

Burgeoning pre-order business accelerates Mumbai

Mumbai Duty Free (MDF) has revealed a challenging start to 2019 following an 'amazing' performance last year, which culminated in sales growth of 27%.

As reported, MDF, which registered its highest ever monthly sales growth for December last year with over 21% growth year-on-year, attributed these results to 'innovative' marketing campaigns. These include The Big Bollywood Campaign, Pay Zero and The Great Duty Free Sale.



Manishi Sanwal, CEO, Flemingo Travel Retail Ltd.

Speaking exclusively to *TRBusiness* during a recent visit to Mumbai, Manishi Sanwal, CEO, Flemingo Travel Retail Ltd said: "Last year, we were fortunate enough to have a decent increase in traffic and were able to introduce a lot of new concepts such as luxury watches and electronics.

"This additional business has sparked substantial increases in spend per passenger."

INCREASED PENETRATION

While penetration and spend is still increasing in 2019 — penetration in arrivals has risen from 1% in 2008 to 16% currently — business this year has been impacted by two important developments.

"The first is the collapse of Jet Airways in April, on which we operated the duty free concession. This comprised 30% of our traffic and overall business.

"Although a lot of that traffic share has been picked up by other airlines it has still resulted in a massive drop in footfall."

Another issue was the closure of the runway at BOM for maintenance between 7 February and 30 March (except 21 March). The runway was closed between 10:00am and 5:00pm on Tuesdays, Thursdays and Saturdays.

"The runway closures hit us between February and March, while the collapse of Jet Airways has impacted us since April.



Bollywood star, Shah Rukh Khan with Manishi Sanwal, CEO Mumbai Duty Free promoting the Pay Zero campaign.

“Thankfully, we are still growing penetration and spend, so the fundamentals are in place. The moment traffic comes back, hopefully we will be in a position to capitalise,” Sanwal remarked.

Despite the various challenges facing MDF at the start of the year, the retailers burgeoning pre-order business, where customers order at departure and collect on arrival is a great indicator of customer loyalty, according to Anish Khanna, Head, Marketing and Strategy, Flemingo Travel Retail Ltd.

“We have seen tremendous growth across our pre-order business, despite the slowdown in traffic. This tells us that a lot of these customers, who may have been first-time buyers in 2018 or the year before, are now more regular shoppers and choose to purchase with Mumbai Duty Free when they travel abroad.”

Sanwal, who reveals the company's pre-order service accounts for 20% of total business added: “Our website is a result of the successful pre-order service. It is fully functional and totally integrated.

“If an order is placed from Singapore, it will be ready for collection in Mumbai the next day. We have a very strong website which we want to leverage for the future and are also looking to introduce fully-functional kiosks to further boost our pre-order business.”



The introduction of luxury watches in 2018 helped spark year-on-year sales growth of 27%.

DUTY FREE IS NOW FREE

The launch of the retailer's Duty Free is now Free shopping campaign around two years ago certainly helped increase penetration and has 'evolved beautifully', according to Khanna.

This year's campaign, which runs until 30 June, offers exclusive deals and discounts worth up to 33% on duty free products across categories such as spirits, fragrances, cosmetics, wellness products, confectionery, accessories and fashion and luxury.

He told *TRBusiness*: "One of the big challenges we discussed at the recent Tax Free World Association Asia Pacific Exhibition and Conference in Singapore is that 51% of customers decide if they want to buy or what they want to buy before arriving at the airport. This programme kind of solves that problem."

He explained: "We realised, for example, that there are only a few brands or industries which have access to travellers before they come to the airport."



Giving value to consumers is an important part of Mumbai Duty Free's commercial strategy.

"If online ticket or hotel booking companies such as MakeMyTrip have this access, then telecom companies like Vodafone will do as well as they know when their customers are travelling abroad.

"We have gone ahead and tied up with these companies, so their customers receive value when shopping at our stores. This is through the redemption of INR500 (\$7.19) electronic gift-cards."

Further elaborating on the evolution of the campaign, Khanna recalls how it started with customers entering stores and receiving bags or envelopes with 'goodie vouchers' inside.

"It has since evolved into cash-back programmes with the likes of Citibank and PayTM, India's largest digital wallet and gift-card programmes. Before partnering with the likes of Vodafone and MakeMyTrip, we also handed out INR300 gift-cards to anyone walking through immigration."



Customers are invited to redeem INR300 gift-cards as part of the retailers Duty Free is now Free promotion.

As MDF maintains its focus on three key pillars (*emphasising the value proposition before passengers head to the airport, doing so when they are at the airport and trying to offer something in addition*), Khanna has no doubt the campaign will continue to evolve.

His words are echoed by Sanwal who says brands must be brought into the equation to take it to the next level.

He commented: "The next step is to create a three-party value equation by integrating the brands. This would involve using the resources at our disposal to inform a MakeMyTrip customer, for example, of particular offers on certain products."

He added: "We as an operator, along with the brands and the third party would then be able to cooperate and give value to customers."



Travellers can receive discounts of up to 25% when using the Mumbai Duty Free pre-order service as advertised in-store.

One element of the campaign which has changed in 2019 is the duration. “Last year, we were running it almost like an all-year-round promotion. Now, it is just a four-month campaign taking place during the summer months.

“We are creating a big story around this whole concept but once 30 June arrives, the campaign will end and only the cash-back programmes will remain,” Sanwal said.

Adding a digital element to the campaign is also on the agenda, but very much a work in progress. Khanna concluded: “Our goal is at some point to possibly create an app around this concept so passengers can carry this added value on their phone. This would create a real connection with the customer.”

See the July edition of TRBusiness for more from our interview with Manishi Sanwal, CEO, Flemingo Travel Retail Ltd and Anish Khanna, Head, Marketing and Strategy, Flemingo Travel Retail Ltd.