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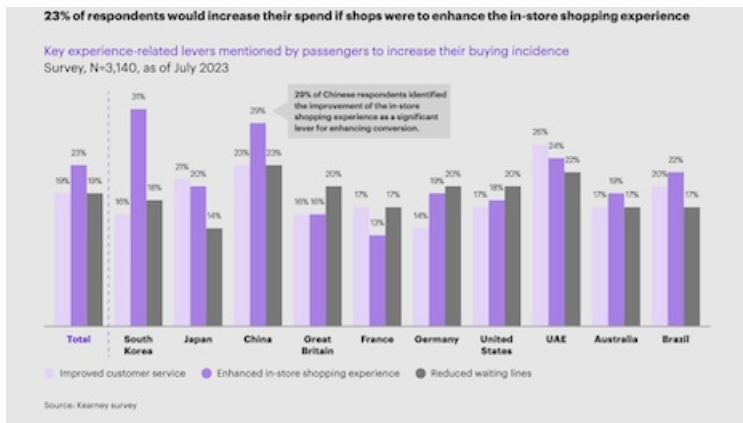
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RETAIL

Average travel retail spend per passenger in 2022 dropped 29pc: Kearney

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Twenty-three percent of respondents to the Kearney survey would increase their spend if shops were to enhance the in-store shopping experience. Source: Kearney

By STAFF REPORTS

Slow recovery from the pandemic and the end of revenge buying has prompted a disconnect between price-centric models and new customer expectations, affecting traveler spending on retail.

Average travel retail spend per passenger collapsed 29 percent last year, with only 5 percent to 10 percent of travelers making impulse purchases at airports, according to management consultancy Kearney.

"The pandemic was clearly a significant shock to the travel retail industry and one it is still recovering from," said Charles-Etienne Bost, Kearney partner and head of the consumer goods, retail and luxury business for Europe, said in a statement.

"However, while the pandemic was a black swan, the underlying factors that have necessitated a rewiring of global aviation and travel retail were lurking even before the first headlines from China," he said. "The important thing will be to recognize how passenger behaviors and trends around travel have changed."

The findings appear in [Kearney's](#) new report conducted for the Tax Free World Association titled, *Travel retail faces its moment of truth: strategies to reinvigorate the marketplace*. The study was developed from industry data, a survey of 3,500 customers across 10 countries and in-depth interviews with more than 40 senior executives from global airports, carriers, travel retail and brands.

End of revenge buying

COVID-19 abruptly disrupted a decade of fast-paced growth of 9-plus percent per year in the retail travel market.

The market was expected to recover in 2022 to 75 percent of its 2019 value, but a full recovery will not happen before 2023/2024 and will mostly be supported by increased passenger numbers.

In 2022, passenger numbers reached 75 percent of 2019 figures. Global traffic is expected to fully recover by 2024. However, Kearney's report observed that the average spend per traveler fell 29 percent in 2022 to just \$17. This may be in part due to a reduction in "revenge buying" excess consumer spending following the pandemic or the effect of inflation.

However, the data reveals that the disconnect between consumer expectations and the current travel retail model is also a significant factor.

"The trinity model of airports retailers and brands worked it for years [and] now, it's time to update our thinking around travel retail," said Vincent Barbat, Kearney partner and lead of luxury business for Europe, in the statement.

"A pentarchy model, adding in carriers along with digital and media partners, now better describes the distinct forces that need to be present to best serve air travelers and their needs," he said.

"This isn't to suggest some rosy cliché that we all simply need to work together. It's a pragmatic, profit- and growth-driven approach to keep the new trends that are influencing duty-free consumers at the center of business models for a new age."



Transitioning to a pentarchy paradigm is a must to enable traveler-centricity. Source: Kearney

Travelers' expectations have shifted

Traditionally, price competitiveness has been central to the travel retail industry's value proposition.

However, Kearney's research reveals that more than 50 percent of travelers do not perceive travel retail prices as competitive compared with domestic retail, and 33 percent do not buy because the product assortments do not fit their expectations, leading to a conversion rate that is much lower than traditional shopping centers.

In fact, only 5 percent to 10 percent of travelers buy in airport duty-free stores, compared with 40 percent to 60 percent of visitors in shopping centers.

New generations are changing the rules

Gen Z and millennials are becoming a larger segment of the traveling population, predicted to be more than half by 2025 and representing a new kind of traveler.

For instance, 77 percent of passengers mentioning experience as a key reason to buy duty-free were either Gen Zs or millennials, while older travelers tended to prioritize cost over experience.

Passenger flow could help

Global passenger numbers will recover to 83 percent of 2019 levels this year 3.74 billion and then 101 percent of 2019 levels by 2024, or 4.55 billion people, according to the Kearney report.

However, traffic volume is not the same as consumption growth.

To ensure consumption growth, there needs to be a fundamental shift in the industry's value proposition.

IN ADDITION TO competitive pricing and promotion, travelers want to have the right assortment, personalized engagement, a tailored shopping experience and top-notch services.

According to the Kearney study, 55 percent would buy more with more competitive prices, 37 percent if exclusive products were offered and 17 percent if delivery was available. Also, 32 percent mentioned experience as a key reason to buy.

"As with any retail industry, the priority for duty-free and travel retail is to understand current and future customer behaviors, anticipate their needs and expectations and tailor the retail offer and assortment accordingly," said John Rimmer, managing director of the Tax Free World Association, in a statement.

"It is difficult to promote our industry when we are unable to accurately define the level of sales it generates and, therefore, the contribution we make to the travel industry worldwide," he said.

"Initiatives such as this report from Kearney and the European Travel Retail Confederation Index are steps in the right direction, but it requires a coordinated global approach with the cooperation of all stakeholders."

[Please click here to download the Kearney report titled, *Travel retail faces its moment of truth: strategies to reinvigorate the marketplace*](#)

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