

# Good



ONBOARD RETAIL IS GOOD FOR AN AIRLINE'S BOTTOM LINE AND FOR THE PASSENGER EXPERIENCE. NEW THINKING CAN HELP ENCOURAGE PASSENGERS TO BUY MORE WHILE ON BOARD... AND FEEL GOOD ABOUT IT

*Words by Marisa Garcia. Illustration by Robert Hanson*

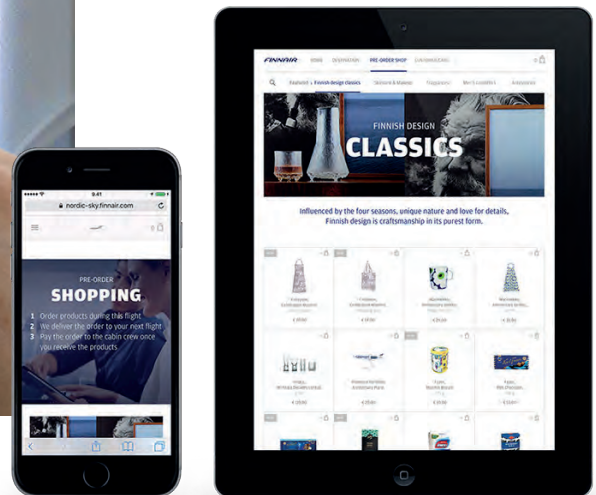
# bonuses





LEFT: GUESTLOGIX'S ONTOUCH SYSTEM ENABLES FLYERS TO PLAN AND BUY EXPERIENCES AT THEIR DESTINATION

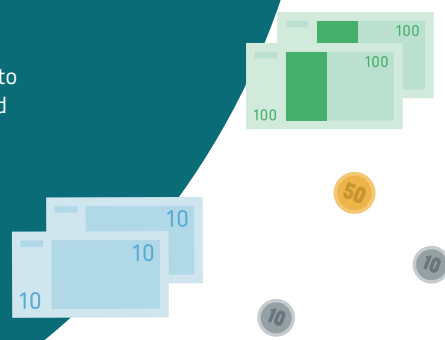
BELOW: FINNAIR OFFERS A RANGE OF FINNISH GOODS VIA ITS INFLIGHT SHOPPING PORTAL



## STRATEGIES TO BOOST RETAIL

- Offer inflight exclusives and limited edition items
- Offer inflight exclusive promotions. When offering gifts with purchases, make these deals exclusive to the inflight channel
- Provide additional incentives such as loyalty schemes for frequent buyers
- Focus on inflight convenience versus other retail channels such as airports and online shops
- Increase the perception of convenience through marketing and advertising
- Increase convenience through online pre-ordering, with items delivered to passengers' seats or homes
- Place emphasis on inflight service, offering the shopper the opportunity to avoid carrying anything else and avoid queuing at other retail channels

Source: Counter Intelligence Retail



Onboard retail is not only a means to boost airline revenue; it can also raise customer satisfaction levels. Passengers perceive shopping as a pleasurable activity, which makes it a more positive spending category than baggage and change fees, which are often perceived as punitive.

But ancillary revenue statistics compiled by IdeaWorks and CarTrawler show that – with a few exceptions – these satisfying sales currently account for less than a quarter of airlines' total ancillary revenue. In their most recent report, combined airline ancillary revenue for 2016 was projected at US\$67.4bn, of which only 22% will come from the combined onboard sales of food, seating upgrades and duty-free purchases.

Perhaps retail experts can share new strategies that airlines can use to grow their onboard sales revenues...

### THE CLASSICS

According to Garry Stasiulevicius, president of travel retail consultancy firm Counter Intelligence Retail (CiR), duty-free offers are still very attractive to flyers, but new product categories including fashion and accessories are increasing in popularity. This insight gives airlines an opportunity to differentiate their retail offering, encouraging more purchases.

“Product differentiation is especially important as airlines try to keep up with the more mature retail models applied at airports, where the range of products available has also grown,” says Christopher van Ryswyck, associate director at Pragma Consulting, a London-based retail strategy agency with an airports and travel division.

As part of the process of bringing variety to catalogs, van Rÿswÿck recommends that airlines find ways to tailor their offerings.

“While the desires of economy and business class passengers won’t necessarily differ much, their spending power does. Airlines must tailor their offer accordingly,” he says. “It’s vital airlines avoid creating a single product offering that is rolled out across their route network. Passengers flying to Reykjavik to see the northern lights won’t necessarily want the same products as passengers flying to the Maldives. To maximize sales, airlines need to shape an offer not only for the class of passenger, but also for the destination.”

### NEW RETAIL STRATEGIES

For years, onboard sales have followed a familiar retail strategy of showcasing products in the inflight magazine or a shopping catalog. This method still works, but airlines need to find a way to diversify sales channels.

“Inflight magazines are likely to have the highest penetration level from an awareness point of view. They’re often the first thing a passenger looks at once he or she has found their seat, and they can serve as a great ‘shop window’ for the airline’s offer, particularly if there is a call to action, such as instructing them to browse their IFE for a more bespoke offer created just for their class or destination,” van Rÿswÿck says.

Airbus is developing a concept that would be ideal for retail modules. See p124 for details

Flight attendants making their walk down the aisle with the retail trolley can still be effective, but there are now better ways to close sales.

“Despite limitations in the formats that can be used with these trolleys, their presence and visibility on board is a key reminder of the inflight channel as a purchase option,” says Stasiulevicuis. “The trolley should be deployed where possible as a sales and communications opportunity, highlighting the key offers that are likely to sell on the flight, and also communicating other offers through the online channel.”

But, as van Rÿswÿck adds, “Airlines need to go beyond items that can be easily pushed down the aisle on a cart. They need to expand their range through home delivery options, or the ability to pick up purchases on arrival, particularly for items that relate to the destination.”

Rohit Talwar, CEO of Fast Future Publishing, which prints books relating to future thinking, believes that airlines should mirror retail habits on the ground.

“As e-retail eliminates the need to visit physical outlets, airlines have the potential to be part of our every purchase,” he says. “Many of us have spare time in-flight, which could be filled by buying anything from our regular grocery shop to our next car – all from our seat.”

Some airlines are already effectively exploring these alternative retail methods. Finnair, for example, has introduced shopping via inflight wi-fi



NO AIRLINE IN THE WORLD DOES INFLIGHT RETAIL LIKE KOREAN AIR. THE SKY SHOP ON BOARD ITS A380 TAKES UP CABIN SPACE, BUT ALSO TAKES IN A LOT OF MONEY



OFFERING A WIDE RANGE OF PAYMENT TECHNOLOGIES CAN REMOVE THE LAST ELEMENT OF DOUBT OR INDECISION IN A POTENTIAL BUYER'S MIND

and has created partnerships with local Finnish fashion brands, available through the airline's inflight Nordic Sky Wi-Fi store.

But Talwar sees more retail possibilities available to connected airlines. Having access to wi-fi on board also means that customers can spend time shopping at their favorite online stores, so Talwar believes it is important that airlines build strategies to retain those sales.

"Smarter airlines will secure attractive pricing, special offers and exclusive lines from the most popular retail sites and from unique providers, and then make them available to passengers as exclusive inflight offers," he says. "The key here is that airlines need never carry stock – it could all be collected on arrival or delivered to passengers' homes or hotels."

While being creative can improve onboard revenue, more aggressive sales tactics are unlikely to succeed.

"Airlines should always avoid the hard sell as it can impact the wider passenger experience. It's likely to annoy passengers who aren't interested in retail, or at least not interested in retail at that time," van Rÿswÿck says. "Turning the crew, who we are told are primarily there for our safety and comfort, into high-altitude sales assistants would be unlikely to offer a return on investment."

### TOMORROW'S SAMPLES

Airlines are at a disadvantage compared with airport retailers, because passengers have a greater opportunity to test retail items on the ground. Korean Air addressed this imbalance by fitting a shop on its A380s, but on the whole aircraft are not the ideal setting for sampling products.

"While anyone purchasing items would like to be able to sample or interact with a product before buying, there is limited scope to do this on an aeroplane," van Rÿswÿck says. "Even easy-to-sample items, like perfume, would not

## SAWVY SHOPPING

- The beauty category is the most purchased inflight retail category, with sales being largely driven by purchases of female fragrance
- 39% of inflight buyers purchase from the alcohol category, with whisky being the leading subcategory
- Confectionery is purchased by just less than one-third of inflight buyers. Chocolate is the most popular subcategory
- Fashion and accessories feature fairly heavily in the inflight sales mix, with 28% of buyers purchasing from this category
- One of the four core duty-free categories, tobacco is bought by 23% of inflight purchasers, while souvenirs are purchased by a quarter of buyers
- The jewelry & watches and travel accessories & electronics categories are less prominent, but are still purchased by around 1 in 5 buyers
- Perceptions of offers are weakest for pricing and promotions
- 28% of browsers choose not to buy because prices are more expensive and 26% because promotions are not attractive
- Gifts with products, samples and exclusives are the three key offers that would encourage purchases on future flights
- Differentiate product offerings through introducing non-typical travel retail products and ranges

Source: Counter Intelligence Retail, In-Flight Duty & Tax Free Retail 2015

The airline trolley can play a big part in tempting people to buy inflight. See p110 for future designs

be advised given the cornucopia of scents that would be created in an enclosed environment. And if there is a product demo going on in the aisle, it is likely to annoy anyone who needs to get past.”

Talwar believes technology could ultimately hold the answer to this conundrum.

“Augmented reality and virtual reality will enable passengers to ‘try’ unique experiences, and eventually receive touch, taste and smell sensations to accompany visual and audio input. This will enhance the retail experience, letting passengers smell the perfume, taste the chocolate and feel the dress without ever taking the item from the packaging,” Talwar says.

“Holographic inflight pop-up display stores would allow for a constantly changing product mix based on the passengers currently on the aircraft. With ‘point and purchase’ technology you would need no stock and the payment would be deducted automatically from the purchaser’s bank account. Some airport retailers already change the stock based on the flights – for example, at the relevant flight times Vancouver Airport switches out the US\$30-US\$40 whiskies popular with US-bound passengers and replaces them with the US\$12,000–US\$36,000 premium brands that are a favorite with top-end Chinese and Korean customers. This principle could be applied to each flight, with totally customized product ranges on offer, based on the individuals who are flying.”

Holographic product sampling might be a few generations away, but beyond selling duty-free and unique items through wi-fi and IFE portals, the experts we spoke to

believe that digital technology could help airlines today boost sales through customized offers.

BIG DATA, BIGGER SALES

“Airlines are collecting evermore data about passengers, and with powerful big data and artificial intelligence tools, they will increasingly be able to tailor their offers,” says Talwar. “These tools will help them predict what passengers are likely to be interested in, use past purchasing profiles to suggest future purchases, and draw on passengers’ social media data to learn about their preferences. The tools will become increasingly sophisticated, enabling different prices to be offered across the flight based on the likely behavior of each passenger.”

Talwar believes airlines will benefit from accepting digital currencies such as Bitcoin, Ether and Litecoin, in addition to traditional currencies and loyalty points.

Van Rÿswÿck agrees that data holds the key to increasing the onboard retail share of ancillary revenue and competing with airport shops.

“Understanding customer data can help when it comes to tailoring offers,” he says. “Smart airports now combine flight data with retailer EPOS data, giving them insight into the consumer and allowing them to target specific airlines and destinations to transfer the data to the inflight proposition. While specifically using ‘Mr Smith’s’ passenger data to shape a range aimed at him is unlikely to work, tailoring the offer to provide goods that passenger data shows typically sell well on a particular route would work. Retail brands tailor their offer for stores in different locations based on demographic data, so why wouldn’t an airline do the same?”



AIRLINES CAN ALSO WORK TO MAKE THEIR INFLIGHT PRODUCT PRESENTATION MORE ATTRACTIVE. PHOTO: TROLLEY TOPPERS

