IAADFS ‘Educational’ session well attended

This year’s IAADFS Duty Free Show of the Americas kicked off this morning with a new-style Educational Session introduced by IAADFS President Pancho Motta. As reported, this has been created by IAADFS in response to calls for more insights and research.

Pancho Motta, IAADFS President.

The value of the event was immediately evident at the event today, judging by the several hundred attendees who duly attended.

This featured two excellent presentations by Angela Gittens, Director General of Airports Council International and Peter Mohn owner & CEO of the m1nd-set research company.

Gittens began by providing a statistical review of passenger traffic in 2015, highlighting the winners and the losers, plus airport key performance indicators, while Moen delivered a presentation entitled TR&DF Consumer Insights, based on recent research by the company.

IAADFS President introduced this years new Educational Session to a packed audience undeterred by the 08.00am start.

ROBUST RESEARCH

Much of Gittens’ presentation drew on robust research from ACI, plus some already covered by *TRBusiness*, while other interesting material can also be found in her exclusive and extensive interview in the March issue of *TRBusiness [now available]*.

[To view the detailed press release covering many of the traffic statistics referred to this morning click here: http://www.aci.aero/News/Releases/Most-Recent/2016/04/03/ACI-releases-preliminary-world-airport-traffic-r

IAADFS ‘Educational’ session well attended

ankings-].

[To view the ‘Airport Economics Report and Key Performance Indicators’ release, click here: http://www.aci.aero/News/Releases/Most-Recent/2016/03/07/ACI-releases-the-20th-edition-of-the-Airport-Economics-Report-and-Key-Performance-Indicators].

Angela Gittens, Director General of Airports Council International.

STRONG PASSENGER GROWTH

In her presentation today, Gittens pointed to strong 2015 passenger traffic growth in all regions except Africa, compared with weak air freight around the world, except in the Middle East. She said the industry was economically healthy, as mature markets have bounced back while emerging markets have remained resilient.

Looking at the regions, Gittens said that Asian passenger traffic grew by +8% for the region as a whole last year with robust increases in key markets, including Thailand +21.2%; India +16.4%; Korea +10.7%; Hong Kong +8.3%; China +8%; and Japan +4%.

By contrast, European traffic highlights in 2015 saw a +5.2% increase for the region as a whole with Ireland +13.2%; Portugal +11%; Italy +7.3%; Spain +5.9%; Germany +4.6%; UK +4.5%; and France +2.8%.

Meanwhile, Latin America-Caribbean passenger traffic highlights saw the region grow by +5.4% as a whole, with Mexico leading the growth league with +12.6%, followed by Colombia +10.2%; Argentina +8.3%; and Brazil trailing way down at +0.5%.

Middle East passenger traffic highlights saw Oman lead the rest with +17.3%, followed by Qatar with 17.1%; the UAE with +11%; and Saudi Arabia with +2.5%. Meanwhile, the North America passenger traffic saw the region grow by +5.3% as a whole, with +3.7% growth in Canada.

AIRPORT PERFORMANCE DATA

Turning to 2014, Gitttens then looked at some of the economic performance data for airports showing the global share of revenue for airports led by Europe with 36%, Asia Pacific 29%, North America 19%; Middle East 8%; Latin America Caribbean 6%; and Africa 2%.

In the same year she said that aeronautical revenue accounted for 55.5% globally, ahead of non-aeronautical revenue with 40.4% and non-operating revenue at 4.0%.

In terms of the distribution of non-aeronautical revenue by source, Gittens pointed to retail concessions out in front with 28%, followed by car parking 22%; property and real estate revenue or rent 15%; fuel and oil 14%; car rental 7%; food and beverage 6%; utility recharges 3%; advertising 3%; and other 2%.

In terms of duty free revenues per international passenger – relating to 2013 – the Middle East came in top with $8.97, followed by Asia Pacific with $3.09; Europe $2.77; Latin America-Caribbean $2.68; and North America bringing up the rear with $1.50. The average spend worldwide is calculated at $2.81.

Peter Mohn, Owner & CEO of m1nd-set.

CONSUMER INSIGHTS – NORTH AMERICA

By contrast, Peter Mohn’s presentation concentrated on TR&DF Consumer Insights in North America & Caribbean and this will be covered in even more detail at the second educational session due to be covered tomorrow morning.

Mohn took the audience through his excellent presentation which *TRBusiness* is pleased to be able to show here in full just a few hours after the presentation – courtesy of m1nd-set.

Peter Mohn said that while some of the DF&TR data is based on 2014, the new Generation preliminary numbers on 2015 will be coming out shortly and will show some interesting shifts in market shares amongst the major product categories. As reported previously, m1nd-set has a strategic partnership with Generation Research.

[Our thanks again to Peter Mohn for making the following data fully available for our readers, although please note that the copyright to these figures and charts belongs to m1nd-set].

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TR & DF Consumer Insights

North America & Caribbean

IAADFS, Orlando 2016

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m1nd-set Generation

ACCURATE SALES DATA
Sell out data by region, category, SKU – in value and volume. Custom made KPIs allowing you to monitor your exact position in the market.

PRECISE BEHAVIORAL DATA
Footfall and conversion rates, reasons (not) to purchase, destination of purchase, shopping basket, touch points, path to purchase, demographics, needs, segmentations etc.

REPRESENTATIVE TRAFFIC DATA
Nationality breakdown by airport/terminal. Top destinations, proportion of business vs. economy traffic, new routes etc.

MACRO ECONOMIC DATA
Interpreted in line with the other 3 sets of data.

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Shares of Categories in DF & TR Sales

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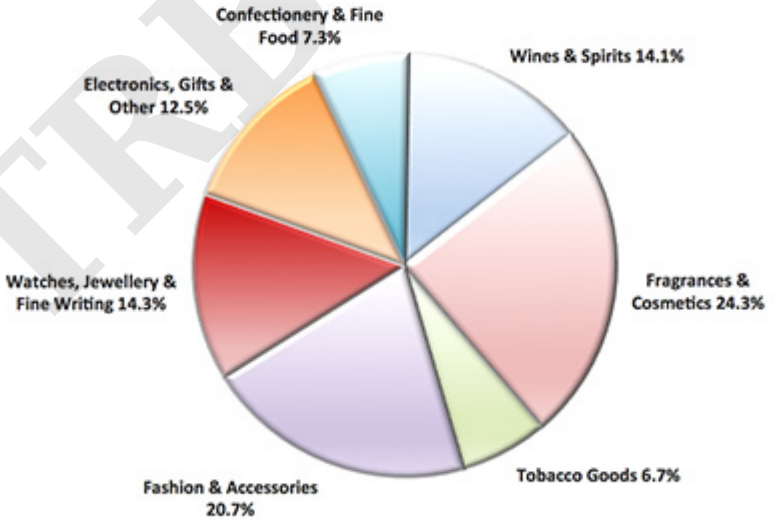
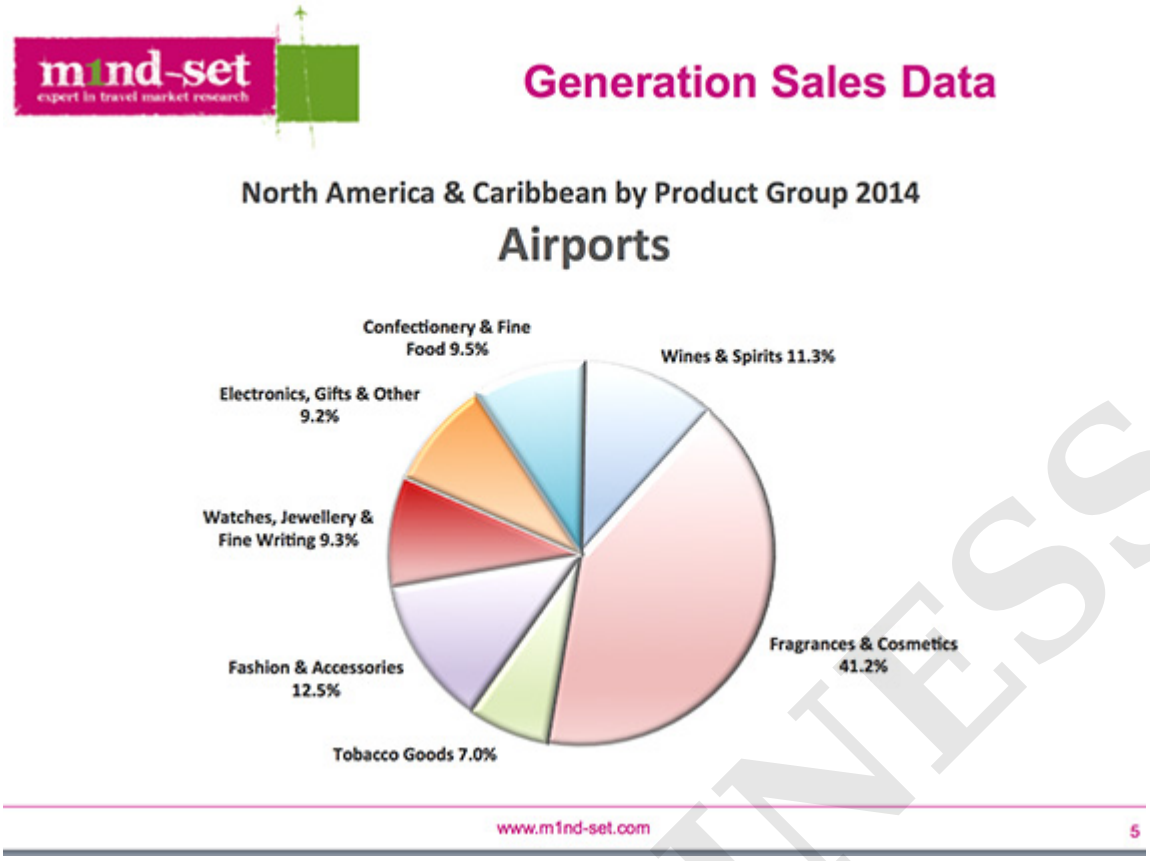
Generation Sales Data

North America & Caribbean by Product Group 2014

All Sales Channels

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Generation Sales Data
North America & Caribbean by Product Group 2014
Airports
Confectionery & Fine Food 9.5%
Wines & Spirits 11.3%
Electronics, Gifts & Other 9.2%
Watches, Jewellery & Fine Writing 9.3%
Fragrances & Cosmetics 41.2%
Fashion & Accessories 12.5%
Tobacco Goods 7.0%
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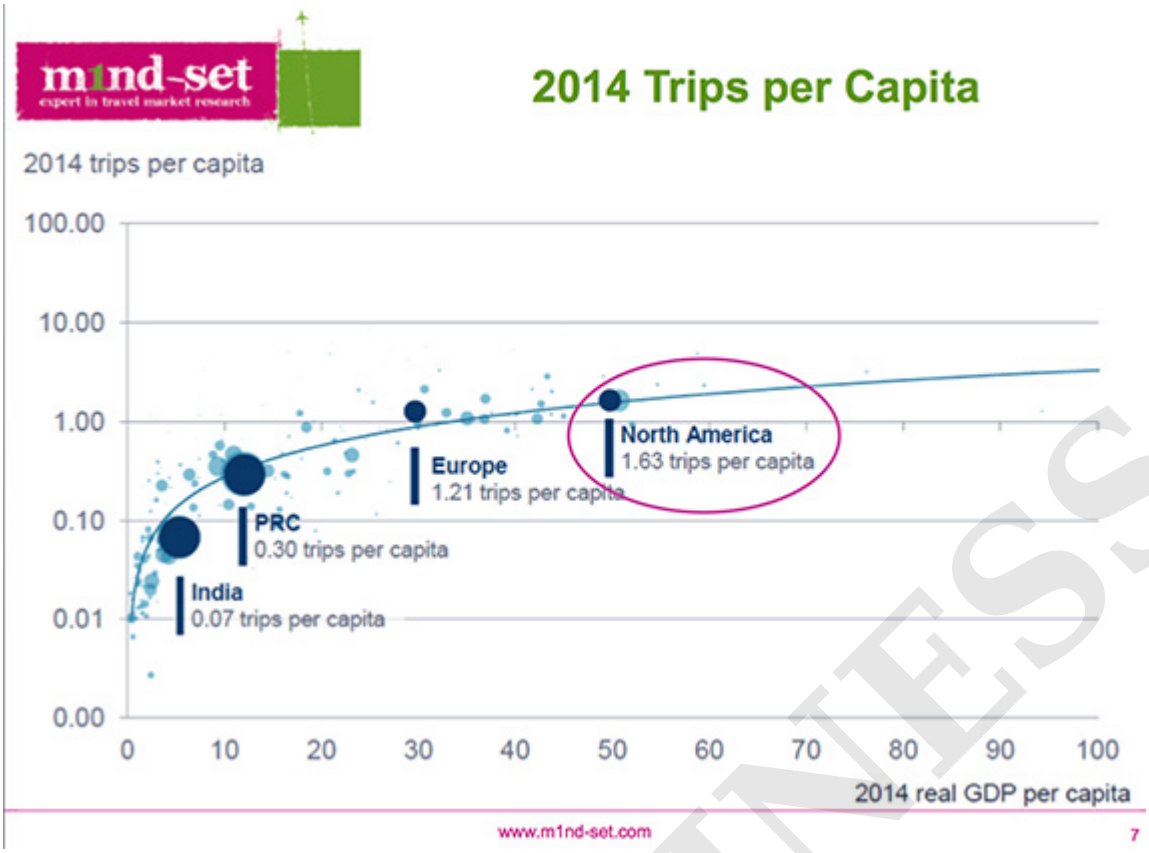
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2014 Trips per Capita
2014 trips per capita
100.00
10.00
1.00
0.10
0.01
0.00
0
10
20
30
40
50
60
70
80
90
100
2014 real GDP per capita
North America
1.63 trips per capita
Europe
1.21 trips per capita
PRC
0.30 trips per capita
India
0.07 trips per capita
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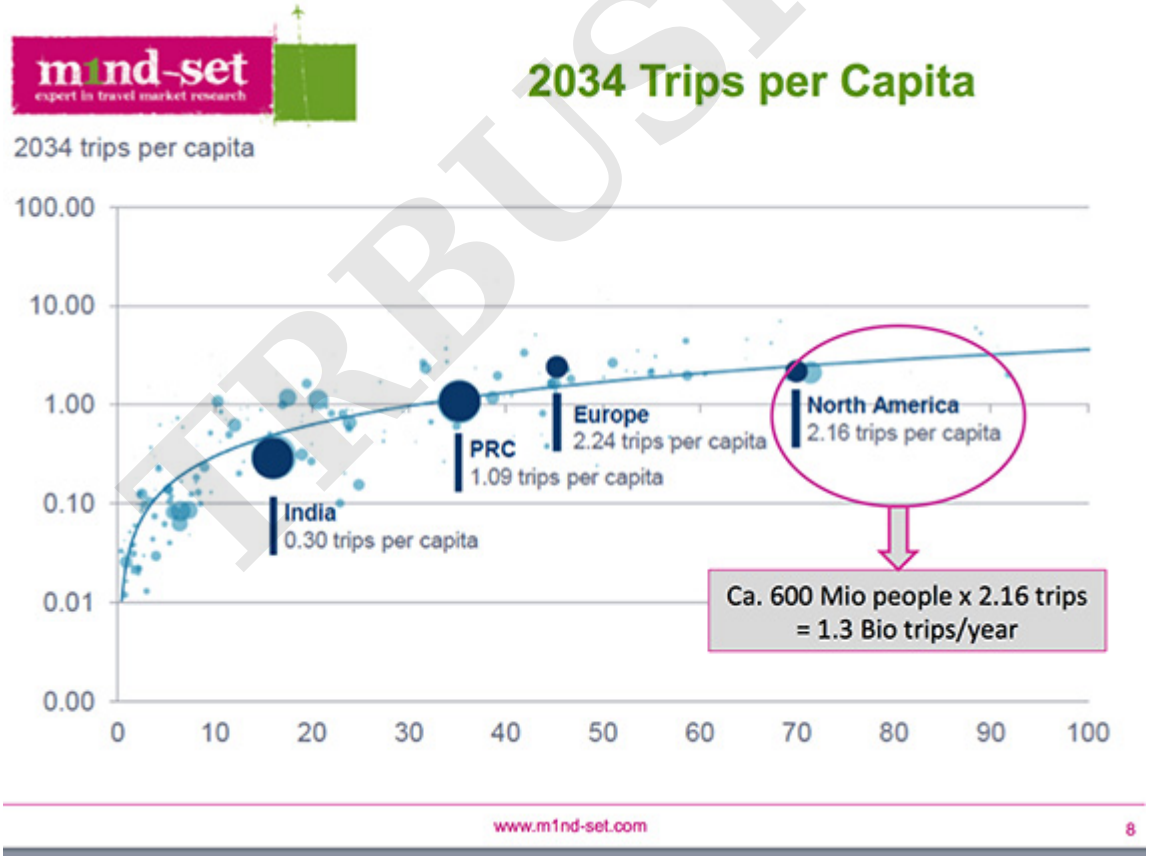
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2034 Trips per Capita
2034 trips per capita
100.00
10.00
1.00
0.10
0.01
0.00
0
10
20
30
40
50
60
70
80
90
100
North America
2.16 trips per capita
Europe
2.24 trips per capita
PRC
1.09 trips per capita
India
0.30 trips per capita
Ca. 600 Mio people x 2.16 trips
= 1.3 Bio trips/year
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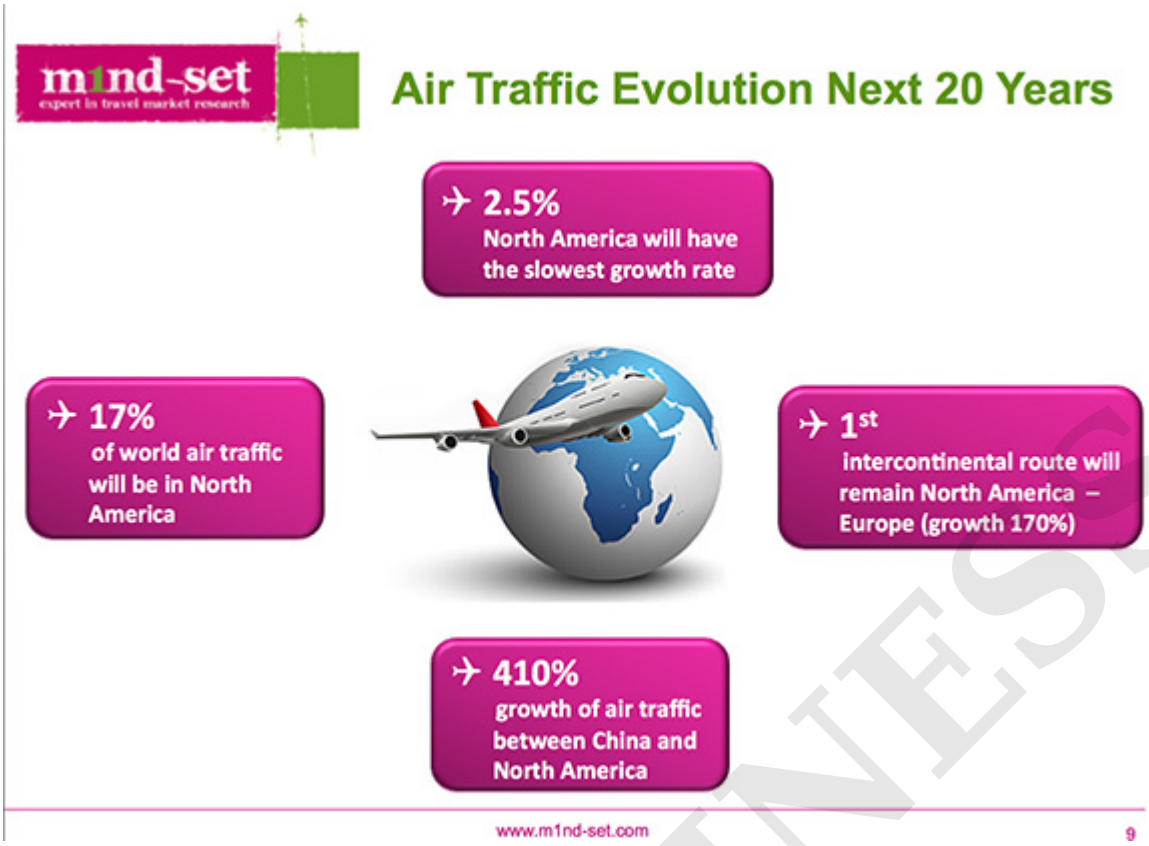
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Air Traffic Evolution Next 20 Years
2.5%
North America will have the slowest growth rate
17%
of world air traffic will be in North America
1st
intercontinental route will remain North America – Europe (growth 170%)
410%
growth of air traffic between China and North America
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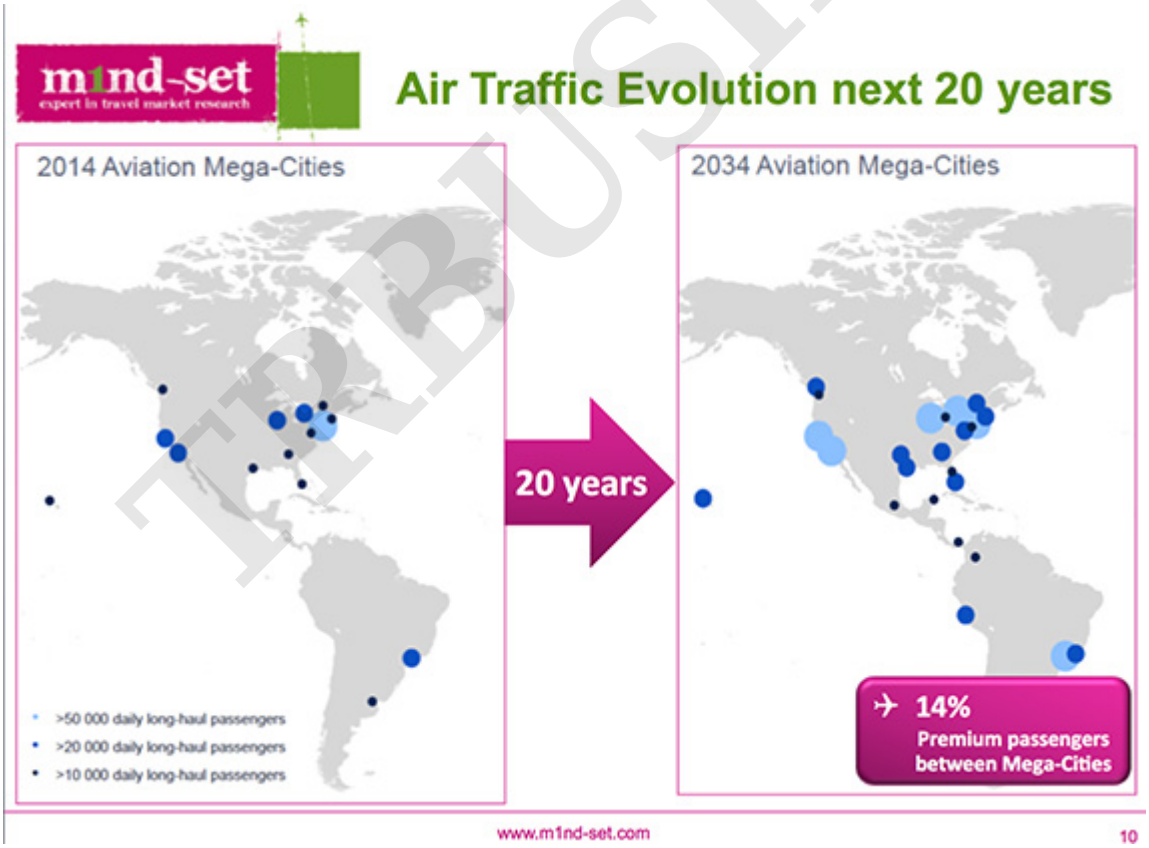
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Air Traffic Evolution next 20 years
2014 Aviation Mega-Cities
>50 000 daily long-haul passengers
>20 000 daily long-haul passengers
>10 000 daily long-haul passengers
20 years
2034 Aviation Mega-Cities
14%
Premium passengers between Mega-Cities
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Evaluation of DF & TR

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Overall Satisfaction & Value for Money Perception

Overall Satisfaction with the DF/DP Shopping Experience

3.6 /5

On a scale from 1 (Poor) to 5 (Excellent)

Slightly Above Global Average

The service level
Range of luxury products
Atmosphere & designs of shops

Technology offer
Local identity
Range of affordable products

Overall Perception of the Value for Money

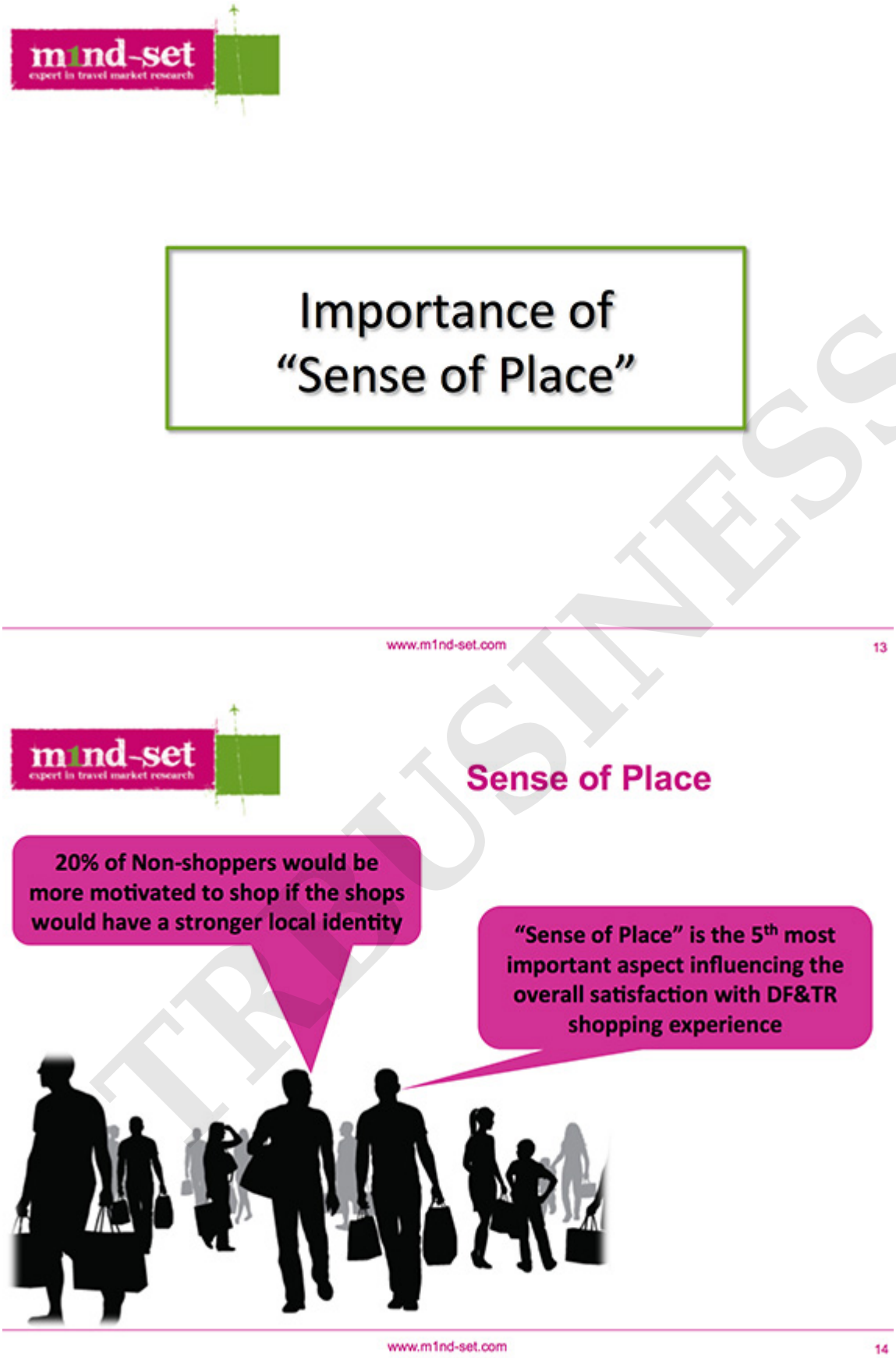
3.3 /5

On a scale from 1 (Poor) to 5 (Excellent)

Equal to Global Average

Tobacco and **Alcohol** are the most positively perceived

Fashion and **Electronics** obtain the lowest ratings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Importance of
“Sense of Place”
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Sense of Place
20% of Non-shoppers would be more motivated to shop if the shops would have a stronger local identity
“Sense of Place” is the 5th most important aspect influencing the overall satisfaction with DF&TR shopping experience
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Sense of Place

“Local Touch Seekers” is one of the Top 3 segments amongst the DF&TR shoppers

- Seek **authenticity**
- Need **local products** (not cheap/ standard souvenirs)
- Generally **not happy** with the current airport **selections**
- Are the **least brand sensitive**
- Can also buy **international products** with **local touch**
- Buy mainly for **gifting**

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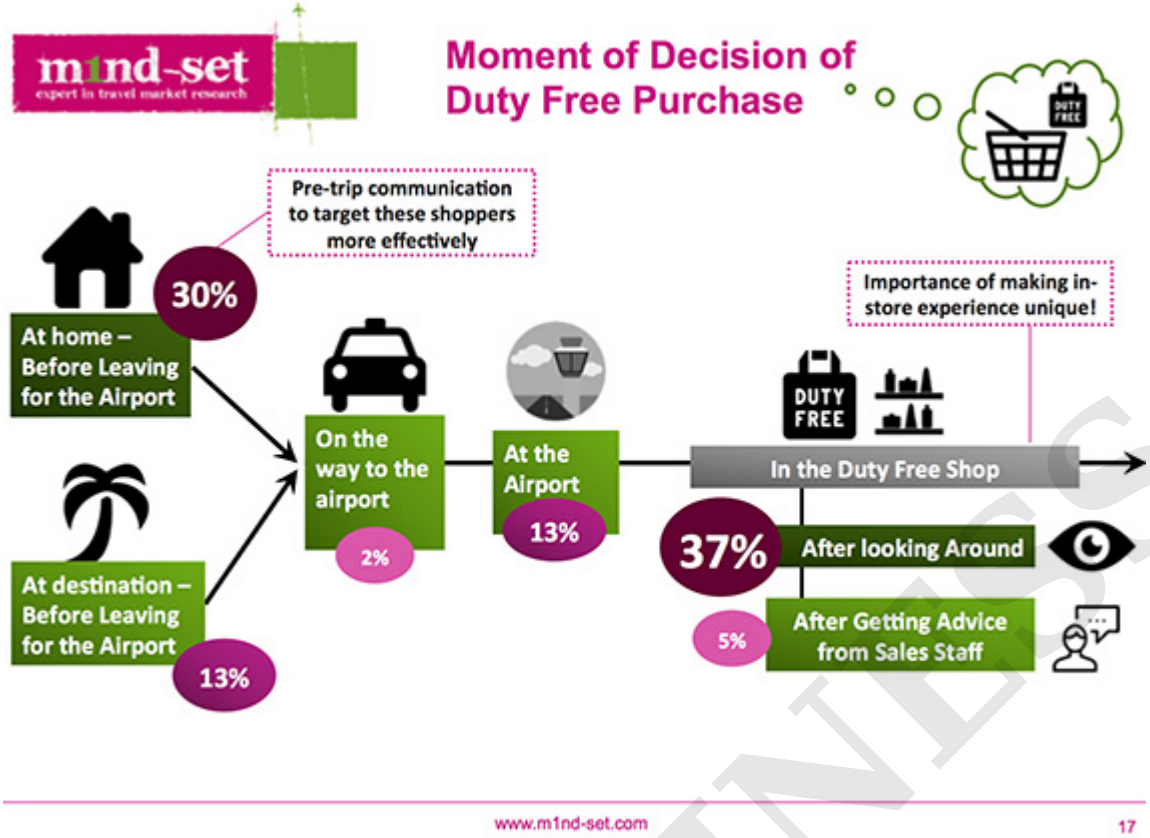
Path to Duty Free Purchase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Moment of Decision of Duty Free Purchase
Pre-trip communication to target these shoppers more effectively
30%
At home – Before Leaving for the Airport
At destination – Before Leaving for the Airport
13%
On the way to the airport
2%
At the Airport
13%
Importance of making in-store experience unique!
DUTY FREE
In the Duty Free Shop
37%
After looking Around
5%
After Getting Advice from Sales Staff
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76%
of women (40% of men) under 35 y.o. consider Travel Retail shopping a form of entertainment as long as retailers keep their offerings fresh and interesting.
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Customer Experience
3 out of 4 companies want to differentiate their brand through customer experience, but the majority don’t train their employees on how to deliver on that target customer experience
75%
The Ultimate Shopping Experience!
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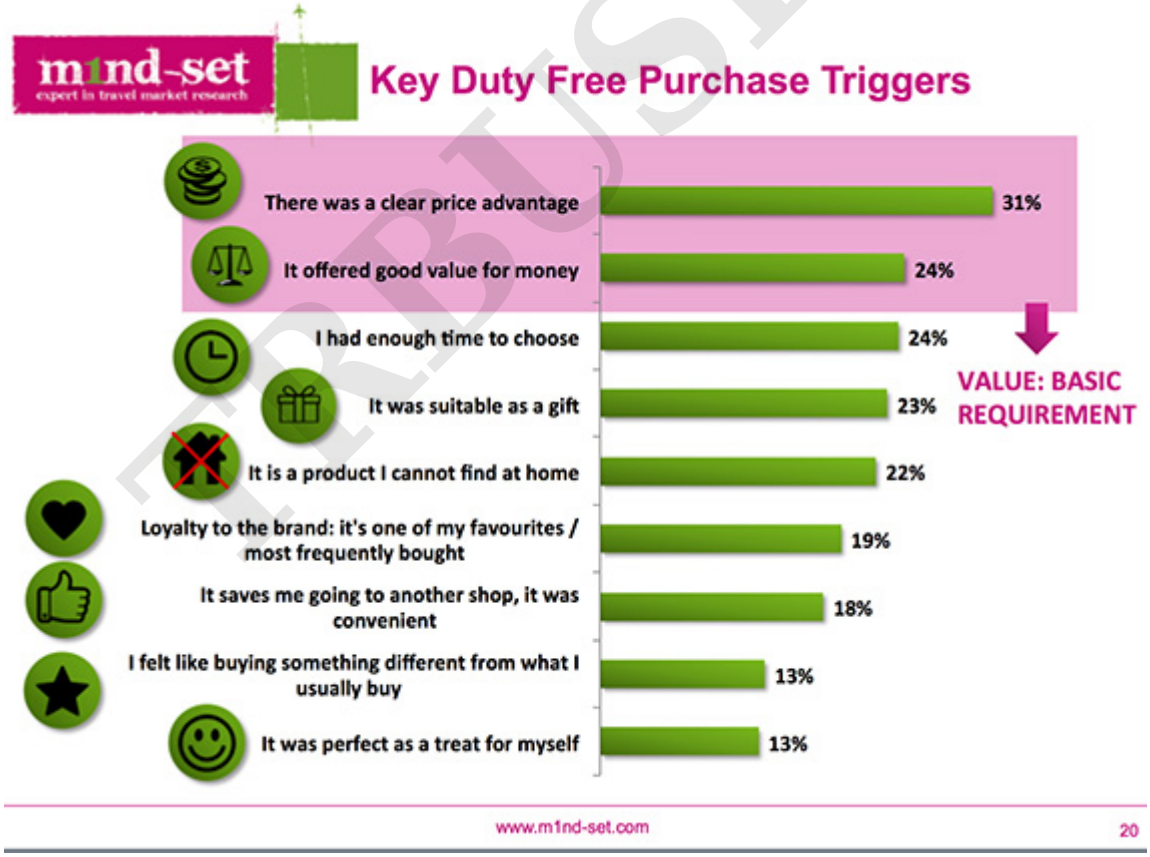
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Key Duty Free Purchase Triggers
There was a clear price advantage 31%
It offered good value for money 24%
I had enough time to choose 24%
It was suitable as a gift 23%
It is a product I cannot find at home 22%
Loyalty to the brand: it's one of my favourites / most frequently bought 19%
It saves me going to another shop, it was convenient 18%
I felt like buying something different from what I usually buy 13%
It was perfect as a treat for myself 13%
VALUE: BASIC REQUIREMENT
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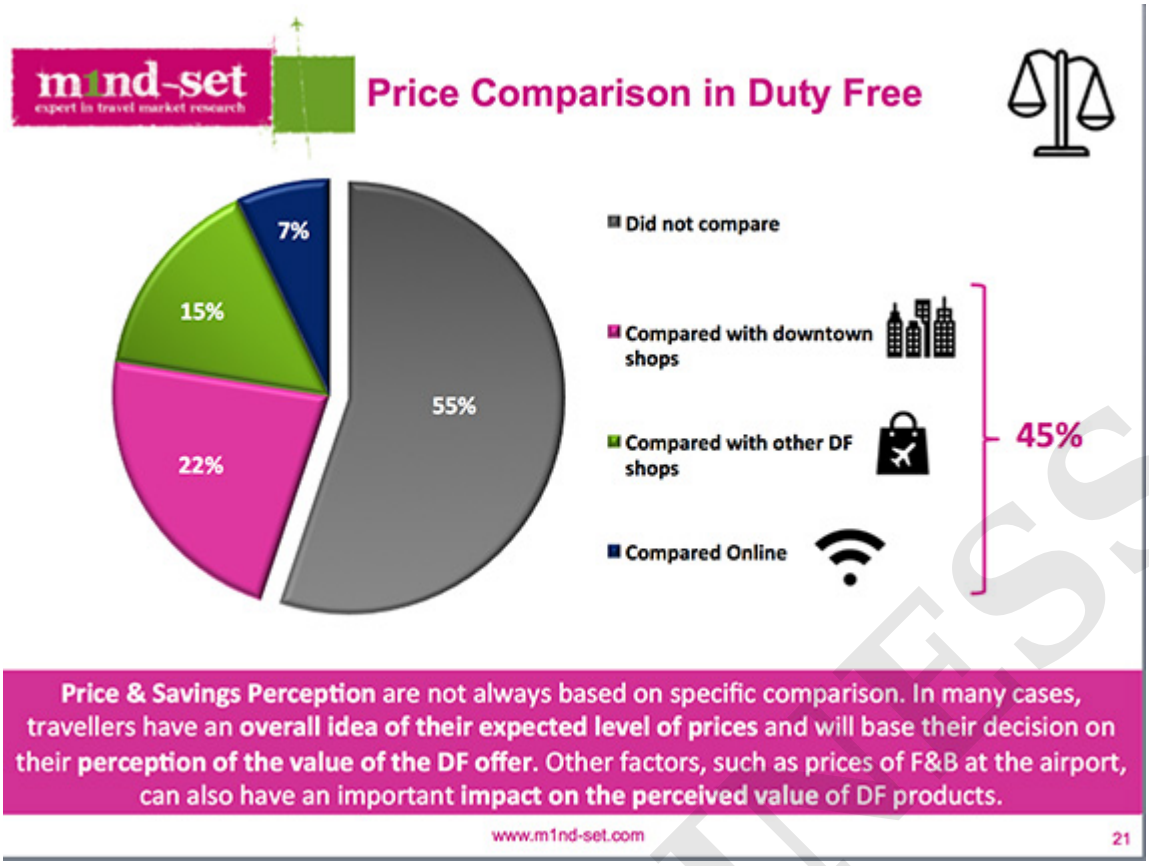
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Price Comparison in Duty Free
7%
15%
22%
55%
Did not compare
Compared with downtown shops
Compared with other DF shops
Compared Online
45%
Price & Savings Perception are not always based on specific comparison. In many cases, travellers have an overall idea of their expected level of prices and will base their decision on their perception of the value of the DF offer. Other factors, such as prices of F&B at the airport, can also have an important impact on the perceived value of DF products.
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Technology and the Travel Retail Shopper
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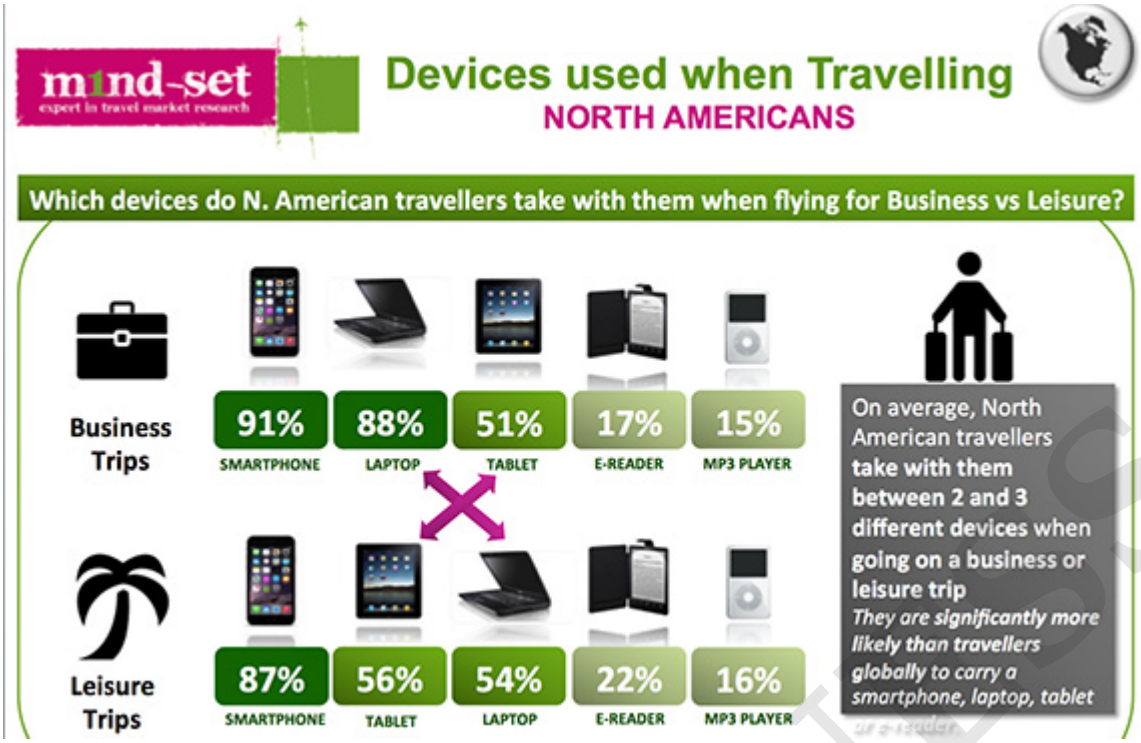
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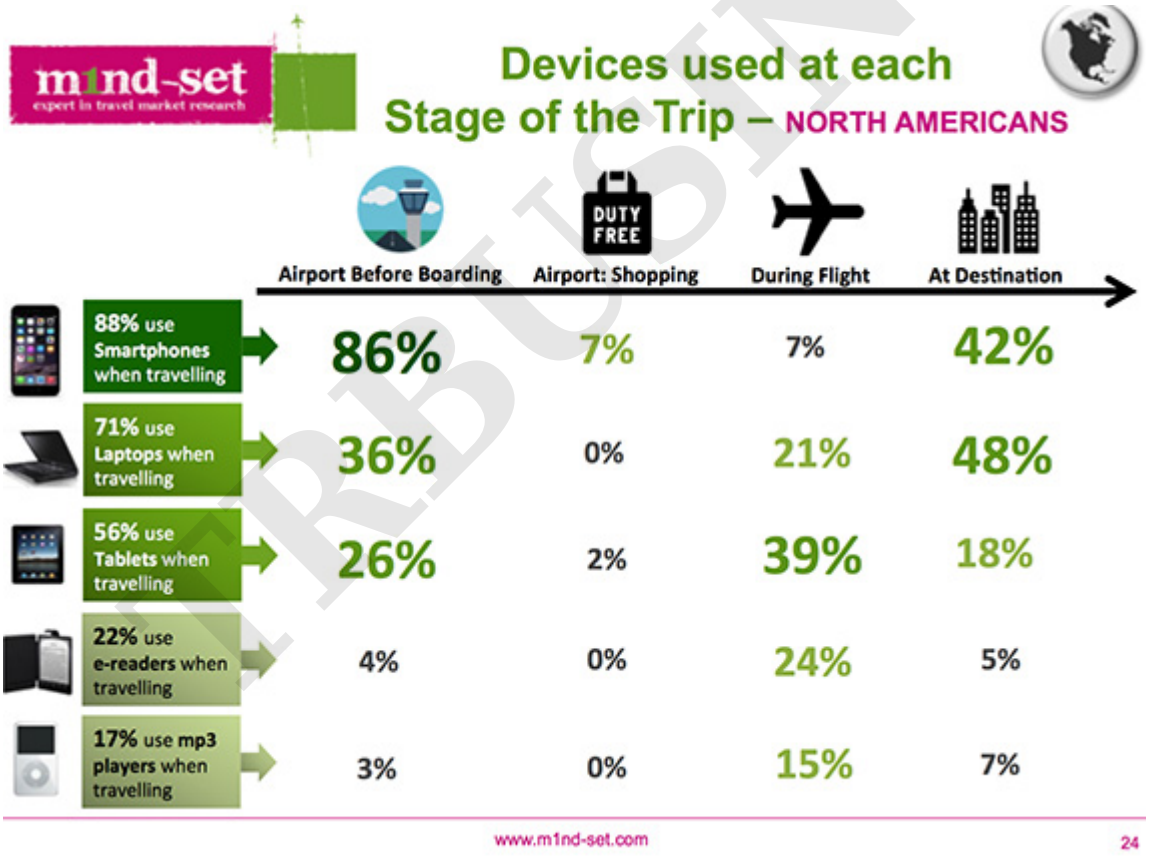
Devices used when Travelling
NORTH AMERICANS
Which devices do N. American travellers take with them when flying for Business vs Leisure?
Business Trips
91% SMARTPHONE
88% LAPTOP
51% TABLET
17% E-READER
15% MP3 PLAYER
Leisure Trips
87% SMARTPHONE
56% TABLET
54% LAPTOP
22% E-READER
16% MP3 PLAYER
On average, North American travellers take with them between 2 and 3 different devices when going on a business or leisure trip
They are significantly more likely than travellers globally to carry a smartphone, laptop, tablet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Devices used at each Stage of the Trip – NORTH AMERICANS
Airport Before Boarding
Airport: Shopping
During Flight
At Destination
88% use Smartphones when travelling
86% 7% 7% 42%
71% use Laptops when travelling
36% 0% 21% 48%
56% use Tablets when travelling
26% 2% 39% 18%
22% use e-readers when travelling
4% 0% 24% 5%
17% use mp3 players when travelling
3% 0% 15% 7%
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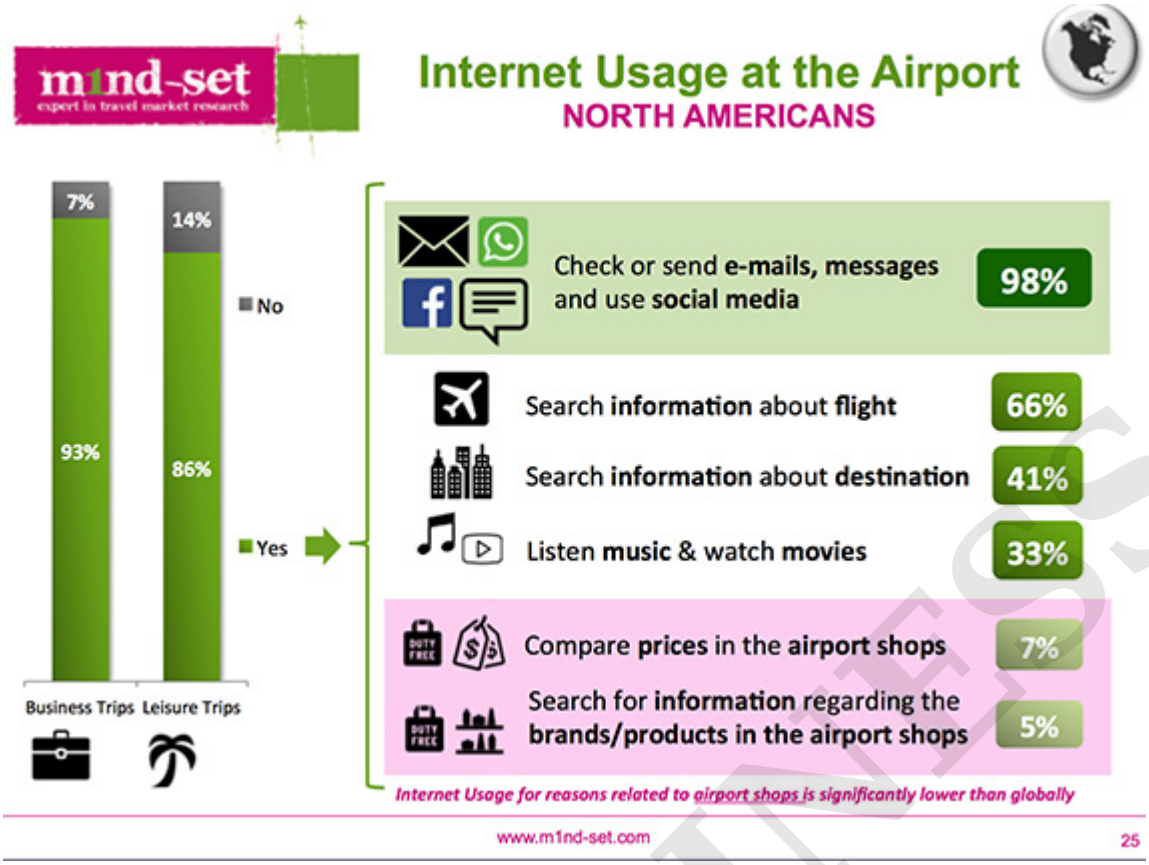
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Internet Usage at the Airport
NORTH AMERICANS
7%
14%
93%
86%
No
Yes
Business Trips
Leisure Trips
Check or send e-mails, messages and use social media
98%
Search information about flight
66%
Search information about destination
41%
Listen music & watch movies
33%
Compare prices in the airport shops
7%
Search for information regarding the brands/products in the airport shops
5%
Internet Usage for reasons related to airport shops is significantly lower than globally
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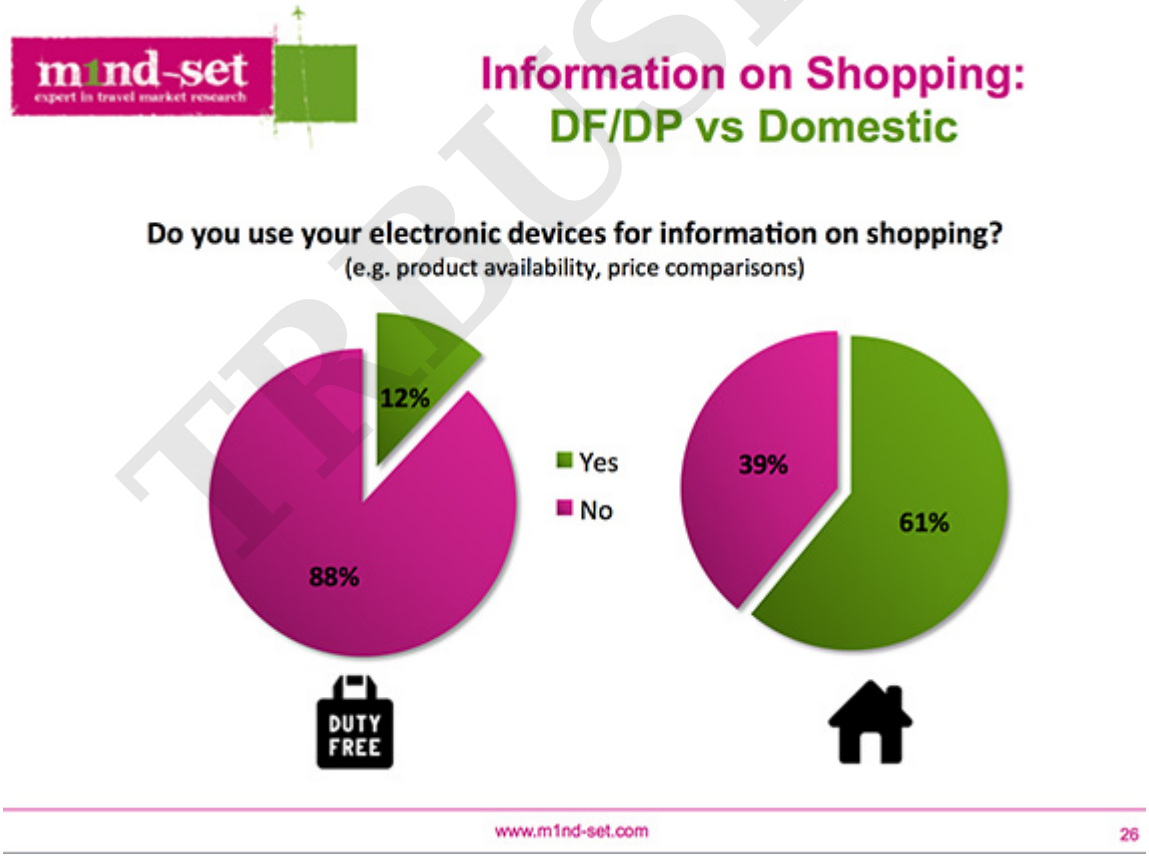
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Information on Shopping:
DF/DP vs Domestic
Do you use your electronic devices for information on shopping?
(e.g. product availability, price comparisons)
12%
88%
Yes
No
39%
61%
DUTY FREE
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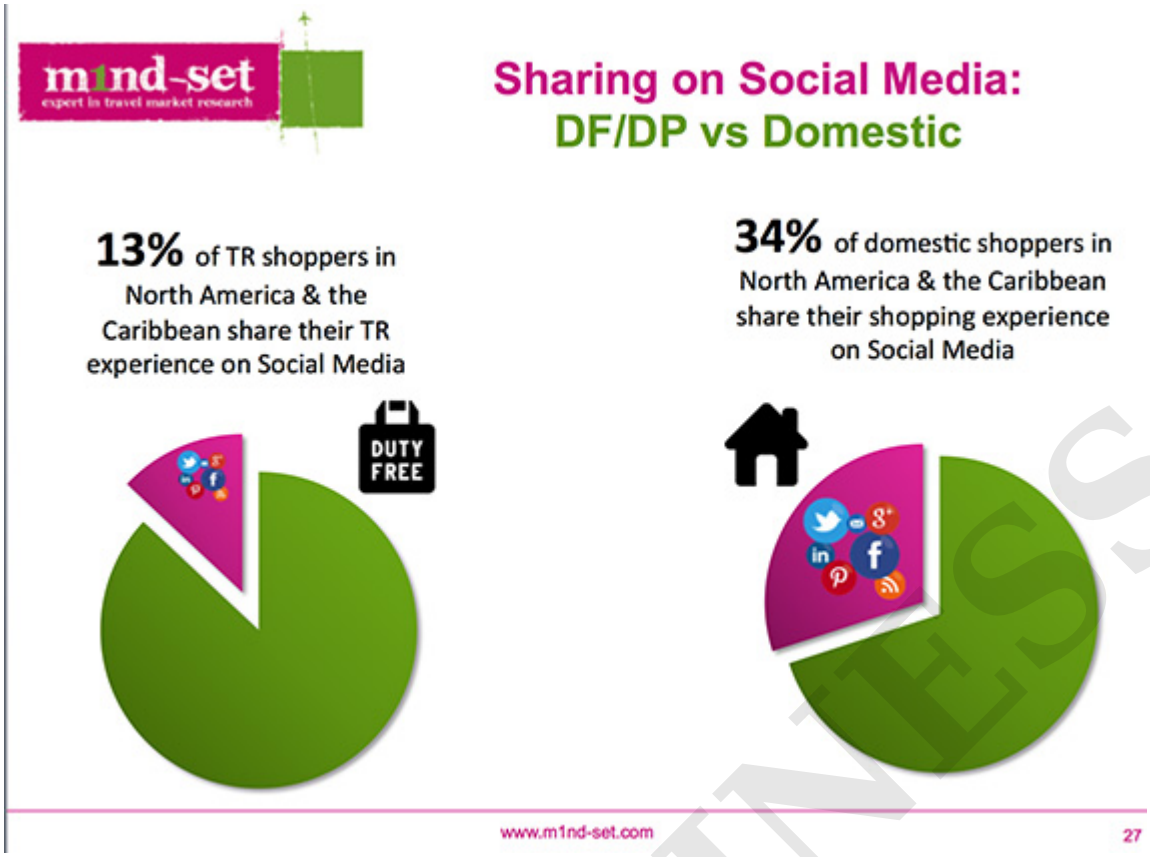
26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Sharing on Social Media:
DF/DP vs Domestic
13% of TR shoppers in North America & the Caribbean share their TR experience on Social Media
DUTY FREE
34% of domestic shoppers in North America & the Caribbean share their shopping experience on Social Media
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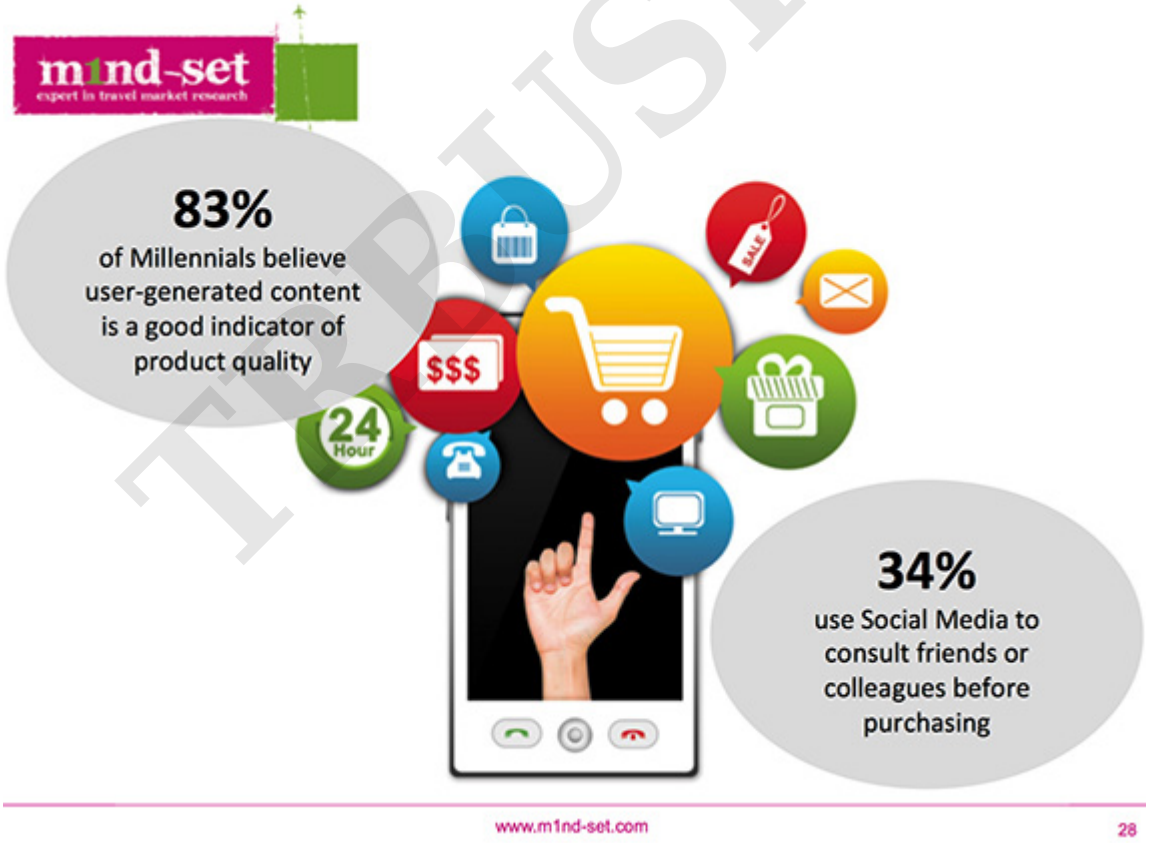
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83%
of Millennials believe user-generated content is a good indicator of product quality
$$$
24 Hour
SALE
34%
use Social Media to consult friends or colleagues before purchasing
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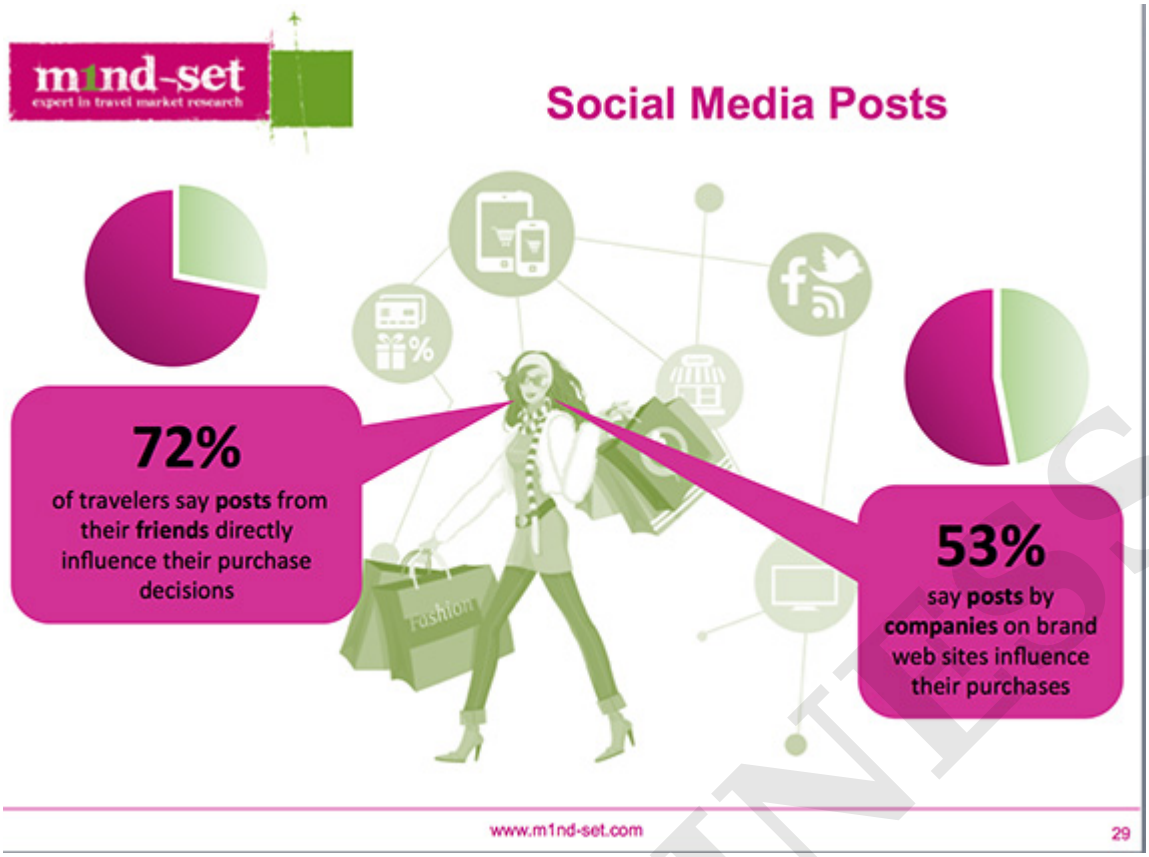
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Social Media Posts
72%
of travelers say posts from their friends directly influence their purchase decisions
53%
say posts by companies on brand web sites influence their purchases
Fashion
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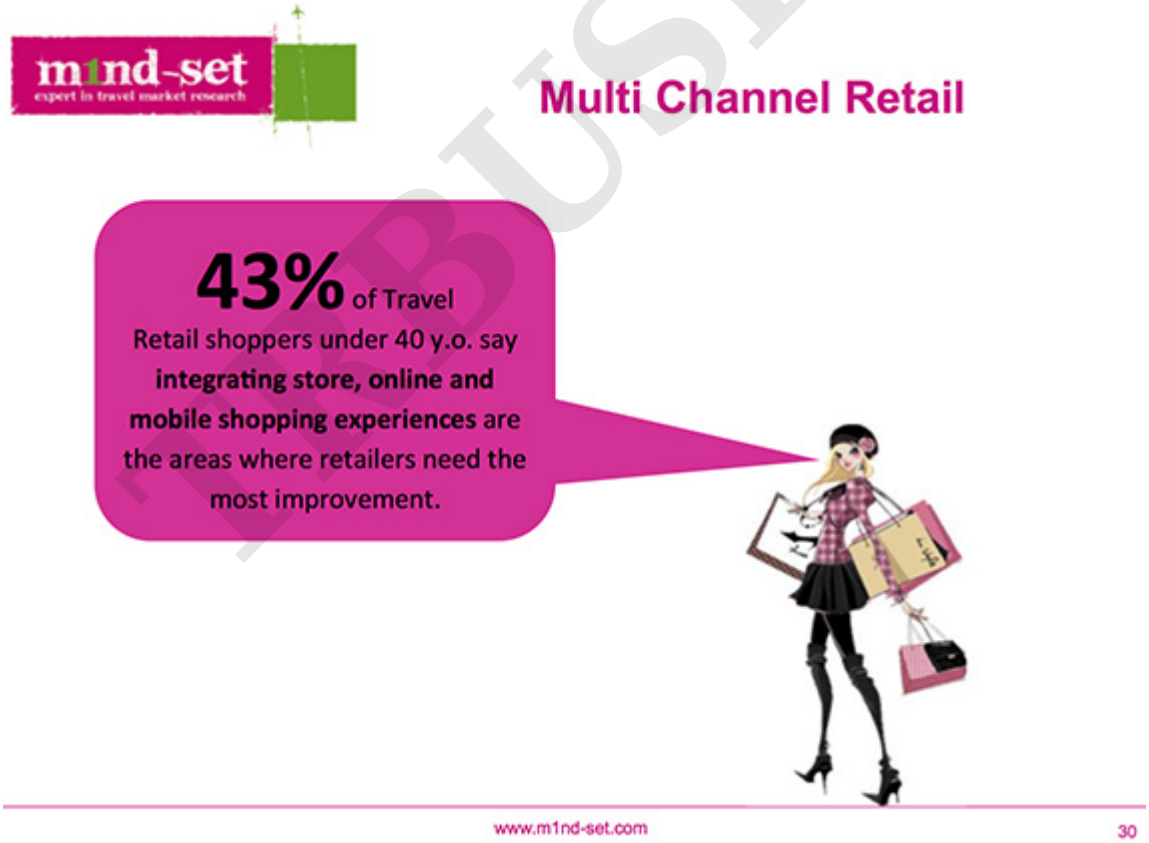
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Multi Channel Retail
43% of Travel Retail shoppers under 40 y.o. say integrating store, online and mobile shopping experiences are the areas where retailers need the most improvement.
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Activation Recommendations

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Recommendations

1. **Augmented reality**: provide new and innovative ways to connect with consumers. Make travel and shopping easy for our travelers shopping and add value, ideally with a local touch / sense of place blended in. Preferably provide real-time offers based on travel & local context.

2. **Social Media**: We are moving from an audience to a networked culture. People are now co-owners of brands – online and offline. Social media is an opportunity to enhance relationships and connect with customers by creating an interactive dialogue. It will be fundamental to have a social media strategy in TR, to invest in content creation and management.

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Recommendations

3. **Successful Multi-channel Communication** often involves simple options like reserving items online for collection in-store. Multi-channel software technology can be leveraged to provide a superior customer experience with a “local touch” in-store and offers the opportunity for shopping to be more ‘fun’ for customers. Moreover, providing information before the visit to the DF shop will also be key, given that many shoppers also decide to buy before they arrive to the shop.

4. **Sales Advisors**: Injecting social interaction into the multi-channel communication process is essential to increase the shopping experience in TR. The personal approach provides additional opportunities to make sales.

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Recommendations

5. **Create Smart Alliances**: As new opportunities arise, and travelers expect a “seamless journey”, strong partnerships and strategic alliances (ideally with airports) could make a decisive positive difference, ideally flavored with local elements.

6. **Understand Mega-Trends**: Important trends and changes in traveler and shopper behavior can be identified through the analysis of real-time consolidated big data from multiple platforms. The winners of the future will be those companies that gain these key insights and turn them into the best strategic decisions.

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Recommendations

7. **Great TR Shopping experience**: We should stop telling shoppers we are amazing – instead spend more time offering rich and relevant experiences (in all of their travel-related micro-moments) that inspire people to tell each other how amazing we are!

8. **Talking WITH shoppers:** lets move to talking with TR shoppers instead of to them, to take the TR channel to the next level, and be stronger than the threatening online and domestic competition.

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Thank you!

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