



Photo by Hiroko Kaizuka
Kearney, Tokyo

Travel retail's next chapter: innovating beyond technology key to regaining market momentum

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Kearney wishes to thank all the industry executives interviewed for sharing their insights and perspectives on travel retail. We would also like to thank TFWA for allowing us free rein in the writing of the report and for providing helpful support throughout our study. We are glad to contribute to shaping the future of the industry and to support travel retail players in tackling the multiple changes the marketplace is undergoing.

Executive summary

Historically, the travel retail industry's growth has mirrored air passenger traffic. As traffic increased, so did the industry's sales. But, as a result of new challenges and evolving consumer behaviors, that pattern has been broken in the post-COVID recovery era. Today, **passenger growth (30 percent) far outpaces travel retail sales (18 percent in 2023, reaching \$72 billion)**. To better understand consumers' behavior in this new travel retail world, Kearney conducted a comprehensive study involving 3,700 customers across 10 countries, as well as in-depth interviews with more than 50 executives from global airports, travel retailers, brands, and technology companies.

We identified multiple factors influencing the slowdown, including economic conditions and regulatory changes, particularly in North Asia. However, a more significant challenge lies in the **long-term erosion of travel retail's historical perceived price advantage. Price is still a crucial concern for consumers**, especially given ongoing inflationary pressures. Thirty percent of respondents cited price as a barrier to purchase and 27 percent are using price-comparison tools to see if a "deal" really is as good as it looks. Consumers aren't just challenging price. Twenty-nine percent of respondents cited unsatisfying assortment as a reason not to purchase.

To adapt, brands and retailers need to rethink marketing, investment strategies, and partnerships, focusing on understanding and catering to air travelers' evolving preferences and designing experiences that complement them. While some today might view the industry's outlook as bleak, there are positive trends. New airports are being built, older ones are undergoing renovation, and **passenger dwell time at airports remains steady at around two hours, with 69 percent of respondents viewing it as an opportunity rather than wasted time**. With **75 percent of dwell time not spent shopping, transforming this time into travel retail shopping**—and hopefully spending—is both a key challenge and significant opportunity.

**Passenger
growth far
outpaces
travel retail
sales.**

With a growing range of available innovations there is a market consensus around the role tech tools play in this transformation. Retailers and brands should **leverage the tech-savviness of travel retail consumers**: 90 percent rely on technologies to streamline procedural activities and 45 percent frequently use in-store tools to enhance their shopping experience. Almost all (90 percent) of respondents confirmed personalized ads and content increased their interest in shopping.

Today, there is significant investment focused on the implementation of fairly mature in-store tech tools that enhance a traveler’s shopping experience. More than 40 percent of respondents like these tools—some more than others—but their utility tends to be limited to addressing pain points, especially around service and experience, rather than on creating immersive experiences that engage shoppers on multiple levels.

The future of travel retail will depend on technology, collaboration among stakeholders, and a deep understanding of the modern travelers.

Across all forms of retailing, nothing happens without data and travel retail is no exception. **Data capture is crucial** for understanding and serving consumers. It enables real-time operational adjustments and can provide the foundation for creating personalized, curated experiences. However, data capture’s potential can be nullified by the **fragmentation of data across stakeholders, which hinders effective analytics**. Therefore, the **industry must prioritize data-sharing initiatives**. Without them, innovations such as advancing AI-driven tools simply aren’t possible.

Technology alone won’t be enough to save the travel retail industry or enable it to reach its future potential. If the historical travel retail value proposition isn’t improved tech could actually backfire by encouraging passengers to arrive later. Preventing this will require cooperation and **bold initiatives among all stakeholders as well as investment in data capture and analytics, nontraditional partnerships, and new business models**.

The **future of travel retail will depend on technology, collaboration among stakeholders, and a deep understanding of the modern travelers**. There’s no **one-size-fits-all solution** but exploring key areas can help solve the industry’s challenges.

Ensuring a positive future requires the industry to take **three decisive actions**:

1. **Boldly innovate**, not only by embracing a leading position on adoption and implementation of advanced technologies, but also by transforming economic and operating models.
2. **Fast-track data-sharing initiatives** to fully leverage data analytics, unlocking the potential of future AI innovations.
3. **Prioritize efforts to address critical issues in North Asia**.

Passenger volume no longer translates into travel retail revenue

Almost since the first commercial passenger flight—a 23-minute, 23-mile trip between St. Petersburg and Tampa, Florida, which took place on January 1, 1914—there has been a more or less direct correlation between air passenger traffic and travel retail.

As traffic grew, so did sales.

That direct correlation is beginning to look far more tenuous in part because travelers and travel patterns have changed, and because some airports have recovered from the disruptions associated with COVID and the post-COVID period better than others.

To better understand the behavior of today's travel retail consumer, Kearney launched a comprehensive survey of 3,700 customers across 10 countries.¹ We also conducted in-depth interviews with more than 50 leading senior executives from global airports, travel retail brands, and technology companies to illuminate the quantitative narrative with qualitative insights.

Almost since the first commercial passenger flight, there has been a more or less direct correlation between air passenger traffic and travel retail.

¹ Countries were selected to reflect the most representative trends in the travel retail industry: China, South Korea, Japan, Indonesia, India, Germany, United Kingdom, France, United States, and United Arab Emirates.



2024: Air passenger traffic is back to 2019 levels

A dramatic, if uneven, return to growth

A glance at figure 1 shows that air passenger traffic volume is close to tracking with earlier projections and that it has not only recovered but started to grow again. This is reinforced by a general consensus from air traffic associations that 2024 passenger traffic recovered beyond pre-pandemic levels, exceeding 2019 numbers.²

But a closer look shows that the recovery hasn't followed a linear trajectory (see sidebar on page 5: Regional disparities in international recovery, with some airports standing out).

For one thing—primarily as a result of the variable relaxation of global travel restrictions—domestic air travel has recovered faster than international which is still uneven, varying as we will see by region.

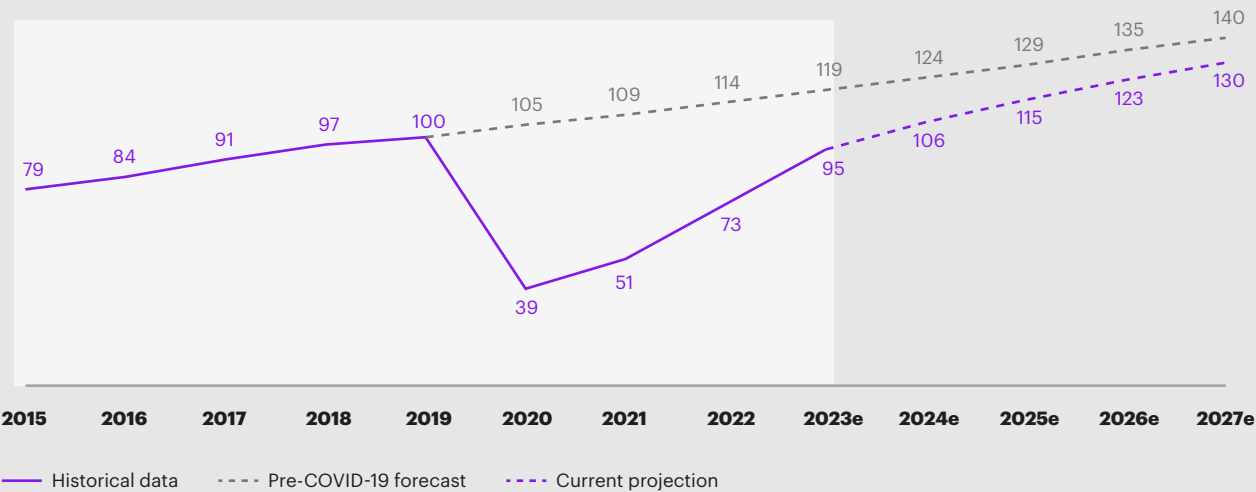
Unsurprisingly, airlines and infrastructures in wealthier regions proved better positioned to weather the pandemic's financial impacts and were therefore better positioned to swiftly restart and scale operations.

And, finally, as always, air travel is impacted by a series of geopolitical conflicts and economic challenges best addressed on a regional basis.

² Our benchmark includes International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), and Airports Council International World (ICA World), as well as regional agencies such as Pacific Asia Travel Association (PATA) and Bureau of Transportation Statistics (BTS) in the United States.

Figure 1
Air passenger traffic is expected to recover above pre-pandemic levels in 2024

Global passenger traffic
2019–2027e, 2019 index



Sources: ACI World Airport Traffic Forecasts (WATF) 2023–2052; Kearney analysis

Regional disparities in international recovery, with some airports standing out

An uneven recovery across regions³

International traffic in Asia Pacific (APAC) is still 12 percent below 2019's level. Stringent border controls caused the APAC region to suffer the greatest negative impacts of the pandemic and post-pandemic periods. While there has been a full recovery of domestic flights, international traffic is not expected to recover until 2025–2026 at the earliest. Air traffic dynamics have also changed, with more intra-Asia flights and fewer long-haul flights.

The picture is much better in the Americas, which saw a fast recovery fueled by easing restrictions, supported by a strong domestic market, especially in North America. The region enjoyed a 6 percent increase over 2019 levels in North America and 9 percent respectively in Latin America and the Caribbean, where the recovery has been driven by strong demand in the tourism sector.

Europe's regional airports recovered faster than international hubs with a 2 percent increase over 2019 levels. More seasonal intra-European travel has moved to Southern and Eastern parts of Europe.

Recovery has been fast in the Middle East and Africa (MEA), which reported increases of 15 percent over 2019 levels in the Middle East and 14 percent in Africa. Africa has been slightly more impacted by ongoing higher economic uncertainty. For their part, Gulf carriers drove air traffic recovery by using strategic hubs such as Dubai and Doha.

In this uneven recovery, some airports stand out

Middle East hubs have enjoyed a rapid recovery. With 87 million international passengers, Dubai DXB reached its 2019 traffic level last year and, as of YTD March 2024, was already 8 percent over the 2023 level. In 2023, Doha DOH also exceeded 2019 traffic by 18 percent with 46 million international passengers and YTD March 2024 was already 27 percent ahead of 2023.

In Europe, the recovery picture is less consistent, resulting in a strong disparity between airports. For example, by 2023 passenger volume at London HTR had reached 2019 traffic levels and began setting new record passenger levels earlier this year. Istanbul IST had a +47 percent boost in traffic in 2023 vs. 2019 and YTD March 2024 was already 9 percent over its 2023 level.

By way of contrast, Paris CDG and Frankfurt FRA are still 10 to 15 percent below 2019 levels, although both airports are expected to reach pre-crisis levels this year.

Several APAC airports are already experiencing growth over pre-crisis levels. Tokyo HND has exceeded pre-crisis level with more than 5 million international passengers in YTD March 2024 vs. about 4 million before the crisis. India's international passenger traffic reached its pre-crisis level by the end of 2023. Delhi DEL, which has announced plans to expand to handle a growth in international demand, will offer an additional 40 to 50 percent international traffic capacity.

That said, last year Singapore SIN was still 14 percent below its 2019 traffic level and Incheon ICN is also still recovering with traffic 21 percent below 2019.

³ Year-to-date international traffic as of March 2024, provided by Airports Council International for all regions

Growing air traffic demand, with airfares softening

Overall, the fundamental global industry remains strong. World air passenger volume is expected to increase by 3 to 4 percent per year on average, which translates into almost four billion additional passenger journeys in 2040 compared to 2023.⁴

This growth has been underpinned by several factors, including a groundbreaking demand for additional air travel driven by ongoing economic development and the trend industry insiders have dubbed “bleisure,” which mixes leisure and business, and increases in “visit family and friends” travel.

It helps that airfares are finally falling after years of strong increases. With ticket prices returning to pre-COVID levels, air travel is becoming more affordable. Globally, BCD Travel expects average ticket prices will decrease by 0.8 percent in 2024.⁵ There are exceptions, including Africa and North America, which represented 14 percent of total international air passenger traffic in 2023.⁶ Ticket prices in these regions are expected to increase by less than 1 percent while average ticket prices are expected to fall by more than 2 percent in other regions.

The combination of growing air traffic demand and softening airfares signals a strong future for the global aviation industry, with substantial growth expected in passenger volume. This added demand is projected to create a need for increased aircraft capacity and air supply to meet the demand. Airbus’s latest estimates suggest its fleet of passenger aircraft will double over the next 20 years.⁷

Passengers are flying more, but spending less

As with so many things in the post-crisis world, when it comes to travel retail the past is no longer an effective prologue. As we noted in our introduction to section 1, there has been a dramatic break in the historical correlation between air passenger traffic and travel retail.

So, exactly how dramatic a break are we talking about?

From 2015 to 2019 the travel retail market grew slightly faster than global passenger traffic, according to Generation Research and Airports Council International (ACI) World (see figure 2 on page 7). However, as a result of the COVID-19 crisis, 2020 global passenger volumes dropped to 39 percent of 2019 levels, eliminating half of the travel retail market.

Since 2020 there has been a gradual recovery in both passenger volumes, which are estimated to have recovered to 95 percent of their 2019 level, and the size of the travel retail market. When the final data is all in, the 2023 travel retail market is expected to have recovered to 84 percent of its 2019 size.

Recovery trajectories for passenger volume and the travel retail market were closely aligned between 2019 and 2022. However, from 2022 to 2023, year-over-year growth in passenger volume (30 percent) was nearly double that of the travel retail market size (18 percent), suggesting a potential slowdown in the growth momentum of the travel retail industry.

We couldn’t—or at least shouldn’t—read too much into one year’s results. It is crucial to determine whether we are looking at a 12-month anomaly or the beginning of a new pattern defined by the decoupling of passenger volume and travel retail market size. While now is certainly not the time to panic, it is clearly time to pay careful attention to what happens from now on in order to grow the travel retail industry today, tomorrow, and in the years to come.

An uneven recovery across regions

Now let’s take a look at regional performance. Figure 3 on page 7 underscores the uneven recovery across different regions and highlights, as we referenced earlier, the significant challenges still faced by the Asia Pacific (APAC) market in returning to pre-crisis sales levels.

⁴ International Air Transport Association forecasts

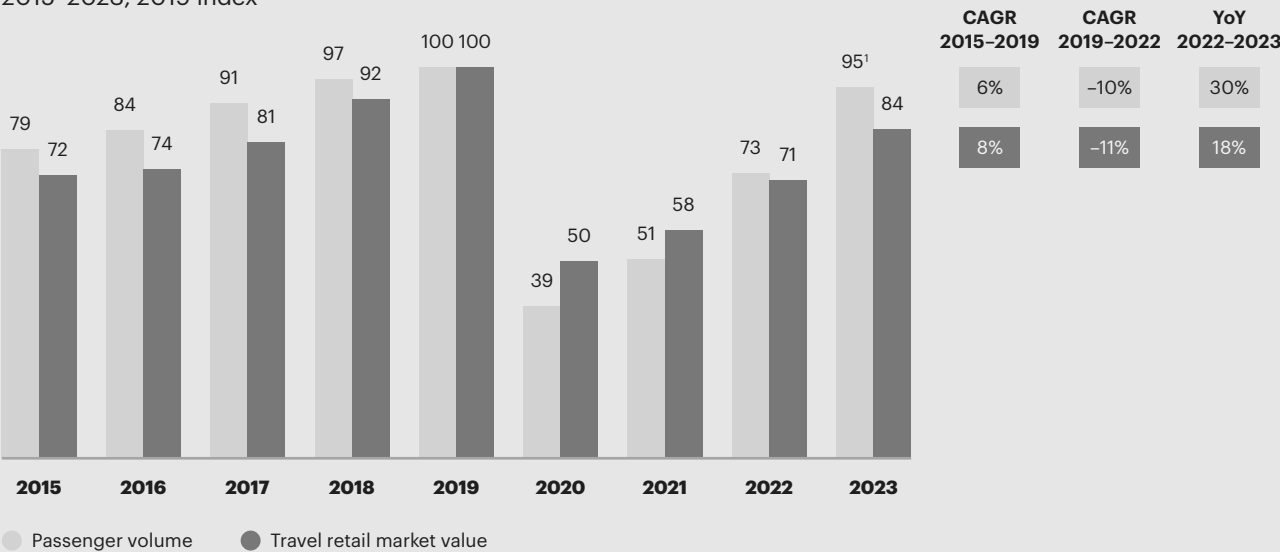
⁵ Travel Market Report, 2024 Outlook

⁶ Airports Council International

⁷ Airbus Global Market Forecast 2024, Single-aisle and widebody passenger aircraft more than 100 seats

Figure 2
Global passenger traffic is outpacing the slower recovery of the travel retail market post-pandemic

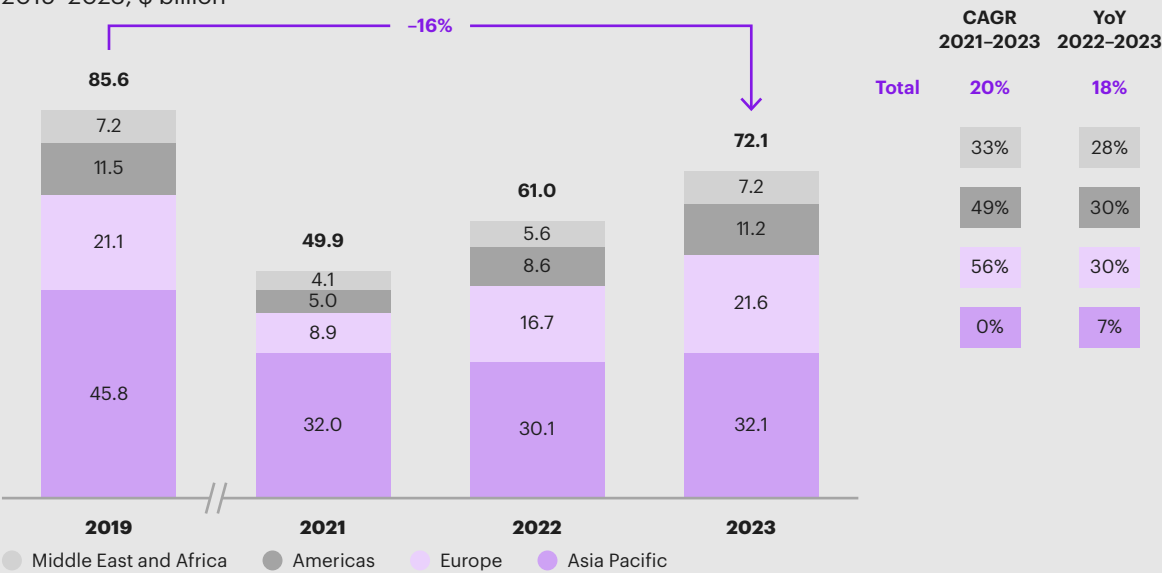
Global passenger traffic and travel retail market
2015–2023, 2019 index



¹ Estimated passenger volume for 2023
Sources: ACI World Airport Traffic Forecasts (WATF) 2023–2052, Generation Research; Kearney analysis

Figure 3
All regions have almost caught up with their 2019 level, except Asia Pacific

Travel retail market evolution
2019–2023, \$ billion



Note: Net sales, i.e., net of discounts and includes actual and estimated retail sales. Market estimations are preliminary by nature and subject to revision.
Sources: Generation Research; Kearney analysis

APAC is the only region where recovery remains sluggish. From 2021 to 2023, there was 0 percent CAGR. From 2022 to 2023, APAC grew a modest 7 percent year over year. In sharp contrast, over the same periods, Europe experienced the strongest regional recovery with a 56 percent CAGR and 30 percent year-over-year growth. As we can see, the Americas also enjoyed a robust recovery with a 49 percent CAGR and 30 percent year-over-year growth. The Middle East and Africa region (MEA) showed a strong recovery with a CAGR of 33 percent from 2021 to 2023 and a year-over-year growth of 28 percent from 2022 to 2023.

Figure 4 underscores the uneven recovery across different regions and highlights the significant challenges still faced by the APAC market in returning to pre-crisis sales levels.

Passengers are spending less

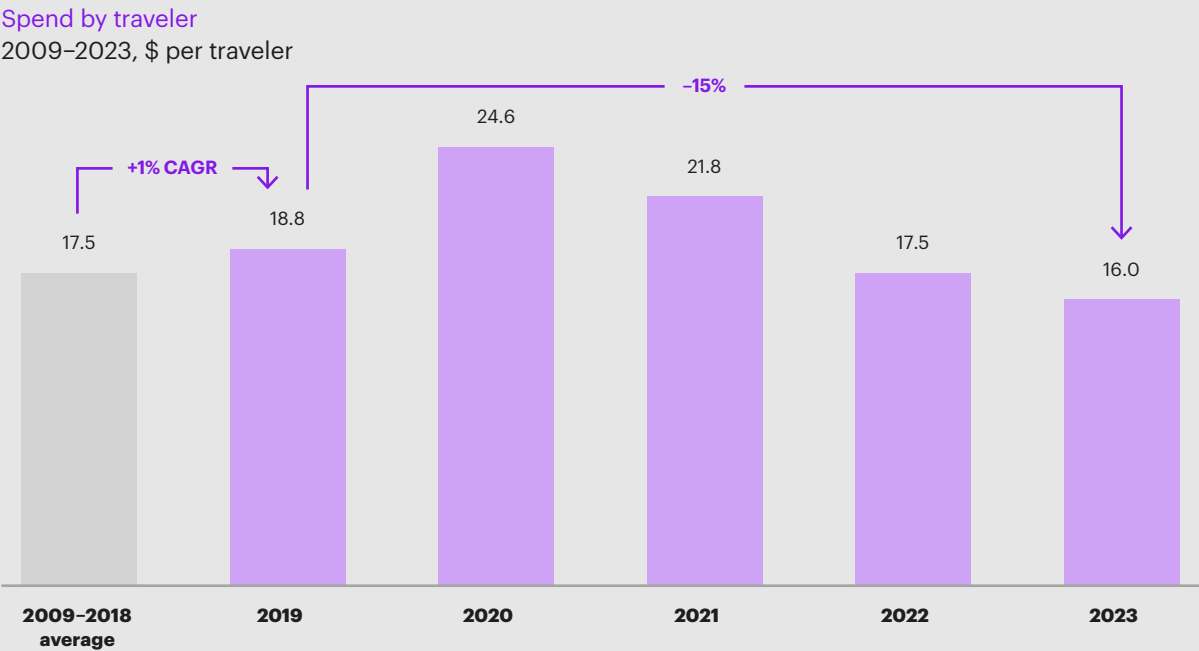
Spending by passenger has been decreasing over time, widening the gap between the recovery of the travel retail market and passenger traffic. Most simply put, people are flying more but spending less on travel retail than they used to. The 2023 average spend of \$16 per passenger is below pre-COVID levels.

Several factors have contributed to this decline, including the end of post-COVID “revenge buying,” conservative buying behaviors linked to rising inflation, unfavorable exchange rates discouraging some nationalities such as Japanese and South Koreans from traveling abroad, and economic slowdowns, most notably in China.

Ticket prices haven’t helped. While they are starting to come down in many regions, high airfares negatively impact discretionary consumer spend. IATA found, for instance, consumer airfares for travel originating in Europe in June 2023 were, on average, 16 percent higher than the fares paid in June 2019.⁸

⁸ International Air Transport Association

Figure 4
In 2023, average spending per traveler declined and is now below pre-crisis level



Sources: Generation Research, IATA Fact Sheet (scheduled passenger numbers, estimates for 2023); Kearney analysis

Regardless of the cause, it is increasingly clear air traffic growth alone is no longer sufficient to drive or ensure travel retail growth. Despite passenger traffic increasing by about 30 percent over the 2022–2023 period, our consumer survey and conversations with industry experts found the number of items purchased remained mostly flat, showing only modest growth at best.⁹ Moreover, the average value of those items decreased by 20 to 30 percent. And, if those declines were not enough, the travel retail industry’s aggressive retail rebate policies further contributed to net revenue declines.

The luxury category outperforms

This isn’t to say that all categories are equally suffering. The luxury category, for example, performed well, supported by strong demand, the opening of new point of sales, and continuation of a retail strategy of regular price increases. Luxury’s performance offers a ray of retail hope, but the category targets a limited passenger segment too small to offset large-scale trends. We also have to remember that the premiumization trend across categories is putting many items and even entire categories out of budget-minded travelers’ reach.

Looking forward, the luxury market’s momentum appears to be losing steam and travel retail is unlikely to escape this trend. In contrast, “masstige” brands could see stronger potential in the short to medium term. These brands may cater more effectively to the shifting consumer base, especially as budget-conscious travelers continue to seek out affordable yet aspirational products.

Consumers still have an appetite to shop, but do not convert

Travelers are still arriving at the airport early

In a behavior change that should benefit travel retail, air travelers seem to be continuing the pandemic and immediate post-pandemic habit of arriving early to the airport, providing significant opportunities for retail engagement.

Our survey found 75 percent of respondents arrive more than an hour and a half before their flight. At two hours, the average passenger dwell time has remained steady or even slightly increased.¹⁰ Thirty-six percent of passengers arrive at the airport earlier than they did five years ago, 56 percent arrive at the same time, and 8 percent reported arriving later. As with most of the topics we are looking at, there is significant regional variation. With highly efficient and brand-new airport facilities, fast developing APAC nations, for example, have shorter dwell times.

At an industry level, this trend of early arrivals creating increased dwell times underscores the importance of optimizing the airport experience to enhance retail opportunities.

“One might think that there is a reduction in time spent in airports. This is true for a few airports, but overall, there is actually an increase in total dwell time.”

Senior executive, media player

⁹ Airport Council International World

¹⁰ Dwell time is the total time spent by traveler before the flight. It includes time spent in procedural activities (check-in, security, immigration, boarding) and free time.

Travelers are engaged, but distracted

Some industry experts see airports’ post-security space as “autotelic.” In this context, autotelic areas are airport spaces that become passenger destinations in and of themselves. Retail areas have the potential to become intrinsically enjoyable passenger spaces that encourage engagement and facilitate self-indulgence. Think of consumer wonderlands offering distractions from the monotony of waiting for a flight, ranging from window shopping and browsing luxury items to purchasing everything from snack foods to unique souvenirs.

The term “golden hour” has been used to describe the free time travelers have at the airport. About two-thirds of travelers see the golden hour as an opportunity rather than as lost or dead time. Across generations, 69 percent of respondents described this time in positive terms.

Almost all travelers see shopping as a “must-do” free time activity. More than half (56 percent) of respondents reported shopping frequently when traveling. This makes shopping the second-most frequently reported traveler activity, second only to watching content on personal devices, and on par with enjoying food in restaurants (see figure 5).

The fact that there are more passengers—more than half of whom report visiting a duty-free store—but revenues are trailing traffic and footfall underscores that conversion remains low and suggest window shopping airports is more popular than it used to be.

This raises a crucial question.

If air travelers see shopping as such an important activity, then why haven’t travel retail sales rebounded as fast as the airline industry as a whole? The answer is that it has—in part, but not in full—and, as we are about to see, “recovery” varies significantly from category to category and geography to geography.

“Airports have successfully created an atmosphere where people feel good and want to spend time.”

Senior executive, media player

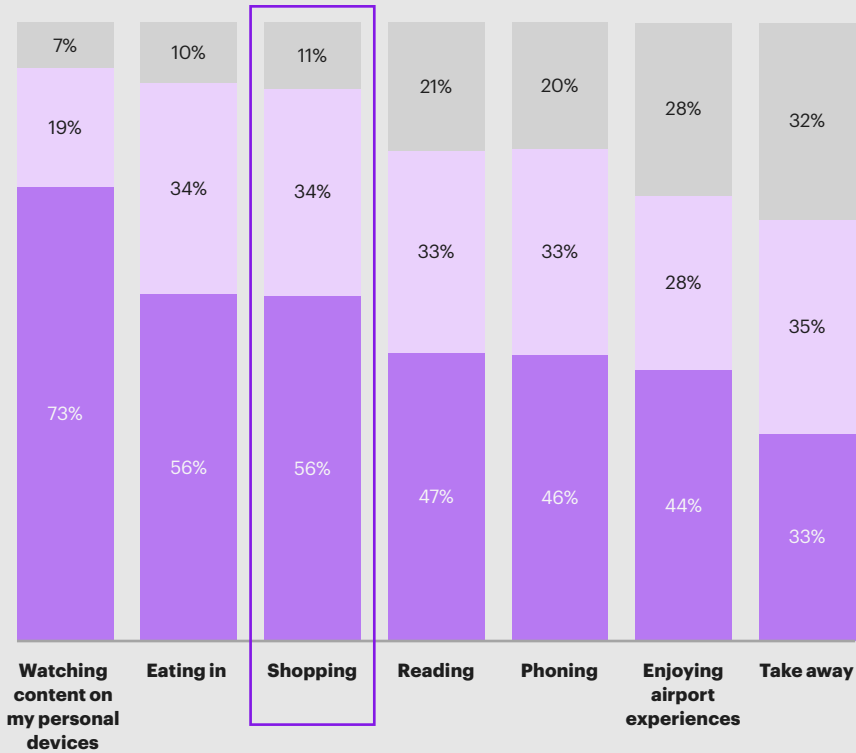
Figure 5
Shopping is the second-most-frequent activity for travelers during their free time, after content consumption and on par with eating

Free time occupation by activity
Survey, N=3,706, as of July 2024

- Never
- Sometimes
- Frequently

Notes: Duty-free consumers have been asked how they spend their free time, with options to respond: always, often, sometimes, rarely, never, and cannot answer. Free time refers to the total time spent in airport after customs and security controls until flight boarding. For ease of analysis, we grouped the answers under broader categories to better capture tendencies by combining similar response patterns and presenting a more streamlined interpretation of the data. Percentages may not resolve due to rounding.

Sources: survey; Kearney and analysis





Some categories are doing better than others

To understand how retail performance varies between categories, we spoke with market experts specializing in category dynamics. They identified three buckets of category performance.

The first are **categories that have successfully recovered growth and have a positive outlook**. In the **fashion and accessories** category, fueled largely by younger shoppers, premium and niche brands are gaining traction. **Watches, jewelry, and fine writing** are also in this group. They demonstrate good performance and are closely tied to the luxury market, with high-end brands expanding their presence in travel retail by offering exclusive collections.

The second group includes **categories that have recovered their pre-crisis levels, but which face challenging futures**. **Tobacco goods**, for example, operate in a challenging environment. Stricter regulation and changing consumer habits are contributing to a trend toward slightly lower basket sizes. In the **confectionary and fine food** category, health and wellness trends are also influencing consumer choices. We are seeing a growing preference for high-quality, organic, and artisanal products. Due to cocoa and sugar price increases, chocolate suffered more than other categories from inflationary trends, making products less affordable.

On a more positive note, there is a rising demand for local and culturally unique foods which enhance the travel retail experience. Overall, the **electronics and gifts** category is declining thanks to a decrease in “gifting” among younger generations. But those same non-gifting younger travelers are drawn to the electronics segment of the category. Unfortunately, given the faddish nature of the products and young peoples’ interest in having the latest devices, travel retail’s lack of assortment and failure to keep up with the newest models and software is costing sales as flyers find what they are looking for online—often at a more attractive price.

Our final groups are **categories still lagging behind and struggling to recover growth**. These include categories such as fragrance and cosmetics and wine and spirits. **Fragrance and cosmetics** were significantly impacted by the North Asia slowdown, although some players outperformed their peers. As a general rule, fragrances perform very well while makeup and skincare face intense competition from local and indie brands, especially those emerging from South Korea and China. The **wine and spirits** category was driven by a long-running premiumization trend and the ability of leading brands to offer limited editions to capture traveler interest, supported by bold in-store activations. Performance can be uneven depending on product range and brand. However, wine and spirits providers face the same kinds of potential regulatory constraints experienced by the tobacco segment and premiumization deceleration.

Going forward, as volume returns new traveler dynamics emerge

APAC is becoming the focal point of air traffic

For a variety of reasons, including the development of a growing middle class and the high quality of Asian airports, APAC is expected to become a global mega-hub for air traffic. With 2.1 billion passengers expected in 2030 versus 647 million in 2019, China will easily maintain its role as the travel world's main growth engine.¹¹ However, while past growth could be traced to a high volume of international flights from China to the US and Europe, today most flights are domestic or to local destinations (within APAC) specifically designed to attract Chinese tourists, such as Hainan.

According to United Nations' estimates, with a population of about 1.43 billion, India became the world's most populous nation in April 2023, overtaking China for the first time since the UN began tracking population size in 1950. This population boom will support APAC travel growth, with an acceleration of international flights—the number of international outbound departures by Indian residents is expected to grow from 17.4 million in 2019 to more than 50 million in 2030.¹² A similar trend is expected for Indonesia, currently the world's 13th-largest center of passenger traffic, which is expected to reach the number four slot by 2042.¹³

“We believe strongly in India's development. Given the infrastructure investments, there is bound to be many passengers, with a strong appetite for crafts and luxury goods. In the future, this will certainly help to mitigate exposure to China.”

Senior executive, luxury beauty player

We have seen an increasing tendency on the part of APAC citizens to travel within APAC. This is being encouraged by a regional trend toward visa-free policy announcements which have triggered the growth of travel to and from the region. Pre-flight procedures and immigration processes including visa checks are major pain points when traveling. Since the beginning of 2024, Singapore, Malaysia, and Thailand have initiated a visa-exemption agreement with China to boost intra-regional tourism. For its part, Indonesia is planning to extend visa-free access to tourists from 20 countries, including China.

Thanks to greater connectivity, improved infrastructure, and more affordable travel, locations are starting to appear across APAC. In Malaysia, construction of a new airport at Kuantan began this year. And, in a direct attempt to attract Chinese travelers, expansion has also started at Penang International Airport which, when completed, will increase annual passenger capacity from 6.5 to 12 million passengers.¹⁴

For a variety of reasons, APAC is expected to become a global mega-hub for air traffic.

¹¹ CIRIUM for 2019 actual numbers, IATA for 2030 forecasts

¹² “India Outbound Travel in FY2030,” CAPA India

¹³ Airports Council International

¹⁴ Malaysia's government press releases

In order to boost tourism in the Angkor Wat area, Cambodia opened the Siem-Reap Angkor International Airport in September 2023. Planning and investment are under way in Vietnam, where they plan to double Hanoi’s Noi Bai International airport capacity, already the nation’s second-busiest airport.

There are currently 225 new airport projects—more than 70 percent in APAC—under way, offering an extensive opportunity for travel retail development.¹⁵ Globally, there are also 425 major construction projects at existing airports.

Aviation traffic momentum continues to be strong worldwide, with the passenger traffic gradually shifting eastward toward Asia (see figure 6).

What to expect in terms of travel retail customers’ profile and category preferences

From a demographic perspective, younger travelers are rapidly becoming the largest single traveler cohort. Broken out by nationality, the majority of American, Japanese, and South Korean flyers are in their 40s. On average, European flyers are even a bit younger. Chinese, Indian, and Indonesian flyers are younger still, the majority still in their 30s. As a group, younger travelers demonstrate a strong appetite for experience, exclusive products, and local brands.

¹⁵ Airport construction database of Center for Aviation (CAPA)

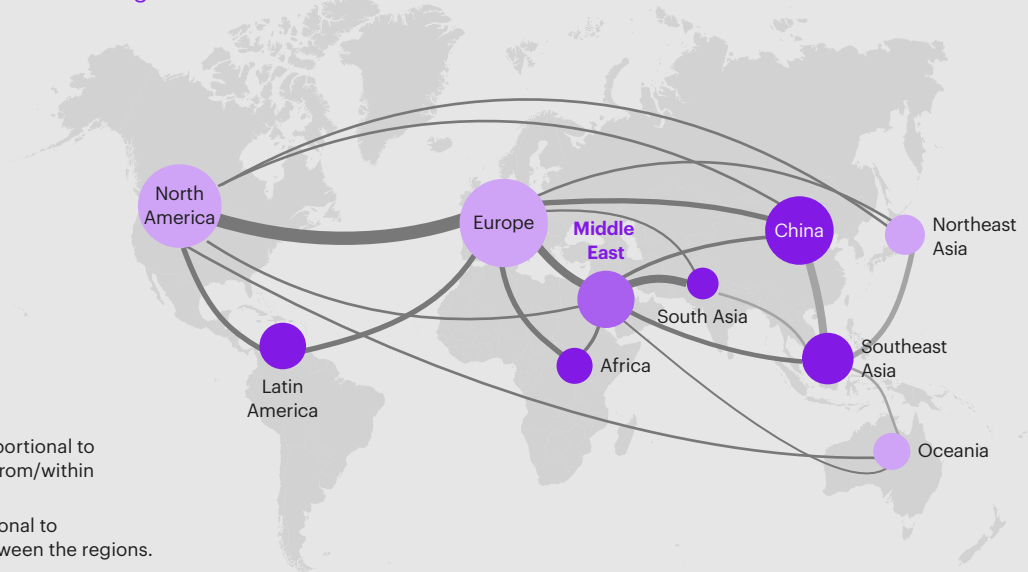
Figure 6
Globally, aviation traffic momentum continues to be strong, with the passenger traffic gradually shifting eastward toward Asia

Development of the world's traffic growth
2023–2043

CAGR 2023–2043:

- > 5.0%
- 4.0–4.9%
- 3.0–3.9%
- 2.0–2.9%
- < 2.0%

- The area of circles is proportional to the passenger traffic to/from/within the region in 2023.
- The line width is proportional to the passenger traffic between the regions.



Note: 2023–2043 traffic forecast (within Europe +3.8%, North America +3.2%, Middle East +4.9%, China +5.2%, Africa +7%)
Sources: Boeing Commercial Market Outlook 2023–2043; Kearney analysis

So, what does all this mean in terms of category sales?

For one thing, expect an increased demand for fashion and accessories, the highest demand category for Indian consumers at 31 percent—versus 5 to 10 percent for Europeans and 16 percent for the total panel (see figure 7). Thirty-two percent of Chinese consumers consider fragrance and cosmetics a “preferred” shopping category, compared to 26 percent of all respondents. The Chinese enthusiasm isn’t shared by younger flyers.

Twenty-nine percent of Baby Boomers rank fragrance and cosmetics as their number-one favorite category to shop versus only 20 percent of Gen Z respondents.

The age-based preference gap is even more pronounced in the wine and spirits and tobacco categories. Boomers are twice as likely to prefer these categories than Gen Zers. But the pattern reverses itself in the fashion and accessories and electronics categories, where Boomer interest is roughly half that of Gen Z respondents.

Many customers, especially younger flyers, share a new model of travel that market experts call the “free independent traveler.” These travelers are tourists who organize their tour independently rather than as part of a group or organized tour. Free independent travelers tend to prioritize authentic experiences and more local immersion. Organized tours used to routinely take travelers to travel retail stores but—as their name suggests—free independent travelers are more autonomous and less likely to include this kind of shopping stop in their trip.

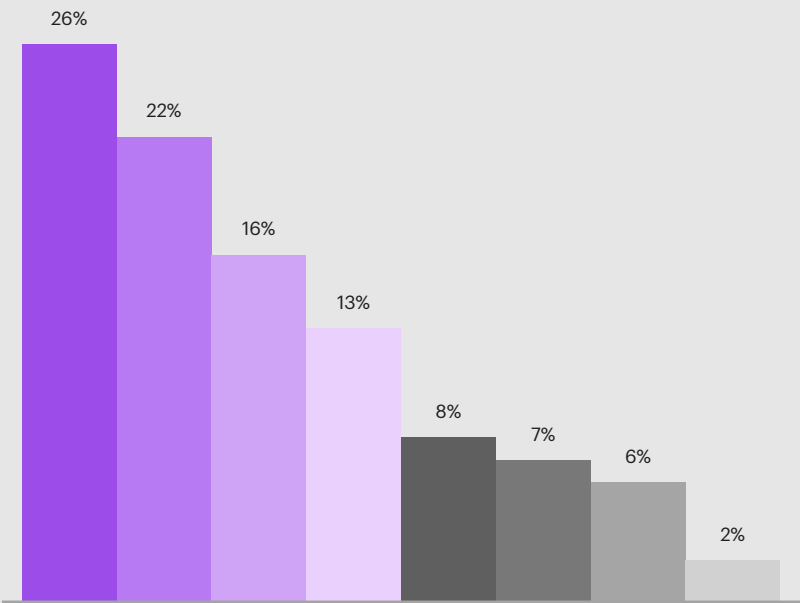
“The passenger profile is no longer the same, even within the same country. We need to broaden our consumer knowledge to new geographies and to be more precise in the approach to create a sense of the place.”

Senior executive, luxury group

Figure 7
Fragrances and cosmetics and confectionary and fine food are the most popular categories

Preferred travel retail categories ranking
Survey, N=3,706,
as of June 2024

- Fragrances and cosmetics
- Confectionary and fine food
- Fashion and accessories
- Wine and spirits
- Electronics and gifts
- Watches and jewelry and fine writing
- Tobacco goods
- Cannot answer



Note: Duty-free consumers were asked what travel retail category they buy most often and could answer only one option.

Source: Kearney survey and analysis

Category popularity varies by age, with younger generations showing less preference for fragrance and cosmetics, wine and spirits, and tobacco goods.

What happened to travel retail growth engines?

New passenger demographics, changing consumer tastes, intra-regional promotion, and a host of other factors have changed the travel retail landscape, and not always in ways that are good for the industry. But, with every challenge an opportunity for growth appears, provided we can really understand air travel from the flyer’s perspective.

High prices and staid assortments are the largest barriers to industry growth

So, what are the real constraints on air travelers’ spend? While 30 percent of respondents told us that high prices, or high price perception, is a leading reason for not purchasing retail items, it is not the first purchasing concern for most of the categories.

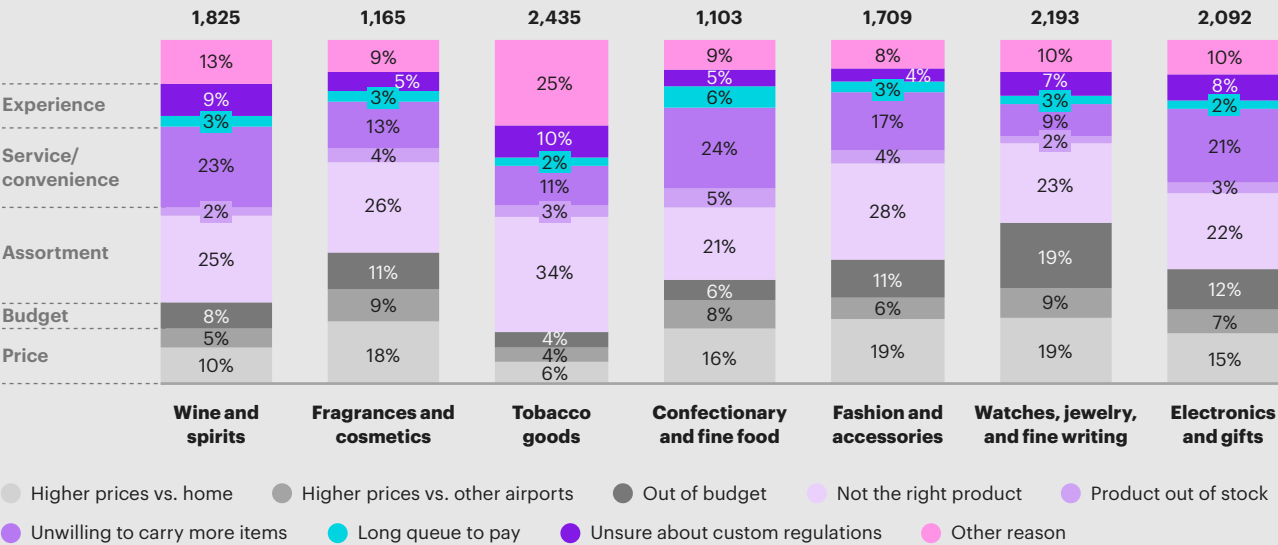
As figure 8 shows, reasons for not buying vary by category, but price—the historical **strength** of duty-free shopping—is clearly under scrutiny. Experience and budget also play significant roles but vary more widely across categories.

Let’s look at some specific reasons travelers don’t purchase certain goods.

A quarter (25 percent) of respondents cited dissatisfaction with the assortment as their main reason for not purchasing **wine and spirits**. Another 23 percent pointed to issues with convenience, likely influenced by the bulkiness, weight, and fragility of many items in the category. Their reticence highlights the importance of offering exclusive, unique products to entice customers to purchase and carry items they can’t get anywhere else.

Figure 8
Travelers’ main pain points in travel retail remain price/budget and assortment

Duty-free consumer pain points
Survey, N=3,706, as of July 2024



Notes: Duty-free consumers were asked to select and rank the reason for not buying categories. Percentages may not resolve due to rounding.
Source: Kearney survey and analysis

Disappointing assortment was also the top reason (30 percent) cited for not buying **fragrance and cosmetics**. High pricing came in a narrow second, mentioned by 27 percent of respondents.

Assortment issues dominate non-purchase decisions in the **tobacco goods** category, with a significant 34 percent of respondents expressing dissatisfaction with the available product range.

Three factors are limiting purchases in the **confectionary and fine food** category—service/convenience cited by 24 percent of respondents; price named by 24 percent; and, once again, assortment, identified by 21 percent of those polled as a reason they didn’t purchase items in the category.

When it comes to **fashion and accessories**, assortment again dominated the reasons not to purchase. Twenty-eight percent of those polled said it was the primary reason they didn’t shop the category.

Price was the primary reason flyers don’t purchase items in the **watches, jewelry, and fine writing** category. Price sensitivity was named as the primary purchase deterrent by 27 percent of respondents, and 19 percent of respondents consider this category to be basically out of their budget. Assortment surfaced as another key reason for not buying.

At about 20 percent each, **price, assortment, and service/convenience** are the top three reasons travelers pass on purchases in the electronics and gifts category.

These purchasing barriers are amplified by the increased use of price-comparison tools, which allow travelers to easily challenge the historical price advantages of travel retail. For most passengers with a mobile phone in their pocket—which, of course, are most passengers—price comparison has become reflexive. In fact, passengers have multiple ways to compare prices, including comparison apps tied to overseas shopping such as Jessica’s Secret for Chinese consumers. More than a quarter (27 percent) of respondents to our consumer survey said they frequently use price-comparison tools. Boomers are the exception with half (50 percent) never using tools to compare prices (see figure 9).

“Airports need to become smarter and more responsive in their pricing because price comparison has become second nature for consumers.”

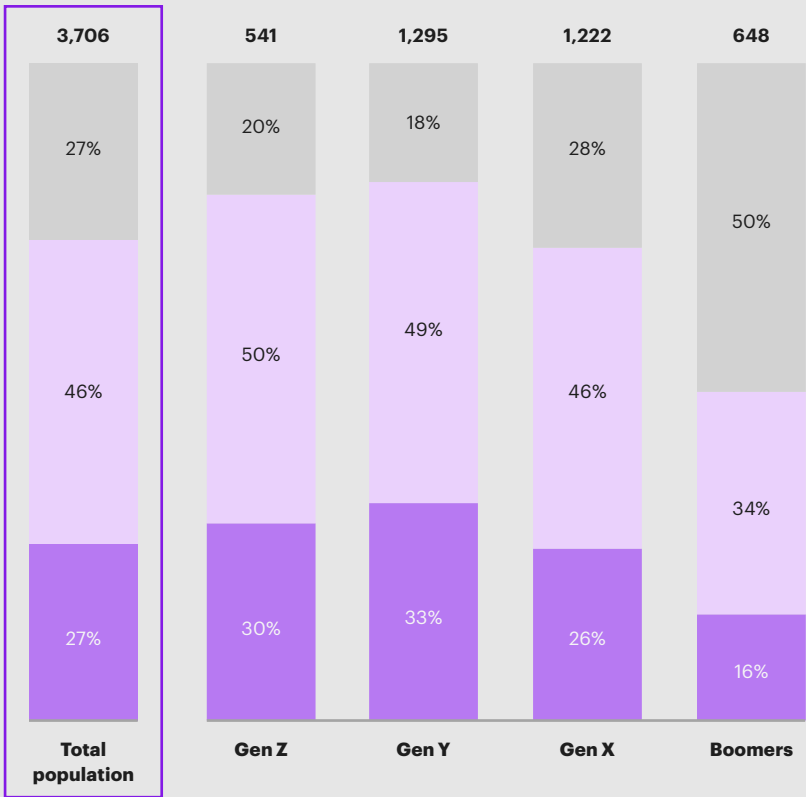
Senior executive, international airport

Figure 9
There is widespread adoption of price-comparison tools among younger generations: Gen X to Gen Z show increasing homogeneity in usage

Adoption level of price-comparison tools by generation
Survey, N=3,706, as of July 2024

- Never
- Sometimes
- Frequently

Notes: Duty-free consumers were asked if they compare prices in stores through price-comparison dedicated tools or other retailer tools. For ease of analysis, we grouped the answers under broader categories to better capture tendencies by combining similar response patterns and presenting a more streamlined interpretation of the data. Gen Z = 18–27 years old; Gen Y = 28–41 years old; Gen X = 42–60 years old; Boomers = 61–100 years old.
Source: Kearney survey and analysis



Travel retail time is increasingly competing with other activities, but appetite for shopping remains popular

Even though 40 percent of survey respondents reported spending more time shopping in airports, the strong competition for attention physical retailing faces from personal devices remains a challenge (see figure 10). Half of respondents (52 percent) reported an increase in the amount of time they spent on personal digital devices, making the use of these devices for watching content the fastest-growing “free time” airport activity. Pragmatically, this means it is continuing to get harder and harder to capture travelers’ attention. No wonder one senior executive of a travel retailer referred to Netflix as their biggest airport competition.

New traveler dynamics are poorly or not yet addressed

In some airports, an offer premiumization that does not meet traveler preferences

Most people like a little luxury in their lives, but that doesn’t mean they are able to afford it. When it comes to travel retail, we found some airports are offering “premiumization” that—for one reason or another—simply doesn’t match many travelers’ needs, wants, or budgets.

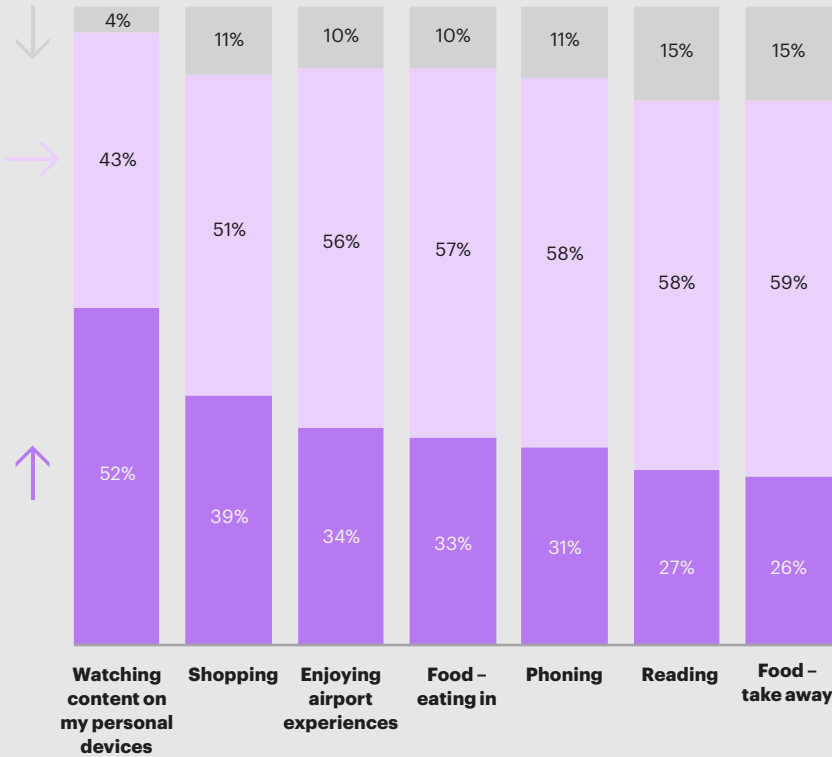
These premiumization efforts, characterized by increasing space dedicated to luxury brands, have put some items—and in some cases even entire categories—out of budget-minded consumers’ reach. Depending on the category, respondents cited “out of budget” as 4 to 19 percent of the reason they didn’t make a purchase (as seen in figure 8 on page 15).

Figure 10
Personal devices are taking up more and more of passengers’ time, but 39% of travelers declare doing more shopping than before

Time spent evolution by activity over time
Survey, N=3,699, as of June 2024

- Decrease
- Equal
- Increase

Notes: Duty-free consumers were asked for each activity they declared to do during their free time, how time spent for each activity evolved vs. 5 years ago. Percentages may not resolve due to rounding.
Source: Kearney survey and analysis



In categories such as fragrance and cosmetics, where price-competitiveness is seen as a primary key to purchase, 11 percent of respondents named budget as a reason not to buy. In stores taking what consumers perceive as a “premium approach,” even lower price point categories such as confectionary items are seen as premium offerings—that is, as overpriced.

If they hope to cater to the less budget constrained shoppers and still be in position to attract younger shoppers traveling on a budget and bargain hunters of all ages, travel retailers need to maintain a more “democratic inventory mix”—offering a diverse range of products, including luxury items, everyday essentials, and local products and souvenirs at a variety of price points.

“We need to keep attracting people in stores. Some terminals now have such a premium offering that travelers don’t even dare to step inside.”

Senior executive, fragrances and cosmetics players

Today’s travel retail industry’s marketing and merchandising approach still places too much emphasis on discounted transactions and not enough on storytelling.

Younger travelers looking for experiences and less educated to travel retail than Boomers

When it comes to buying in travel retail shops, Millennials and members of Gen Z prioritize unusual experiences over competitive prices. These “experiences” can take any number of forms, from entertainment to digital interfaces to gourmet or local food “pop-ups” in airline lounges—almost anything to break the monotony of sitting around an airport just waiting to leave. The ability to provide a variety of such experience opportunities clearly drives consumer engagement.

In the case of younger travelers, who grew up in the shadow of near ubiquitous availability and competitive nature cast by e-commerce, many simply fail to recognize the price-competitive value proposition that attracted their parents and grandparents to duty-free stores.

Sadly, today’s travel retail industry’s marketing and merchandising approach still places too much of an emphasis on discounted transactions and not enough on storytelling to attract new generations of customers. This failure is causing it to continue to lose ground with the very consumers who will soon constitute the majority of its market.

Based on United Nations global population estimates, by 2050 Gen Z will account for about 20 percent of the total global population.¹⁶ This changing traveler demographic suggests a higher need for creating brand awareness. Marketing spends in travel retail will require more concentration on “top of funnel” efforts if brands hope to create more travel retail engagement among Gen Z passengers.

“Retailers are still stuck in the ‘buy 1, get 1 free’ offering and discounted products pyramid merchandising model. Gen Z and Millennials have different expectations for travel retail compared to their parents and grandparents.”

Director, fragrances and cosmetics player

¹⁶ World Population Prospects, Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat

In this context, travel retailers look for ways to expand beyond their walls

Travel retail preserved from brick-and-mortar “retail apocalypse”

While the word “travel” come first in travel retail, as a business it is all about retail—an industry full of uncertainty where even historically successful traditional physical stores are struggling against online competitors.

Some more pessimistic trade observers still speak in terms of an all-but-inevitable (at least in their minds) brick-and-mortar “retail apocalypse” caused by a “perfect storm” of consumers continuing to migrate to digital retailers, anemic physical store sales, and stubbornly high inflation and interest rates. Their jaded view seems confirmed by the available data.

In the US, the retail industry is coping with inflation-weary consumers and a rash of bankruptcies, prompting chains to announce the closures of almost 3,200 brick-and-mortar stores so far in 2024, a 24 percent increase in closings from just a year ago.¹⁷ Although some retailers are planning to expand this year, the analysis found major chains have announced a 4 percent retrenchment of openings compared to a year earlier.

Things are also bleak for retailers in Germany where, according to a recent survey of 800 retail companies conducted by The German Retail Federation (Handelverband Deutschland Einzelhandel), 42 percent of retailers expect stagnating sales in the second half of the year and 36 percent expect declining sales compared to the same period last year.¹⁸ The study estimates that 5,000 German retail stores will permanently close their doors this year.

The retail situation is also grim in the United Kingdom where, according to Local Data Company, a total of 14,081 shops and outlets belonging to multiples and chains (those with five or more outlets) exited the UK high streets, shopping centers, and retail parks in 2023. This is roughly equivalent to 39 closures per day, a slight increase over 2023’s closure rate.

In general, travel retail remains less susceptible to these trends since it targets a diverse and often international audience typically made up of flyers who may not be regular shoppers in local retail settings and are more likely to make impulse purchases or seek exclusive products not offered by local markets.

And to be honest, travel retail often benefits from customers’ limited shopping options. The presence of a succession of captive airport audiences helps ensure steady foot traffic and sales, providing a buffer against the challenges faced by local retail stores. But just having a captive audience—especially one with a pocketful of digital distractions—doesn’t automatically guarantee a sale and that’s where renovation comes in. It’s all about floor space—how much you have and how well you use it.

Travel retailers fighting back in airports to expand their sales area

Airport networks are developing and being revamped. Travel retailers are joining these renovation efforts, significantly investing in transforming their retail experience and confirming their willingness to use the space potential as much as possible.

Contrary to popular belief, allocation of airport floor space still favors duty-free stores over food and beverage retailing, perhaps in part because airports, especially legacy airports, are the only retail spaces where foot traffic is rising.

As part of this report, Kearney completed a benchmark of retail offerings at 10 airports’ international terminals. According to the data in figure 11 on page 20, retail stores have consistently dominated the share of airport retail space. In airports opened or refurbished over the 1993–2004 period, retail stores accounted for 60 percent of available shops. This figure grew to 66 percent between 2005 and 2014 and further increased to 67 percent by 2015 to 2024. Meanwhile, food and beverage outlets, although important, have seen a steady decrease in their proportion of airport space, from 40 to 33 percent over the same period.

¹⁷ CBS, CoreSight

¹⁸ Handelverband Deutschland Einzelhandel

In terms of growth, the number of retail stores per million passengers has almost doubled in recent years. In airports opened or significantly refurbished between 1993 and 2004, there were 1.44 retail stores per million passengers. Between 2015 and 2024 this number rose to 2.30 stores per million passengers. In contrast, the number of food and beverage outlets decreased from 1.05 to 0.75 per million passengers from 2005 to 2014 before stabilizing at 1.06 per million passengers by 2015 to 2024.

If we look at the total number of shops and food and beverage outlets without factoring in airport capacity, we see that since the 1990s, retailers have occupied two-thirds of all available shops.

We are also seeing changes in the way stores are designed to promote even greater foot traffic. For instance, there are fewer boundaries between retail spaces due to the introduction of walkthrough immersive experiences designed to entice travelers during their airport journey.

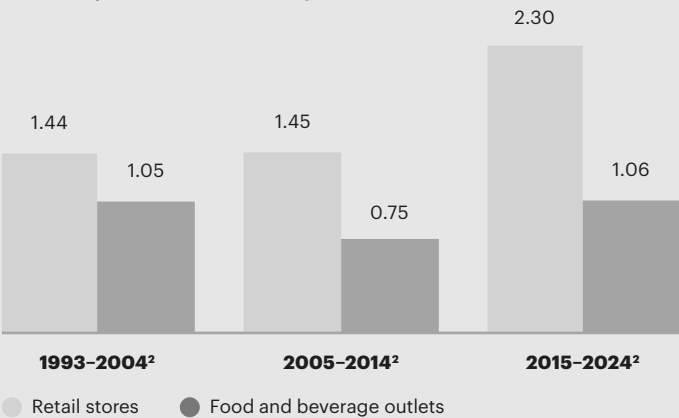
Luxury brands are also diversifying their services for VIPs and other travelers. The Doha airport epitomizes this trend, boasting—among other offerings—a Dior Luxury Beauty Retreat and a Fendi Caffè.¹⁹ Brands are also investing to offer broader and more premium offerings. Estée Lauder has opened its flagship Skin Longevity Institute in partnership with China Duty Free Group, which delivers high luxury services through private and semi-private consultation rooms.²⁰

These innovations and the ongoing renovations are designed not just to restore “business as usual” but to create “business as it could be” by catering to new, younger air travelers looking for something considerably different than their older peers. And when you mention youth and innovation, technology—in any number of forms—is never too far behind.

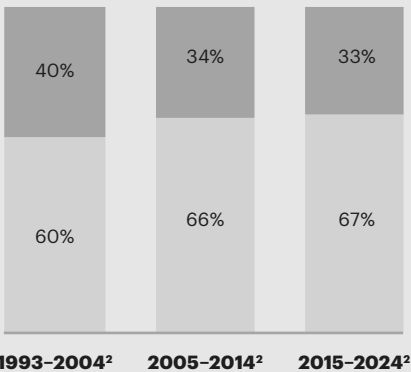
¹⁹ Hamad International Airport Website
²⁰ The Moodie Davitt Report

Figure 11
There has been an increase in airport store offerings over time, benefiting retail and having a negative effect on food and beverage outlets

Store footprint evolution in airports by opening year or last major revamping
Number of stores by millions of welcomed passengers, sample of 10 major international airports¹



Stores repartition
Percentage, sample of 10 major international airports¹



¹ The 10 airports in the sample are: Paris CDG, Madrid MAD, Amsterdam AMS, Frankfurt FRA, Seoul ICN, London LHR, Singapore SIN, Istanbul IST, Doha DOH, New Delhi DEL, and Los Angeles LAX.
² The airports have been grouped into three date buckets according to the last significant date on their configuration (opening date if recent, or date of last major renovation).
Sources: airport directories; Kearney analysis

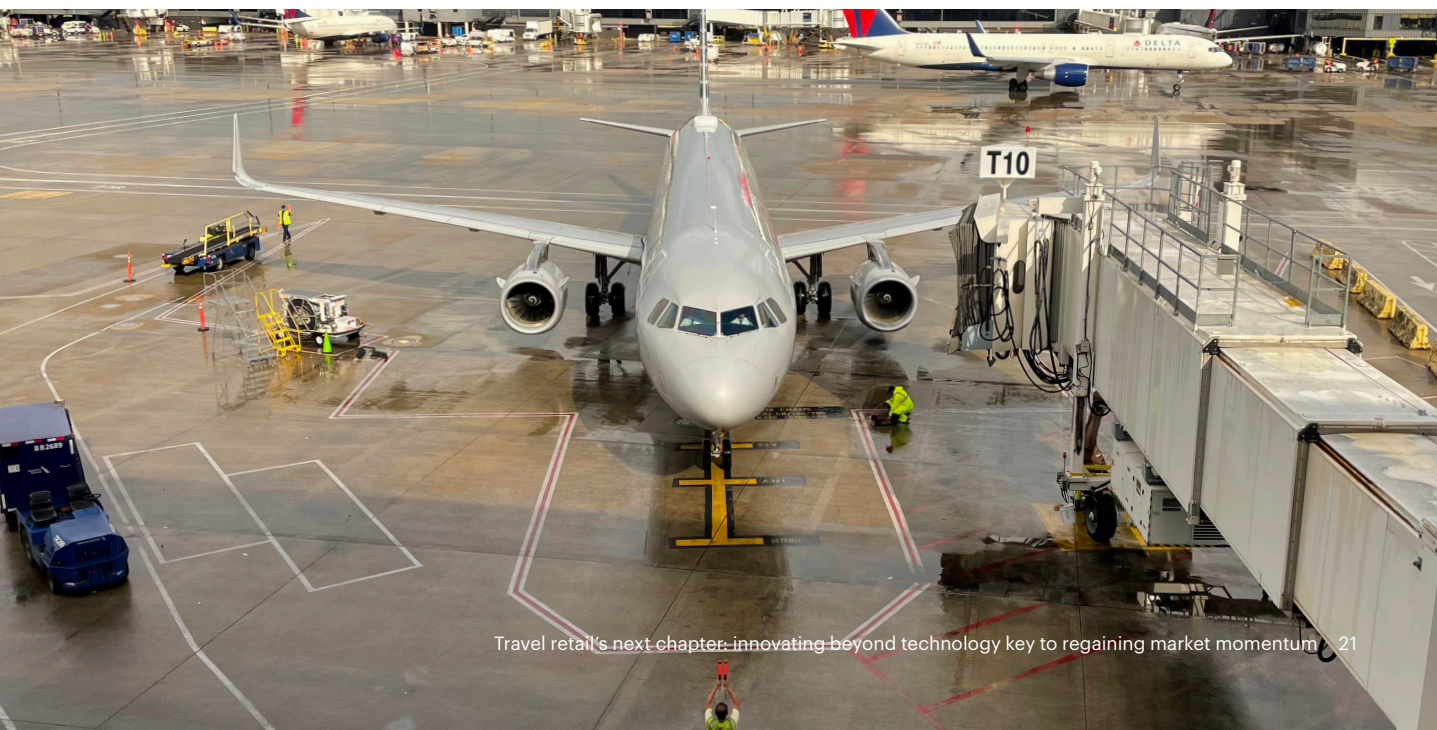
Tech expands in airports as travelers and airports confirm their interest for it

With a demonstrated willingness to invest, airport stakeholders are taking a serious look at the possibilities to automate and digitalize every stage of the travel journey, from the installation of smart gates and virtual queuing to apps that allow passengers to pre-order food and check seating availability. At first glance, some may see digital shopping as a direct threat to physical airport retail, but that overlooks the fact that people are present in airports. So the trick is to find ways to use technological tools to catch their attention and forge a return to growth.






Overview of main tech tools and implementation level

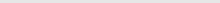
Earlier we looked at airport dwell times, a category that includes time spent in procedural activities such as check-in, security, immigration, and boarding and free time, divided between time inside stores and time outside stores, including duty-free and post-airport. Here is an overview of high-tech solutions available at each stage of the travel journey (see figure 12 on page 22).


Innovations and ongoing renovations are designed not just to restore “business as usual” but to create “business as it could be.”



Tech solutions in travel retail deal with all major tech innovations, including data and analytics, artificial intelligence, computer vision, machine learning, Internet of Things, robotics, and biometrics

Stakeholder:  Airports  Retailers  Brands  Carriers  Media and digital partners

Enhancing capabilities: 

Level:  Limited  High

Travel retail's next chapter: innovating beyond technology key to regaining market momentum 22

All stakeholders contribute to the tech ecosystem construction

First, each stakeholder contributes to the travel retail ecosystem by focusing on specific technologies that align with their business objectives and customer touchpoints. In airport environments passenger and staff behavior monitoring tools enable and support other solutions.

Airports and carriers are more operationally focused while retailers and brands emphasize customer engagement and personalization. Media and digital partners enable these technologies by providing essential tools and platforms.

Airports are particularly focused on biometric authentication, immersive experiences, and operational tools to streamline processes.

Stakeholders take various benefits from tech

Airports. Airports are heavily involved in adopting technologies that enhance both passenger convenience and operational efficiency. They are particularly focused on biometric authentication, immersive experiences, and operational tools to streamline processes from check-in to boarding and beyond whose main benefits are improved passenger flow, cost savings, and enhanced security.

Retailers. Retailers focus on enhancing the shopping experience through customized marketing solutions, immersive technologies, and e-commerce solutions. Their primary goal is to capture and engage passengers during their dwell time at the airport. Those solutions contribute to increased sales, with better customer targeting and enhanced customer experience, while offering better omnichannel integration.

Brands. Brands are similarly invested in personalized marketing and e-commerce solutions, working to make their products and promotions more visible and appealing to passengers during various stages of the travel journey. Brands benefit from better visibility in airports and enhanced customer loyalty.

Carriers. Airlines are focused on improving the passenger experience through online services, automated customer service tools, and biometric solutions aimed at simplifying check-ins, boarding, and in-flight experiences. Those solutions help carriers gain operational efficiency while simultaneously driving customer engagement and satisfaction.

Media and digital partners. This group is crucial in developing and implementing the digital infrastructure necessary for personalized marketing, programmatic advertising, and other customized solutions. They provide the technological backbone for many of the other stakeholders' customer-facing innovations. Partners benefit from higher revenues, notably through data monetization opportunities while keeping passengers more engaged all along their journey.

Second, we can see that while all the listed solutions aim to enhance passengers' experience, their impact varies by level of penetration and is generally linked to technology maturity rather than enhancing the potential value "upside" for the travel retail industry.

Tech enhances all steps of the traveler's journey

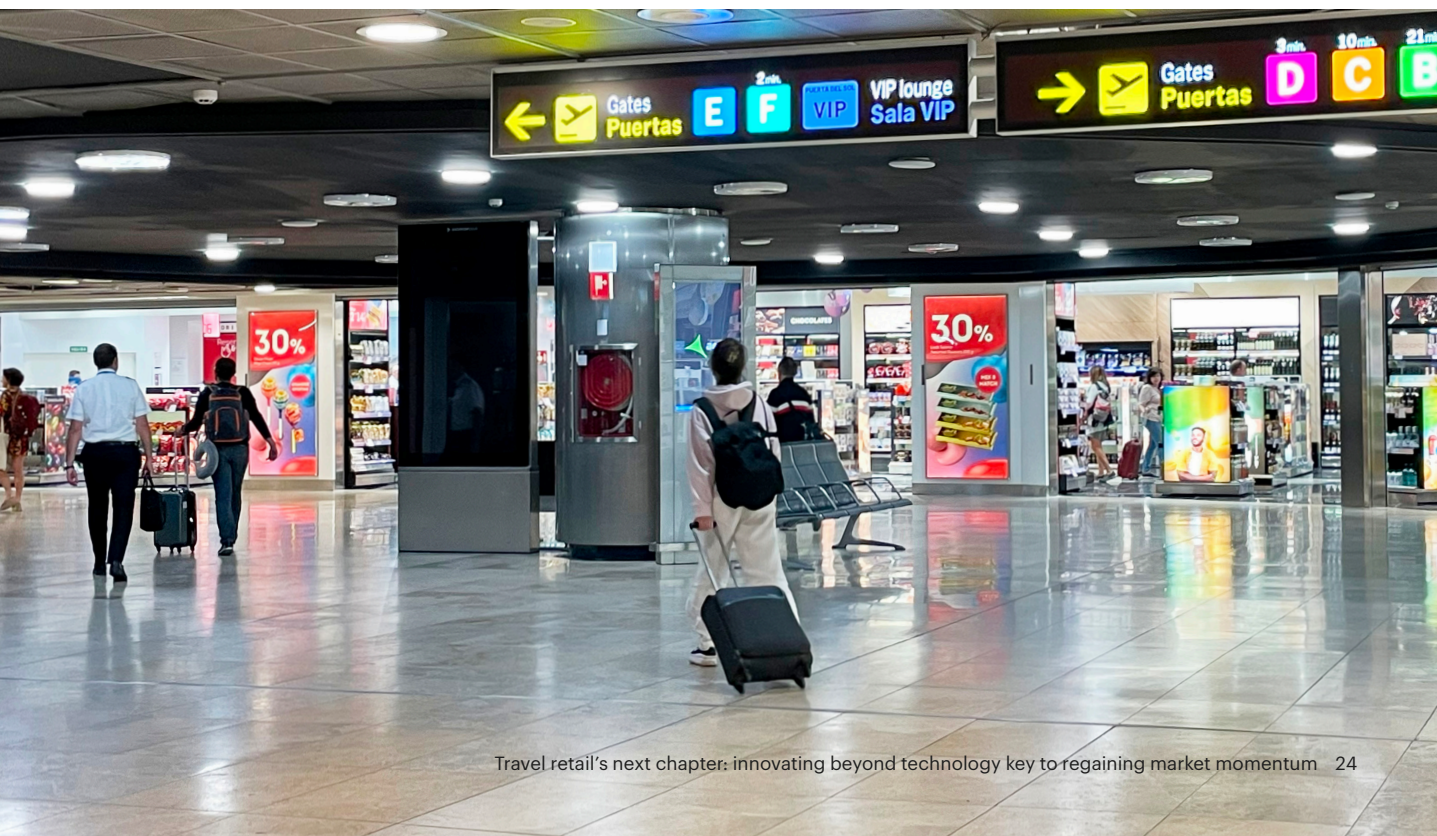
Now let's see what happens from a technology implementation perspective at various stages of the flier's travel journey.

Before airport and procedural activities, the focus is on preparation and efficiency, with high penetration of online services and biometric tools that streamline early journey stages.

In the case of **free time and duty-free**, engagement and personalization are key, with technologies designed to enhance the shopping experience and maximize retail opportunities. Penetration is mixed, with some advanced technologies still emerging.

At final stage, the emphasis is on maintaining service quality and ensuring a smooth post-arrival experience. Technologies here are crucial for completing the journey on a positive note, with moderate adoption reflecting ongoing development.

Lastly, areas with low penetration, but high potential for enhancing capabilities, could be targeted for future development with room for growth and innovation. Immersive experiences and certain advanced e-commerce and customer service tools are still in the early stages of adoption, exploring areas where future growth and innovation are expected.



Helped by technology, airports play a role by putting passengers in position to spend money and maximize retail opportunities

Travel retail is a key revenue stream for airports

Since travel retail is a major revenue stream for airports, they face a dual challenge when implementing technologies—optimizing processes to handle increasing passenger traffic and ensuring passengers have enough free shopping time after clearing security and boarding checks.

For instance, at Aéroports de Paris (ADP)—which had to manage a +20 percent year-on-year traffic augmentation in 2023—retail and services activities contribute 32 percent of total revenue, nearly equal to the 35 percent generated by aviation activities.²¹

²¹ Annual report, 2023
²² Annual report, 2023
²³ Air Transport IT Insights, 2023

Retail and services are the second revenue source for London Heathrow Airport after aeronautical, accounting for 19 percent of total revenue.²²

Offering a seamless journey is a priority for airports

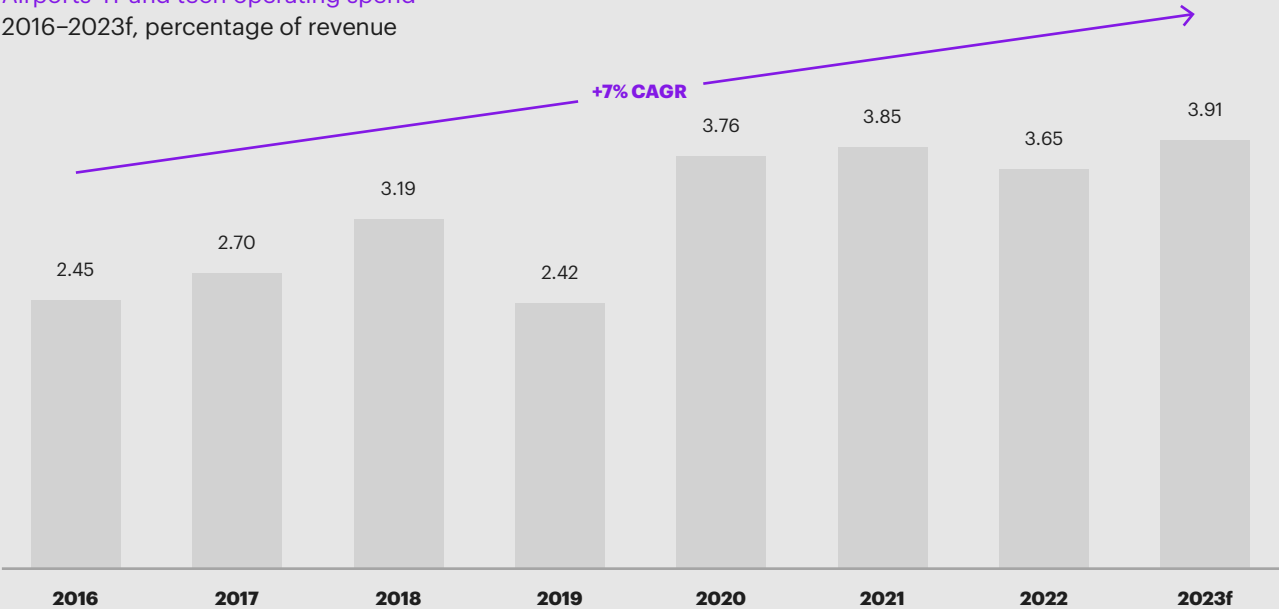
Having a seamless journey directly impacts customer satisfaction, which in turn drives passenger spending. So, it’s easy to see that—consciously or not—airports’ management of dwell time plays a crucial role in potentially maximizing retail opportunities and revenue.

To guarantee flyers that seamless journey, airports are embracing and continuously investing in next-generation technologies. Since 2016, airports have continued a pattern of accelerated IT investment. According to SITA, tech operating spend now consistently represents 3 to 4 percent of their total revenues (see figure 13).²³

Alongside cybersecurity, passenger processing is airports’ top IT services investment priority. In 2023, 95 percent of airports reported having a major program or R&D in place to enable seamless travel experiences, an 83 percent increase over 2022.

Figure 13
Airports continuously invest in tech and IT to streamline their operations, resulting in high penetration of self-service technologies for passenger management

Airports’ IT and tech operating spend
2016–2023f, percentage of revenue



Sources: SITA (air transport IT insights); Kearney analysis

Some airports are at the forefront of seamless procedures

By focusing on enhanced procedural activities, some airports are creating best-in-class standards. In 2023, in conjunction with the Thai government’s expanded visa-free plan, Thailand’s Suvarnabhumi Airport rolled out automated channels for passport checks. It now takes only about 20 seconds to scan the face and fingerprints of each traveler, compared to more than 45 seconds for the same process manned by an immigration officer.²⁴

This year, Singapore’s Changi Airport introduced automated immigration clearance, which allows passengers to depart the city-state without passports, using only biometric data. These initiatives impact all foreign visitors and are expected to help reduce immigration clearance time in passenger halls by about 40 percent.²⁵ In the end, this time-saving benefits everyone. It improves the airport’s operational performance which puts passengers in a positive mindset that is conducive to shopping.

²⁴ National Thailand
²⁵ Singapore Ministry of Home Affairs press release

Travel retail consumers demonstrate appetite for tech and innovation

Stakeholders are investing in high-tech tools. But is there a real customer appetite for these solutions, or is this innovation for innovation’s sake?

Kearney asked flyers how attractive and efficient they felt tech tools ranging from in-store tools to personalized messaging inputs were in augmenting traffic and conversion.

The younger the consumers are, the more they feel receptive to tech

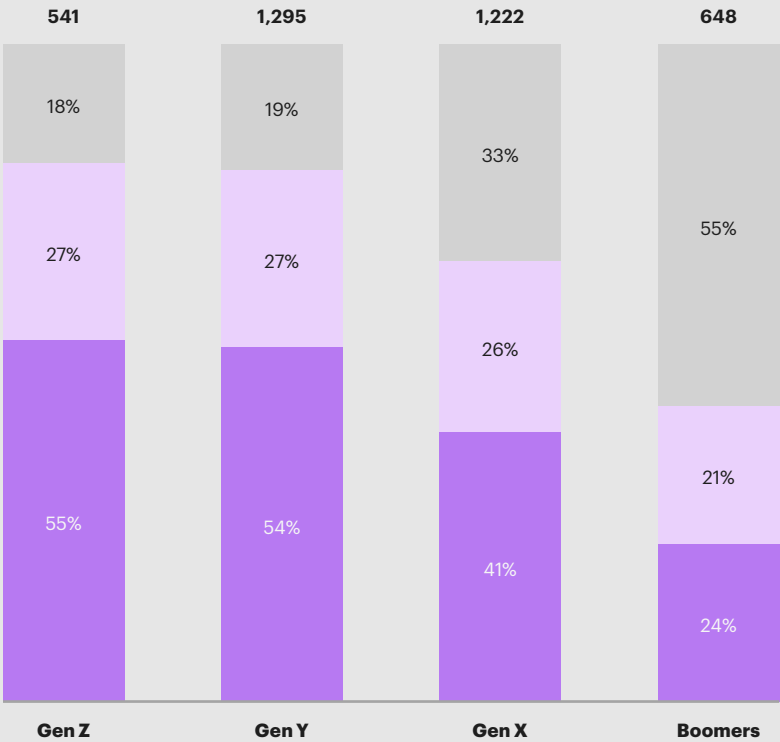
Our survey tested consumers’ appetite for in-store solutions which—while it varies by age—is quite high, with 40 to 60 percent of those under 60 using them frequently when available (see figure 14). In addition to age, adoption varies greatly depending on the tool, with existing retail solutions such as payment being more widely used than, for now at least, less common ones such as virtual reality (VR).

Figure 14
Young generations embrace in-store tech while Boomers lag behind

Technology adoption by generation of in-store technological tools
Survey, N=3,706, as of July 2024

- Never
- Sometimes
- Frequently

Notes: Duty-free consumers were asked if they used in-store tech tools when available in travel retail stores. For ease of analysis, we grouped the answers under broader categories to better capture tendencies by combining similar response patterns and presenting a more streamlined interpretation of the data.
Gen Z = 18–27 years old; Gen Y = 28–41 years old; Gen X = 42–60 years old; Boomers = 61–100 years old.
Source: Kearney survey and analysis



Also, personal data sharing with commercial stakeholders is crucial, especially in terms of creating effective omnichannel experiences, which also benefit from marketplace apps and websites and click-and-collect services tied to online marketplaces. Skepticism around data sharing is lower for the younger generation and conditional agreements could mitigate an unwillingness to share data (see figure 15).

Shared behaviors regarding enthusiasm for technology and shopping

Moving forward, we can link the five personas we discussed in the 2023 report—who represent about 70 percent of total travelers—to shared behaviors, their appetite for technology, and their enthusiasm for shopping.

These matchups can be categorized into three groups.²⁶

²⁶ A small share of respondents cannot be categorized into the three categories, leading to a representativeness of about 95 percent of total market value.

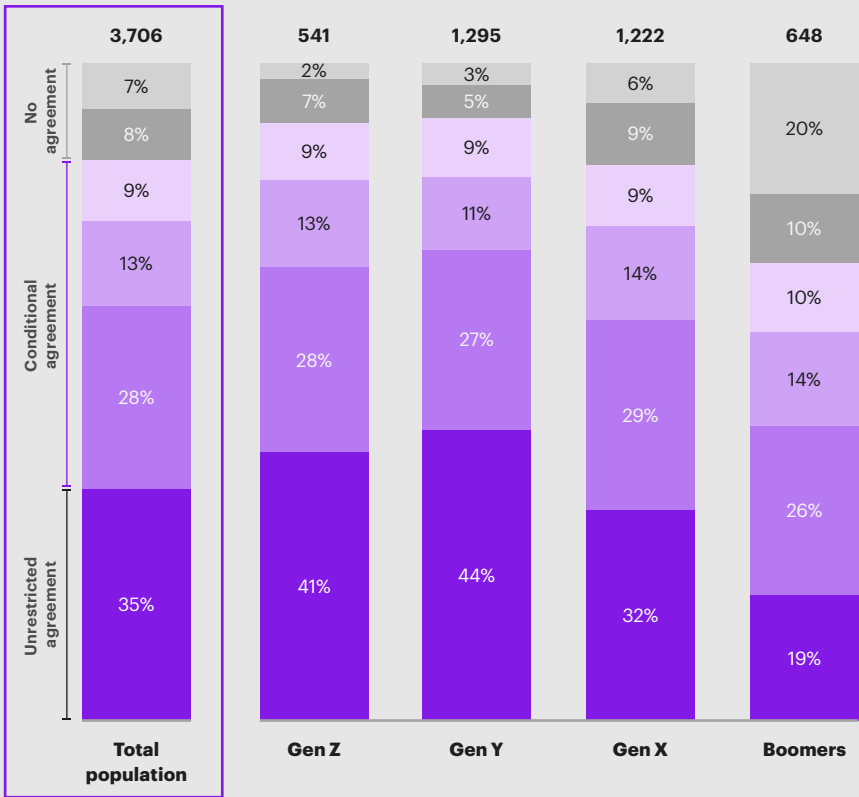
Figure 15
Shoppers are rather enthusiastic regarding carriers sharing personalized data for commercial purposes

Willingness to let carriers share personalized data for commercial purposes
Survey, N=3,706, as of July 2024

- Yes, I agree
- Only if I can control what data is shared
- Only if I can select the receiver
- Only if the data is anonymized
- I need more information before deciding
- No, I do not agree

Notes: Duty-free consumers were asked if they would agree with carriers sharing personalized data. Gen Z = 18–27 years old; Gen Y = 28–41 years old; Gen X = 42–60 years old; Boomers = 61–100 years old. Percentages may not resolve due to rounding.

Source: Kearney survey and analysis



We call the first **affluent tech shoppers**. With a high appetite for technology and outspending other groups, these business and luxury travelers represent around 60 percent of total market value.

Tech-savvy minimalists are primarily experience seekers. While they only represent around 10 percent of the total market, they are very willing to use high-tech tools to find a good bargain.

Finally, there are **traditional bargain hunters**—deal hunters and retired tourists with a low appetite for technology and a high appetite for saving money. This cohort spends less than others but still represents around 25 percent of market value.

Confirmed appetite for in-store tools

Kearney explored what in-store tools could encourage travelers to visit or spend more in duty-free stores and how these preferences could ultimately guide tech investments for improved and personalized customer experience (see figure 16).

Regarding shopper interface technologies, several tools were mentioned that might appeal to travelers’ appetite for entertainment and their quest for—at least perceived—singular experiences. These included smart mirrors to virtually try on clothes and accessories, AI-powered personal shopping assistants providing tailored recommendations, and mobile checkout to ensure a smooth, efficient process.

Still interested in attracting traditional bargain hunters? Then continue betting on in-store kiosks or apps that compare prices and assure shoppers they are getting the best deal, and self-service kiosks that cater to their preference for hassle-free shopping experiences. For bargain hunters, interactive displays are more about entertainment and less about value creation, so developments for affluent tech shoppers also cover their entertainment appetite.

Finally, for tech-savvy minimalists augmented reality (AR) navigation and displays that optimize their visit and make it easy to access information streamlines their in-store experience and encourages them to spend while “click-and-collect” services satisfy their preference for efficiency.

Figure 16
A number of in-store tools could encourage travelers to visit or spend more in duty-free stores

| | | Affluent tech shopper | Traditional bargain hunter | Tech-savvy minimalists |
|---------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prompt | | Wealthy frequent flyer who values the time spent at airports . For him/her, this is "me time," an opportunity to relax and explore experiential zones and stores. He/she does not try to reduce his/her dwell time and even arrives earlier at the airport than before. | Above 50 years old who does not fly often and arrives at the airport early , lacking familiarity with processes and with no knowledge of time-saving tech solutions. For him/her, time spent at the airport is an unavoidable and stressful wait. | Busy professional in their early 30s who values efficiency and convenience . Frequently traveling and juggling a demanding job, he/she optimizes every moment, including shopping. |
| Most represented personas | | <ul style="list-style-type: none">— Business travelers— Luxury shoppers | <ul style="list-style-type: none">— Deal hunters— Retired tourist | <ul style="list-style-type: none">— Experience seeker |
| Shopping behavior | Priorities | <ul style="list-style-type: none">— Dislikes waiting and prefers smooth, efficient processes— Wants personalized treatment with tailor-made proposals | <ul style="list-style-type: none">— Enjoys a seamless shopping experience— Will only buy if he/she feels he/she is maximizing value as his/her budget is tight | <ul style="list-style-type: none">— Streamlined processes to optimize time— Likes promotions to optimize budget |
| | Top 3 spending categories | <ul style="list-style-type: none">#1 Fashion and accessories#2 Fragrances and cosmetics#3 Wine and spirits | <ul style="list-style-type: none">#1 Fragrances and cosmetics#2 Wine and spirits#3 Confectionary and fine food | <ul style="list-style-type: none">#1 Fragrances and cosmetics#2 Fashion and accessories#3 Electronic and gifts |
| In-store technology features interest | | <ul style="list-style-type: none">— Entertainment: allows for escapism and full immersion into the brand's universe— Singularity: permits provision of a customized experience for the customer | <ul style="list-style-type: none">— Accessibility: facilitates streamlined purchasing and cost optimization without high barriers to entry— Entertainment: allows for diversion without necessarily purchasing | <ul style="list-style-type: none">— Information: provides quick and easy access to product information— Time-saving: speeds up the purchasing process |

Source: Kearney survey and analysis

Room for deeper appetite for personalized messaging

Approximately 90 percent of travel retail consumers agreed receiving personalized messages or offers could encourage them to visit a store they hadn't otherwise planned to visit or spend more than initially budgeted. This increases to 98 percent among consumers from China, India, and Indonesia, highlighting the strong potential of personalized marketing.

Receptivity is content and channel dependent. Figure 17 provides a detailed breakdown of content and channel preferences for each traveler persona.

And, speaking of channels, in-store **digital screens** are still the most efficient channels for most buyers. This emphasizes the role media partners play in creating a unified approach all along the shopper journey. With more impact on tech-savvy minimalists less willing to visit stores than affluent tech shoppers, **social media** is the second-most-effective tool for reaching air travelers. And "old-school" channels such as **SMS** and emails still remain very efficient vehicles for communicating with traditional bargain hunters preparing for a trip. But what about the content carried by those channels?

With respect to content, exclusive products and offers have a significant role to play in winning over affluent tech shoppers. The wine and spirits category in particular already has a deep understanding of how to build and nourish this "sense of belonging" that other categories still lack but should study and emulate.

The traditional bargain hunter still appreciates discounts, so price-oriented content is an effective media bait for them while our tech-savvy minimalist can be convinced by well-targeted and tailored suggestions.

Because customers, cultures, connectivity, communication, and conditions vary so much there is no "one-size-fits-all" strategy for communicating to, and engaging with, potential travel retail consumers. That's precisely why all stakeholders should, as efficiently as possible, tailor their tools and target their shopper approaches as best they can. But, that said, we need to remember that personalization does not automatically mean, or even imply, the same thing as unique individualization. There are plenty of opportunities to start exploring how to efficiently target customers using even a limited range of data.

Figure 17
Different personas have different content and channel preferences

| | | Affluent tech shopper | Traditional bargain hunter | Tech-savvy minimalists |
|-------------|----------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Preferences | Content | Exclusive products and offers from brands that make him/her feel privileged | Skeptical of data sharing, content cannot be totally customized and should contain discounts | Personalized recommendations that save time by offering tailored suggestions |
| | Channels | #1 In-store digital screens #2 Social media #3 Sales associate | #1 Sales associate #2 E-mails | #1 Social media #2 In-store digital screens #3 Push notifications |

Source: Kearney survey and analysis



Interview with Emmanuel Goulin, president, L'Oréal Travel Retail

The beauty sector has been significantly disrupted, especially in Asia. Are you confident in the sector's ability to regain momentum, and what changes do you anticipate going forward regarding consumers' profiles?

Beauty is an essential human need that crosses all cultures, societies, and time, therefore there is no doubt that the appetite for beauty is here to stay. So is the appetite for travel that will undoubtedly keep on growing in the years to come considering the traffic projections and the expansion plans of airports. I am therefore greatly confident in the sector's ability to regain momentum.

But to do so, we will need as an industry to be more traveler-centric to cater for the needs of the new generation of travelers, the Millennials and Gen Z.

And they are asking for more! More experience, more responsible brands, ultra-personalized, diverse, and exclusive offers. There is therefore an urgent need to rethink and redesign the way we create memorable experiences for consumers. We must transform travel retail from a point of transaction to a destination and redefine the role of a store beyond selling products.

L'Oréal defines itself as a beauty tech company. How can integrating technological innovations specifically benefit the beauty segment within the travel retail industry?

Technological innovations are a fantastic enabler of more personalized, more experiential, more connected, and more inclusive beauty. This is precisely why L'Oréal defines itself as a beauty tech company as we are leveraging technology at the service of an augmented beauty to better understand and serve our consumers with more personalized programs and beauty routines.

It is a great match with travel retail. Travel is indeed also about taking time for yourself, a good moment to indulge into wellness and self-care. We are therefore using many of these new tech tools to better serve the travelers and to push the traditional boundaries of

beauty within an airport. This is what we did for instance in April at Dubai Duty Free with the K-Scan, which is a hair and scalp diagnostic device by Kérastase that gave the opportunity to all travelers to analyze their own specific needs.

Which emerging technologies or innovations do you foresee as game-changers for the beauty travel retail sector in the next years, and what unique challenges must be addressed to successfully implement them?

Out of the many emerging technologies and innovations that will disrupt the beauty in travel retail sector in the next years, I believe AI is the most obvious one.

L'Oréal, as the undisputed worldwide leader of the beauty industry, is leading the way with, for instance, Beauty Genius, a GenAI-powered all-in-one personal beauty assistant, presented at CES Las Vegas earlier this year by our Groupe CEO, Nicolas Hieronimus.

These AI innovations already exist for beauty. We now need to invent the ones more specific to travel retail adapted to travelers' specific beauty needs.

L'Oréal is leading multiple pilots to unleash opportunities around data. What are the main conditions for scaling up quickly despite the historical lack of data sharing in the industry?

When you think of it, the travel retail industry is one of the data-richest industries but certainly the one leveraging it the least!

This is clearly a major opportunity as a better use of data can lead to a better experience for the traveler and therefore value creation for our industry. ACI Research "Path to Recovery" in 2022 stated that an improvement of 1 percent of travelers' satisfaction leads to 1.5 percent of additional non-aeronautical revenues.

For this to happen, we need to work more collaboratively together as a pentarchy (airports, carriers, retailers, brands, digital and media partners) and reinvent a bit the way we work in our industry.

This is precisely why L'Oréal is now involved in multiple pilots to unleash opportunities regarding data in cooperation with our business partners of this pentarchy and with the conviction that our industry is agile and pragmatic and that, if the results of these pilots are conclusive, then we will be able to scale quickly.

In the end, it is in the interest of all parties to make sure that travelers see the airport as a destination with unique experiences rather than just a convenient walk through so I am confident we will get there.

Tech can take travel retail to new realms

Supporting a compelling in-store value proposition with data sharing is a key requirement to achieve full potential

Tech tools reinforce travel retail key pillars

As we mentioned in last year's report, an industry consensus is forming around the idea that to regain growth and customer spending travel retail must pivot its value proposition from being price-/value-centric to being traveler-centric.

This new consumer-focused approach is anchored by four key pillars:

- **Assortment:** a range of compelling, sustainable, relevant, and distinctive product offers
- **Price:** enhanced perception of value for money, rather than the absolute lowest price
- **Service:** travel-friendly retail designed to identify and solve common passenger pain points
- **Experience:** immersive and exciting consumer engagement that elevates the consumer journey by moving from the transactional to the relational

By supporting and enabling these pillars, technology can play a vital role in defining and executing against new, innovative and—from the traveler's perspective—more compelling and competitive value propositions. Even before a traveler has a specific purchase in mind, certain technologies can increase general store attractiveness and promote conversion (see figure 18 on page 32). According to survey respondents, the four most efficient tech tools are—again, from a shopper's perspective—mobile and contactless payment, self-checkout terminals, digital loyalty programs, and interactive signage.

As a general rule the most effective technologies are those that interface with shoppers in ways that directly improve access to in-store services. Examples of these tools and applications include allowing travelers to make quick purchases without queuing, eliminating language barriers between the shopper and the staff, or enabling easy access to product information. These types of tools improve convenience, and convenience remains the key to successful travel retail. Click-and-collect services are rapidly expanding, but still aren't available in every airport. However, they have the potential to one day—perhaps one day soon—become an effective part of a solution for offering a large assortment.

Many airports are now considered “legacy” facilities—that is, for one reason or another, they have no realistic expansion possibilities. Several of these legacy airports are currently—or soon will be—undergoing renovations to reallocate space, especially to food and beverage players. Going forward, digital and virtual stores—digital displays showcasing an extensive assortment of products delivered at the gate or at a designated location—could help mitigate this space challenge.

“It is impossible for a legacy airport to compete with Amazon while offering an ever-expanding offer in food and beverage. However, tools such as pre-ordering allow them to expand their assortment in travel retail.”

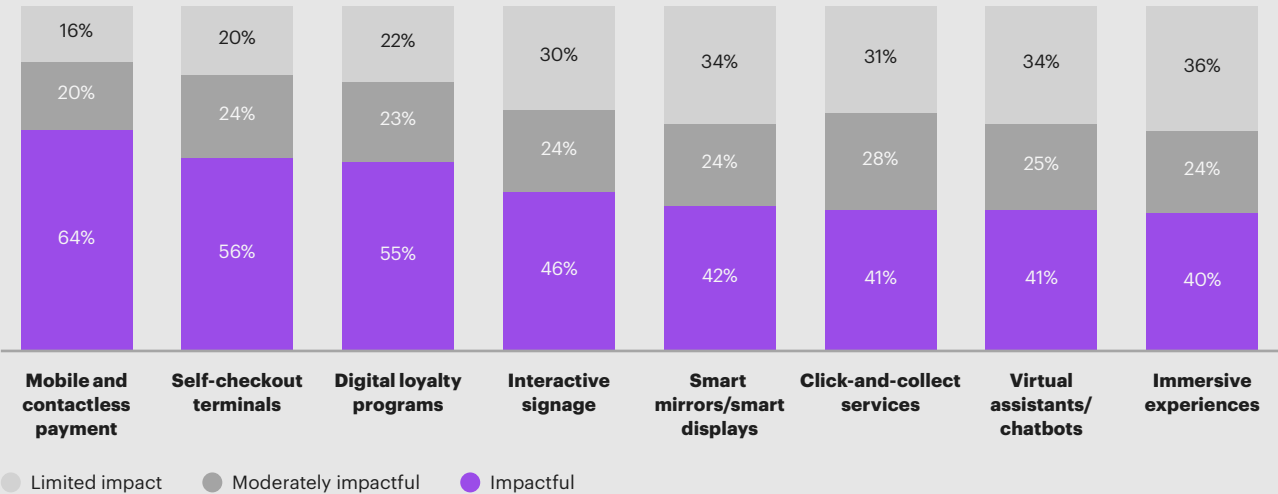
Senior executive, international airport

Figure 18

Consumers confirm an increased travel retail offering attractiveness when tech tools are available in-store, with some tools’ presence being more impactful than others

Impact of tech tool availability on traffic to store and in-store conversion

Survey, N=3,706, as of July 2024



Note: Duty-free consumers were asked to rank tech tools’ effectiveness on travel retail store attractiveness. For ease of analysis, we grouped the answers under broader categories to better capture tendencies by combining similar response patterns and presenting a more streamlined interpretation of the data.
Source: Kearney survey and analysis

After service, more than 40 percent of respondents said “retailtainment” technologies such as smart mirrors or immersive augmented or virtual reality experiences effectively drive traffic and conversion. It’s crucial to remember that consumers experience our “pillars” operating in relationship to, and with, each other. Technology can easily take travel retail beyond barriers and constraints in ways that generations of earlier retailers could only dream of, but we should never lose sight of the fact that, in the end, shopping is a very human activity.

“Travel retail is beforehand a convenience business. Tech must make life easier for passengers first and foremost.”

Senior executive, luxury beauty player

Data collection and analytics powered by artificial intelligence (AI) or machine learning offers a wide portfolio of potential applications and opportunities. But, given all the hype around AI, what are the most realistic and promising ones? Let’s take a look.

As a general rule the most effective technologies are those that interface with shoppers in ways that directly improve access to in-store services.

Real-time and predictive data and analytics for higher operational agility and ultimately better passenger experience

Sensors, smart tiles, and existing infrastructure such as cameras can be harnessed to collect valuable data that can drive focused analytics. Some of these devices may already be installed, allowing operators to begin minimal cost data generation. Innovative merchandising solutions—developed by players such as Outform—can also play a role of both merch and data capture (for example, digital mannequin that works as an interactive platform while recording in-store impressions).²⁷ But airports, retailers, and other stakeholders also have numerous opportunities to gather data beyond hardware-generated sources, and that’s where advanced software comes in.

Because they ultimately contribute to creating the best possible passenger experience in real time, predictive data analytics that provide detailed insights into foot traffic, customer behavior, and current operational conditions are essential for enhancing the travel retail sector’s operational agility. Let’s consider the example of conversion rates.

With comprehensive real-time data capture, it’s possible to not only measure high-level conversion rate of passengers entering duty-free stores, but also gain a precise, granular view of each step they take through an airport. This level of detail helps identify potential friction points that may negatively impact their journey and purchasing decision.

For instance, a company such as Technis is now able to aggregate and cross-analyze data collected by varying devices in stores (for example, counting sensors, smart floors, security camera systems) and POS systems. Based on data collected, the company is able to provide the end-to-end sales funnel, detailed conversion rate by category, and real-time footfall analysis to improve operations, including staff allocation or merchandising decisions.²⁸

With computer vision applications, input from sensing devices such as cameras can track passenger flows and behaviors while respecting privacy constraints. For instance, solutions are now implemented to capture and analyze passengers’ pathways, from arrival at airport to boarding. Those solutions are developed to produce in-depth insights, especially on visitors having specific habits like visiting lounges or smoking areas. Retailers and brands can ultimately better understand their consumers and give them the best experience when they are in the travel retail space.

By enabling predictive modeling to forecast peak times, forecast demand, and support data-driven decision-making on the spot, AI can play a significant role in enhancing the accuracy and value of data analytics. Combining airline data with real-time insights from in-airport activities allows retailers to anticipate customer flows, optimize staffing levels, ensure the best assortment at all times, and dynamically adjust promotional and pricing strategies to match traffic patterns.

While that all sounds promising, due to a lack of available “clean,” accurate, and multi-sourced data the travel retail industry is still in the earliest stages of harnessing data analytics and any meaningful progress in this area will require significantly higher levels of data sharing among stakeholders.

Augmented advisory and targeting

AI-powered data analytics offer opportunities to enhance marketing and advisory tools by enabling personalized recommendations based on traveler profiles and purchase history. The aim in store is to complement rather than replace sales representatives by providing additional information and personalized suggestions—something some experts call “augmented advisors.”

“We have to find the right mix of digital tools and human interactions to enhance personalization and overall experience. We do not talk about ‘advisor,’ but ‘augmented advisor’ to offer a differentiated experience to travelers.”

Senior executive, beauty player

²⁷ Company website. Outform is part of TFWA i.lab exhibitors

²⁸ Company website

The industry needs to continue exploring ways to enrich the travel experience, including multilingual customer support and identifying or personalizing products adapted to a specific destination. For example, in partnership with Tripadvisor, L’Oréal uses the power UV index data to recommend the perfect La Roche Posay Anthelios suncare for a flyer’s destination.²⁹

Reinforced passenger engagement and brand awareness with deeper personalization

Augmented reality shelves and interactive signage (for example, scanning a QR code to discover a video on a product) better inform consumers on products and are ways for brands to better communicate with flyers. These “retailtainment” and personalization solutions offer opportunities to create immersive and engaging customer experiences that blend the physical and digital into a cohesive omnichannel experience.

For instance, i-Click Interactive offers travel retail brands a suite of digital customer engagement solutions and data-driven insights tailored for their needs. They have data analytics capabilities to provide deep consumer insights and market intelligence, notably to help brands entering the Chinese market. Regarding omnichannel engagement, they develop innovative marketing solutions that harmonize online, offline, and in-transit touchpoints, allowing brands to engage customers across multiple channels.

²⁹ The Moodie Davitt Report

³⁰ The Moodie Davitt Report

³¹ Company website; Perfect Corp is part of TFWA i.lab exhibitors.

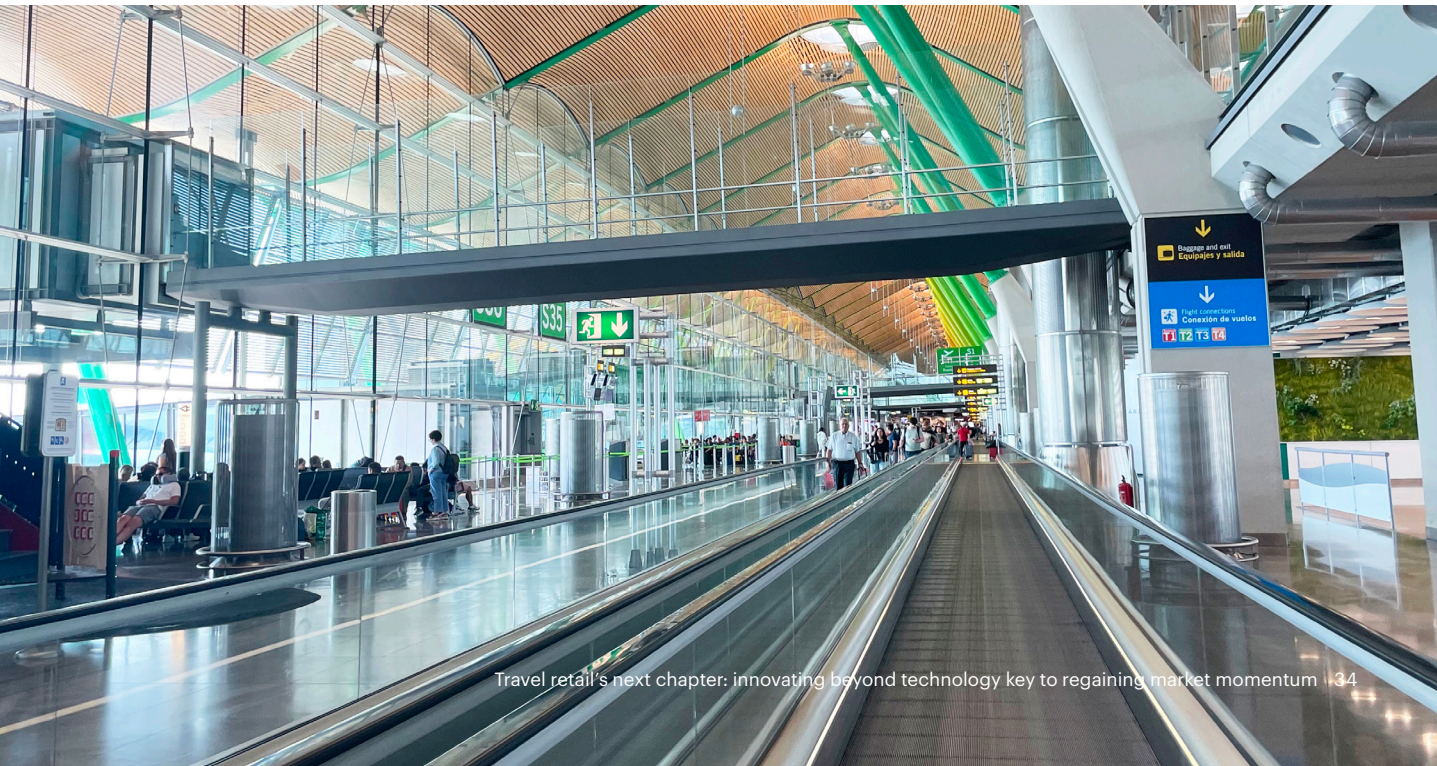
AI-powered experiences offer “next-level” immersive personalization. Earlier this year customers at Istanbul Airport, Bulgari, were offered an immersive AI experience in which they were invited to create their own Allegra perfume combination.³⁰ With distinctive generative audio for each user, technology creates a unique experience for traveler.

At the crossroad of AI and AR, Perfect Corp develops for brands and travel retailers solutions for several categories (beauty, jewelry, eyewear) such as virtual try-on. Those experiences are both innovative and personalized, enabling a better journey for travelers.³¹

While immersive approaches create better shopper engagement and brand awareness they often aren’t focused on conversion. This makes the business case complex and harder to defend when it comes to traditional KPIs.

“Space rental in travel retail is so expensive that a payback for tech-powered activation is often unlikely. We likely do it at a limited scale, for brand awareness rather than conversion.”

Senior executive, confectionary company



Expanding beyond travel retail’s historic opportunity zone

Historically, travel retail’s “opportunity zone” was defined by the amount of free time devoted to shopping in duty-free stores. But more “free time” also exists before arrival at an airport, post-flight, and beyond the physical boundaries of a retail store.

Regardless of age, passengers occupy their free time at the airport buying things. Survey respondents (visiting lounges or not) told us that on average, they spend about one-quarter of an hour in travel retail stores (see figure 19). This may seem like good news, until you remember that it means three-quarters of their time is *not* spent in areas dedicated to travel retail. Turning this around is a challenge, but one with a significant and highly profitable upside.

Deviate travelers from waiting and transit areas

Since most travelers have their noses glued to their personal devices, it’s crucial to find ways to leverage the time spent on digital devices in waiting areas. This could include approaches such as better utilizing Wi-Fi portals for engaging customers in the travel retail journey through targeted marketing offers, or games that allow them to win discounts in participating stores.

Developing location-based services with beacon or geofencing is another potentially promising approach. So is then using that same technology to trigger personalized offers and alerts when travelers enter specific zones.

“There are multiple opportunities to avoid travelers from remaining seated at their gate. As soon as the gate is displayed, people run and remain stuck there with no more opportunity for travel retail.”

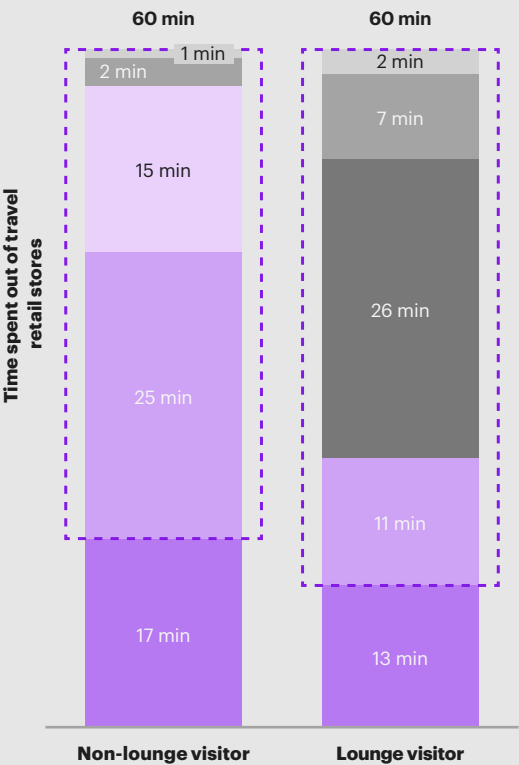
Senior executive, wine and spirits company

Figure 19
For lounge and non-lounge visitors, about one-quarter of free time is spent in travel retail stores

Repertition of one hour of free time
Survey, N=3,706, as of June 2024

- Other
- Experiential and entertainment zones
- Lounges (covering food and beverage activities)
- Food and beverage outlets/restaurants
- Waiting areas
- Travel retail stores/duty-free shops

Notes: Duty-free consumers were asked how they spent their free time at the airport. Food and beverage activities have been considered as part of airline lounge experiences. Minutes may may not resolve to 60 due to rounding.
Source: Kearney survey and analysis



“Digital detoxing” travelers off their personal devices may be impossible at this point, but there are opportunities to turn travelers’ “screen addiction” into retail opportunities. If we look at shoppers’ channel receptiveness to personalized offers or messages, for example, we see 40 to 50 percent of respondents telling us that, depending on the channel, they are more receptive to solicitations received on personal devices versus commercial messages displayed on digital screens (27 percent) or shared by a sales associate (24 percent) (see figure 20 on page 37).

Market experts believe travelers could—and need to—be better informed about shopping opportunities in both waiting areas and transit spaces. Dynamic signage shouldn’t just post flight or gate change information, but also alert passengers how much free or shopping time they have before boarding and takeoff, and what promotions and offers are available.

“As soon as the gate is indicated, passengers rush to the boarding gate. We need to find a better way of informing them, using the existing infrastructure to direct them toward the shopping time rather than the waiting time.”

Director, fragrances and cosmetics player

Of course you don’t always have to rely on complex or sophisticated high-tech solutions. Low-tech approaches also work. For example, larger airports often encourage travelers to head directly to their boarding gate, but, in some airports, the gate number is now displayed at the last moment, limiting the time spent in waiting areas.

Leverage food and beverage consumers

Flyers not only like to shop; they also like to eat and drink, and tech investments are vital to the future of airport food and beverage operators that are innovating to offer diners new experiences and, sometimes, premium offers. Some of these solutions blend efficiency and entertainment. The chain Costa Coffee, for example, launched an AI-powered robotic coffee machine in Austin that serves drinks without any human assistance.³²

Airports have made investments to improve the travel experience, from building comfortable lounges and offering free Wi-Fi to attracting diverse food and drink operators to meet international preferences as in the case of the more than 100 food vendors currently located at Jewel Changi airport.

Three tools can be easily implemented to unlock value from food and beverage outlet visitors.

— **Self-service ordering or pre-ordering kiosks.**

Already very popular, these tools help passengers avoid bottlenecks at peak hours, creating additional time for shopping.

— **Interactive kiosks and screens.** Surveyed respondents told us they have increased their dining time. Eating is increasingly more than grabbing takeaway (as seen in figure 10 on page 17). Providing increased seating and installing interactive kiosks or screens allows passengers to explore duty-free products while dining.

— **Combined couponing approach.** As physical barriers between shopping and food and beverage begin to blur, opportunities are surfacing for travel retailers to collaborate with food and beverage vendors to combine offers or discounts such as receiving a discount coupon for duty-free with a meal purchase and combined loyalty programs between food service operators and duty-free stores.

“With the increase in dwell time, people are also spending more time in restaurants. Travel retailers need to find a way to capture their attention on travel retail by collaborating with food and beverage players.”

Senior executive, international airport

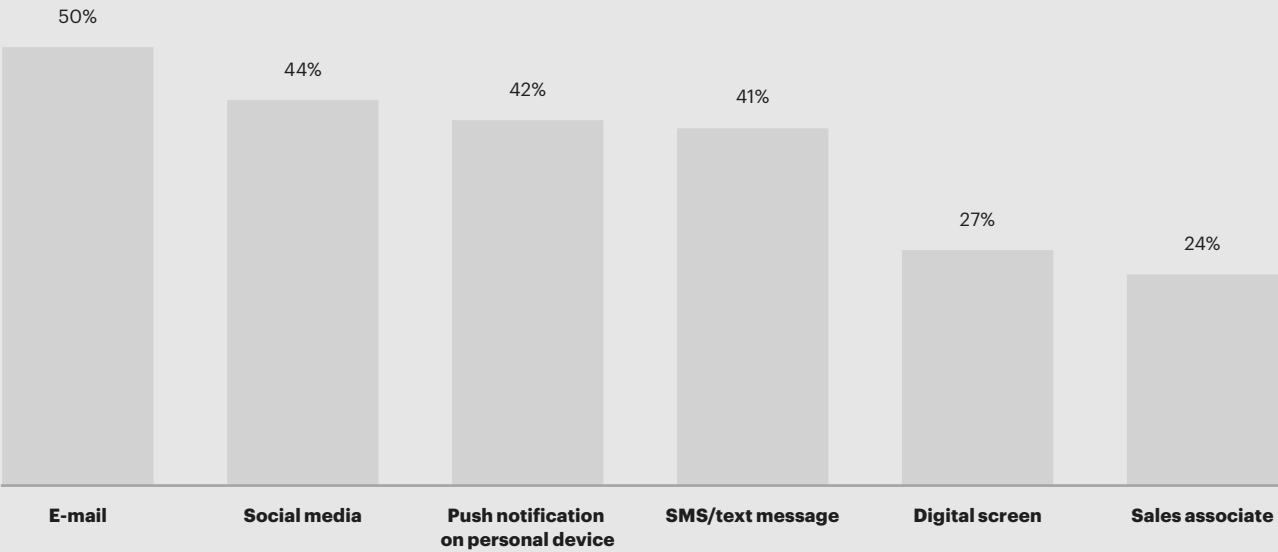
Innovative blended offerings between duty-free stores and food and beverage outlets are also emerging, benefitting both retail categories. Avolta—with a strong business DNA of both travel retail and food and beverage—is testing hybrid stores following its Autogrill integration.³³

³² The Moodie Davitt Report

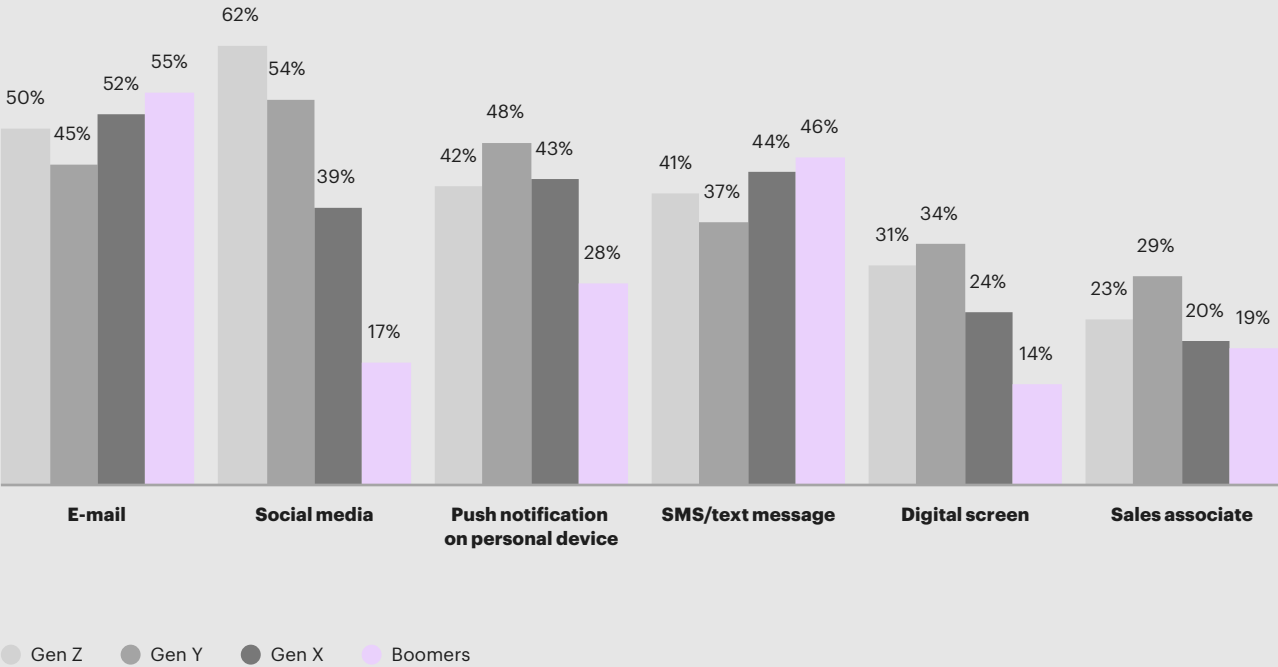
³³ Avolta press releases

Figure 20
Despite logical generational differences, digital channels are the most effective to reach travelers, especially e-mail and social media

Channel receptiveness to personalized offers or messages
Survey, N=3,706, as of July 2024



Channel receptiveness to personalized offers or messages – by generation
Survey, N=3,706, as of July 2024



Notes: Duty-free consumers were asked on which channel(s) would they be more receptive when receiving personalized offer or messages. Gen Z = 18–27 years old; Gen Y = 28–41 years old; Gen X = 42–60 years old; Boomers = 61–100 years old.
Source: Kearney survey and analysis

In November 2023 the Hudson Café Milano, a combined café, food retailer, and bookstore, opened in Milan's Malpensa Airport (Italy). Hudson opened a similar facility in July 2024 at Sharjah International Airport (United Arab Emirates). That same month, Hudson transformed a bookstore at Gerald R. Ford International Airport in Grand Rapids, Michigan (United States), into a blended retail concept featuring a bookstore with a self-serve wine bar.

Increase lounge visitors' spending by offering additional shopping opportunities

Historically, most airport lounges offered premium services such as comfortable seating, travel assistance, complementary food and beverages, workstations, and even showers. The only things missing were shopping opportunities. Today's lounge visitors are not just business travelers looking for rest and productivity. Non-business travelers also expect airports to enhance their trip experience, and lounges are part of the experience. Our research revealed lounge visitors tend to spend 25 percent more on average than non-lounge visitors. This confirms the business value of addressing their requests and more effectively targeting them. Here are two ways to explore how to cater to this new audience while keeping lounges' service-oriented spirit.

The first is gamification. Think of temporary "pop-up" stores dedicated to a brand that offer exclusive experiences and build brand/product awareness through augmented reality and virtual reality applications.

The second involves digital signage and displays. Interactive digital screens could be installed in lounges showcasing duty-free products with detailed information, promotions, and customer reviews and perhaps even allowing passengers to purchase items.

Retailers could offer flyers options that extend the "relaxed lounge" but still allow travelers to bypass shopping if they chose. Angering potential customers is always counterproductive.

"Without necessarily compromising passengers' rest, we could also enhance their experience in lounges by creating highly selective experiences. This would at least help increase brand awareness."

Senior executive, jewelry player

Better driving passenger engagement all along the journey (in other words, before and after the flight)

Interacting as many times as possible—and reasonable—with travelers, not just during their flights but before and after them as well, is one way to increase sales and margins. And that requires understanding when travelers are the most receptive to personalized offers. When is that? Well, the best way to determine it is to listen to what real consumers told us.

Travelers appreciate receiving offers before arriving at the airport

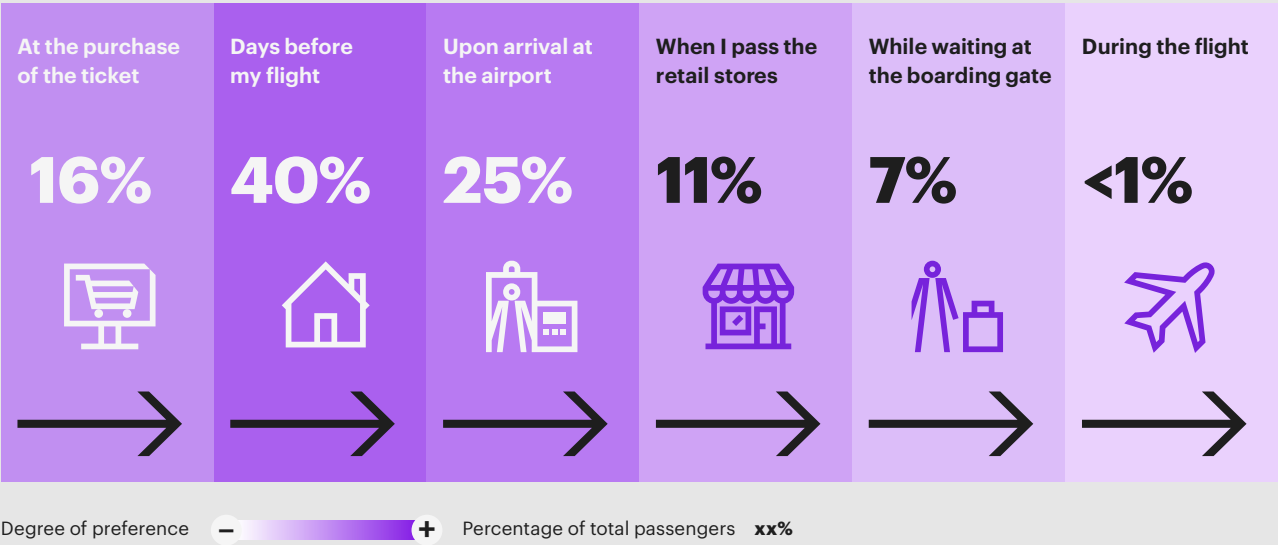
The best way to approach travelers is on their own terms. Let's look at what this year's survey respondents told us those terms were (see figure 21 on page 39):

- **Sixteen percent** of travelers prefer receiving offers at the time of ticket purchase. The percentage of Gen Zers preferring this approach is higher than the average.
- **Forty percent** are most receptive to offers in the days leading up to their flight, again confirming that shopping is an integral part of their pre-travel planning.
- **Twenty-five percent** prefer receiving offers upon arrival at the airport.
- And **11 percent** are most receptive when they pass by retail stores within the airport.

These results reinforce the fact that a significant portion of travelers plan their shopping in advance and appreciate receiving offers before arriving at the airport.

Figure 21
The majority of travelers are most receptive to offers in the days leading up to their flight

Preferred timing for personalized offers
Survey, N=3,706, as of July 2024



Source: Kearney survey and analysis

Better start targeting as of booking

The travel retail industry has begun to tap into online travel agency and hospitality businesses’ customer relationship management (CRM) and loyalty program pools. These connections allow potential customers to be identified the minute they book a flight or hotel room. Once identified they begin receiving targeted promotional offers. These airport shopping promotions can also appear on apps such as Uber and other on-demand ground transportation services.

Mini-programs available in WeChat and targeting Chinese travelers are already leveraging the pre- and post-flight opportunities.³⁴ Being a one-stop shop for all e-commerce purchases and covering all travel needs, WeChat already captures user data to help retailers create highly targeted marketing campaigns. (A caveat: WeChat’s ecosystem remains super specific and cannot be easily transposed.)

By definition, developing omnichannel marketing solutions with harmonized online, offline, and in-transit touchpoints allows clients to engage with customers across the channels of their choice, setting the stage for increased customer engagement, improved brand loyalty, and the potential for higher conversion rates linked to personalized and timely offers.

³⁴WeChat, a widely-used social media and messaging platform in China, offers mini programs—sub-applications within the WeChat ecosystem that provide various services without the need for users to download separate apps.

Maintaining a best-in-class experience for passengers

When it comes to procedural activities automation, is what is good for the airport always good for the air traveler? Perhaps so.

Passengers like automated procedural activities.

Eighty percent of respondents reported preferring using these solutions when available. The three leading reasons for not using the new technology were—in order of first to third—lack of experience, finding it more complex than traditional manual processes, and a preference for human interaction.

One word of warning: disruptive technologies are changes to established habits and **change often creates anxiety**. This means—at least for some flyers—automated airport processes have the potential to become counterproductive by increasing stress and interfering with travelers having or enjoying free time, which by extension, limits the time or interest they have in shopping. Airport stakeholders need to remember that confusing flyers—even if the confusion will ultimately improve their experience over time—isn’t good for anyone’s business, especially in the short run.

“Automation can streamline processes, but also increase stress for some travelers due to disruption and changes, potentially discouraging them from shopping.”

Senior executive, wine and spirits player

It is crucial that **retail technologies don’t degrade a customer’s in-store experience** by using tools such as supermarket-style self-checkouts, especially in high-end categories. Instead look for efficiencies found in streamlined processes and alternative innovations such as employing sales advisors equipped with mobile POS rather than building self-service kiosks.

And never forget that for today at least, depending on the customer and category, technologies such as virtual try-ons and other experiences still run a poor second to well-trained sales agents. At Munich airport, for example, passengers from China are offered free native Chinese-speaking personal shopping assistants.³⁵

“There is a very wide range of beauty products now offered in duty-free, and sometimes very premium products. Even though it’s convenient, I don’t think it’s very appropriate to let the customer do self-checkout for all product ranges. The best experience remains with a well-qualified sales associate from start to finish.”

Senior executive, jewelry player

³⁵Travel Daily News International



Interview with Jérôme Lepage, marketing and business development director, JCDecaux

What changes are you seeing in traveler profiles and behaviors regarding their free time at the airport? What are the opportunities and how to better capture their attention after security/ border controls?

Our latest global airport research conducted by IPSOS, “First Class Advertising: The Enduring Magic of Airports,” confirms the potent opportunity for brands to connect with business, leisure, and the new “bleisure” travelers in these influential spaces. Flyers overwhelmingly recognize and value the unique appeal of the airport environment, indicating its profound influence on their perceptions and experiences.

A substantial 71 percent of respondents say the airport’s layout and atmosphere are important to them, while the same percentage acknowledges that the airport experience is special and distinct from everyday life. Moreover, 68 percent affirm that the airport is an essential part of their holiday or travel experience.

Shopping emerges as a cornerstone of the airport experience, with 85 percent of flyers having made purchases at airports in the past 12 months. Notably, 65 percent of travelers do not pre-plan their airport purchases, indicating a significant opportunity for brands to influence spontaneous consumption. Indeed, a sizable portion of travelers engage in spontaneous purchases at airports, particularly individuals from India, Saudi Arabia, Hong Kong, and the UAE. High airport spenders also exhibit a higher tendency for spontaneous purchases.

The travel retail industry is well aware of the opportunities that could be created by a better collaboration between stakeholders. There are initiatives to increase the size of the pie, but how can they be scaled?

The airport is a place of genuine dialogue between the audience and the brands through

emotional and impactful experiences. Airports offer brands the opportunity to capture passengers’ attention and to engage with them through a one-of-a-kind experience.

This dialogue has extended to other parties at Dubai Airport since 2017 and more recently at Frankfurt, London Heathrow, and Paris airports. It illustrates the benefit of a collaborative strategy: a quartet comprising the brand, the airport, the retail operator, and the advertising operator. This unprecedented collaboration aims at building a new ecosystem based on advertising and airport and travel retail data to deliver an optimized advertising scheduling system and boost campaign efficiency.

Since 2019, we have had more and more omnichannel strategy proposed by JCDecaux, the duty-free operator, and the airport, including a drive-to-store advertising campaign, podiums and product testing, in-store activation, and communication on the airport’s e-boutique for mutual benefit. Such a collaborative strategy helps convert passengers into consumers.

What emerging technologies or innovations do you believe will have a significant impact on advertising in airports in the next five years?

JCDecaux has already significantly invested in programmatic, which will be a growth driver for our business in airport, as it’s a game-changing solution for advertisers seeking seamless campaign execution. In a period of major changes within the digital ecosystem, this pioneering offering guarantees high-performance contextualized campaigns and marks a significant milestone in the outdoor advertising industry, enabling brands and agencies to tap into the immense potential of programmatic advertising in the airport environment. This year, JCDecaux has launched the first global airport programmatic DOOH offer, a first-of-its-kind solution that empowers brands and agencies to execute targeted, dynamic, and contextualized advertising campaigns effortlessly across JCDecaux’s programmatic-enabled airports.

The second major innovation is the new generations of LED screens that will offer unique emotional and impactful brand experience thanks to high-resolution displays (mini- to micro-LED, rigid to flexible displays, and non-transparent to transparent displays). Advertisers and their agencies have unlimited creative opportunities to create emotional connections with passengers/consumers, which could be enhanced by AR and VR technologies.

What's next for an industry hoping for a successful turnaround?

Dare to be bold enough to kick start the growth engine

In the rapidly evolving travel retail landscape, adapting to change is not an option, it's a necessity. And, as we've discussed, technology alone will not be sufficient to guarantee the industry a prosperous future. Ensuring that the industry can profitably grow and remain relevant to new generations of travelers requires a fundamental, broader, and deeper transformation.

Based on insights from industry leaders, we have identified **four key areas for bold action**:

The first is **engaging with new players**. Think about partnering with start-ups and tech companies to explore fresh options, tools, and solutions. These collaborations can open the door to disruptive technologies and processes with the potential to totally revitalize the customer experience. By the same token there are opportunities to change the airport environment by recruiting non-tech operators currently not operating in the travel retail industry. Lastly, stop considering food and beverage as a competitor to travel retail and explore complementary activity to provide a holistic and qualitative experience.

The second is to **aggressively adopt advanced technologies**. When it comes to creating immersive retail experiences and AI-powered personalization there's a compelling business case to be made for building prime mover advantage at best and being a very fast follower at worst. In a high-tech future there won't be many prizes for coming in second or third. Just remember success will come from blending the best of retail practices with the most sophisticated modern technologies into new offerings.

The third is **considering a deep change of the operating model** to embrace the need for flexibility. It is crucial to operate in a way to maintain long-term visibility while adapting the product mix in the short term, to offer a curated assortment. This means to cope with a higher level of uncertainty but is crucial to go beyond the model of a global offer to meet a demand that is now more local.

Finally, **revamp the economic model**. Travel retailers need to explore new revenue streams such as subscription services that present frequent travelers with exclusive, and relevant, offers. Don't be afraid to challenge the existing fundamentals of the current model. For example, pop-up stores that rotate based on seasonality or special events attract repeat visits and generate buzz. Explore new revenue-sharing arrangements with airlines, airports, and other stakeholders that align incentives and drive mutual growth.

Instead of simply replicating traditional retail models, draw inspiration from best practices in department stores or e-commerce giants, adapting them to the travel retail environment. And always remember, no one-size-fits-all approach will work; customization is key and accelerating data-sharing will be the "table stakes" of the future.

"The travel retail industry must act swiftly to implement bold strategies, especially in challenged categories. Delaying these changes could mean missing vital opportunities to secure the future and reignite growth in a rapidly shifting market. We have to prepare the future as of today."

Senior executive, confectionary company

Accelerate data-sharing opportunities

A slow move toward “pentarchy” partnership model

Speaking of data sharing, last year’s report discussed the strategic importance of moving to a “pentarchy” partnership strategic model. We defined the pentarchy model as a collaborative environment with equitable value-sharing models among the five stakeholders, based on a mutual understanding of travelers’ behavior and commercial economics.

While some promising pilots are under way, market feedback indicates the transition to a scaled pentarchy is still in its infancy. That’s disturbing since noncollaboration will result in an unequitable and fragmented environment where some players advance rapidly while others lag or simply fade away altogether.

From the standpoint of brands, these pilots—which enjoy various levels of cooperation—are not moving fast or bold enough. At the same time, in local markets, no retailer or brand would accept operating today without sellout data.

“The key to successful pentarchy partnerships is a willingness to share data openly and transparently. This means viewing it as a tool for mutual benefit rather than a competitive weapon.”

Senior executive, wine and spirits player

“Many retailers are struggling due to the market context. We know they have the data, but we haven’t yet found the winning economic equation to obtain it.”

Senior executive, confectionary company

“While technology-inspired solutions hold great potential for the travel retail industry, challenges persist, chiefly a lack of customer data about the travel retail environment. This deficit hinders brands’ ability to effectively track tool performance and personalize marketing efforts.”

Senior executive, wine and spirits player

However, ongoing initiatives demonstrate encouraging results

Several industry stakeholders have launched promising pilot programs, but these programs require significant investment in order to generate traffic and acquire customers. What we see at this stage is that those pilots are working better when fully integrated within the journey and between stakeholders.

For example, during the Paris 2024 Olympic Games, Moët Hennessy led a successful partnership with Aéroports de Paris and Lagardère to showcase their brands at the airport and reflect their strong presence at the events in Paris. To maximize visibility, they used demographic data for each terminal to strategically select the best brands and locations, enhancing the effectiveness of their A&P efforts.

There are also less obvious collaborations. Avolta and Heinemann, for example, invested in the Duffle start-up whose mission is to digitize the travel retail and food and beverage sectors and travel service offerings at airports globally.³⁶ Similarly, we are seeing moves on the part of some brands to obtain data directly from airlines, bypassing retailers altogether. Those examples of bold moves illustrate the importance of innovative collaborations.

While it is too early to precisely measure the performance of these relatively small-scale initiatives, most will agree that collaboration between all stakeholders drives better results than noncollaboration. In the same way we recognize the power of online marketplaces offering pre-ordering and click-and-collect or delivery services, we can see the potential of platforms integrated to airport websites and offering additional services such as parking to build traffic and conversion.

³⁶DFNI Magazine, The Moodie Davitt Report, company press releases

And we aren't just talking about potential. Kearney has benchmarked eight major retailers offering such online platforms for airport passengers. Retailers partnering with airports to include a marketplace within the facility are seeing traffic is far higher than for the total market, which suffered traffic declines of -18 percent between June 2023 and 2024 (see figure 22).³⁷ Extime Duty Free, the joint venture between Lagardère Travel Retail and Aéroports de Paris, for example, drove five times normal traffic (measured in unique visitors) between June 2023 and 2024. Aelia Duty Free at Aeroporti Di Roma also quintupled traffic since its launch in January compared to a decrease for other Aelia shopping platforms working on their own.

Collaboration can really accelerate initiatives with strong customer support such as click-and-collect.

³⁷ Similarweb, unique visitors' analysis

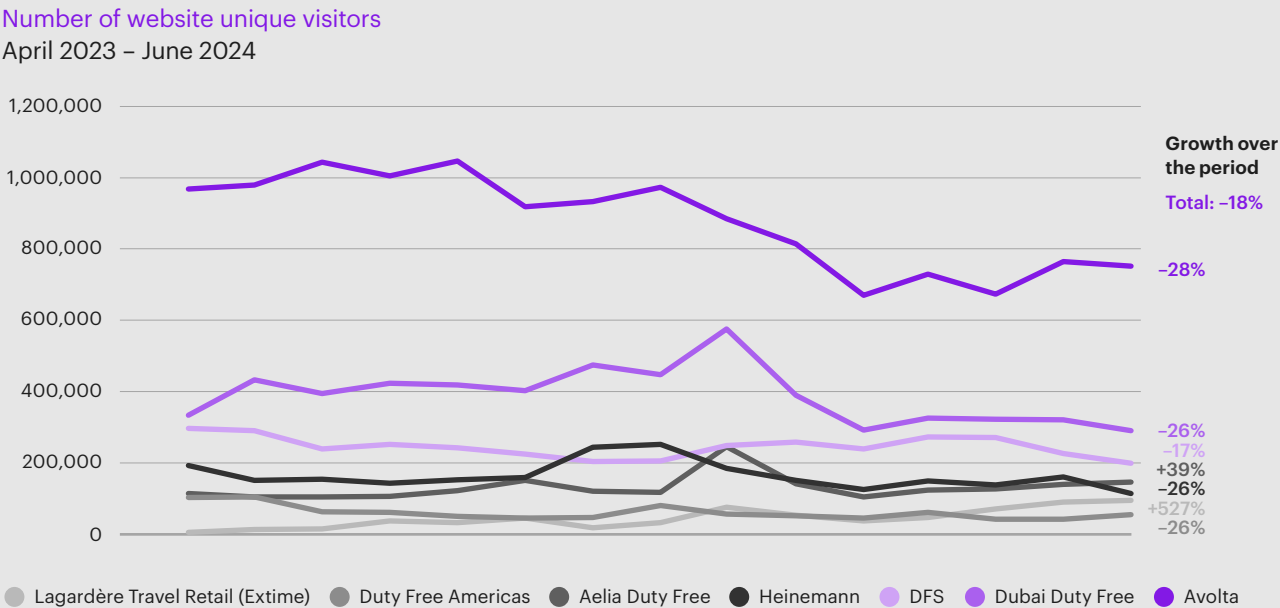
It's also important to study and learn from other channels, and to capture quick wins

There is also potential to leverage existing traveler touchpoints such as parking slots, hotel booking, or transportation services platforms that give you another point of contact with potential shoppers. At this writing, these existing tools are still being largely ignored altogether or, at best, underutilized.

Travel retailers might consider approaching third-party players such as online travel agencies or other travel-adjacent companies able and eager to share CRM and loyalty pools. Investing in those databases could unlock significant value in the short term.

Just don't forget, no strategy will work if all it does in the end is lead the traveler to an unsatisfying retail experience. Historically, shoppers' experiences in travel retail stores suffered in comparison to those offered by non-airport retailers. This "quality experience gap" is closing but still threatens to widen once again unless the industry learns to adopt and integrate digital tools.

Figure 22
Pre-ordering shopping websites do not drive significant traffic over time



Note: Benchmark of websites offering online shopping pre-ordering services with delivery at airport or home, and excluding downtown POS (e.g., Shilla Duty Free). Websites used: shopdutyfree.com for Avolta, dubaidutyfree.com, dfs.com, aeliadutyfree.country, heinemann-shop.com, extime.com, dutyfreeamericas.com. Sources: Similarweb; Kearney analysis

Brands and retailers can also learn best practices from each other, in part just by sharing their experience in and with other channels. There is still a good deal of low-hanging fruit available to all industry stakeholders. Look no further than the limited presence of travel retailers on paid search engines such as Google, despite their reach to members of a qualified target cohort.

“The airport started very recently investing in Google ads to target future airport visitors. We hope to attract more people to the shops.”

Senior executive, international airport

Challenges to scale up the pentarchy

Building “win-win” pentarchy partnerships requires developing business cases that create value for all stakeholders as well as addressing misalignments between retailers’ short-term interests and brands’ long-term goals. This can start by leveraging stakeholder strengths.

Brands should manage CRM while retailers focus on operational excellence, strategies that play to each party’s strengths and build consumer loyalty.

Airlines and retailers are sitting on a goldmine of traveler data they could use to further enhance commercial travel retail value. But its value will remain buried unless trust can be built. Establishing a legal framework for collaboration and securing the services of a mutually trusted third-party “clean room” provider—agreed on by all sides—to secure access to, and the integrity of, data lakes are essential steps to providing a solid foundation for building trust between stakeholders. Travel-x, part of TFWA i.LAB, acts as a third-party partner in the travel industry to consolidate data from various players, from airports to airlines and from duty-free operators to travel retail brands.³⁸

Scalability can become another hurdle. Scaling partnerships across different countries requires accommodating various retail models and legal frameworks for consumer consent. It’s better to think through possible constraints at the beginning of building your business case than when you are too far down the road to turn back.

But the tallest hurdle to leveraging the power potential of the pentarchy exists in the minds of retailers themselves. Travel retailers must learn how to move from the historical comfort of a commercial mindset based on discounts and become expert tourism marketing firms, capable of holding a single-minded focus on elevating experiences at every step of the consumer journey.

“Given the investment required to develop and implement tools, brands will not be able to make do with retailers’ lack of data transparency.”

CEO, tech solution provider

Airports are perfectly positioned to act as commercial enablers and accelerate collaborations between various stakeholders including themselves. Conscious of this opportunity, airport landlords are starting to make collaboration between potential partners on data sharing and tech solutions a prerequisite in the tender process. For their part, brands now see a greater involvement on the part of airports in fostering these collaborations as a prerequisite for further investment.

“When the landlord integrates retail into his model, it gives him a more holistic, long-term view of the customer journey. It is a greater incentive to invest.”

Senior executive, luxury beauty brand

“We aim at bringing airports back into discussions, but it requires the approval of retailers that today block access.”

CEO travel retail, beauty player

³⁸Company website. Travel-x is part of TFWA i.lab exhibitors.



Interview with Laurent Boidevezi, president Asia Pacific, Global Travel Retail and Private Sales, Moët Hennessy (LVMH)

The travel retail industry is evolving toward more integrated and collaborative models. What are your expectations from other stakeholders to create a more traveler-centric approach?

Travel retail is a fantastic platform to showcase our brands and a unique opportunity to elevate our Maisons, increase our brand desirability, and strengthen our luxury positioning through retail. We have been doing great progress over the past few years and we want to keep working hand in hand with retailers to elevate our look and feel, our presence, and our visual merchandizing.

A better understanding of our consumers is essential and this is only possible through the relationship we have with our retail partners and through our sales ambassadors who understand our consumers extremely well and can provide insights into traveler profiles and demographics, purchasing behaviors, and preferences. This enables us to tailor our offering more precisely, better define pricing and activation efforts, and ultimately craft the most relevant, personalized, and engaging experiences.

A collaborative model requires alignment with key airport authorities and strong relationships with global duty-free associations to better understand traffic trends, anticipate consumer needs, and engage in crucial discussions about the future of travel retail with governments and stakeholders.

The wine and spirits sector is considered by the industry to be one of the most advanced categories regarding personalized and exclusive experiences, notably with limited editions. How are you using technology to further enhance consumer engagement and improve the overall experience at travel retail locations?

At Moët Hennessy, our mission is now moving from “selling products” to “selling experiences.”

We are advancing in creating exclusive, personalized products and experiences, leveraging technology throughout the travel journey.

For instance, we reach out to consumers with targeted digital messages both before and during their trips, inviting them to discover our products and experiences at our dedicated airport spaces. We also use the www.travel.hennessy.com or WeChat digital platforms to allow them to learn more about our products before they arrive at the airport.

We are also doing a lot of in-store activations through various digital solutions, integrating experiences and virtual reality into our retail environment. Senses of Hennessy, Destination Champagne, and The Glenmorangie Wonder Machine are good examples of immersive tools used at the point of sale by our consumers to make their choices.

We are also exploring AI solutions to provide our consumers with innovative services. A good example is Divine, created by our wine division and recently presented at the Vivattech fair in Paris, which interacts with clients and recommends the wines that best match with their tastes and preferences.

Given the context of lower consumer demand, inflationary pressure, and reduced spending power, how are you using technology to enhance agility? Which tools do you find most promising?

Technology and digital tools are crucial to navigate in this challenging environment and to enhance our agility to be more reactive.

Our sellout tracking provides vital insights into our brands’ performance. Wine and spirits is a wholesale business by nature and travel retail is only one of the few channels where we can get access to sellout data. We use this to evaluate the effectiveness of our A&P investments and activation efforts. As a result, we can adjust activities monthly, allocate resources more efficiently, and implement targeted initiatives to boost sales and gain market shares.

On top of that, we have also developed internal digital tools to manage the allocations of our products which are usually available in limited quantities. We can control the stocks appropriately and manage our allocations by region and by airport, which ultimately allows us to work with retailers in transparency, trust, and mutual respect and have a very positive impact on our relationship with them.

However, even more than technology, it is creativity that is absolutely crucial when demand is lower, with one goal in mind: keep increasing the desirability of our brands.

North Asia's burning platform: answer key questions to reinvent the business

North Asia (China and South Korea) is witnessing **a transition from a Daigou—a dominant business model—to a more traditional retail sector**, a transition that is driving down volume and value.³⁹

Daigou business flourished during the COVID crisis. From 2022 on, several governments implemented stricter regulations and increased surveillance to curb gray market activity to protect both local retailers and tax revenues. To some degree at least, by reducing the influx of high-spending Daigou shoppers, some of these measures negatively impacted the luxury retail sector.

Daigou practices had a massive impact on foreign luxury brands in North Asia, especially in the beauty category and to a lesser extent fashion accessories such as bags and watches and jewelry.

But other factors also contributed to the North Asian slowdown, including price increases through normal channels in Korea, economic slowdown in China, and—more importantly—the willingness of the Chinese government to encourage local consumption through measures that supported the Hainan Free Trade Port development and instituting tax reductions on luxury goods to shrink the price gap between China and the rest of the world.

As a result, over a very short period, the fundamentals of the Asian market have clearly been called into question, leaving crucial questions unanswered, including:

- Moving forward, is it a structural change or just a question of time before the travel retail business picks up again in the region?
- Are the structural reasons why North Asians have been spending exponentially in recent years doomed to disappear?
- How can retailers move away from the historical logic of globalizing supply to better address future demand, with more intra-Asian flights?
- How would retailers and brands adapt their strategies to comply with these new regulations while still managing to attract affluent consumers?
- Wouldn't the end of this "gray market" ultimately be better news in the luxury goods market?

"In the beauty sector, everyone is wondering how long it will take to absorb the Daigou effect."

Senior executive, fragrance player

"Travel retail players will have to find a new model in North Asia. It cannot be based on prices anymore. They need to reinvent to grow again."

Senior executive, beauty player

³⁹Daigou refers to individuals or entities that purchase goods, typically luxury items, from overseas markets on behalf of customers reselling them at a profit. This practice emerged due to price disparities, tax differences, and limited availability of certain products in North Asia.

A word from TFWA



Franck Waechter, Managing Director, Tax Free World Association

Upon reflecting on the findings of this comprehensive study on the evolution of travel retail, it becomes clear that our industry is at a pivotal moment. The landscape, once dominated by traditional shopping experiences, has shifted toward a more dynamic and multifaceted environment, where technology, personalization, and immersive experiences are reshaping how we engage with travelers. This transformation, though complex, offers a wealth of opportunities for those willing to innovate and adapt.

The Kearney study emphasizes key areas that will define the future of travel retail. From the integration of cutting-edge technologies like augmented reality and artificial intelligence to adopting sustainable practices, the report highlights the critical need for retailers to stay ahead of the curve. In the contemporary era, today's traveling consumers, especially those from younger demographics, no longer engage solely in shopping endeavors; rather, they actively pursue meaningful and immersive experiences. Retailers must go beyond traditional models and adopt retailtainment, storytelling, and personalization to capture their customers' attention.

The post-pandemic period has brought about new challenges, notably the decoupling of passenger volume and retail sales. Despite the recovery in air traffic, retail growth has lagged behind, a trend driven by factors such as inflation, unfavorable exchange rates, and more conservative spending behaviors. As travelers increasingly prioritize experiences such as dining or entertainment, the role of airport retail is being redefined.

Moreover, regional disparities in recovery, as highlighted in recent TFWA research, underline the complexity of this new era. While North America and the Middle East show more robust signs of recovery, the Asia Pacific region continues to face headwinds, influenced by economic factors and regulatory changes, particularly in China and South Korea.

As we look to the future, it is essential to recognize the growing competition for travelers' attention, not just from other retailers but from digital entertainment platforms as well. This calls for a reimagining of the retail experience—one that blends the convenience of online shopping with the tactile appeal of in-person purchases. Initiatives like click-and-collect, mobile checkouts, and pre-arrival engagement strategies are crucial to staying relevant in this digital-first world.

Finally, sustainability remains a cornerstone of the evolving travel retail landscape. Consumers are increasingly drawn to brands that align with their values, particularly those committed to eco-friendly practices and ethical sourcing. By incorporating these elements into their offerings, retailers and brands can foster deeper connections with their customers and create a lasting positive impact.

At TFWA, we remain dedicated to supporting the industry during these transformative times. Our role as a platform for exchange and learning is more critical than ever as we help our members navigate the complexities of today's marketplace. We are confident that the insights from this study will provide valuable guidance, and we look forward to continuing our mission to shape the future of travel retail together.

Conclusion

As we have shown throughout this report, travel retail faces a critical juncture. The industry must find ways to unlock value. While consumers are eager to shop, their purchasing behavior is influenced by shifting dynamics such as high prices, staid assortments, and the growing prevalence and popularity of tech-driven experiences.

Technology holds great promise to boost travel retail, offering opportunities for greater personalization, operational efficiency, and enhanced customer experiences. However, the challenge lies in striking the right balance between high-tech and high-touch—keeping the industry both efficient and human. So, future success will depend on blending innovative technologies with the core principles of great retailing—competitive pricing, exceptional service, and a compelling in-store experience.

Looking ahead, the industry needs be bold and clear-eyed as it addresses its future and its challenges. Preparing for that future requires embracing data-sharing opportunities and continuously exploring new ways to engage modern travelers. To thrive—and perhaps to just survive—travel retail must evolve beyond its historic comfort zone and be willing and able to adapt to new consumer preferences that prioritize experiential and tailored offerings.

We want to leave you with a few closing ideas to consider, wherever you find yourself in the pentarchy.

If you are a **retailer**, challenge yourself to focus on creating unique, immersive, in-store experiences that differentiate you from other channels, preferably on multiple levels.

Brands need to continue investing in personalizing the customer experience and offering exclusive products that appeal to the modern traveler.

For their part, **airports** have to partner with retailers and tech providers to enhance the passenger journey and optimize retail spaces for maximum impact.

Airlines need to learn how to leverage client opportunities in order to introduce pre-travel shopping experiences and to take “risks” in terms of collaborating with brands and retailers. This is easier than it might sound. After all, the real risk lies in not collaborating.

Finally, **media and digital partners** must help drive awareness of new innovations in travel retail through targeted, engaging content while ensuring travelers feel valued, not overwhelmed.

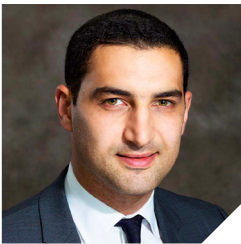
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