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Travel Retail Insight: Navigating the new reality for travel retail

What brands need to consider for the post-pandemic travel boom

International tourism sees a steady recovery from the impact of the pandemic

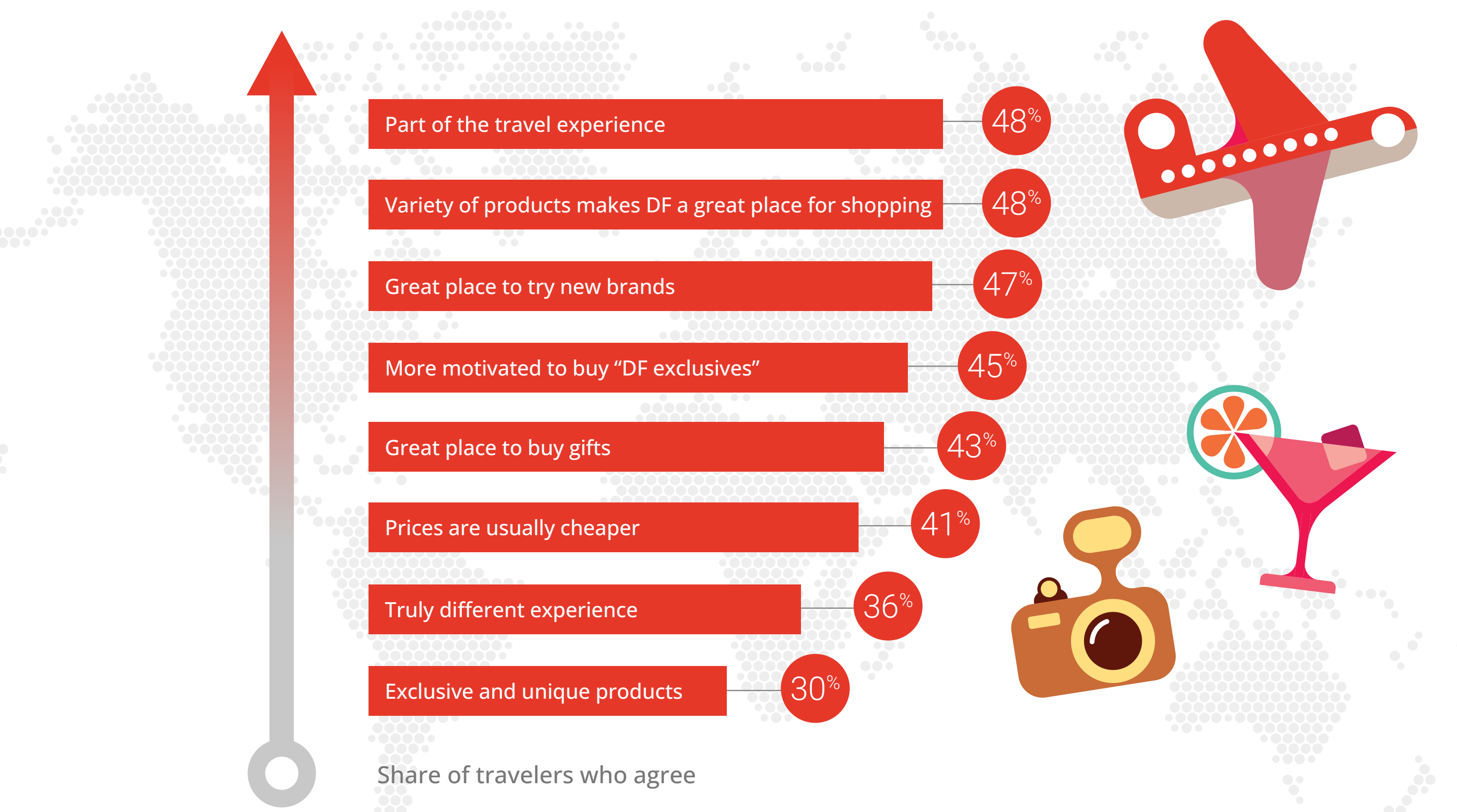
Global travel recovery continues apace as enormous pent-up demand is unleashed in line with easing or lifting of travel restrictions in destinations. According to UNWTO[1], as of early June this year, 45 destinations (mostly in Europe), lifted their COVID-19-related restrictions. In recent months, there is also an increasing number of destinations in Asia have started to ease those restrictions. The recovery momentum can be seen in outbound tourism spending as well, with expenditure from France, Germany, Italy, and United States reaching 70-85% of pre-pandemic levels, while spending from India, Saudi Arabia, and Qatar has already exceeded 2019 levels. It's about time for brands to prepare for consumers getting re-acquainted with in-store shopping.

Consumer behavior has changed significantly during the pandemic

Pre-pandemic consumer behavior was indicating a strong omnichannel trend—50% of consumers were referencing online prices before they made in-store purchase decisions. The pandemic has accelerated this pre-existing trend and grown online channels by around 27%.

Post-pandemic, it is believed that consumers will be even more globalized. They will engage with brands in the local market, online through e-commerce, and airside in travel retail. Consumers will expect a seamless and engaging shopping journey across all channels, at all times and in all locations. [2] Research showed that travel retail shopping is actually considered as "part of travel experience" and a "truly different experience (when compared to domestic retail stores)".[3]

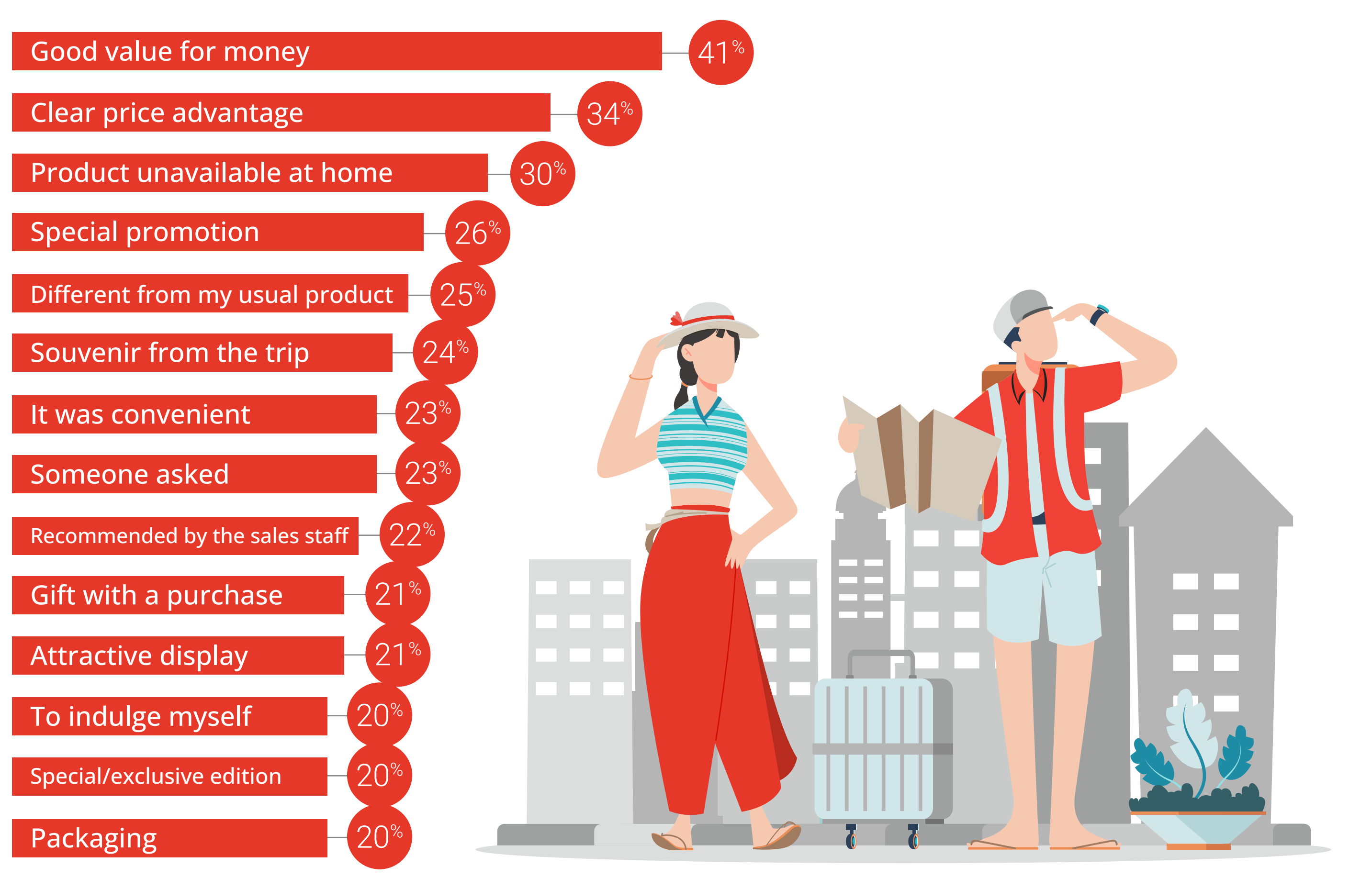
Consumer perception of duty free and travel retail shopping worldwide as of the 1st quarter 2020



Source: DFWC & m1nd-set, 2020

Consumer preferences on product categories became fairly different than before when the world was hit by the first wave of the pandemic. Unsurprisingly, health & personal care items and household cleaning & disinfected products saw huge growth while the sales of non-essential goods such as cosmetics and luxury retail took a hit during the COVID-19 lockdown in 2020. Compared to standardized products, rare and exclusive duty-free products were more likely to catch the eyes of the "less-enthusiastic" consumers. According to research by m1nd-set, "product unavailable at home", "different from my usual product", and "special/exclusive edition" are some of the main drivers to purchase at duty-free shops among travel retail luxury spenders in 2021.[4]

Main drivers to purchase at duty free shops among travel retail luxury spenders in 2021



Source: m1nd-set, 2021

What should post-pandemic market strategies for travel retail look like?

When COVID-19 is finally over, brands should focus less on comparing channel-specific interactions with consumers and more on creating synergy between channels for cohesive, blended experiences.

The key winning strategy would be "online + offline". The pandemic has no doubt greatly boosted online or e-commerce sales, however, physical stores are unlikely ever be phased out and businesses will still rely more on stores to generate revenues more instantly. During the pandemic's peak in 2020, China's domestic spending on luxury items, which took up 80% of the global retail sales ($26.7 trillion), was in fact mainly from brick and mortar sales.[5] One vital advantage duty-free stores have over e-commerce rivals are definitely senses. Essentially, consumers can see, experience, and test products, and interact with a salesperson before buying. Apart from these practical reasons which help close the sales, the advantages of senses, with the help of digital amplifications such as AI technology and livestreaming, can create a unique, immersive consumer experience and perhaps even share-worthy content for social media which in turn dramatically enhance brands' online presence. Brands that are adopting digital capabilities can reach vast audience beyond the confines of the physical event or store and communicate with consumers before they travel, while they are traveling (and in the stores), after they travel.[6]

What brands should not be missed out in the media strategy are the two new shopping channels formed by customers and now transforming the shopping ecosystem: social commerce and live streaming. Blending social platforms and entertainment with instant purchasing, social commerce and live streaming offer retailers and brands whole new channels with extensive scope for creating value.

Social commerce should be made at the top of the agenda for travel retail brands' post-pandemic planning. Social is the fastest-growing sales channel that is driving much bigger increases in retail traffic than any other online channel. Social commerce is extremely favored among digitally-minded and media-savvy young consumers and social media is playing an important role in affecting their purchase decision—97% of Gen Z consumers say they now use social media as their top source of shopping inspiration.[7] The big platforms have already evolved to ensure purchases are not only frictionless but also safe and reliable. Instagram's "shopping" tab released in November 2020; Facebook, Instagram, and Pinterest have also all recently announced or expanded their shopify partnerships.

Retail live streaming, which started to take off before the pandemic in Asian-Pacific markets, has transformed the retail industry and established itself as a major sales channel in less than five years. It has become an extension of the in-store experience as brands host online sessions to show consumers products and their features. Livestreaming allows for in-store experiences in a digital environment as shoppers can react instantaneously to content, asking questions and clicking to buy through the livestream.

How to get things started in order to adapt to the new normal? Apparently, there is no one-size-fits-all approach, brands must build complementary channels to leverage the best of both the physical and digital worlds, and create top-of-mind awareness on locally-preferred social platforms to reach their target markets across the globe. For example, Meta-owned platforms such as Facebook and Instagram are not used in China, where Tencent's WeChat is dominant. In the Middle East, Snapchat is the main platform in Saudi Arabia.[8]

1 International Tourism Consolidates Strong Recovery amidst Growing Challenges
https://www.unwto.org/news/international-tourism-consolidates-strong-recovery-admidst-growing-challenges

2 Post COVID-19: Post Pandemic Consumer Behavior
https://www.sparkgroupinc.com/post-covid-19-consumer-behaviour/

3 Consumer perception of duty free and travel retail shopping worldwide as of the 1st quarter 2020
https://www.statista.com/statistics/1036276/consumer-perception-of-duty-free-shopping-worldwide/

4 Main drivers to purchase at duty free shops among travel retail luxury spenders in 2021
https://www.statista.com/statistics/1270417/duty-free-shopping-drivers-among-luxury-spenders/

5 China's Travel Retail Trends & Predictions for 2022
https://www.cosmose.co/chinas-retail-travel-trends-and-predictions-for-2022

6 2022 Hainan Travel Retail Market Whitepaper
https://assets.kpmg/content/dam/kpmg/cn/pdf/en/2022/07/hainan-travel-retail-market-whitepaper.pdf

7 Gen Z And The Rise Of Social Commerce
https://www.forbes.com/sites/forbesagencycouncil/2021/05/17/gen-z-and-the-rise-of-social-commerce/?sh=14cebfd8251d

8 The Customer Experience Column: Effective use of social media in travel retail
https://www.moodiedavittreport.com/the-customer-experience-column-effective-use-of-social-media-in-travel-retail/

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