

Airport luxury sales to skyrocket past \$15bn in 2015

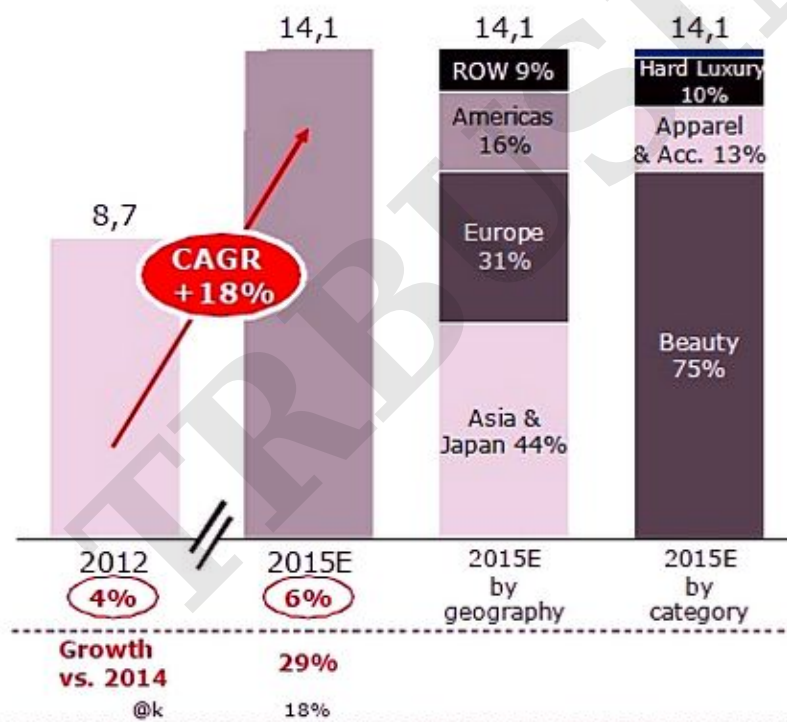
Airports' are capturing a large chunk of the luxury goods market with sales set to reach €14.1bn/\$15.5bn by the end of this year, according to management consultancy, Bain & Company in a new study.

As we reported on Friday, airport retail has been one of the best channels for growth in the global personal luxury market worth €250bn/\$273bn in 2015 based on Bain forecasts. Between 2012 and 2015 airports have posted a huge +29% CAGR growth rate at current exchange rates (+18% in constant exchange rates) easily outpacing the overall market (see chart below).

This means that airports now account for almost 6% of the global luxury market. Increasing passengers flows look set to continue: UNWTO reported 1.14bn international tourists in 2014, up +4.7% and the fifth consecutive year of above average growth since the 2009 economic crisis, with more growth predicted for 2015.



Will more luxury brands turn to airports?



Airports have been a rapidly rising channel for personal luxury consumption. [Source: Bain, Altagamma 2015]

AIRPORTS: A GOOD BET SO FAR

The airport channel therefore appears to offer luxury brands a better prospect than many domestic markets where luxury demand is flattening or even declining, **depending on the country or region.**

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Bain points to other factors that will boost airports including the relaxation of visas rules “fostering Asian flows” which are crucial to sales.

The consultancy says: “Many governments are working to attract these customers through extended validity periods or fast-track visa application processes.” However it warns that, in Europe, new biometric requirements for Chinese visas are expected to impact flows in the short term.

BEAUTY IN THE DRIVING SEAT

By category, airport luxury is dominated by beauty with a large 75% share of the market. *TRBusiness* has calculated that **Dufry now has a 17.6% share of duty free and travel retail beauty** following its acquisition of Nuance and World Duty Free, up from 6.1% just two years ago.

Beauty has a market-leading position at airports due to higher spending “thanks to product innovation” says Bain.

Apparel/accessories account for 13% of the market while hard luxury makes up 10%.

While Europe has been a magnet for Asian shoppers in recent months, it is Asia and Japan that command the most luxury airport sales at 44% – and the region is still the main engine for growth – with Europe taking a slice of 31%, and the Americas trailing at 16%.



Tasa Mengs beauty offer at Taipeis main airport

Bain believes that the increase in the number of airports in Asia Pacific – including those in Chinese Tier 3 cities, as well as ongoing infrastructural improvements in airports to increase retail spaces and enhance the travellers’ shopping experience, will keep Asia out in front. This is in **sharp contrast to what is happening in some domestic markets** in the region such as Hong Kong and Macau.