales ratio increased a lot.



Deregulation Effect

Abolishing Purchase Limit (’22.3~)

* Purchase Limit : \$5,000 → no caps



Raising Duty Free Limit (’22.9~)

* Liquor : 1 bottle → 2 bottles

* Duty Free Limit : \$600 → \$800



2

Changes of shopping trends

Changes in Retail Trend

Offline Retail

- ✓ Transforming space from selling to delivering brand value
- ✓ Creating space that emphasizes on customer experience such as culture and art

COVID-19

- ✓ Accelerated Digitalization
- ✓ Integration with Digital shopping and Physical shopping

Value Consumption

- ✓ Expressing individual values different from others
- ✓ Values such as eco-friendly, win-win with local brands

Evolution of Consumption Purpose



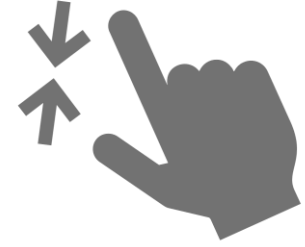
Goods

Functional
Benefits



Services

Emotional
Benefits



Experience

Self-actualizing
Benefits

Changed strategy of luxury brands

- ✓ Major luxury brands are closing downtown duty free shops.
- ✓ Top-tier luxury brands are focusing on airport duty free shops.

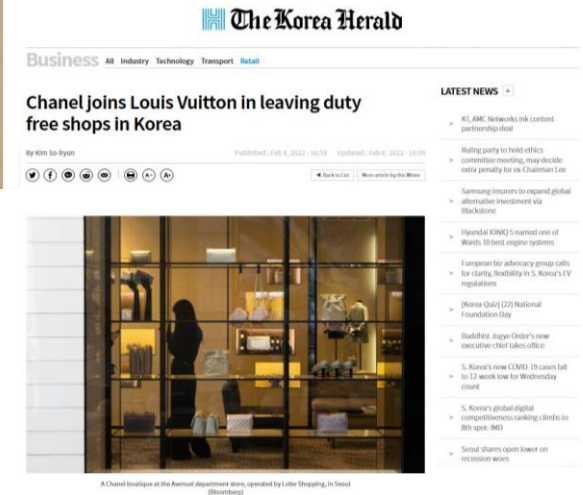
CLOSING DOWNTOWN DUTY FREE STORES



Beginning the closing downtown DF shops in Jeju island, all stores in downtown DF will be closed until March 2023.



Closing downtown DF shops in Busan, Jeju island and Focusing on the airport store and Seoul downtown DF shops



Korean Retailer efforts to create new experiences



The HYUNDAI SEOUL
(Yeouido)



Ground Seesaw in LOTTE department
(Myeong-dong)



Rooftop Garden in Shinsegae department
(Daejeon)

Meeting the various values (1)

✓ **More affordable street fashion brands became popular these days.**



Meeting the various values (2)

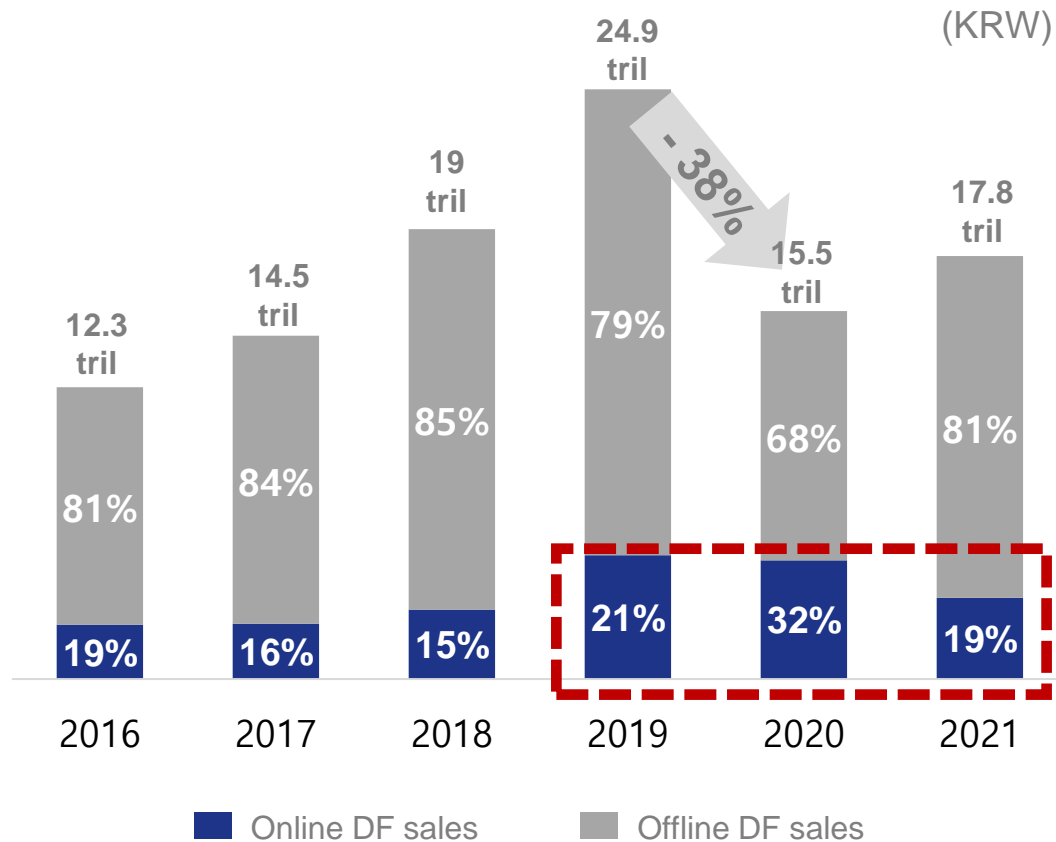
- ✓ Incheon Airport built a Win-Win platform by creating stores where only products made by local Small and Medium sized are sold.



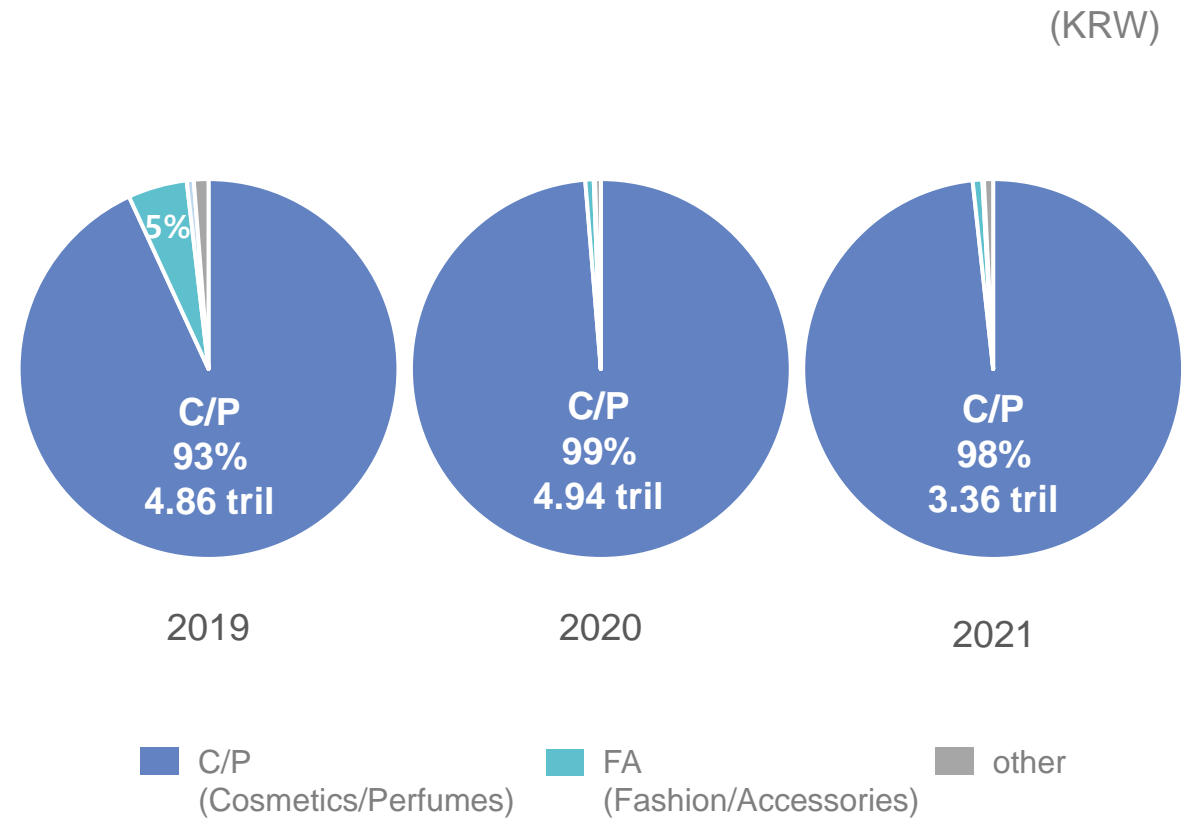
Digitalization – the growth of online Duty Free shops

✓ Although sales of offline DF shops is decreased, sales of online DF shops is increased slightly.

< Online & Offline DF Sales ratio in South Korea >

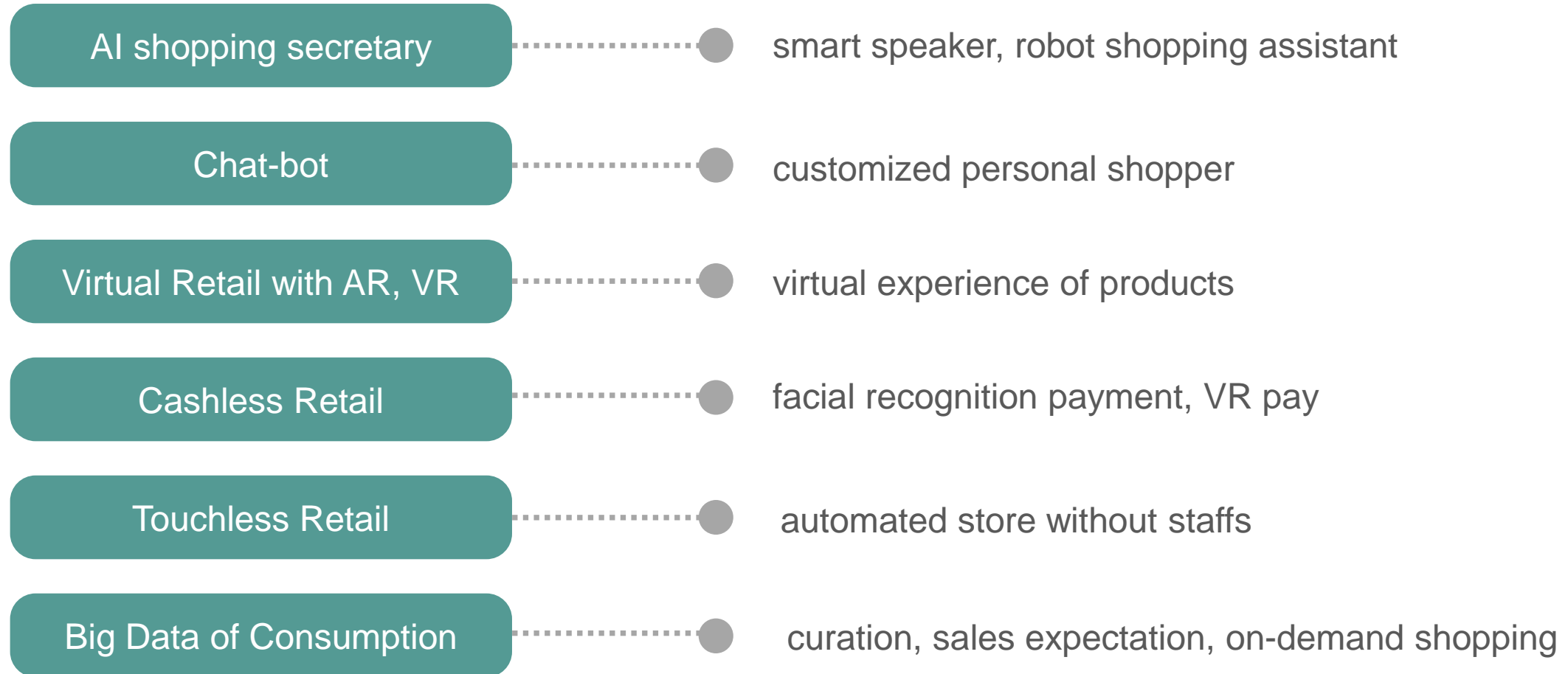


< Sales ratio by category in online DF shops >



Digitalization – accelerated digitalization

✓ **The speed of digitalization is getting more faster than ever.**



3

How to enhance Airport shopping experience

Characteristics of ICN DF shoppers

✓ The proportion of shoppers who prefer offline airport duty-free shop and impulsive buyers is high at about 71%.



Reshaping ICN Retail Business Model

Adapting New Trends



Enhancing ICN strengths

**Maximizing
Offline
Strengths**

**Integration of
Digital & Physical
Experience**

**Redesign
Airport Process
for excellent
shopping
environment**



Innovation of Shopping Experience

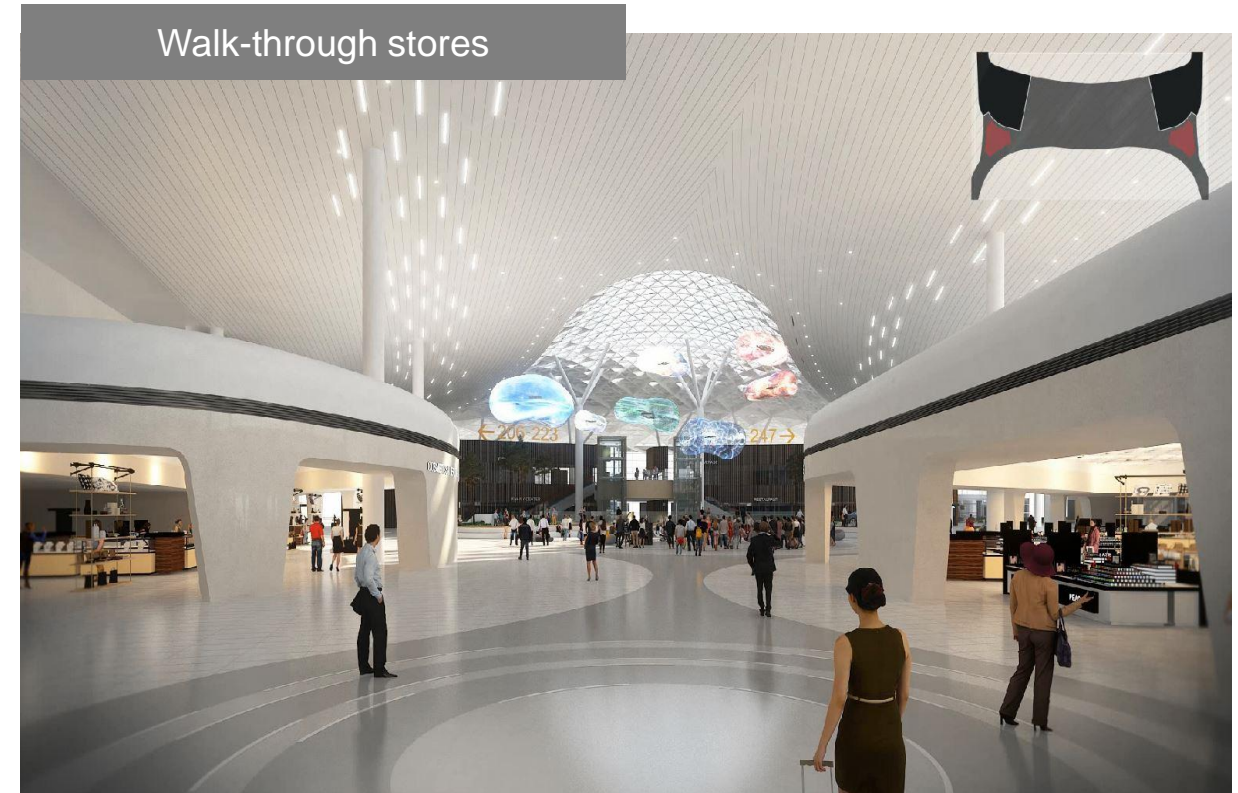
Maximizing offline shopping strengths

Optimized Space Layout

T2 expansion

- ✓ Store relocation
- ✓ Spacious walk-through shops
- ✓ Increasing pop-up stores
- ✓ Plan to expand DF area size

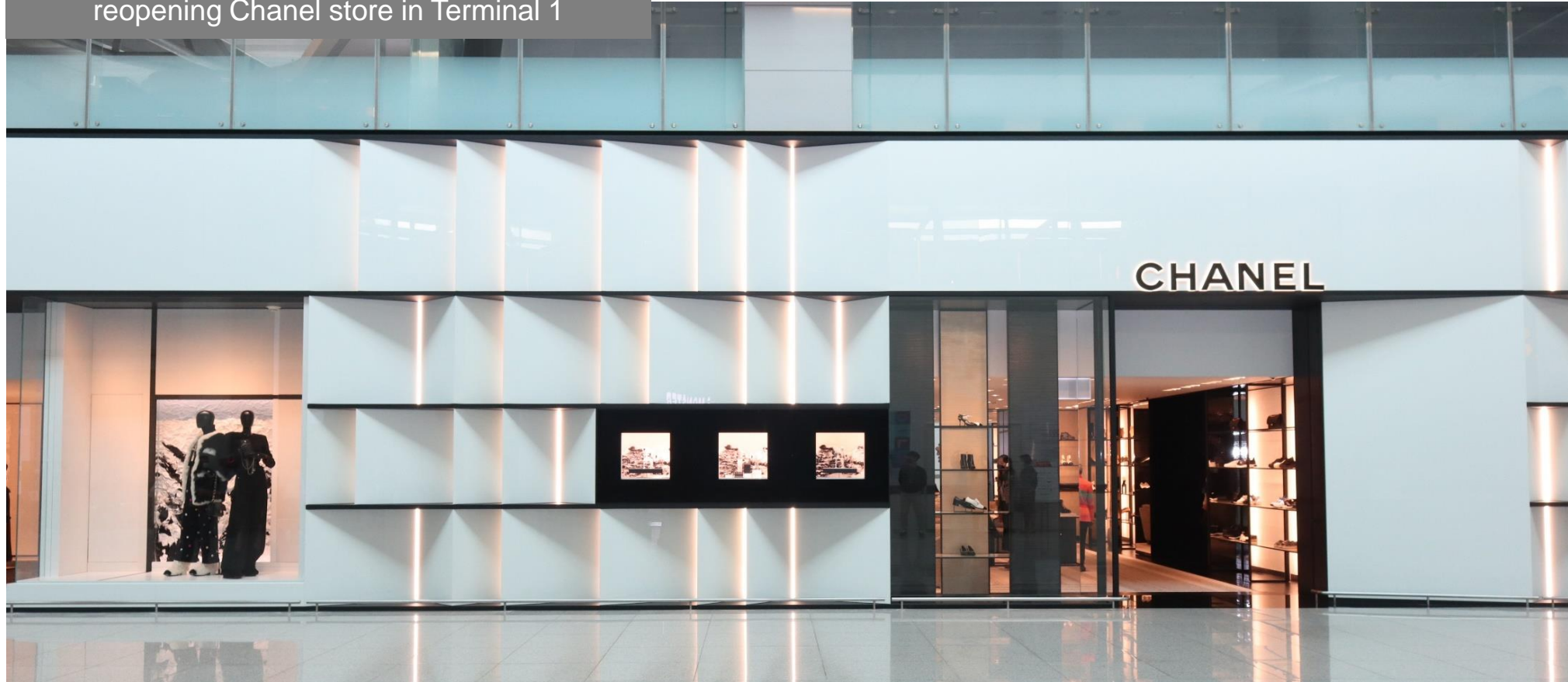
T1 renewal



Maximizing offline shopping strengths

Enhancing the luxury stores

reopening Chanel store in Terminal 1



Maximizing offline shopping strengths

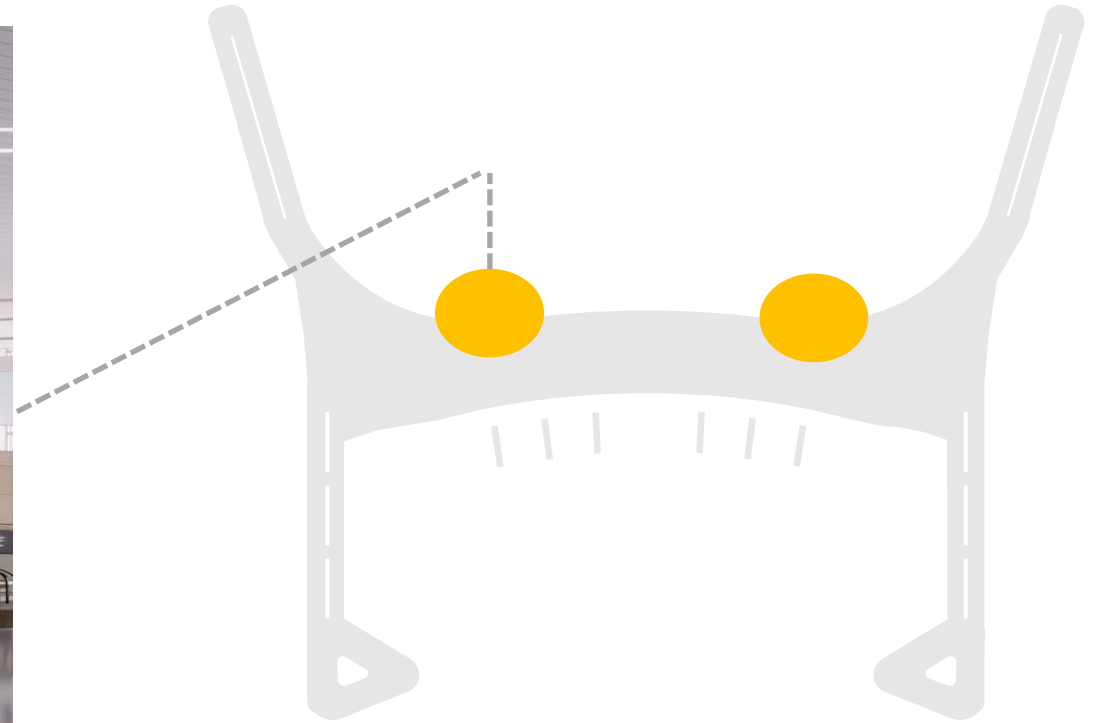
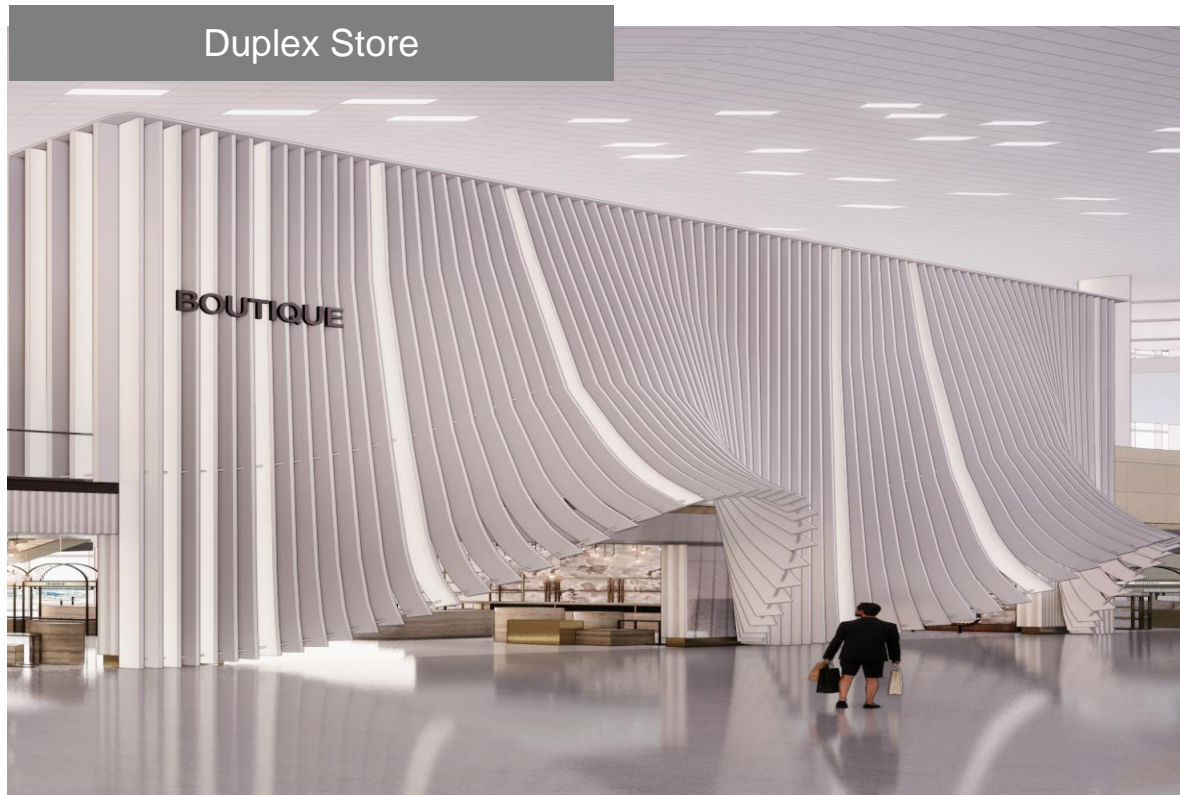
Creating a space focused on branding

2nd store, operated by Hyundai ('21.5~)



Maximizing offline shopping strengths

Landmark Luxury Duplex



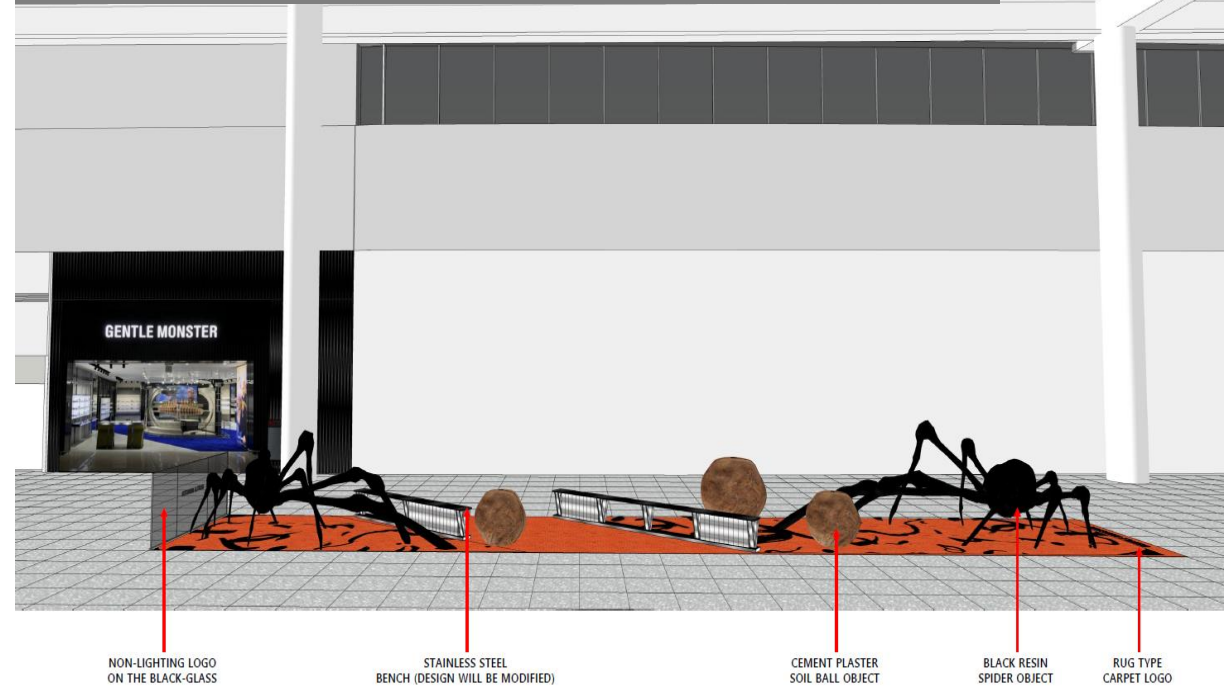
Maximizing offline shopping strengths

Full of fun, relax and culture

“Paper Planes & Monogram Cubes” by Louis Vuitton



Twin Spider & Soil Ball by GENTEL MONSTER



Maximizing offline shopping strengths

Specialty Shops Renovation

Before renovating central of T1 departure zone



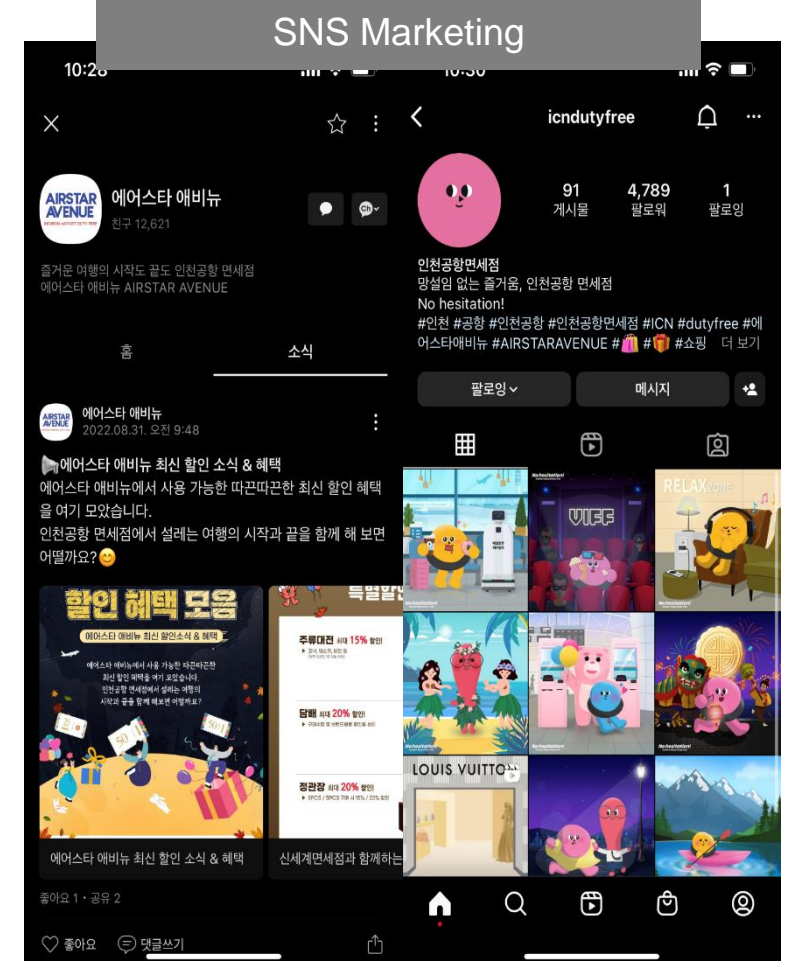
After Renovating central of T1 departure zone



Integration of digital and physical experience

What we are doing

AI chat-bot, Guide robot and targeted marketing through SNS

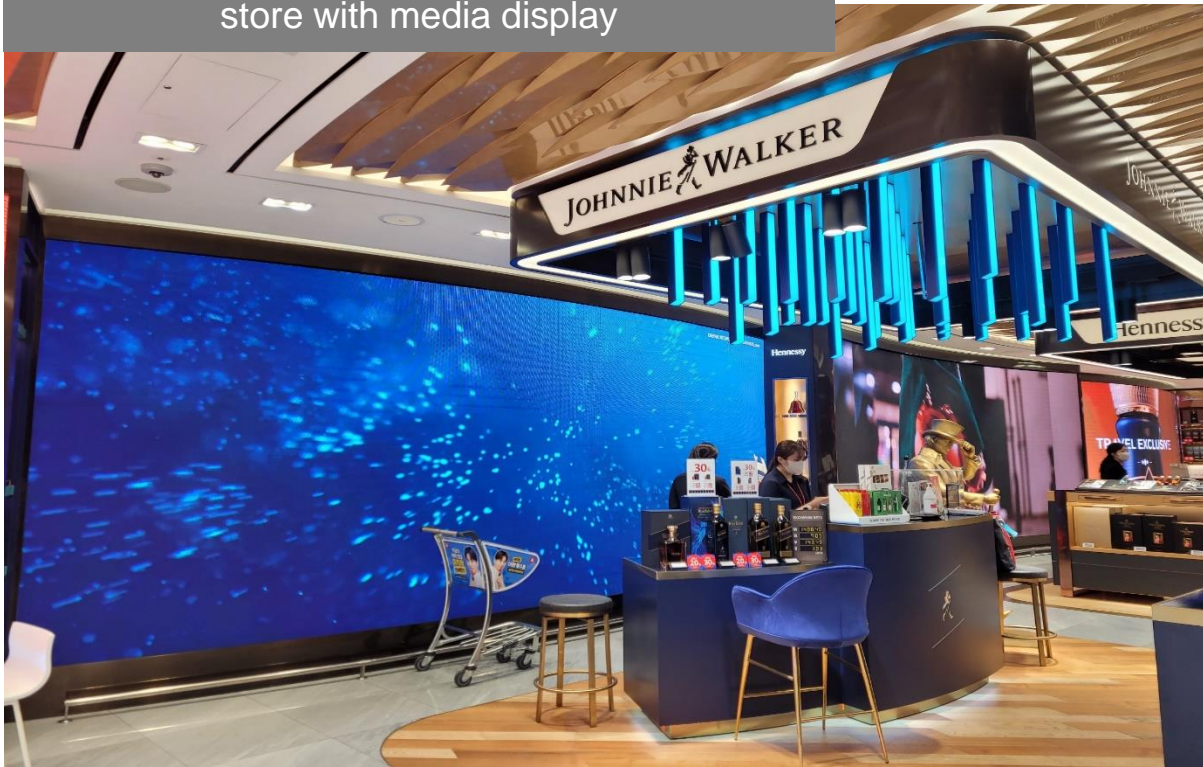


Integration of digital and physical experience

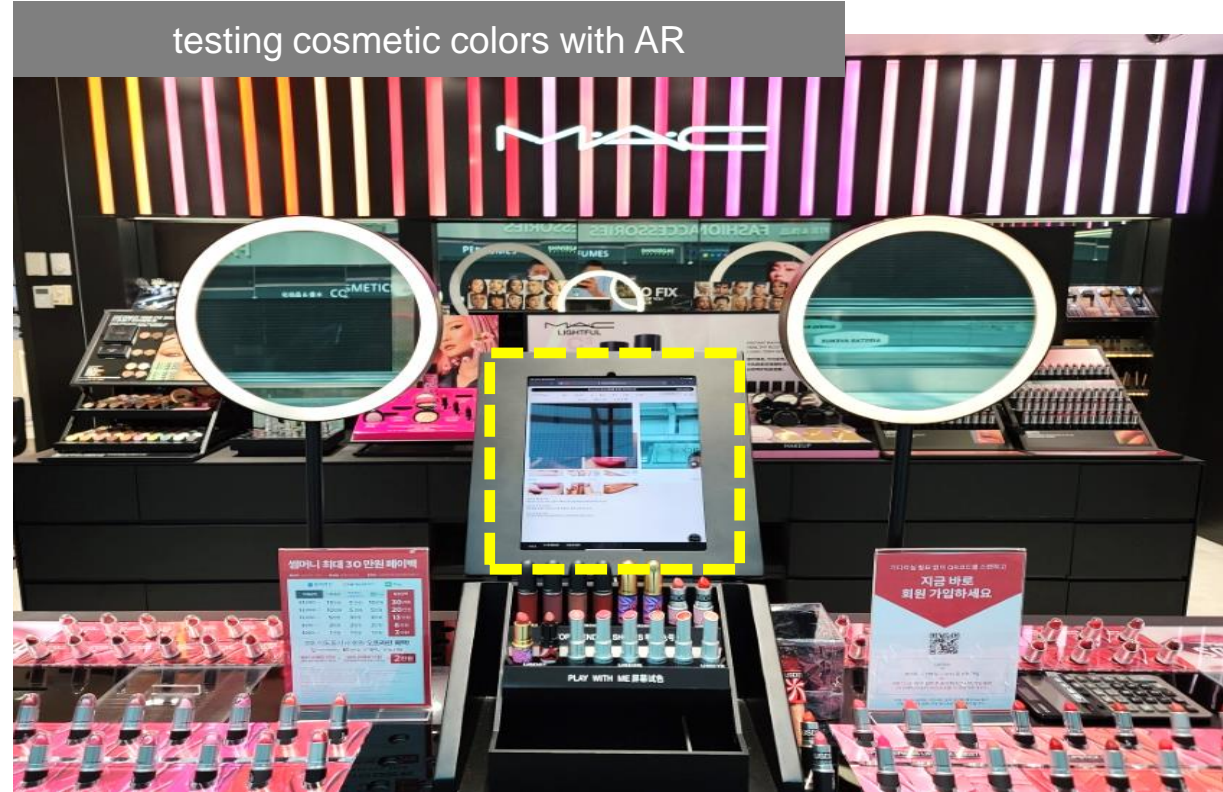
What we are planning

Store with cutting-edge technology such as AR

store with media display



testing cosmetic colors with AR



Integration of digital and physical experience

What we are planning

digital showroom with a vivid sense of reality in Landside

AR showroom in L/S



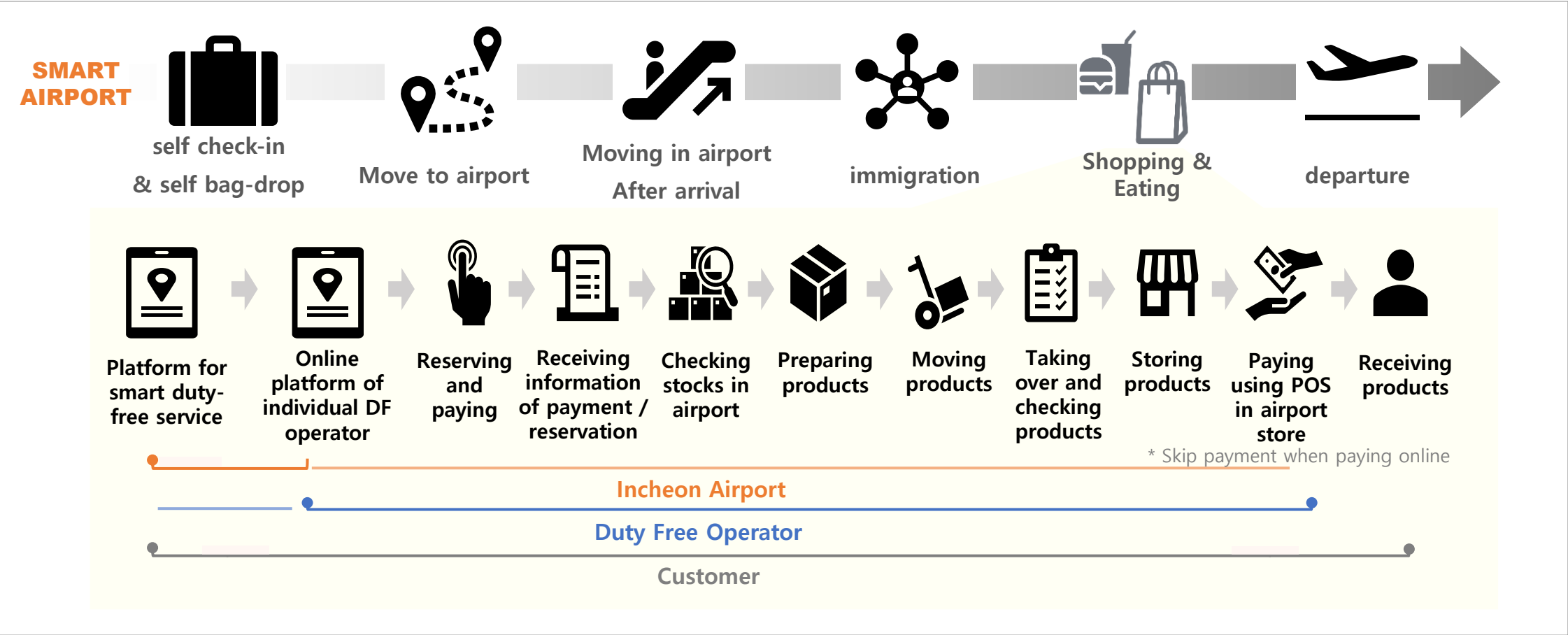
AR showroom in L/S



Integration of digital and physical experience

What we are planning

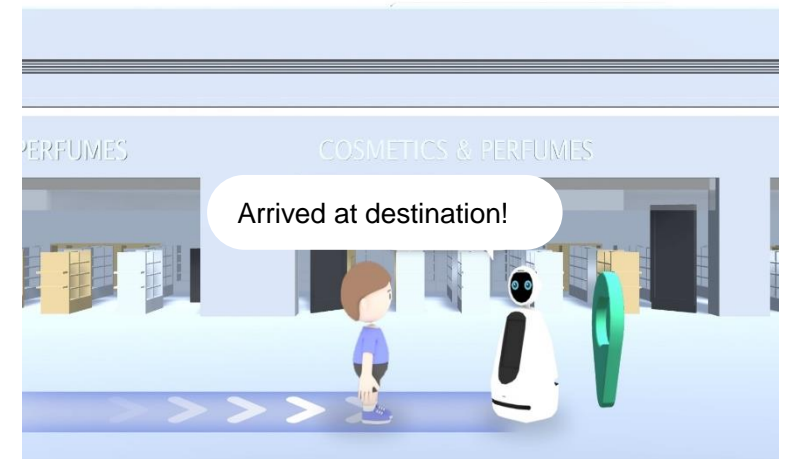
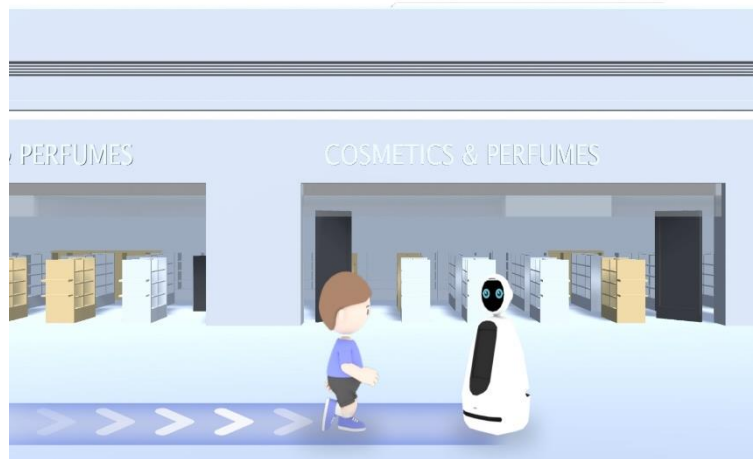
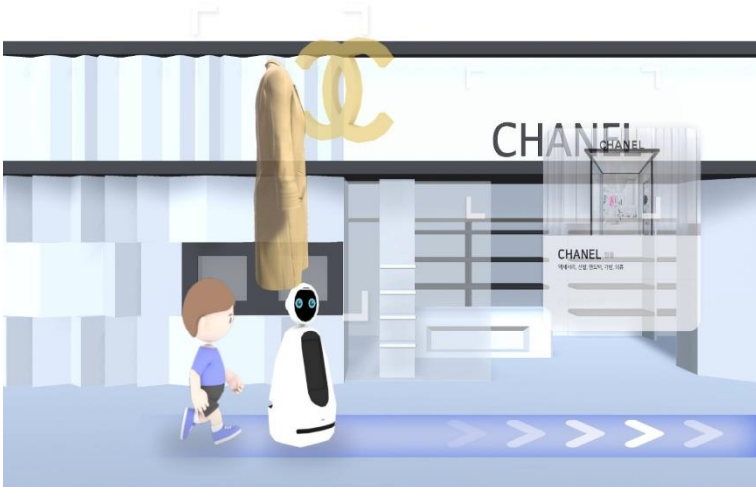
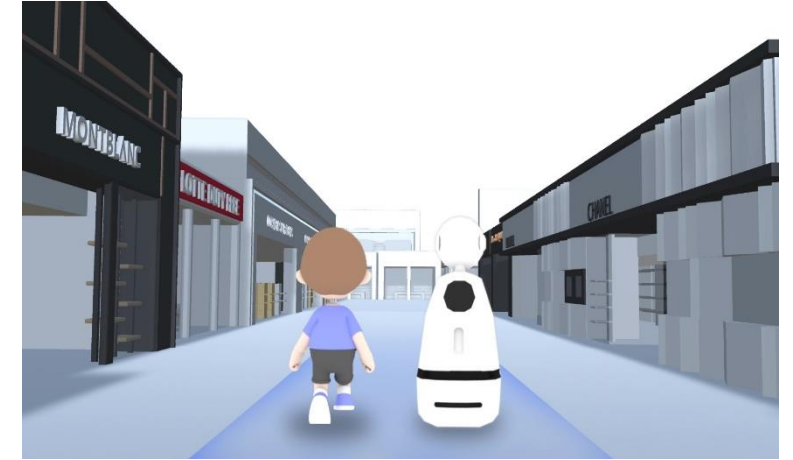
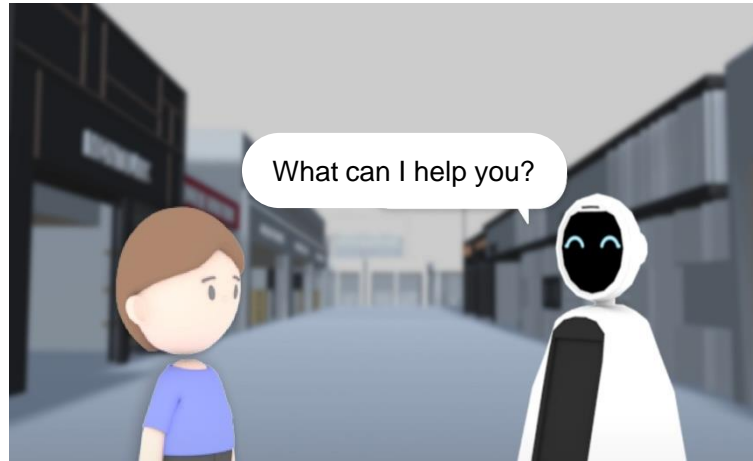
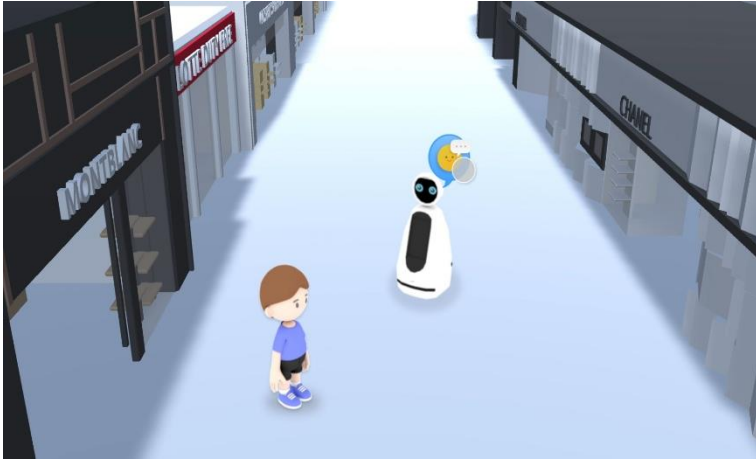
Launching mobile app for online shopping



Integration of digital and physical experience

What we are planning

Virtual shopping experience in Incheon Airport Metaverse



* concept image of Incheon Airport Metaverse

Redesign airport process for excellent shopping environment

Safety & Secure

Convenience

Experience

Smart Security Screening with CT x-ray



✓ no need to take out lap-top computer

Airport Health Accreditation(AHA) by ACI



- ✓ first certified in Asia-Pacific by ACI
- ✓ accredited in 3 years consecutive from 2020

Redesign airport process for excellent shopping environment

Safety & Secure

Convenience

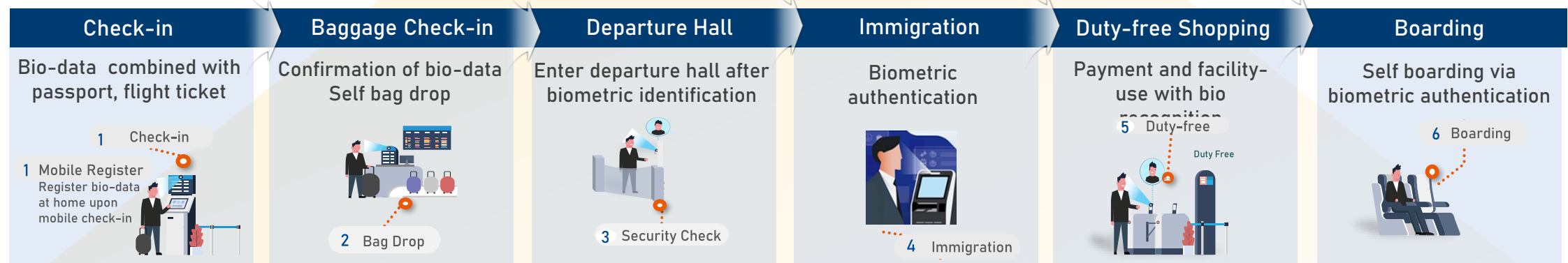
Experience

Document-Free

Automated process

Bio authentication

Future Departure Process @ ICN



Redesign airport process for excellent shopping environment

Safety & Secure

Convenience

Experience



- ✓ First airport received 5th grade of Customer Experience Accreditation in the world



THANK YOU

We connect Lives, Cultures, and the Future