The clock is ticking: Decoding dwell time in the Asia Pacific travel retail industry

A study on Asia Pacific Travel Retail Market

May 2024
1. Structural shifts in APAC travel & travel retail industry
2. APAC traveller behaviour trends
3. Imperatives for the travel retail industry
1. Structural shifts in APAC travel & travel retail industry
The road to recovery is still further away, shaped by fundamental trends that are here to stay.

- Travel retail will continue to see disproportionate growth as consumers have more discretionary spending.

- Gen Z’s will travel more because they value experiences over asset.

- Outbound travel from Asia has structurally declined as hybrid working in the West becomes a way of life.

- New travel locations are popping up thanks to greater connectivity, better infrastructure, and more affordable travel.

- Travel Retail differentiation versus domestic options is not substantial.
Although Asia Pacific travel will continue to grow, the baseline has shifted.
Asia Pacific travelers increasingly prefer to travel within the region.

International Arrivals in Asia Pacific by departure region (% share, 2018, 2023)

### 2018
- APAC: 64%
- Rest of the world: 36%

### 2023
- APAC: 74%
- Rest of the world: 26%

Note: 2018 is basis 1st May 2017 to 30th April 2018 with bookings issued until 21st April 2018; 2023 is basis Q2 2023.

Source: ForwardKeys, TFWA
“Revenge buying” is over and per traveler spending appears to be stabilizing

Spending per passenger has dropped below pre-pandemic levels

Duty free & travel retail spend per traveler in Asia Pacific (US$ per traveller, 2019-2023)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spend per Traveler (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>20.3</td>
</tr>
<tr>
<td>2022</td>
<td>30.1</td>
</tr>
<tr>
<td>2023</td>
<td>18.6</td>
</tr>
</tbody>
</table>

-8% decrease

Asia Pacific’s travel retail sales remain far behind pre-pandemic levels

Asia Pacific duty free & travel retail sales (US$ billion, 2019-2023)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>46.4</td>
</tr>
<tr>
<td>2022</td>
<td>33.4</td>
</tr>
<tr>
<td>2023</td>
<td>35.5</td>
</tr>
</tbody>
</table>

-23% decrease

Sources: AIC, TFWA, Generation Research, Kearney
2. APAC Traveler behaviour trends
Dwell time for Asia Pacific travelers has dropped 16 percent in just a few years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Procedural Airport Activities</th>
<th>Free Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>125 mins</td>
<td>60 mins</td>
</tr>
<tr>
<td></td>
<td>65 mins</td>
<td>44 mins</td>
</tr>
<tr>
<td>2024</td>
<td>104 mins</td>
<td>60 mins</td>
</tr>
</tbody>
</table>

1. Estimates ~10% efficiency improvement in procedural airport activities from 2018 to 2024
Source: Kearney
It’s getting harder to capture travelers’ attention.

Airports developing additional activities to engage travelers

Airport tourist attractions
- Changi Jewel
- HSBC Rain Vortex
- Hong Kong Aviation Centre
- Incheon Garden of Light

Experiential & entertainment zones
- Changi Butterfly Garden
- Narita Art Gallery
- Chennai PVR Cinemas

F&B and Lounges
- F&B outlets
- Airport Lounges

Increased usage of smart gadgets to pass time

>90% of passengers use smart gadgets to streamline travel experiences

62% of travelers use gadgets to pass dwell time

Social media & streaming platforms are among the top gadget uses
Five traveller archetypes

Fundamental challenge to understand travellers and effectively engage them

- Efficient Traveller
  Time-conscious, frequent flyer, prompt, minimizes airport time

- Experience Seeker
  Enjoys discovering new products, curious, exploratory, less frequent traveler

- Compulsive Shopper
  Enthusiastic about shopping, plans airport visits around shopping

- Conservative Traveller (Not-Distracted)
  Time-conscious, plans for efficiency, observant, avoids unnecessary distractions

- Conservative Traveller (Distracted)
  Arrives early, easily distracted by digital platforms, influenced by digital ads

Source: Kearney
3. Imperatives for Travel Retailers
The travel retail purchase journey needs to start earlier

Before Airport
- Digital engagement and customer targeting
- Pre-planned purchase enablement

At Airport
- Curated merchandising with country-specific assortment
- Competitive pricing & promotion
- Prime strategic location

Shift travellers’ purchase journey earlier

To-be

Traditional As-is

Source: Kearney
… however, retailers & brands are not well equipped to tap into this opportunity

Information about travelers is scattered across five players in the travel ecosystem

- Airport purchase history (categories, brands, purchase value, frequency)
- Traveller demographic

- Historical travel patterns
- Traveller demographic, origin & destination
- Airline purchase history
- Traveller segmentation (leisure vs. business, seat class)

- Historical travel retail purchase (pre-order vs. at airport vs. delivery vs. domestic outlet)
- Consumer demographics

- Campaign impressions
- Consumer demographics

Source: Kearney
Industry-wide collaboration to create a global travel retail “passport.” — targeting can begin before the journey begins

Collaborative model at country-level
- Each country (via airport or retailer) takes lead in developing a holistic country-visitor profile to share data with interested brands and carriers
- Works best for high traveller flow countries

Individually-led model by either party
- Led by either airport, retailer, carrier, brand, or digital & media
- Each party will need to individually partner each other to share data

Today’s model

Source: Kearney

- All five parties come together to develop a holistic APAC traveller profile
- Lead can be taken up by an airport or retailer
- Highly beneficial to brands, reducing effort to manage multiple parties
- Data privacy is key for success
Thank you

Kearney is a leading global management consulting firm. For nearly 100 years, we have been the trusted advisor to C-suites, government bodies, and nonprofit organizations. Our people make us who we are. Driven to be the difference between a big idea and making it happen, we help our clients break through.

www.kearney.com

Stay connected with Kearney

This document is exclusively intended for selected client employees. Distribution, quotations and duplications – even in the form of extracts – for third parties is only permitted upon prior written consent of KEARNEY.

KEARNEY used the text and charts compiled in this report in a presentation; they do not represent a complete documentation of the presentation.