Travel retail's next chapter: Innovating beyond tech key to regaining market momentum

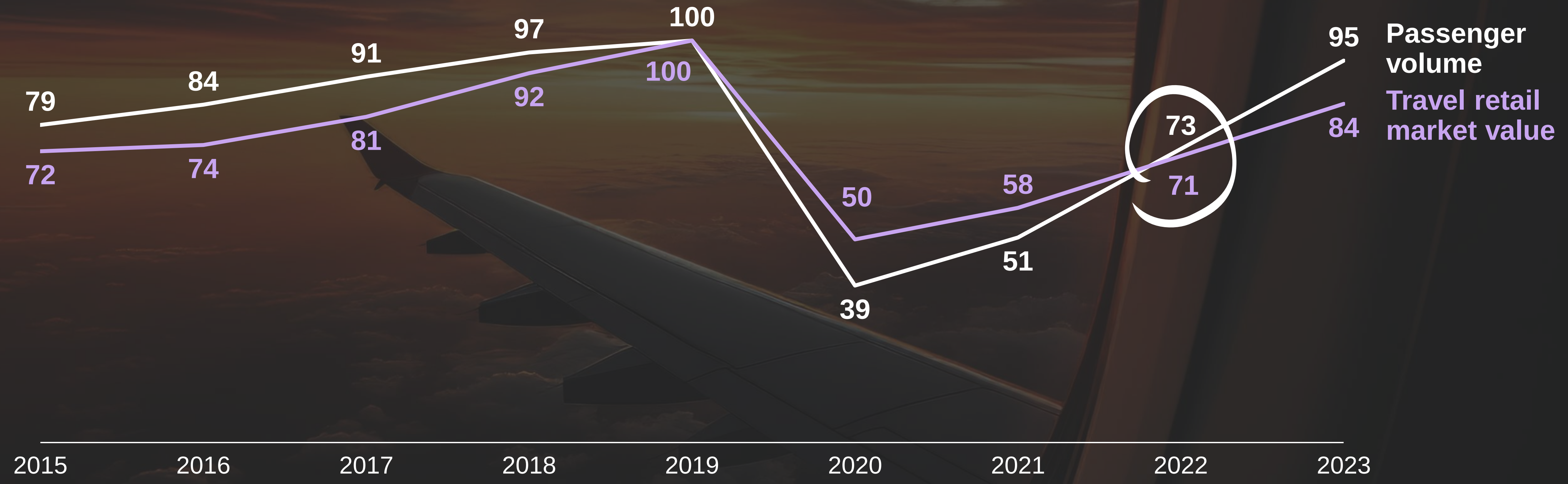
October 2024

KEARNEY

Travel retail market growth steps outside history: passenger volume no longer translates into travel retail revenue

Global passenger traffic and travel retail market

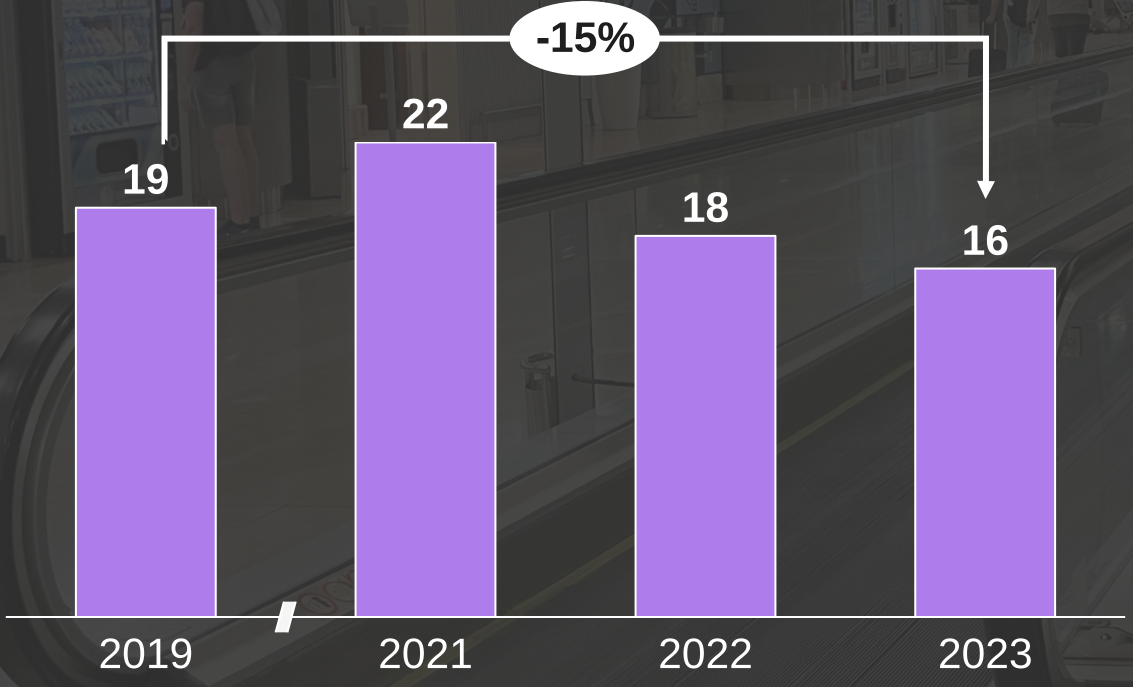
2015-2023, 2019 index



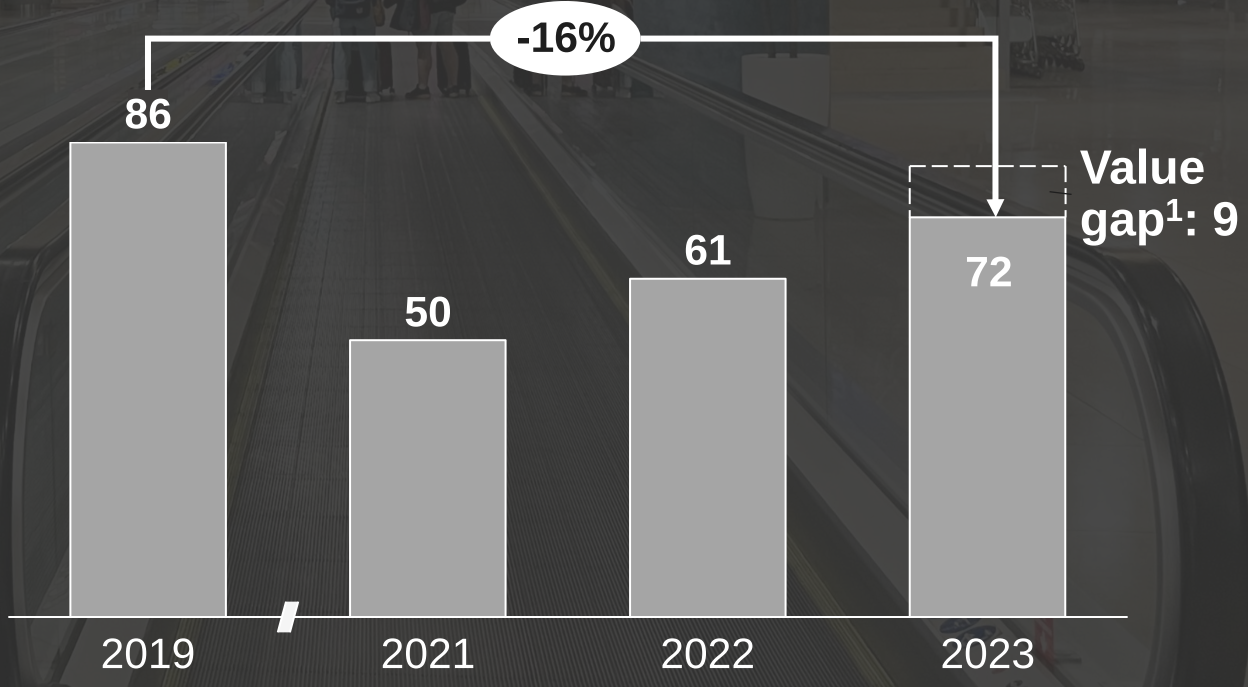
Sources: ACI World, Generation Research, Kearney analysis

Travel retail faces a 16% market decline, with a **value gap of $9 billion** as travelers spend less

Spend per traveler evolution
2019–2023, $/traveler



Travel retail market evolution
2019–2023, $ billion



Note: 1. Like-for-like market value assuming a 95% recovery for passenger volume
Sources: Generation Research, IATA; Kearney analysis

External and internal factors influence growth slowdown

Economic & regulatory environment evolution

Shopping time competing with other activities

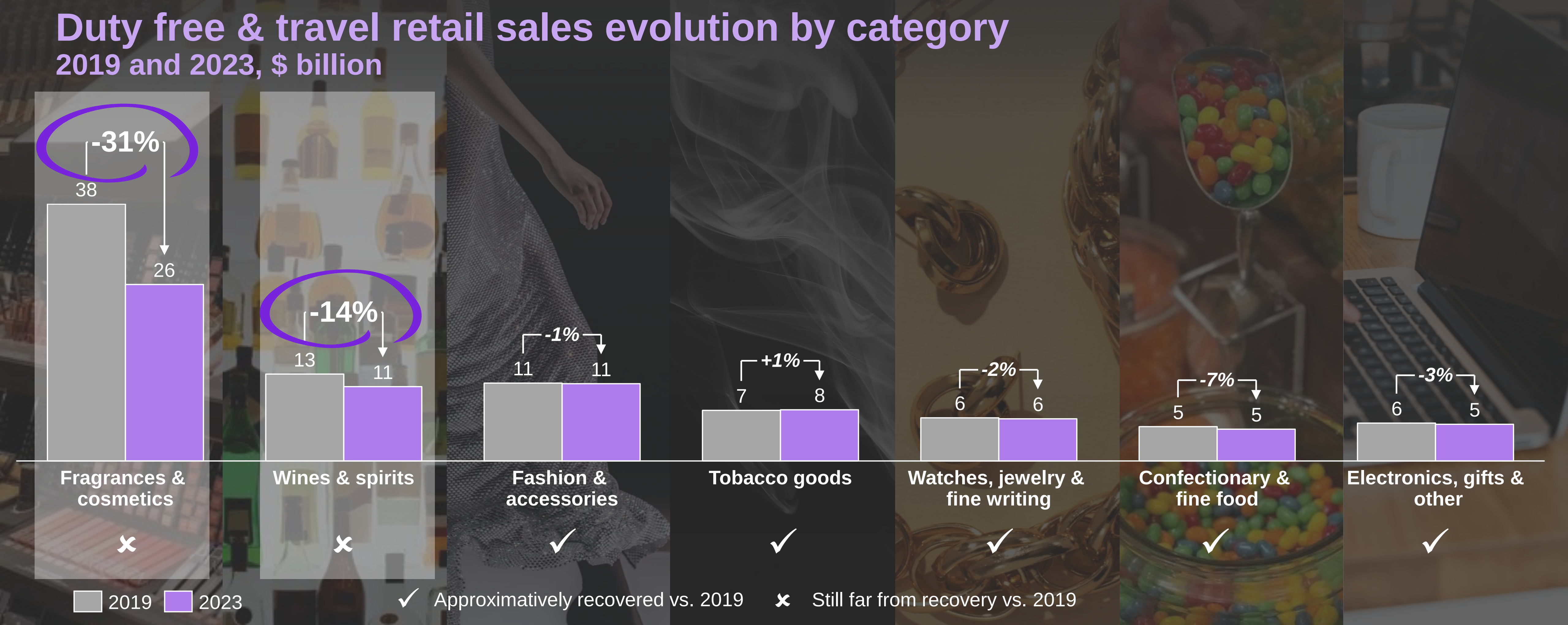
Growth slowdown

Value proposition under scrutiny

Changing travel demographics & behavior

Source: Kearney analysis

Fragrances & Cosmetics and Wine & Spirits are the most impacted categories, still far below their 2019 level



Source: Generation Research; Interviews, Kearney analysis

A way of turning back the tide is to transform passenger dwell time into travel retail opportunities

Longer free time

A **2-hour** dwell time

92% of passengers declaring arriving as early or earlier than 5 years ago[1]

Underutilized time

75% of free time not spent shopping

Passengers rushing to gates and spending more time on their personal devices

Engaged audience

69% see free time as opportunity

Lounge visitors spend **25%** more

Note: 1. Significant regional variation to consider, especially in regions with highly efficient and brand-new facilities such as APAC
Source: Consumer survey, Kearney analysis

A key to improve travel retail appeal is to capitalize on consumers' tech-savviness

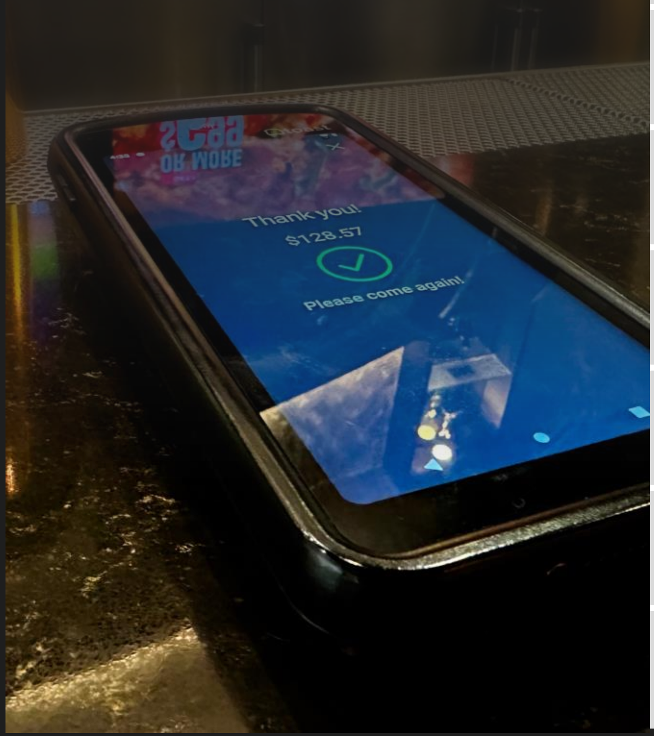
DUTY FREE

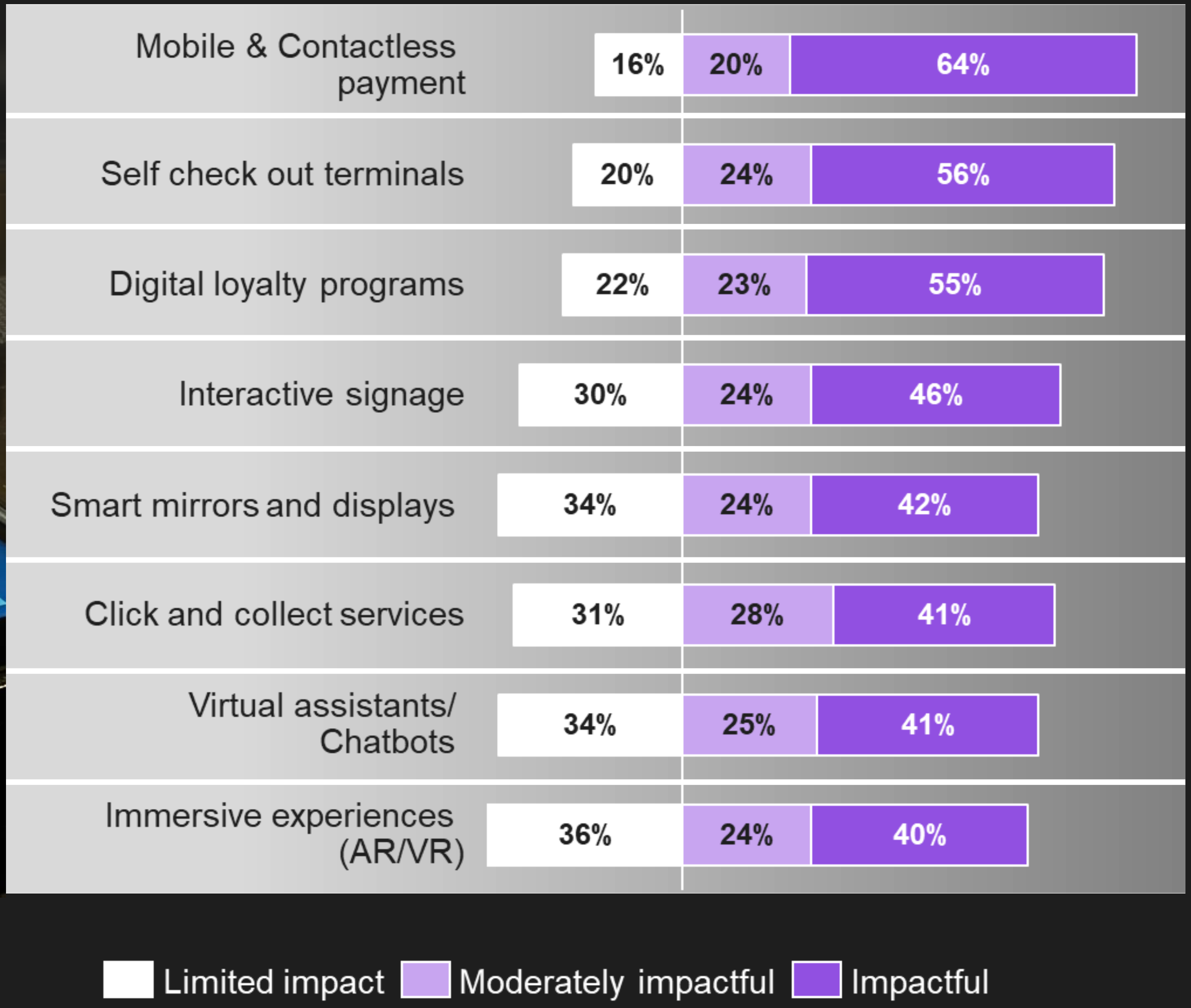
Tech experience seeker	**45%**	*frequently use in-store tech to enhance their shopping experience*
Forward-thinking advocate	**56%**	*would be more receptive to marketing content if received before arrival at airport*
Efficiency optimizer	**90%**	*rely on tech to streamline procedural activities*
Personalized marketing enthusiast	**90%**	*would visit stores and/or buy more if receiving personalized ads or content*
Price-conscious shopper	**27%**	*frequently use price-comparison tools to make smarter purchases*

Source: Consumer survey, Kearney analysis

Confirmed tech tools efficiency on travel retail attractiveness

Impact of tech tool availability on traffic and conversion
Survey, as of June 2024

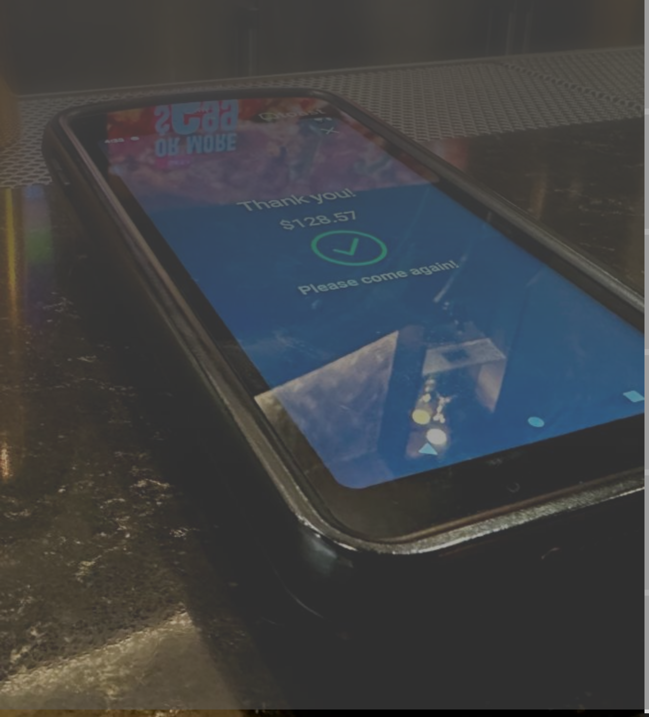


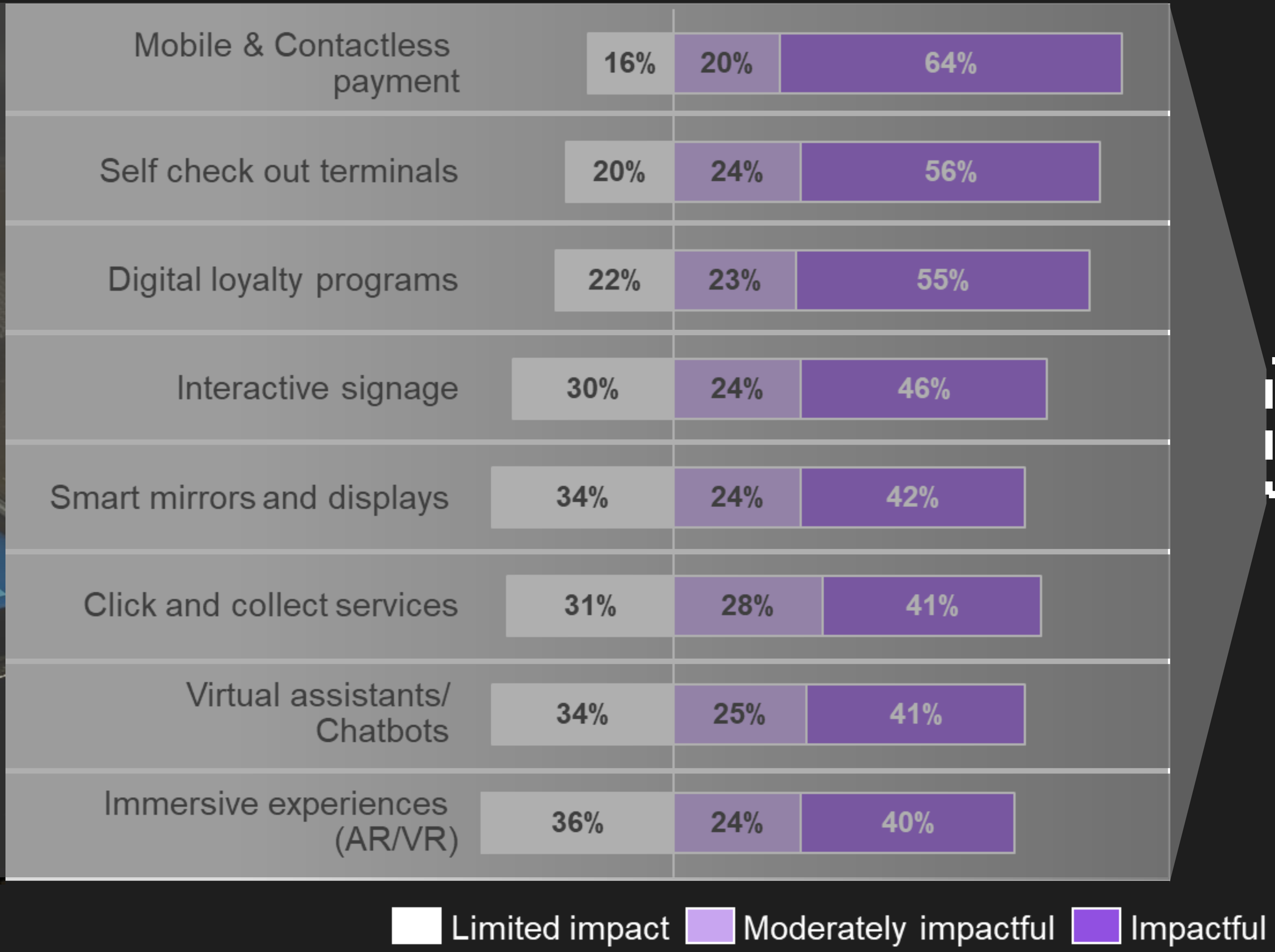


Source: Kearney survey and analysis

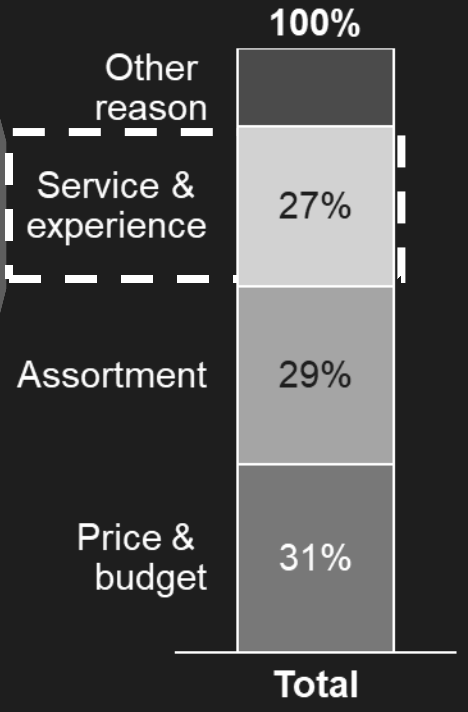
… but tools overview reveals untapped opportunities to enhance the overall shopping experience

Impact of tech tool availability on traffic and conversion
Survey, as of June 2024





Travel retail consumers' reasons not to buy
Survey, as of June 2024



Source: Kearney survey and analysis

A wide range of AI-powered tools could benefit customers and stakeholders; pain point solutions are one of such tool

Non-exhaustive & Illustrative

Traveler experience | Behind the scenes

Pre-trip

Jean books online a flight from Nice (NCE) to New York (JFK)

Traveler profiling shared to all stakeholders

In his **cab** to the airport, he gets a **notification**: *"Exclusive offers at your airport! Pre-order with at home delivery options"*

Customer arrival at airport

Upon arriving at Nice's T2, his arrival is detected. Using location services, personal devices **guide** him through the airport with personalized suggestions

Check-in process

Biometric facial identification simplifies procedural activities

Traveler flow optimization systems optimizes staff allocation and avoids bottlenecks

Passport control and security check

Arrival at duty-free area

Sales funnel and conversion rates are analyzed in real-time, adjusting the **shelf layout** and **pricing dynamically**

Augmented reality experiences with **personalized storytelling and virtual try-on**

Augmented advisors

Biometric payment options

Boarding at departure gates

Smart navigation assistants ensure he stays on track and updates him on the boarding process

Flight

Post-flight

After landing at JFK, Jean receives a notification: *"Welcome! Here are some post-trip exclusive offers, available for a limited time"*, following brands' clienteling strategy

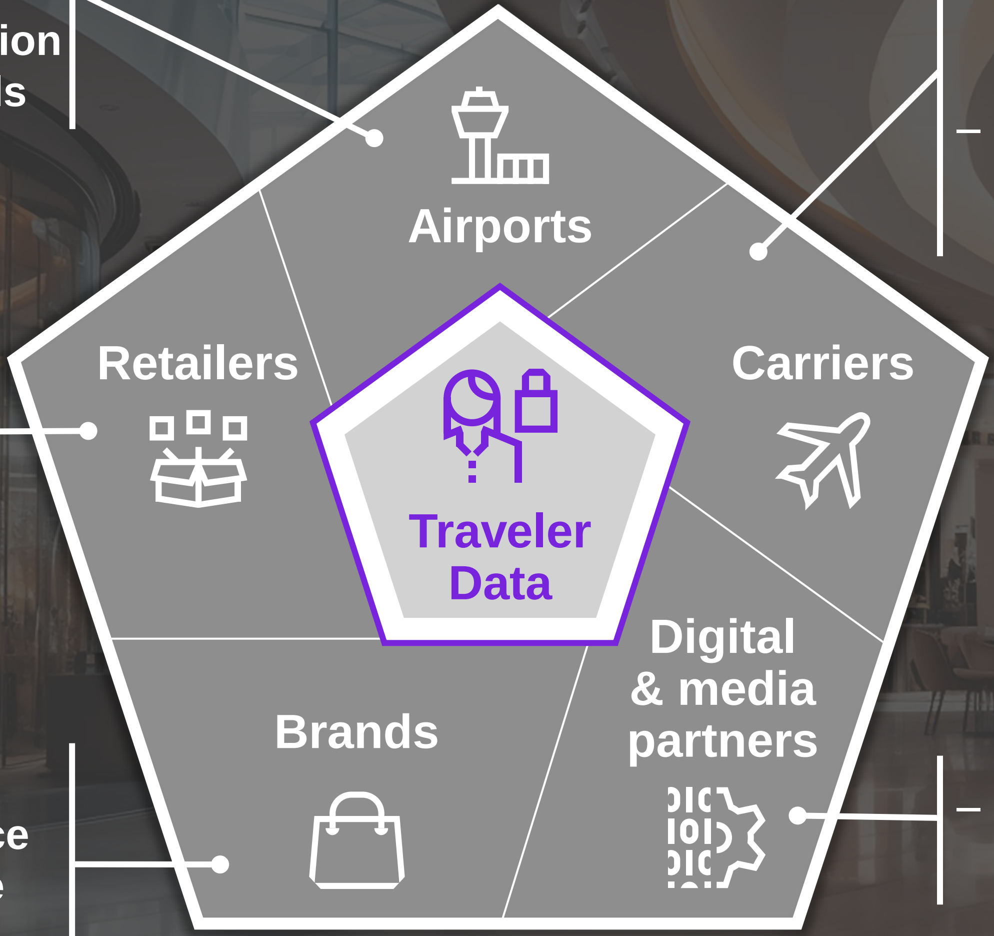
Source: Consumer survey; Kearney analysis

To make this future a reality, pentarchy players have to re-imagine the journey together with identified priorities

- **Partner** with retailers and tech providers
- Accept **transformation** of **economic models**

- Drive new experiences with **pre-travel shopping**
- **Take calculated "risks" in terms of collaboration**

- **Differentiate** through **unique, immersive, in-store experiences**
- Prioritize **North Asia**



- Personalize the customer **experience and offer exclusive products**
- Prioritize **North Asia**

- **Drive awareness** of new innovations

Note: Digital & media partners: Media agencies and display advertisers, OTAs, Tech companies…
Source: Kearney analysis

Thank you

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