

Emerging airports

As 2018 begins to gather pace, what key themes can we expect to see in the world of retail, and what are the implications for developments in airport retail? By Pragma Managing Director, Airports, Travel & Commercial Spaces Alex Avery.

There are three key themes related to customer behaviour and market opportunity that are set to shape the evolving landscape of airport retail in the year ahead.

The first is wellbeing. Looking and feeling good has risen to the top of the consumer agenda. It now surpasses the race for simply owning more products, with people vying for attention to share their experiences and champion their lifestyles on social media.

This consumer trend encompasses the entire commercial spectrum: from services and leisure, to technology, apparel and food & beverage. And of course, travel. With city and travel guides now detailing the top 'Instagrammable' spots, sharing your travel adventures in the most photogenic way is a travel essential.

Airport retailing's duty free proposition has long been associated with 'vice' categories of cheap tobacco and alcohol. Today we're seeing a distinct shift towards brands and products that



port retail trends

Magic moments: Many passengers now search for 'Instagrammable' spots on their travels – and the airport can provide these too, whether in-store or at F&B outlets



The Beauty Bar

Vice to vitality: Wellness is an emerging trend. Pictured are Shilla Duty Free's Beauty Bar at Incheon International Airport Terminal 2 (above), which combines digital and sensory worlds; the green juice gummy bears produced by Pressed Juicery and Sugafina (top right); and a look inside one of XpresSpa's airport spa rooms.

support vitality and an aspirational lifestyle. More health-conscious and provenance-focused consumers are seeking out opportunities for wellbeing and sustainable retail. This is impacting all aspects of the airport commercial offer, from retail, to

catering and service provision. Innovative high street brand partnerships demonstrate how wellbeing can combine with a 'vice'. Juice cleanse brand Pressed Juicery's collaboration with luxury US confectionery brand Sugafina is one

example. A series of green juice gummy bears that pack the flavour and nutrition of cold-pressed juice into candy are the first 'healthy' candy 'cleanse' of its kind.

As consumers increasingly seek higher



quality propositions, 'me time', and experiences to enhance productivity and wellbeing, airport retailers and service providers must pursue new ways of delivering wellbeing. These should range from everyday items to occasional indulgences for travelling customers.



Wake-up call

Across many world markets, high street footfall is declining at almost the inverse rate at which the value in online sales is rising, as the growth of digital commerce gathers pace. Added to this, smartphone addiction is on the rise – be it for online banking, booking travel, social media engagement, or streaming of online content through formats such as Netflix and Spotify.

Before the smartphone revolution, the travelling consumer had to seek out avenues to kill time while on the move or in airport lounges. A casual browse around airport stores was an efficient use of dwell time and an opportunity to indulge in an impulse purchase before flight departure. Today the challenge is the demise of the ‘time killing browser’ in airport retail environments, as

passengers stay glued to their smartphones instead.

Added to this, an increasing amount of airport information is delivered through smartphones. In 2018 many airports around the world will be pushing tech-enabled interfaces through biometric scanning, artificial intelligence and communication channels. There will be more sophisticated chat bots, translation technology, and augmented reality, further fixing passengers’ eyes to their phones.

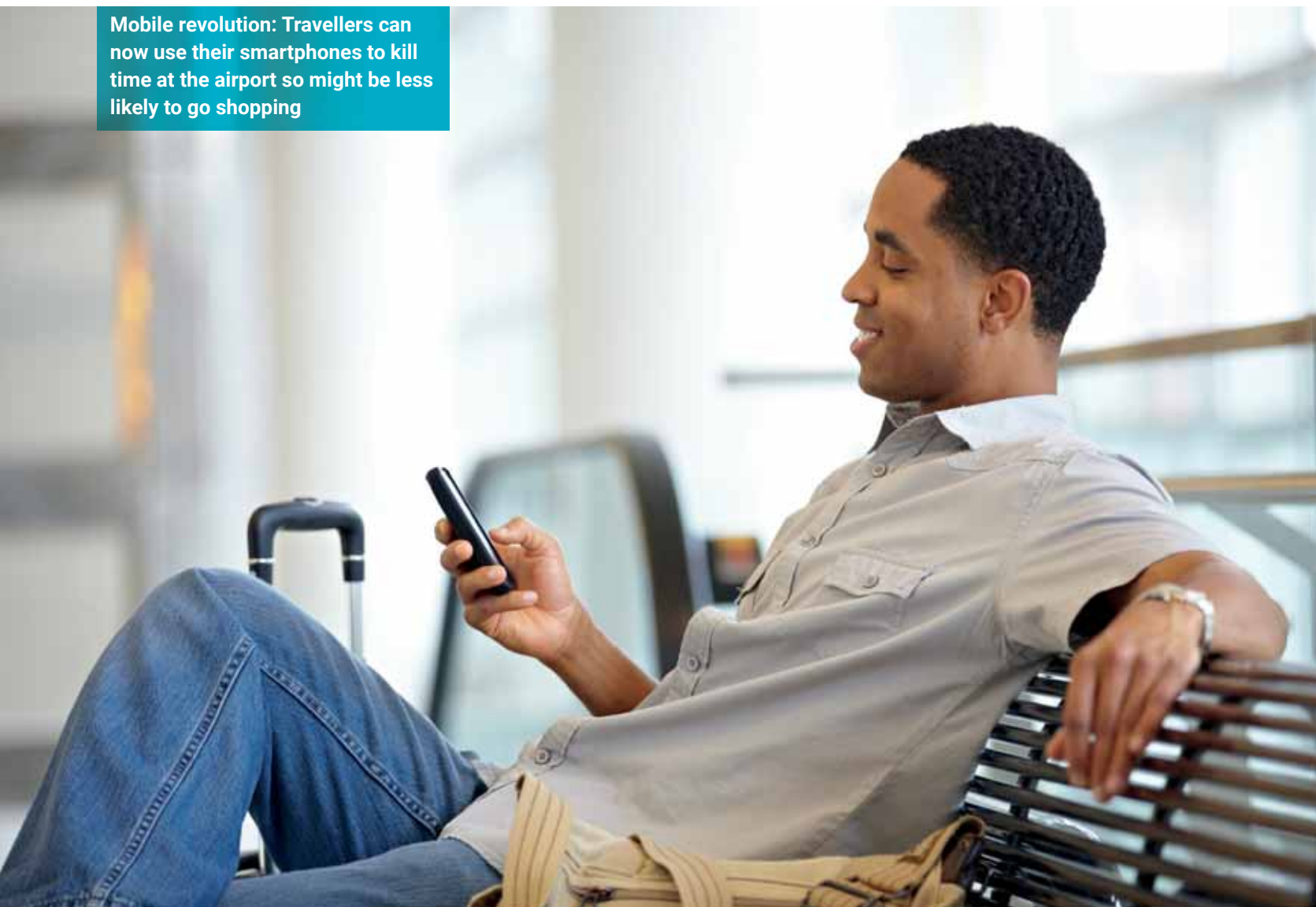
As consumers are increasingly able to entertain themselves while on the move, airport retailers need to work harder to capture attention from screen to store windows. In 2018, airport retail must start pushing the boundaries for store design, window

displays, compelling merchandising, and delivering a service-led proposition for its customers, to encourage people to cross the threshold into their stores.

Nike’s recent announcements should be a wake-up call to the retail industry – travel retail included. The brand is looking to rationalise its 30,000 retail partners to around 40 favoured ‘differentiated retailers’, each with a special branded space for Nike products and dedicated salespeople. The aim is to better control how it sells its product.

As Nike Brand President Trevor Edwards noted, “undifferentiated, mediocre retail won’t survive”. This illustrates how Nike is increasingly focused on its own direct-to-consumer push, as it relies less on wholesale, and

Mobile revolution: Travellers can now use their smartphones to kill time at the airport so might be less likely to go shopping



more on flagship stores and e-commerce. It has set a target of 30% of its revenue coming from e-commerce by 2022, up from 15% currently.

Its New York flagship store, planned for 2019, will be a multi-sport assortment of product innovation and services. The fifth floor will be available exclusively to NikePlus members, offering unique products and customisation opportunities. Members can also meet with a Nike Expert on that level that can offer personal shopping advice.

Similarly, engaging and extensive environments are being developed by brands ranging from Tesla (automotives) and Lululemon Athletica (apparel) to Charlotte Tilbury (beauty) and Lush (cosmetics).

Is it fair to say that the service proposition and in-store experience in airport travel retail has failed to keep pace with the high street? Possibly due to the typically higher sales densities, guaranteed passenger base, price advantage (albeit diminishing), and aggressive concession margin demands from airport landlords, there has been less incentive for airport retailers to innovate. This is particularly so for non-specialists in travel, for whom 1-5 airport stores may represent a small fraction of a 200+ high street portfolio.

High street trends demonstrate the importance of creating a more engaging brand presence in airport retail. It's something major beauty and spirits brands in duty free stores have adopted and will be further ramped up and expanded across the full spectrum of the airport retail offer in 2018.

Exciting retail: Nike's upcoming New York flagship store will be a multi-sport assortment of product innovation and services



Retailers must find new ways to attract attention. Pictured are World Duty Free's High Street style window displays at Heathrow Airport Terminal 5.



Changing menus: OTG's Global Bazaar outlets at United Airlines' Newark Liberty International Airport hub serve as breakfast concepts in the morning but transform into different ones for the rest of the day





Licence for local

Despite airports being among the most dynamic environments for retail, their commercial real estate has been relatively fixed and static – both in terms of contract length and brand ubiquity, as well as stock turn and dynamic programming. Retailers need to work harder to adjust their product offer to changing demands. Airport operators need to increase the flexibility of their space and programming to better accommodate changing requirements.

In food & beverage, this can be delivered through a greater focus on seasonality, local produce, or simply changing the menu and proposition to match different needs across the day. This is being made increasingly easier by digital menus and flexible fascia.

In 2018 we expect to see more flexibility in the airport proposition. Airports are facilitating travel, adventure, and new experiences through connecting people to new destinations. But for too long, retail has morphed into a global conglomerate of ubiquity. Consumer surveys highlight that 78% of airline passengers see travel as an opportunity to explore the local culture, so airport retail must respond to these customer-led requirements.

Let's take UK bookstore Waterstones as an example. In 2017, the company announced its first profit in years, thanks to a bold decision to change the operating model to run each of the brand's 275 outlets as a local branch. Successive takeovers had led to a mass-market proposition, with centralised buying and a lack of local identity.

The brand came close to failure in 2014. With new leadership, power was given back to store managers, who were given responsibility for their own stock, among other initiatives aimed at tailoring the offer to local customer tastes.

Technology is increasingly allowing a greater understanding of customer profiles, habits, behaviours and taste. So airport retail in 2018 should be celebrating the opportunity to champion its unique qualities of regional distinction and culture, rather than treat all travellers the same. 🐦

To find out more about Pragma's work with airports, please visit www.pragmauk.com



Bold decision: UK bookstore
Waterstones has returned to profit
after adopting a local outlook in
each store

